SECONDARY ALUMINUM ALLOY IN UNWROUGHT FORM FROM THE UNITED KINGDOM

Determination of the Commission in Investigation No. 731-TA-40 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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This report prepared by

Miriam Bishop, Office of Investigations
Christine Bliss, Office of the General Counsel
Marvin Claywell, Office of Investigations
Daniel Leahy, Office of Investigations
Steven Miller, Office of Investigations
Francis Mitko, Office of Economics
Pamela Woods, Office of Industries
Lynn Featherstone, Supervisory Investigator

Address all communications to

Office of the Secretary

United States International Trade Commission

Washington, D.C. 20436

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. These deletions are marked by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-40 (Preliminary)

SECONDARY ALUMINUM ALLOY IN UNWROUGHT FORM FROM THE UNITED KINGDOM

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-40 (Preliminary), the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from the United Kingdom of secondary aluminum alloy in unwrought form, provided for in item 618.0650 of the Tariff Schedules of the United States Annotated, which are alledgedly being sold in the United States at less than fair value (LTFV).

Background

On March 24, 1981, the U.S. International Trade Commission and the U.S. Department of Commerce each received a petition from the Aluminum Recycling Association, Inc., alleging that secondary aluminum alloy in unwrought form from the United Kingdom, is being, or is likely to be, sold in the United States at LTFV. Accordingly, the Commission instituted a preliminary antidumping investigation under section 733 of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication

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

that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the imports of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by May 8, 1981.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C. and by publishing the notice in the Federal Register on April 8, 1981 (46 F.R. 21120). The public conference was held in Washington, D.C. on April 20, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

DETERMINATION

On the basis of the record in investigation No. 731-TA-40 (Preliminary), undertaken by the Commission under section 733(a) of the Tariff Act of 1930, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded by reason of imports from the United Kingdom of secondary aluminum alloy in unwrought form, 1/ which are allegedly sold at less than fair value (LTFV).

The domestic industry

In general the domestic industry is defined as consisting of all domestic producers of a like product or those producers whose total output of the like product constitutes a major portion of domestic production of that product. 2/ A like product is a product which is like, or in the absence of like, most similar in characteristics and uses with, the imported product which is the subject of the investigation. 3/

The imported product which is the subject of this investigation is secondary unwrought aluminum alloy from the United Kingdom (U.K.). 4/ Secondary aluminum is included in a basket category under item 618.0650 of the TSUSA which also includes unwrought primary aluminum alloy. 5/ The majority of

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1/ Classifiable under item 618.0650 of the Tariff Schedules of the United States Annotated (TSUSA).
2/ Section 771(4)(A) of the Tariff Act of 1930.
3/ Section 771(10).
4/ ARA Petition at 2.
5/ Staff Report at A-5.

U.S. imports of unwrought aluminum alloy consist of primary aluminum from Canada and Ghana. 1/ Most of the remainder of the imports is of secondary aluminum, the majority of which is LM24 series alloy in the form of casting ingot from the U.K.. 2/ France and West Germany are also alleged to have exported small amounts of secondary aluminum to the United States. 3/

There are two forms of unwrought aluminum alloys, primary and secondary. Primary aluminum, produced from bauxite ore, has a high degree of purity and hence cannot be produced from scrap. 4/ The majority of primary aluminum alloy production is converted into wrought aluminum mill products. 5/

Unwrought secondary aluminum generally differs from primary in composition, use and price. Secondary aluminum is recovered from scrap and is available in different grades determined by alloy content. The great majority of secondary alloy produced in the U.S. is used in the production of castings. 6/ Primary aluminum alloys, which are of similar chemical composition, can be substituted for secondary aluminum alloys in many instances; however, primary alloys and secondary alloys are not generally used for the same purposes since primary alloys are more expensive. 7/ It is possible, however, that, if the demand for primary were to drop significantly, causing the price of primary to decline, the primary and secondary markets

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1/ Id. at A-17.
2/ Id.
3/ Brief of U.K. Association of Aluminum Refiners of April 24, 1981, Appendices B-D.
4/ Staff report at A-2.
5/ Id.
6/ Id.
7/ The distinctions made between primary and secondary aluminum in the staff report are also supported by the conclusions reached by the second circuit in the landmark decision involving the Sherman Act in U.S. v. Aluminum Co. of America, 148 F.2d 416, 424 (2nd Cir. 1945).

could overlap. Our investigation did not reveal that any such overlap occurred during the period covered by the investigation. Therefore we do not consider primary alloy to constitute a like product.

With respect to secondary aluminum alloys, our investigation revealed no significant differences in quality, characteristics, or use between the domestic 380 series and the U.K. LM24 series. 1/ Both the 380 series and the LM24 series are generally sold in ingot form, used almost exclusively in die casting and have a very similar chemical composition. 2/ Therefore the 380 series, which constitutes a majority of all casting alloy produced in the United States by independent smelters, is clearly like the imports of LM24 secondary aluminum alloy from the United Kingdom. 3/ In addition, there are other casting alloys which, although distinguishable by alloy content from the 380 series, may be used for essentially the same purposes. In the absence of information suggesting otherwise, we believe that they also constitute products which are like the imported article. 4/ We thus conclude that the domestic industry in this case consists of all producers of secondary aluminum alloy used for casting.

In normal circumstances we would have assessed the impact of the alleged LTFV imports on the domestic industry defined above. In connection with this,

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1/ Staff Report at A-2.

2/ Id. at A-2 and A-5.

3/ Under section 771(4)(B) the Commission is given the discretion to exclude a domestic producer from the industry if it imports the dumped product. In this case one of the domestic producers imports a significant percentage of the LTFV imports. Thus, the Commission could have excluded it from the domestic industry. However, its exclusion would not have altered the Commission's determination.

4/ Vice Chairman Calhoun disassociates himself from this conclusion. In his view the like product should be unwrought secondary aluminum alloys used for die casting because there is insufficient evidence to support a conclusion that other casting alloys are like die casting alloys in characteristics and uses.

the staff requested separate information on casting alloys, which would have allowed us to assess the impact of the alleged LTFV sales on these products. However, we received complete data only for the broader category of all secondary aluminum alloys, which includes extrusion billets, alloys used for steel deoxidization and miscellaneous alloys. These products differ from casting alloys in composition and uses. In situations such as this, the statute requires us to assess the impact of the alleged LTFV imports on the narrowest group or range of products, which includes a like product, for which the necessary information can be provided. 1/ Therefore, our determination in this case is based upon an examination of the impact of these imports on all secondary aluminum alloy production.

The petitioner alleges that this is an appropriate case for the Commission to find a regional industry 2/ consisting of 10 states in the

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1/ Section 771(4)(D).

2/ Section 771(4)(C) of the Tariff Act of 1930 states that--

> In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if--
>
> (i) the producers within such market sell all or almost all of their production of the like product in question in that market, and
>
> (ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.
>
> In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

North Central region of the United States. 1/ We take no position as to whether there is a regional industry. The information gathered by staff suggests that the regional criteria may have been met, with the possible exception of the requirement that regional producers sell all or almost all of their production within the region. But assuming arguendo that this case satisfies the statutory criteria for consideration of a regional industry comprising the north-central United States, we have analyzed injury on the basis of both regional and nationwide data. This choice did not prove to be a determining factor, since the trends in the data collected on the regional industry are essentially the same as those of the nationwide industry.

No Reasonable Indication of Material Injury

We have determined on the basis of the best information available 2/ that there is no reasonable indication that the domestic industry is being materially injured or threatened with material injury on either a nationwide or regional basis by reason of the alleged LTFV imports. Our conclusion is based on the extremely low level of penetration of the LTFV imports and the absence of any significant effect on domestic prices as a result of the low level of the LTFV imports. Thus there is no causal link between the declines experienced by the domestic industry and the LTFV imports. 3/

Despite the increase in imports from October to December, 1980 and in March 1981, the overall import penetration level remained extremely low

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1/ The North Central region proposed by petitioner includes Nebraska, North and South Dakota, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota and Iowa. The ports of entry for these states are Chicago, Cleveland, Toledo, and Milwaukee.

2/ Section 733(a).

3/ Section 771(7)(A), (B) and (C).

throughout the period covered by this investigation. As a percentage of total domestic consumption, U.K. imports accounted only for 0.2 percent of apparent consumption in 1978, decreased to less than 0.05 percent in 1979, and then rose to 0.2 percent in 1980. 1/ Penetration in the North Central region followed a similar trend. 2/

The low level of import penetration did not have a significant effect on domestic prices. First, although domestic prices did decline during the last three quarters of 1980, 3/ prices began to increase by the end of the first quarter of 1981. 4/ Second, the margins of underselling declined during this period while imports increased. 5/ Third, the price decline in 1980 was due to factors other than the sales of U.K. imports such as low scrap prices 6/ and the 16 percent drop in domestic consumption during 1980 brought on by declines in the auto industry. 7/ The principal end use of secondary aluminum alloys is in auto production. 8/ The relationship of the state of the auto industry and scrap prices to the domestic price is further demonstrated by the fact that, as auto sales increased and scrap prices rose in 1981, aluminum prices also increased. Thus, we have determined that the U.K. imports of secondary aluminum did not significantly affect the price of the domestic like product.

1/ Staff report at A-24.
2/ Id.
3/ Id. at A-26.
4/ Id. at A-29.
5/ Id. at A-30.
6/ During the Preliminary Conference, industry witnesses testified that the scrap market is highly competitive and that the cost of scrap accounts for 85 percent of U.S. producer's cost of goods sold. See Transcript of Conference at 27 and Staff Report at A-3.
7/ Staff Report at A-20.
8/ Id. at A-6, A-20.

While we recognize that data on production, shipments, inventories capacity, and financial performance indicate that the domestic industry was depressed in 1980 and the first quarter of 1981, 1/ we have found no causal link between this decline and the alleged LTFV imports. This conclusion is based on the very low level of import penetration and the presence of other factors which explain any injury such as the substantial decline in auto production and the resulting price drop in the aluminum market. As a result of these factors, total consumption fell by about 16 percent in 1980, while consumption in the North Central region fell by 18 percent. 2/ The conclusion is further supported by the fact that the staff was able to confirm only four of the 11 instances of lost sales alleged by petitioner. 3/ Additionally, all of the four firms reporting purchases of U.K. imports stated that their main concern was to maintain alternate supply sources and that the amount purchased was a very insignificant portion of their total secondary aluminum alloy purchases. 4/

No threat of material injury

The secondary aluminum alloy industry in the United Kingdom is a mature industry with no planned additions to capacity, in fact, some reductions are likely. 5/ During 1980, only 3.6 percent of the United Kingdom's total exports of secondary aluminum alloy were shipped to the United States despite a depressed market in the United Kingdom and in Europe, the principal U.K.

1/ Id. at A-10 through A-24.
2/ Id. at A-20.
3/ Id. at A-30-A-31.
4/ Id. at A-31, and Transcript of Preliminary Conference at 33 and 34.
5/ Post-conference brief of respondent, app. A.

export market. Thus, there is no reason to expect increased exports to the United States in the future. U.S. producers have greatly increased their export shipments (U.S. producers responding to Commission questionnaires reported exports of 8 million, 18 million, and 62 million pounds, respectively, in 1978, 1979, and 1980). 1/ Furthermore, U.S. producers' inventories are declining. Future prospects for the industry are bright as government forecasts call for increasing per unit usage of aluminum in automobiles in the 1980's. Information was presented at the public conference that some producers increased prices in March 1981 and planned further increases in April in response to increased automobile production. 2/

CONCLUSION

On the basis of the information developed in the course of this investigation, we have determined that there is no reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of alleged LTFV imports of unwrought secondary aluminum alloy from the United Kingdom.

1/ Staff Report at A-14.
2/ Transcript of Preliminary Conference at 13 and 24.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On March 24, 1981, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by the Aluminum Recycling Association, Inc. (ARA), on behalf of its member firms, alleging that secondary aluminum alloy in unwrought form from the United Kingdom, provided for in item 618.0650 of the Tariff Schedules of the United States Annotated (TSUSA), is being, or is likely to be, sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured, or threatened with material injury by reason of imports of such merchandise. Accordingly, on March 30, 1981, the Commission instituted preliminary antidumping investigation No. 731-TA-40 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the imports from the United Kingdom of secondary aluminum alloy in unwrought form allegedly sold or likely to be sold at LTFV. The statute directs that the Commission make its determination within 45 days of receipt of the petition, or in this case by May 8, 1981.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of April 8, 1981 (46 F.R. 21120). A public conference was held in Washington, D.C., on April 20, 1981, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. 1/

The Product

Description and uses

Aluminum is one of the most abundant elements in the earth's crust and one of the most widely used nonferrous metals in the world. It is lightweight and corrosion resistant and has good thermal and electrical conductivity. It is readily formed by practically all known metalworking techniques. For most applications it is necessary to alloy aluminum with other elements in order to achieve the optimum combination of properties. Such elements include, but are not limited to, copper, iron, magnesium, manganese, nickel, silicon, titanium, and zinc.

1/ Copies of the Commission's notice of investigation and conference and a list of witnesses appearing at the conference are presented in app. A. A copy of the Department of Commerce's notice of initiation of its antidumping investigation is presented in app. B.

Secondary aluminum, the type which is the subject of this investigation, is recovered from scrap; primary aluminum is produced from bauxite ore. Virtually all unwrought secondary aluminum is marketed in the form of casting ingot 1/, extrusion ingot, or shot for use in producing castings, extruded shapes, or deoxidizing steel, respectively. It appears that the demand for specific grades of secondary aluminum alloy is determined by the chemical properties required in particular end uses. Primary aluminum can be substituted for secondary aluminum in many applications; however, the great bulk of primary production is converted into wrought aluminum mill products.

The principal use of unwrought secondary aluminum in the United States is in the production of castings. Casting alloy accounted for 81 percent of all secondary aluminum produced in the United States by independent smelters in 1979 (table 1). This was the only product that the petitioner identified as being imported from the United Kingdom at LTFV and the only unwrought secondary aluminum product the Commission was able to identify as being imported from the United Kingdom. The most common secondary aluminum alloy in the United States is the 380 series alloy; the alloy is designated the LM24 series in the United Kingdom. Both are used to make die castings and, as is shown in the following tabulation, the chemical composition of the two alloys is very similar:

Alloying element	380 alloy (percent)	LM24 alloy (percent)
Silicon	7.5-9.5	7.5-7.9
Iron	.7-2.0	1.3 maximum
Copper	3.0-4.0	3.0-4.0
Manganese	.5	.5
Magnesium	.3	.1
Zinc	1.0-3.0 1/	1.5 maximum 3.0 max. 2/
Titanium	.2-2.5	.2 maximum
Tin	.25	.2 maximum
Nickel	.5	.5

1/ The 380 series includes 3 separate alloys with the designations 380-1 percent zinc, 380-2 percent zinc, and 380-3 percent zinc.
2/ The LM24 series includes 2 separate alloys--LM24A, with 1.5 percent zinc, and LM24B, with 3.0 percent zinc.

There are no significant differences in the quality, description, or uses of the domestically produced and imported products. 2/

Primary aluminum alloys in unwrought form typically differ significantly from secondary alloys in chemical composition, use, and price. Primary alloys are usually "specialty" alloys containing either few alloying metals or a mixture of metals which cannot be easily obtained from scrap (e.g., low-zinc,

1/ Secondary aluminum alloy is also sold in molten form, primarily for use in the production of castings.
2/ See transcript of the conference., pp. 38-41 and 81.

Table 1.—Secondary aluminum alloy: Production and shipments of independent smelters, by types of alloys, 1977-80

Types of alloy	Quantity				Percent of total			
	1977	1978	1979	1980	1977	1978	1979	1980
	Million pounds							
Production:								
Casting alloys:								
Die-cast alloys:								
380 alloy	827	849	907	820	53.9	51.7	53.7	53.9
All other	165	217	198	1/	10.8	13.2	11.7	-
Sub-total	991	1,066	1,105	1/	64.6	65.0	65.4	-
All other	247	265	271	1/	16.1	16.1	16.0	-
Sub-total	1,238	1,331	1,376	1/	80.7	81.1	81.4	-
Extrusion billets	176	183	204	1/	11.5	11.2	12.1	-
Alloys for steel deoxidation	60	74	78	1/	3.9	4.5	4.6	-
Miscellaneous alloys	59	52	32	1/	3.8	3.2	1.9	-
Total	1,533	1,641	1,690	2/1,520	100.0	100.0	100.0	100.0
Shipments:								
Casting alloys:								
Die-cast alloys:								
380 alloy	833	853	905	1/	53.9	52.0	53.5	-
All other	167	216	201	1/	10.8	13.2	11.9	-
Sub-total	1,000	1,069	1,106	1/	64.7	65.1	65.4	-
All other	248	265	271	1/	16.1	16.1	16.0	-
Sub-total	1,248	1,334	1,377	1/	80.8	81.3	81.4	-
Extrusion billets	175	182	203	1/	11.3	11.1	12.0	-
Alloys for steel deoxidation	61	74	79	1/	3.9	4.5	4.7	-
Miscellaneous alloys	59	51	33	1/	3.8	3.1	2.0	-
Total	1,545	1,641	1,692	2/1,520	100.0	100.0	100.0	-

1/ Not available.
2/ Estimated.

Source: Compiled from official statistics of the U.S. Bureau of Mines.

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

A-3

low-manganese, or low-iron alloys). These specialty alloys are used in applications in which a secondary alloy would be unsuitable, such as when a customer wants a high degree of purity. Secondary alloys are preferred when good machinability and castability are desired; these properties result from the various alloying metals inherent in aluminum scrap. Primary aluminum production is much more energy and capital intensive than the production of secondary aluminum, and primary alloys therefore generally command a significantly higher price.

However, some primary alloys are essentially identical to their secondary counterparts. Under normal market conditions, when demand for primary aluminum is strong, the quantities of such primary aluminum alloy produced are relatively small (probably representing less than 2 percent of primary aluminum production but up to 10 percent of secondary production). If demand for primary aluminum alloy declined markedly causing a price decrease, the area of overlap between the two types of alloy would probably increase but remain relatively small.

The scrap used to produce secondary alloys is divided into four principal categories: (1) Borings and turnings; (2) new clippings, forgings, and other solids; (3) residues; and (4) old scrap. Borings and turnings result from the machining of castings, rods, bars, and forgings, and are supplied chiefly by the aircraft and automobile industries. New clippings, forgings, and other solids are obtained from the aircraft industry, fabricators, and industry and Government manufacturing plants. Residues such as dross, skimmings, and slag come from various melting operations--the primary reduction plant, the smelters' own operations, plants producing their own rolling ingots or billets, and foundries. Old scrap may originate from any of thousands of products. It may come from dismantled automobiles or trucks, discarded household items such as pots and pans, old refrigerators, or scrapped power cables. The scrap market can be highly competitive, and scrap prices account for as much as 85 percent of U.S. producers' cost of goods sold. 1/

In the processing of scrap, the preparation for smelting varies in accordance with the type of scrap being handled. During this preparation, each type of scrap is sampled for analysis and metallic-yield purposes. Following the various preparation processes, the scrap is smelted in reverberatory furnaces which are fueled by either natural gas or oil. The process is basically one of blending elements until proper specifications are reached. Between 2,000 and 2,500 British thermal units are required to bring a pound of aluminum alloy to a casting temperature. The ovens are loaded slowly, on a batch basis. The chemical composition of the alloy in the furnace is under constant control. As soon as the initial mass is analyzed, other scrap, with known composition, is blended into the mass. Alloying agents such as silicon and copper may also be added. When the mass, or "heat," has been brought to the proper chemical composition, the molten metal is "cleansed," or refined. After the cleaning stage, the finished alloy is poured into molds and allowed to cool and harden.

1/ See transcript of the conference, p. 27.

Secondary aluminum is produced and shipped most frequently in ingot form (15-pound and 30-pound sizes), although some quantities are shipped as molten aluminum in thermos trucks. The basic technology has remained relatively unchanged over the last 30 years. The initial capital investment is relatively low; however, the ovens must be rebuilt every 3 to 5 years. In the last 5 years, the secondary smelters have had to make major investments in environmental-control equipment--especially "bag" houses and scrubbers. The bag houses are air filtration systems. The air in the plant is drawn out through air vents and ducts to a central house containing numerous filters (similar to vacuum cleaner bags), which capture the particulate matter in the air as it passes through. The scrubbers are devices which remove harmful chemicals from the air as it passes through.

U.S. tariff treatment

The imported secondary aluminum alloy which is the subject of this investigation is dutiable under the provisions of item 618.0650 of the TSUSA. This item is a basket category and includes both primary and secondary unwrought aluminum alloy. The column 1 (most-favored-nation) rate of duty for this item was 0.8 cent per pound in 1980. It was reduced to 0.7 cent per pound on January 1, 1981, and will be reduced in stages each year on January 1 until it becomes free on January 1, 1987. These reductions are the result of concessions granted in the Tokyo round of Multilateral Trade Negotiations. The column 2 (statutory) rate of duty is 10.5 percent ad valorem. Imports of these items from designated beneficiary developing countries are not eligible for duty-free treatment under the Generalized System of Preferences, but imports from least developed developing countries are free of duty. The column 1 rate is applicable to imports from the United Kingdom.

From January 1, 1972, to December 31, 1979, the column 1 rate for secondary aluminum alloy in unwrought form was 1 cent per pound. This rate represented the final stage of reductions granted in the Kennedy round of trade negotiations. The column 2 rate of duty during this period was 4 cents per pound.

Nature and Extent of Alleged Sales at Less Than Fair Value

The petition alleges that LTFV sales of secondary aluminum alloy in unwrought form from the United Kingdom began in October 1980, when a marked increase in imports of the material began. The petitioner's knowledge of the exact prices paid for the imports and the identity of their foreign manufacturer is limited. The alleged margins of dumping for the period October 1980-January 1981 as set forth in the petition are based on a comparison of the average unit value of entries from the United Kingdom with published list prices in the United Kingdom. These margins range from a low of 1 percent to a high of 21 percent.

U.S. Market and Channels of Distribution

Although secondary aluminum production began in 1908, it did not become significant until after World War II. The war brought about the development of new and better alloys, while simultaneously generating a large supply of aluminum scrap. During the 1950's, diecasting emerged as the most widely used casting technique, and the 380 series alloy became the most popular casting alloy produced by secondary smelters. The use of diecastings has continued to grow at a faster rate than other types of castings, accounting for 29 percent of total castings shipments in 1950 and 61 percent by 1979. 1/

Secondary smelters rely upon diecasters and foundries to consume 80 percent of their output. The consumption of secondary aluminum produced by independent smelters by principal end-use markets has been estimated by the ARA as follows:

End use	Estimated share of consumption (percent)
Transportation	40
Small engines/motors	10
Consumer durables	10
Electronic components	10
Miscellaneous	30

The United States is the largest consumer of secondary aluminum alloys, accounting for an estimated 30 percent of world consumption. Secondary smelters sell directly to foundries and diecasters. While list prices exist for secondary aluminum alloys, prices are frequently adjusted to meet competitive situations. They are usually quoted on a delivered basis. Contracts are occasionally made between secondary smelters and foundries; they normally run no longer than 3 months. Deliveries are frequently made from smelter to foundry, as casters generally keep only a 1-or 2-week supply of metal on hand.

Smelters sometimes ship hot metal to foundries. This is a small albeit significant segment of secondary operations. To round out product lines, some secondary producers also sell primary aluminum, fluxes, hardeners, and master alloys. Many smelters offer metallurgical consultation and alloy research as well as technical assistance to their customers. Minimal trade journal advertising is necessary.

Most of the imported secondary aluminum is entered by metal brokers or traders. The traders speculate in the marketplace by buying ingot from

1/ Aluminum Association, Inc., Aluminum Statistical Review 1979, p. 12.

foreign suppliers and then reselling it. Most sales are made by phone to foundries, secondary aluminum producers, fabricators, or other traders.

U.S. Producers

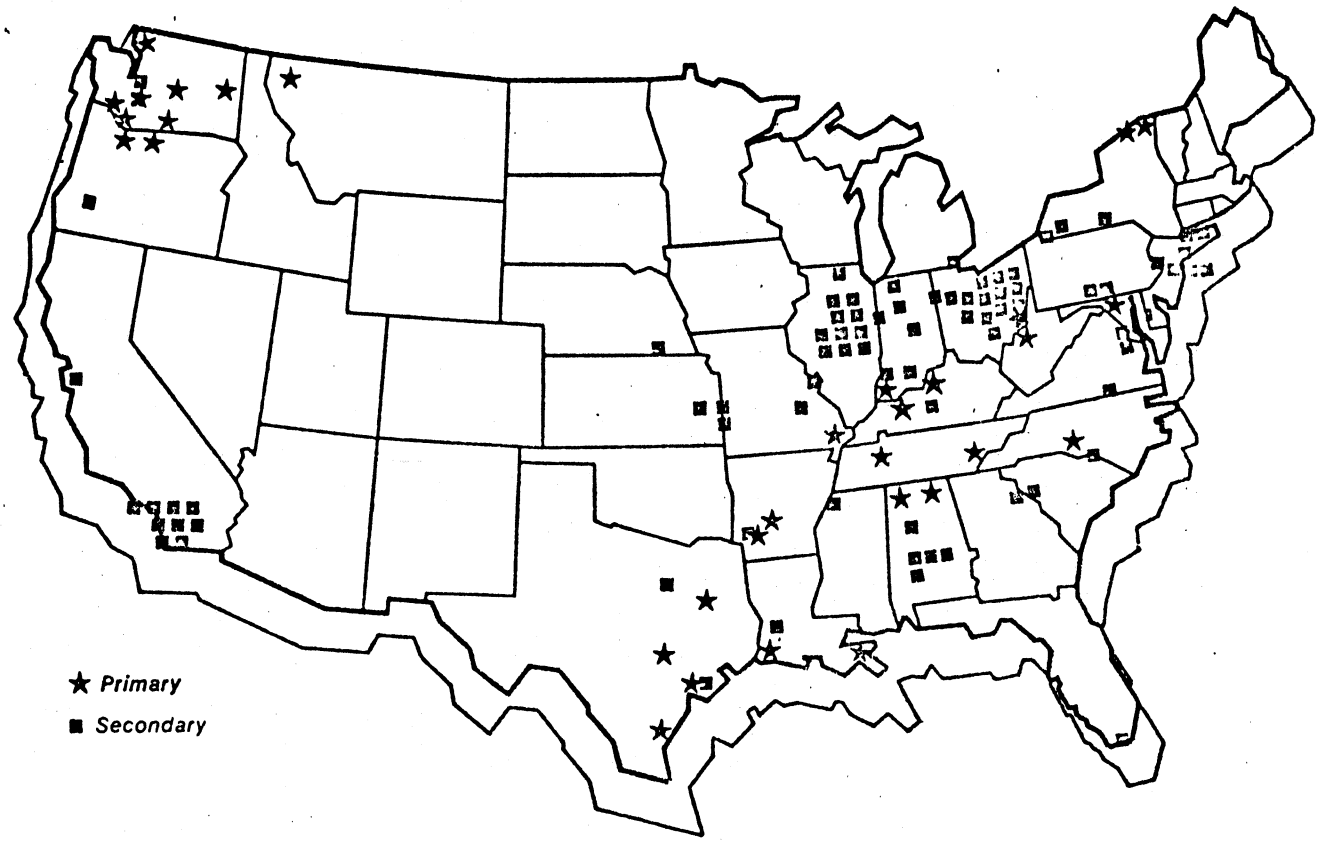
U.S. producers of secondary aluminum alloy may be either independent secondary smelters (firms not directly involved with primary production), nonintegrated producers of aluminum mill products (firms which recover secondary aluminum principally for use in their own fabricating operations), or primary aluminum producers. The independent secondary smelters constitute the largest portion of the secondary industry and consume approximately 70 percent of all the aluminum scrap generated in the United States. There are approximately 60 independent secondary smelters currently operating in the United States. Questionnaire responses indicate that the two largest are * * * and * * *. The secondary producers tend to cluster in heavily industrialized areas, especially the North Central region, because it gives them proximity to supplies of scrap as well as to their customers (fig. 1).

Nonintegrated fabricators represent the second largest group of secondary aluminum producers. These fabricators consume 15 to 17 percent of the total scrap supply. Some primary aluminum producers also produce secondary aluminum ingot for sale. The two primary aluminum producers known to be engaged in the recovery of aluminum from scrap are * * * and * * *. * * *. Unlike the independent secondary smelters and nonintegrated producers, which have to go into the market to buy scrap, primary producers have a captive scrap supply--generated from their operations--which they reprocess. They sometimes buy scrap as well.

Primary producers account for 13 to 15 percent of the total scrap supply in the United States. However, the primary producers do not generally produce secondary alloys; rather, they blend the aluminum recovered from the scrap back into their primary production, thereby extending the primary metal. This is especially true of those firms which produce aluminum sheet for the container industry.

Scrap dealers also play an important role in the secondary aluminum industry, although they do not manufacture any secondary aluminum alloys. Dealers buy scrap from numerous sources, segregate it by type, bale it, and ship it in truckload or carload quantities. The scrap dealer can be bypassed if the producer deals directly with the manufacturer to obtain left-over clippings.

Figure 1.--Location of plants producing primary and secondary aluminum in the United States, 1977.



Source: Aluminum Association, Inc., Aluminum Statistical Review 1979.

U.S. Importers

U.S. importers of secondary aluminum alloy are usually metal traders or brokers, which sell to foundries, diecasters, other metal traders, or domestic producers of secondary aluminum alloy. Questionnaire returns indicate that the four principal importers of secondary aluminum from the United Kingdom in 1980 were * * *. All but * * *, are metal traders; * * * is a producer of secondary aluminum alloy. These importers accounted for approximately 80 percent of unwrought aluminum alloy imported from the United Kingdom in 1980.

Foreign Producers

Aluminum alloy in unwrought form is produced in a number of countries. The major suppliers of such alloy to the United States in 1980 were, in order of magnitude; Canada, Ghana, West Germany, and the United Kingdom. Of these four, only the United Kingdom is believed to have exported significant quantities of secondary aluminum alloy.

In 1979, the United Kingdom's secondary aluminum industry recycled 320 million pounds of aluminum scrap, compared with 3.4 billion pounds consumed in the United States, and was responsible for well over a quarter of the aluminum produced in the United Kingdom. The United Kingdom has a trade association for producers of secondary aluminum alloy similar to the ARA in the United States. It is called the Association of Light Alloy Refiners, Ltd. (ALARS), and has 11 member companies, which account for 80 to 90 percent of all shipments of secondary aluminum in the United Kingdom. 1/ Production of secondary aluminum alloy in the United Kingdom was estimated at 339 million pounds in 1980. Maximum annual nameplate capacity in the United Kingdom for the production of secondary aluminum alloy is currently estimated to be 485 million pounds. No additions to capacity have been made since 1976, and none are contemplated. 2/ The United Kingdom's Customs and Excise Statistics reports U.K. exports of unwrought aluminum alloy to the United States as follows:

	Primary aluminum alloy (1,000 pounds)	Secondary aluminum alloy (1,000 pounds)
1977	3,600	25,357
1978	8,321	4,538
1979	3,064	564
1980	384	5,813
1980:		
October	375	2,178
November	0	1,681
December	0	675

1/ See statement of Steptoe & Johnson submitted on behalf of ALARS, p-1.
2/ Postconference brief of Steptoe & Johnson, app. A.

The Question of Material Injury or Threat Thereof

U.S. production, capacity, and capacity utilization

Production.--U.S. production of secondary aluminum alloys by independent smelters increased from 1.5 billion pounds in 1977 to 1.7 billion pounds in 1979, or by 13 percent, but then declined to 1.5 billion pounds, or by 12 percent, in 1980 (table 1).

Questionnaires were sent to 40 secondary aluminum producers, many of which were located in the North Central region. 1/ Eleven producers responded; these firms accounted for an average of 51 percent of total production of secondary aluminum alloy by independent smelters during 1977-80. 2/ Unfortunately, several respondents were large firms with multiple plants, and the time constraints of a preliminary investigation did not allow these producers to make a separate response for each plant. Therefore, data from those companies with multiple plants were aggregated with those of the North Central respondents if 65 percent or more of the firm's shipments of secondary alumimum alloy were made within the North Central region. This methodology somewhat overstates the importance of the North Central region to the secondary aluminum industry; nonetheless, these respondents accounted for an average of 45 percent of total U.S. production of secondary aluminum alloy by the independent smelters.

1/ The petitioner alleges that injury by reason of LTFV imports is most apparent in the North Central region of the United States, which includes Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, Ohio South Dakota, and Wisconsin.

2/ Production figures for independent U.S. smelters are based on data published by the U.S. Bureau of Mines, which may be somewhat understated due to lack of complete industry coverage. Thus, the figures indicating industry coverage by the respondents may be somewhat overstated.

Production reported by the North Central respondents increased from 735 million pounds in 1978 to 777 million pounds in 1979, or by 6 percent, but then declined to 666 million pounds, or by 14 percent, in 1980 (table 2). The production of all respondents increased from 823 million pounds in 1978 to 882 million pounds in 1979, or by 7 percent, but then also declined by 14 percent, to 758 million pounds, in 1980.

Table 2.--Secondary aluminum alloy: U.S. production, capacity, and capacity utilization , 1978-80

Item	1978	1979	1980
Production:			
North Central respondents 1/ 1,000 pounds	734,733	777,048	665,593
All respondents---------do----	823,204	881,562	757,929
Capacity:			
North Central respondents 1/ 1,000 pounds	934,000	966,000	928,000
All respondents---------do----	1,056,000	1,088,000	1,049,000
Capacity utilization:			
North Central respondents 1/ percent	78.7	80.4	71.7
All respondents---------do----	78.0	81.0	72.3

1/ Some of these producers have plants located outside the North Central region. However, because 65 percent or more of their shipments were made in that region, the firms' total data have been included with those of the North Central respondents.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Monthly production data provided by the questionnaire respondents seem to show a seasonal pattern--increasing from September to October, declining through December, and then increasing through March (table 3). In September 1980-March 1981, not only were the production figures generally lower than the figures for September 1979-March 1980, but the fluctuations moved in a much narrower range. Production reported by the North Central respondents increased at a slower rate in the seasonally active months of 1980 and 1981 than in the corresponding periods of 1979 and 1980. Production declined at a slower rate during the relatively inactive period (October-December) of 1980 than in October-December 1979, but averaged 5 percent lower than that in 1979.

Table 3.--Secondary aluminum alloy: U.S. production, by months, September 1979-March 1980 and September 1980-March 1981

(In thousands of pounds)

Period	North Central respondents	All respondents
1979:		
September	52,816	60,646
October	69,181	77,286
November	67,868	74,220
December	51,807	57,710
1980:		
January	64,728	71,643
February	67,371	74,184
March	70,722	77,396
September	56,462	62,587
October	62,131	69,084
November	55,415	60,876
December	51,596	58,020
1981:		
January	58,006	63,939
February	52,798	59,248
March	59,855	63,786

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The monthly data provided by all respondents presents a slightly different picture. Production increased by 10 percent from September to October 1980 compared with a 27-percent increase in the corresponding period of 1979. The data show a decline of 16 percent from October to December 1980 and a 25-percent decline in the corresponding period of 1979. Monthly production for all respondents was an average of 7 percent lower in September-December 1980 than in the corresponding period of 1979. From December 1980 to March 1981, the production of all respondents increased by 10 percent, compared with 34 percent during December 1979-March 1980. The production of all respondents was an average of 16 percent lower in January-March 1981 than it had been during the corresponding period of 1980.

Capacity.--The capacity to produce secondary aluminum alloy of those firms responding to the Commission's questionnaire followed a seesaw pattern, but declined overall during the period under consideration (table 2). The capacity of the North Central respondents increased from 934 million pounds in 1978 to 966 million pounds in 1979, or by 3 percent, but then declined to 928 million pounds in 1980, or by 4 percent. Capacity in 1980 was thus slightly less than in 1978. 1/ The capacity of all respondents to produce secondary aluminum alloy followed a similar pattern, increasing by 3 percent

1/ In testimony at the conference, the petitioner stated that two U.S. producers had closed plants in late 1980 and early 1981.

from 1978 to 1979 and then declining by 4 percent from 1979 to 1980. The capacity of these producers was also slightly lower in 1980 than it was in 1978.

Capacity utilization.--The utilization of capacity to produce secondary aluminum alloy declined irregularly over the period under consideration for those producers responding to the Commission's questionnaire. Despite a slight increase in 1979, the capacity utilization of the North Central respondents declined from 79 percent in 1978 to 72 percent in 1980. The same general pattern applies to the capacity utilization of all respondents, although the decline was smaller. Despite a slight increase in 1979, the capacity utilization of all respondents declined from 78 percent in 1978 to 72 percent in 1980.

U.S. producers' commercial shipments

Data published by the U.S. Bureau of Mines on shipments of secondary aluminum alloys by independent smelters show that these shipments increased annually from 1977 to 1979, from 1.5 billion pounds in 1977 to 1.7 billion pounds in 1979, or by 9.5 percent (table 1). It is estimated that shipments of secondary aluminum alloy by independent smelters will approximate 1.5 billion pounds in 1980, and thus show a decline of about 10 percent from shipments in 1979.

Domestic sales.--Sales to U.S. customers by producers that responded to the Commission's questionnaire accounted for the vast majority of the total commercial shipments reported by these firms (table 4). Domestic sales made by these firms increased from 1978 to 1979 but declined in 1980. The quantity of domestic sales by the North Central respondents accounted for about 89 percent of total commercial shipments in 1978 and 1979 and 78 percent in 1980. These sales increased from 659 million pounds in 1978 to 681 million pounds in 1979, or by 3 percent, and then declined to 521 million pounds, or by 23 percent, in 1980.

The quantity of the domestic sales by all respondents accounted for about 90 percent of their total commercial shipments in 1978 and 1979 and 80 percent in 1980. These sales increased from 751 million pounds in 1978 to 787 million pounds in 1979, or by 5 percent, but then declined by 23 percent in 1980.

Table 4.--Secondary aluminum alloy: U.S. producers' commercial shipments, by types, 1978-80

Item	1978	1979	1980
Domestic sales:			
North Central respondents:			
Quantity----------1,000 pounds--	658,773	680,794	521,379
Value----------1,000 dollars--	319,764	426,147	357,775
All respondents:			
Quantity----------1,000 pounds--	751,422	787,395	603,319
Value----------1,000 dollars--	366,180	497,166	420,163
Toll shipments:			
North Central respondents:			
Quantity----------1,000 pounds--	77,924	74,005	88,795
Value----------1,000 dollars--	9,892	10,351	13,257
All respondents:			
Quantity----------1,000 pounds--	81,379	78,151	91,969
Value----------1,000 dollars--	27,609	34,754	28,280
Export sales:			
North Central respondents:			
Quantity----------1,000 pounds--	8,000	18,202	58,715
Value----------1,000 dollars--	4,369	12,443	43,004
All respondents:			
Quantity----------1,000 pounds--	8,000	18,202	61,948
Value----------1,000 dollars--	4,369	12,443	44,896
Total commercial shipments:			
North Central respondents:			
Quantity----------1,000 pounds--	744,067	772,741	668,889
Value----------1,000 dollars--	333,665	450,941	414,036
All respondents:			
Quantity----------1,000 pounds--	839,541	883,490	757,235
Value----------1,000 dollars--	397,798	546,363	493,339

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Toll shipments.--Transactions in which scrap owned by a firm is sent to a secondary smelter, melted down, alloyed, and returned to the owner in ingot or molten form are referred to as toll shipments. The secondary smelter charges a fee for this service. Toll shipments represented about 10 percent of the North Central respondents' total commercial shipments in 1978 and 1979 and 13 percent in 1980. Toll shipments by all respondents increased from 10 to 12 percent of their total commercial sales during the same period.

Exports.--Export sales by those firms responding to the Commission's questionnaire did not become significant until 1980. In 1978, export sales by the North Central respondents totaled only 8 million pounds and accounted for about 1 percent of these producers' total commercial shipments. By 1980,

however, export sales by the North Central respondents increased to 59 million pounds and accounted for 9 percent of the total. Similarly, exports by all respondents increased from 8 million pounds, representing less than 1 percent of total shipments, in 1978 to 62 million pounds, representing 8 percent of the total, in 1980.

The increases in toll shipments and export sales are probably an indirect result of the U.S. recession in 1980. Demand for secondary aluminum alloy is very much dependent on sales of automobiles and consumer durables, both of which declined significantly in 1980. The resulting dampened domestic demand for secondary aluminum alloy probably made U.S. producers more willing to enter into toll agreements and to find new markets (i.e., export markets) for their product in order to keep their facilities operating at the most efficient level of production possible.

Total commercial shipments of those secondary producers that responded to the Commission's questionnaire increased from 1978 to 1979, but declined markedly in 1980. Total commercial shipments of the North Central respondents increased from 744 million pounds in 1978 to 773 million pounds in 1979, or by 4 percent, but then declined to 669 million pounds, or by 13 percent, in 1980. Total commercial shipments of all respondents followed a similar pattern, increasing by 5 percent between 1978 and 1979, from 840 million pounds to 883 million pounds, but then declining by 14 percent, or to 757 million pounds, in 1980.

Monthly data on total commercial shipments were also provided by questionnaire respondents (table 5). These monthly data show the same seasonal trend that the production data showed for September-December (i.e., increasing from September to October and then declining through December); however, no clear seasonal trend is apparent for January-March.

Table 5.--Secondary aluminum alloy: U.S. producers' shipments, by months, September 1979-March 1980 and September 1980-March 1981

(In thousands of pounds)

Period	North Central respondents	All respondents
1979:		
September	54,260	64,359
October	71,499	79,756
November	64,111	71,091
December	54,201	59,805
1980:		
January	71,888	77,291
February	68,141	74,981
March	63,558	70,011
September	52,224	59,190
October	60,494	66,178
November	54,613	65,586
December	57,354	63,537
1981:		
January	53,199	59,054
February	56,125	61,323
March	64,451	68,725

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. producers' inventories

Those U.S. producers of secondary aluminum alloy that responded to the Commission's questionnaire only provided consistent data on end-of-period inventories of finished goods for 1979, 1980, and March 1981 (table 6). These data show a declining trend, but, end-of-period inventories remained stable relative to commercial shipments made during the preceding period. For the North Central respondents, inventories held as of December 31 declined from 55 million pounds in 1979 to 49 million pounds in 1980, or by 11 percent. Inventories held as of March 31 also declined, from 52 million pounds in 1980 to 46 million pounds in 1981, or by 12 percent. Yearend inventories reported by the North Central respondents in 1979 and 1980 represented about 7 percent of total commercial shipments, and inventories reported as of March 31, 1980, and March 31, 1981 represented about 26 percent of shipments in the corresponding quarters.

Table 6.--Secondary aluminum alloy: U.S. producers' inventories, as of Dec. 31, 1979, Dec. 31, 1980, Mar. 31, 1980, and Mar. 31, 1981

Item	As of Dec. 31--		As of Mar. 31--	
	1979	1980	1980	1981
Inventories:				
North Central respondents 1,000 pounds	54,418	49,323	51,970	46,487
All respondents-----do----	59,148	56,374	55,005	49,478
Ratio of inventories to shipments:				
North Central respondents percent	7.0	7.4	25.6	26.8
All respondents-----do----	6.7	7.4	24.8	26.2

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. imports

U.S. imports of unwrought aluminum alloy (TSUSA item 618.0650) come primarily from Canada and Ghana. In 1980, these two countries accounted for 72 percent and 26 percent of imports, respectively (table 7). However, it is believed that all the imports from these countries are primary aluminum alloy. Some imports from West Germany and France are reported to be secondary alloy. 1/

For purposes of analysis in this report, all imports from the United Kingdom are considered to be secondary alloy, although it is known that a portion are primary alloy. Data on United Kingdom exports of primary and secondary unwrought aluminum to the United States are reported on page A-9 of this report; however, the Commission staff has been unable to reconcile these data with official import statistics of the Department of Commerce. Imports from the United Kingdom declined sharply in 1979 in response to strong demand in Europe and Japan, 2/ but increased in 1980, rising to slightly more than their 1978 level. Although some imports from the United Kingdom were entered into ports on the east coast in 1980, over 95 percent of such imports were entered through customs districts located in the North Central region.

1/ In a postconference brief, counsel for ALARS presented data on exports of French and West German aluminum alloy which indicated that some shipments consisted of secondary alloy. However, the bulk of such exports were of primary alloy, and the inclusion of the secondary alloy exports would have no significant impact on the market penetration analysis in this report.

2/ Transcript of the conference, p. 62.

Table 7.--Unwrought aluminum alloy (TSUSA item 618.0650): U.S. imports for consumption, by principal sources, 1978-80

Source	1978	1979	1980
	Quantity (1,000 pounds)		
Canada	379,051	299,341	339,070
Ghana	131,256	152,907	120,893
West Germany	4,860	5,904	4,001
United Kingdom	3,139	810	3,412
France	9,127	-	851
All other	39,490	49,481	624
Total	566,922	507,633	468,850
	Value (1,000 dollars)		
Canada	191,040	168,689	225,206
Ghana	75,009	94,794	85,869
West Germany	4,311	4,808	5,933
United Kingdom	1,502	713	2,145
France	3,048	-	1,039
All other	17,712	28,541	660
Total	292,622	297,545	320,851
	Unit value (cents per pound)		
Canada	50.3	56.4	66.4
Ghana	57.1	62.0	71.0
West Germany	47.2	81.4	148.3
United Kingdom	47.9	87.1	62.9
France	62.7	-	122.1
All other	44.9	57.7	105.8
Average	51.6	58.6	68.4
	Percent of total quantity		
Canada	66.9	59.0	72.3
Ghana	23.1	30.1	25.8
West Germany	.9	1.2	.9
United Kingdom	.6	.2	.7
France	1.6	-	.2
All other	7.0	9.7	.1
Total	100.0	100.0	100.0

Source: Compiled from official stitistics of the U.S. Department of Commerce.

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

The petitioner alleged a rapid increase in imports during the last quarter of 1980 and the first months of 1981. Imports from the United Kingdom into the North Central region increased more than six-fold from October to December 1980, continued to increase in January of 1981, but declined slightly in February, as shown in the following tabulation:

Period	Total imports (1,000 pounds)	Imports into North Central region (1,000 pounds)
1980:		
October	262	240
November	1,234	1,156
December	1,830	1,829
1981:		
January	2,635	2,514
February	2,559	2,180

U.S. consumption

Apparent U.S. consumption of secondary aluminum alloy increased slightly from 1978 to 1979 but declined by 16 percent in 1980 to 1.4 billion pounds. Data on apparent consumption, as shown in table 8, were compiled from shipment data provided by the U.S. Bureau of Mines, 1/ import data from official statistics of the Department of Commerce, and export data derived from responses to questionnaires of the U.S. International Trade Commission.

Shipments by U.S. producers were concentrated in the North Central region. 2/ Shipments in this region in 1980 represented an estimated 68 percent of total domestic shipments during that year. U.S. producers with plants situated in this region accounted for an estimated 97 percent of regional shipments in 1980, and their regional shipments accounted for 75 percent of their total shipments.

1/ Data on producers' shipments as reported by the Bureau of Mines are understated due to a lack of complete industry coverage. Apparent consumption would therefore be understated.

2/ In appropriate circumstances the Commission may consider injury on a regional basis. See sec. 771(4)(C) of the Tariff Act of 1930.

Table 8.--Secondary aluminum alloy: U.S. producers' shipments, imports, exports, and apparent consumption, 1978-80

(In millions of pounds)

Year	Producers' shipments	Imports	Exports 1/	Apparent consumption
	Total market			
1978	1,641	3.1	16	1,628
1979	1,692	0.8	34	1,659
1980	1,520	3.4	122	1,401
	North Central region			
1978	1/ 1,182	2.4	11	1,173
1979	1/ 1,167	0.7	23	1,145
1980	1/ 1,034	3.3	93	944

1/ Estimated.

Source: Producers' shipments, compiled from official statistics of the U.S. Bureau of Mines; imports compiled from official statistics of the U.S. Department of Commerce; and exports derived from data submitted in response to questionnaires of the U.S. International Trade Commission.

The heavy concentration of producers in this area is indicative of the strong regional demand for secondary aluminum alloy. The largest consumers are diecasters, which in turn supply parts to the automobile producers. The decline in consumption in the North Central region closely parallels the general decline in automobile sales that began in 1979 and continued through 1980. Factory sales 1/ of automobiles declined about 24 percent from 1979 to 1980, and sales of trucks declined almost 50 percent. Sales of automobiles in the first quarter of 1981 were about 10 percent below those in the corresponding period of 1980. Consumption of secondary aluminum in the North Central region declined about 18 percent from 1979 to 1980 and remained at depressed levels in the first quarter of 1981. Testimony at the public conference indicated some improvement in demand for secondary aluminum alloy in March and April 1981 as automobile sales began to improve. 2/

Employment, man-hours worked, and wages

Data reported by 11 U.S. secondary aluminum producers are presented in table 9. The average number of production and related workers engaged in

1/ Factory sales are closely equivalent to production since producers do not carry inventories.

2/ Transcript of the conference, pp. 12, 13, 24, and 34.

secondary aluminum alloy operations declined from 2,309 in 1979 to 2,206 in 1980. Man-hours worked by these employees also declined, as did wages.

Table 9.--Average number of production and related workers in U.S. establishments producing secondary aluminum alloy, man-hours worked, and wages paid, 1978-80

Year	Average number of production and related workers	Man-hours worked	Wages
		1,000 hours	1,000 dollars
1978	2,187	4,351	35,765
1979	2,309	4,687	40,944
1980	2,206	4,347	40,530

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Financial performance of U.S. producers

Profit-and-loss experience of U.S. producers on their secondary aluminum alloy operations.--The eight firms that submitted usable profit-and-loss data accounted for about 40 percent of the total U.S. production of secondary aluminum alloy in 1980. Aggregate data for these producers show that net sales rose by 32 percent in 1979 over sales in 1978 and then declined by 3 percent in 1980 (table 10). Overall, net sales rose from $284 million to $361 million during 1978-80, representing an increase of 27 percent.

The cost of goods sold increased at a slightly faster rate than net sales during 1978-80, rising from $273 million to $350 million, or by 28 percent. On the other hand, general, selling, and administrative expenses increased only 4 percent during this period.

In the aggregate, the eight firms sustained losses of $5.2 million in 1978 and $6.2 million in 1980, which were equal to 1.8 percent and 1.7 percent of net sales, respectively. In 1979, the eight firms posted a profit of $10.5 million, equal to 2.8 percent of net sales. Seven of the eight firms reported operating losses in 1978, three in 1979, and five in 1980.

The cost and book value of fixed assets employed in the production of secondary aluminum alloy increased yearly during 1978-80, the cost, from $66 million to $96 million, and the book value, from $41 million to $63 million.

Table 10.--Selected financial data of U.S. producers of secondary aluminum alloy responding to Commission questionnaires, by types of operations, 1978-80

Item	1978	1979	1980
	Operations on secondary aluminum alloy		
Net sales----------1,000 dollars--	283,957	374,295	361,261
Cost of goods sold----------do----	272,578	347,206	350,206
Gross margin----------do----	11,379	27,089	11,055
General, selling, and administrative expenses 1,000 dollars--	16,621	16,625	17,304
Net operating profit or (loss)----------do----	(5,242)	10,464	(6,249)
Fixed assets employed in the production of secondary aluminum alloy:			
Original cost----------1,000 dollars--	65,697	75,890	95,567
Book value----------do----	41,431	46,047	63,201
Ratio of net operating profit or (loss) to----			
Net sales----------percent--	(1.8)	2.8	(1.7)
Original cost of fixed assets----------do----	(8.0)	13.8	(6.5)
Book value of fixed assets----------do----	(12.7)	22.7	(9.9)
Number of firms reporting a net operating profit----------do----	1	5	3
Number of firms reporting a net operating loss----------do----	7	3	5
	Operations of the establishments in which secondary aluminum alloy is produced		
Net sales----------1,000 dollars--	508,705	653,814	690,094
Cost of goods sold----------do----	484,045	603,415	657,561
Gross margin----------do----	24,660	50,399	32,533
General, selling, and administrative expenses 1,000 dollars--	21,285	22,199	23,409
Net operating profit----------do----	3,375	28,200	9,124
Ratio of net operating profit to net sales----------percent--	0.7	4.3	1.3
Number of firms reporting a net operating profit----------do----	4	6	6
Number of firms reporting a net operating loss----------do----	4	2	2

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Overall operations of the establishments or divisions.--Data shown in this section are for the same eight firms which supplied data on their secondary aluminum alloy operations. However, only four of the eight firms produce products in addition to secondary aluminum alloy in their establishments or divisions.

Net sales of all products manufactured in such establishments or divisions rose from $509 million in 1978 to $690 million in 1980, representing an increase of 36 percent. In the aggregate, the eight firms derived about 55 percent of their overall establishment or division sales revenue from the sale of secondary aluminum alloy during 1978-80.

The cost of goods sold (manufacturing costs and expenses) increased by 36 percent during 1978-80, or at about the same rate as net sales. However, cost of goods sold increased at a lower rate than net sales in 1979 (25 percent versus 28 percent), resulting in an increase in profit of $25 million for that year. General, selling, and administrative expenses increased only 10 percent during 1978-80.

Operating profit jumped from $3.4 million in 1978 to $28.2 million in 1979 and then declined sharply to $9.1 million in 1980. As a share of net sales, operating profit rose from 0.7 percent in 1978 to 4.3 percent in 1979 and then fell to 1.3 percent in 1980. Four of the eight firms sustained losses in 1978, but only two sustained losses in both 1979 and 1980.

Capital and investment.--Producers of secondary aluminum were asked to describe their capital and investment situations for recent and upcoming years. Of the three firms which detailed investment prospects, two are subsidiaries of larger corporations. The subsidiaries in each of these corporate structures compete for investment resources on the basis of their prior year's performance. Thus, the more profitable the subsidiary becomes, the greater the funds it has at its disposal for capital improvement.

* * * * * * *

The aluminum industry was adversely affected by the overall performance of the U.S. economy in 1980 and from the recession in the automobile industry in particular. Both * * * and * * * mentioned the additional strain placed on the domestic industry by imported secondary aluminum, arguing that it has forced U.S. producers to reduce prices in order to remain competitive. Reduced prices translate into lower profit margins, which, as stated earlier, dilute the funding for future investment.

The amount of capital investment undertaken in 1978-80 by nine of the firms which responded to the Commission's questionnaires was as follows:

	Capital investment (1,000 dollars)	Percentage increase
1978----------	66,716	-
1979----------	76,508	14.7
1980----------	97,494	27.4

These figures show that the industry is intensifying its efforts to remain competitive by increasing investment in its capital plant. Since the aluminum industry is energy intensive, modern facilities must be acquired and maintained to maximize efficiency in the industrial plant.

The Question of the Causal Relationship Between Alleged LTFV Imports and Alleged Material Injury or Threat Thereof

Market penetration

U.S. imports of secondary aluminum alloy from the United Kingdom declined from 3.1 million pounds in 1978, or 0.2 percent of apparent consumption, to 800,000 pounds in 1979, and then increased to 3.4 million pounds in 1980, again 0.2 percent of apparent consumption (table 11). Penetration in the North Central region followed a similar trend, increasing to 0.3 percent in 1980.

Table 11.--Secondary aluminum alloy: U.S. imports from the United Kingdom and apparent consumption, 1978-80

Year	Imports from United Kingdom	Apparent consumption	Ratio of imports to apparent consumption
	Million pounds		Percent
Total market:			
1978	3.1	1,628	0.2
1979	0.8	1,659	1/
1980	3.4	1,401	.2
North Central region:			
1978	2.4	1,173	0.2
1979	0.7	1,145	.1
1980	3.3	944	.3

1/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Bureau of Mines and from data submitted in response to questionnaires of the U.S. International Trade Commission.

The petitioner has alleged increased penetration of the market in the last quarter of 1980 and the first month of 1981. As shown in table 12, penetration on a monthly basis did in fact increase in the last quarter of 1980 and reached its highest level of 2.8 percent in January 1981. The shipment data presented in table 12 are based on ARA data which have been adjusted by the Commission staff to reflect only shipments into the North Central region. Imports from the United Kingdom were similarly adjusted.

Since official import statistics were used, the penetration level is overstated because some of these imports are of primary metal. In addition, shipments by domestic producers are traditionally low in December because plants are shut down during the last 2 weeks of the month or operate on a greatly curtailed schedule. 1/

Table 12.--Secondary aluminum alloy: U.S. shipments, imports from the United Kingdom, exports, and apparent consumption in the North Central region, by months, October 1980-February 1981

Period	Shipments	Imports from the United Kingdom	Exports	Apparent consumption	Ratio of imports to apparent consumption
	1,000 pounds				Percent
1980:					
October	94,411	261	8,497	86,175	0.3
November	118,780	1,156	10,690	109,246	1.1
December	83,730	1,829	7,536	78,023	2.3
1981:					
January	96,459	2,514	8,681	90,292	2.8
February	87,082	2,180	7,837	81,425	2.7

Source: Compiled from shipment data submitted by the Aluminum Recycling Association, official import statistics of the U.S. Department of Commerce, and export data derived from responses to questionnaires of the U.S. International Trade Commission.

Prices

Secondary aluminum prices are published daily in the American Metal Market. These quotes form the basis for monthly and annual prices published by the Bureau of Mines, the Department of Commerce, and several private organizations. However, these published prices are list prices, and discounting from the list price is known to occur. For example, discounts of 4 to 8 percent off American Metal Market quotes for 380 series secondary alloy are apparent when quarterly data on actual transaction prices, as compiled from Commission questionnaires, are compared with the list prices.

More than 15 secondary aluminum alloys are produced, but the 380 series accounts for an estimated 65 to 70 percent of all shipments of domestic alloys. 2/ It is also believed that the bulk of secondary aluminum alloy imported from the United Kingdom is 380 series (nomenclature LM24 series in the United Kingdom). Therefore, the Commission's questionnaire asked U.S. producers for f.o.b. and delivered prices for two grades of 380 series secondary alloy and asked U.S.

1/ Transcript of the conference, p. 10.
2/ Transcript of the conference, p. 11.

importers for f.o.b. and delivered prices for two comparable grades of LM24 alloy. This caused some problem since the United Kingdom product is apparently imported into the United States and sold to foundries with the U.S. designation of 380, and not LM24. Although importers' questionnaires were initially returned with little or no price data because of the confusion, data were finally obtained from firms that accounted for approximately 80 percent of the 1980 volume of imports of secondary aluminum alloy from the United Kingdom. Prices were also received from eight U.S. producers. In the following discussion, long-term price trends will be discussed first using prices published in the American Metal Market and then questionnaire data will be discussed for recent price comparisons.

Published prices for 380 series primary aluminum alloy, several grades of secondary aluminum alloy, and aluminum scrap are presented in table 13. Prices for all three secondary alloys exhibit similar trends, thus supporting the choice of 380 series alloy as a representative grade not only in terms of volume, but also in terms of the price movements of other secondary alloys. The secondary alloys all hit price peaks in the first quarter of 1980 after the recession dip in the last half of 1979, and then declined irregularly through 1980. Scrap prices exhibited a similar pattern, but rose more in both percentage and absolute terms. The price of secondary 380 alloy continued to decline in the third quarter in contrast to scrap prices, which began an upward trend. This tends to confirm the allegation that while scrap prices strengthened, secondary alloy prices remained relatively soft. 1/ Prices of 380-1 percent zinc secondary alloy and dealers' selling prices for scrap are shown in table 13 and figure 2, where the strong price correlation between 380 series secondary alloy and scrap is easily seen.

1/ Transcript of the conference, p. 93.

Table 13.--Selling prices for aluminum alloy and aluminum scrap, by grades or types and by quarters, 1975-80

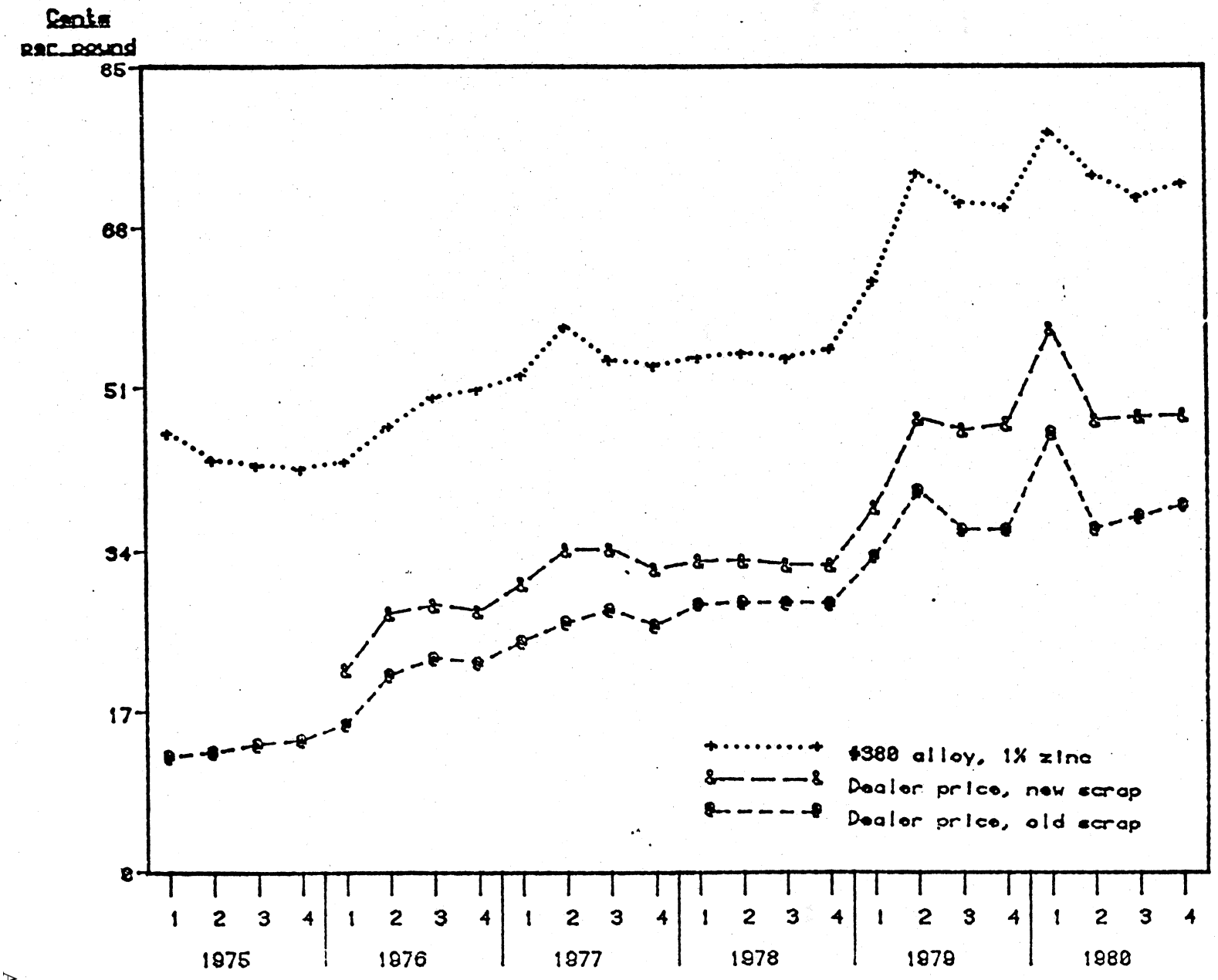
(In cents per pound)

Period	Selling prices for 380 series primary aluminum alloy	Smelters' selling prices for secondary aluminum alloy			Dealers' selling prices for aluminum scrap	
		No. 13 alloy; 0.6 percent copper	No. 43 alloy; 0.6 percent copper	No. 380 alloy; 1 percent zinc	New clippings (new scrap)	Old sheet and castings (old scrap)
1975:						
Jan.-Mar.	1/	49.51	-	46.39	1/	12.36
Apr.-June	1/	46.17	-	43.63	1/	12.81
July-Sept.	1/	45.31	-	43.06	1/	13.64
Oct.-Dec.	1/	44.53	-	42.69	1/	14.11
1976:						
Jan.-Mar.	1/	45.00	-	43.44	21.57	15.82
Apr.-June	1/	48.63	-	47.13	27.47	21.02
July-Sept.	52.11	51.63	-	50.13	28.37	22.76
Oct.-Dec.	53.15	52.14	-	50.94	27.68	22.28
1977:						
Jan.-Mar.	55.00	53.87	58.00	52.44	30.62	24.54
Apr.-June	1/	59.24	60.42	57.58	34.19	26.51
July-Sept.	1/	56.60	59.20	54.10	34.24	27.87
Oct.-Dec.	1/	56.00	59.00	53.50	32.17	26.22
1978:						
Jan.-Mar.	1/	56.29	59.59	54.38	33.06	28.47
Apr.-June	1/	56.40	59.53	54.87	33.08	28.66
July-Sept.	1/	55.66	57.69	54.30	32.62	28.62
Oct.-Dec.	1/	55.86	58.48	55.31	32.58	28.53
1979:						
Jan.-Mar.	1/	63.64	66.10	62.40	38.67	33.53
Apr.-June	1/	77.07	78.27	73.92	47.84	40.42
July-Sept.	71.4	72.87	74.67	70.72	46.67	36.33
Oct.-Dec.	76.3	72.80	74.47	70.26	47.32	36.32
1980:						
Jan.-Mar.	77.0	83.06	83.76	78.28	57.29	46.36
Apr.-June	83.6	79.83	81.76	73.72	47.70	36.47
July-Sept.	84.1	78.05	78.29	71.33	48.08	37.75
Oct.-Dec.	88.2	78.29	79.50	72.79	48.20	38.89

1/ Not available.

Source: American Metal Market price changes as recorded by the U.S. Department of Commerce and combined into average quarterly prices by the staff of the U.S. International Trade Commission.

Figure 2.--Prices for 380- 1 percent zinc secondary aluminum alloy and aluminum scrap, by quarters, 1975-80



Source: American Metal Market price changes as recorded by the U.S. Department of Commerce and combined into average quarterly prices by the U.S. International Trade Commission.

A-28

Questionnaire data are aggregated in table 14. The producer-importer generally sold its imported alloy at prices similar to those for its U.S.-produced product, but prices reported by the other two principal importers were consistently lower than the weighted average prices reported by U.S. producers.

Table 14.--Secondary aluminum alloy, 380-3 percent zinc: Delivered prices of U.S. producers and importers, by firms, October 1980-March 1981

(In cents per pound)

Period	U.S. producers' price		U.S. importers' price				
			Weighted average				
	Weighted average	Range	Including * * * prices	Excluding * * * prices	* * *	* * *	* * *
1980:							
Oct----	68.2	66.7-70.0	66.5	64.3	* * *	* * *	* * *
Nov----	66.5	65.0-69.5	63.5	62.4	* * *	* * *	* * *
Dec----	66.8	64.5-70.0	62.6	61.7	* * *	* * *	* * *
1981:							
Jan----	66.9	63.7-70.0	63.1	61.5	* * *	* * *	* * *
Feb----	64.4	60.0-69.7	60.2	60.2	* * *	* * *	* * *
Mar----	63.1	59.5-68.0	66.2	61.2	* * *	* * *	* * *

1/ Producer-importer.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Producers' and importers' weighted average prices declined in the first quarter of 1981. Petitioners testified to a slight increase of prices in late March 1981 and a continued increase in April. 1/

The following tabulation, based on questionnaire returns, shows margins of underselling between producers' and importers' weighted average prices, including and excluding prices of the producer-importer (* * *).

1/ Transcript of the conference, pp. 13 and 24.

Period	Including * * * prices (Percent)	Excluding * * * prices (Percent)
1980:		
October	2.5	5.7
November	4.5	6.2
December	6.3	7.6
1981:		
January	5.7	8.1
February	6.5	6.5
March	-4.9	3.0

Testimony at the Commission's conference indicated that freight costs are an important factor in limiting competition among domestic producers and importers. The industry generally accepts 300 to 400 miles as the limit for competitive shipments. Beyond that range, freight costs become a disadvantage. 1/ Data compiled from questionnaire responses bear out that pattern, with some exceptions. The number of miles to destination for the largest domestic shipments ranged from lows of 16 miles or less to highs of 800 to 1,000 miles and averaged 309 miles. Producers located in Chicago such as * * * and * * * were close to the market they serve, reporting shipments averaging about 100 miles. In contrast, * * * reported shipments to the North Central region, a distance of 671 miles. The firm may cut its freight cost disadvantage by a backhaul arrangement in which scrap is returned to its * * * plant. Importers appear to achieve a freight cost advantage by selecting ports of entry proximate to the markets they serve. For example, * * * reported that purchasers frequently buy f.o.b. that firm's warehouses, located at or near the port of entry. 2/

Lost sales

U.S. producers of secondary aluminum alloy presented 11 allegations of sales lost to the imported product from the United Kingdom. Each of the allegations concerned a different firm. The allegations covered the 3-month period December 1980-February 1981, totaled more than 2 million pounds, and involved only 380 series alloy.

When contacted by the Commission's staff, four firms which allegedly purchased the imported product stated that they purchased only from domestic sources and had never purchased imported material.

1/ Transcript of the conference, pp. 47 and 48.

2/ * * * reported that 100 percent of its sales of secondary aluminum alloy imported from the United Kingdom were made to purchasers in the North Central region.

The staff was unable to verify the allegations of lost sales at three firms. At one firm, the knowlegeable person was unavailable for questioning. Two other firms stated that while they did purchase imported material, they were unable to say with any certainty what the source of those imports had been. These firms both stated that they deal through brokers or dealers and will purchase any material that meets their specifications. The source of the material is irrelevant and not specified.

Four other firms stated that they had or probably had purchased 380 series alloy from the United Kingdom. One firm's representative stated that 5 percent of the firm's purchases of secondary aluminum alloy were accounted for by imports. The exact quantity of 380 series alloy purchased from the United Kingdom was not known, but was believed to be small. The primary reason given for purchasing imported material was to maintain alternate sources. The price of the imported material was said to be competitive with domestic prices. An official of the second firm stated that some 380 series alloy from the United Kingdom had been purchased each year since 1978, but that the quantity amounted to less than 1 million pounds over the 3-year period and represented only 3 to 4 percent of the firm's total purchases. The firm stated that price, quality, and availability were the most important purchasing considerations and that the price of the imported material had been competitive with domestic prices. An official of the third firm stated that a small quantity of 380 series alloy from the United Kingdom was purchased in 1980 and accounted for perhaps 2.5 percent of the firm's purchases that year. Price and availability were cited as the most important purchasing considerations, and the price of the imported material was said to be the same as or lower than that offered by domestic producers. However, it was also stated that the firm would have purchased the imported product even if the price offered by domestic producers had been comparable. The representative of the fourth firm stated that he thought some 380 series alloy from the United Kingdom had been purchased; however, the quantity amounted to less than 500,000 pounds over the last 3 years. He stated that maintaining alternate sources was the primary reason for these purchases; he further stated that the price of the imported product was lower than that offered by domestic producers and that the firm would have purchased from domestic sources if the price had been comparable.

APPENDIX A

NOTICE OF COMMISSION'S INVESTIGATION AND CONFERENCE AND LIST OF WITNESSES APPEARING AT THE CONFERENCE

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-40 (Preliminary)]

Secondary Aluminum Alloy in Unwrought Form From the United Kingdom

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary antidumping investigation.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-40 (Preliminary) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the United Kingdom of secondary aluminum alloy in unwrought form, provided for in item 618.0650 of the Tariff Schedules of the United States Annotated (TSUSA), which are allegedly sold or likely to be sold in the United States at less than fair value (LTFV).

EFFECTIVE DATE: March 24, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Lynn Featherstone, Office of Investigations, U.S. International Trade Commission, Room 346, 701 E Street NW., Washington, D.C. 20436; telephone 202-523-0242.

SUPPLEMENTARY INFORMATION: On March 24, 1981, petitions were simultaneously filed with the U.S. Department of Commerce and the U.S. International Trade Commission by the Aluminum Recycling Association, Inc., on behalf of its member firms alleging that secondary aluminum alloy in unwrought form from the United Kingdom is being sold in the United States at LTFV and that an industry in the United States is being materially injured or threatened with material injury by reason of such imports. Accordingly, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), the Commission is instituting preliminary antidumping investigation No. 731-TA-40 (Preliminary) to determine whether a reasonable indication of such injury exists. The Commission must make its determination within 45 days after the date on which the petition was received, or in this case by May 8, 1981. The investigation will be conducted according to the provisions of part 207, subpart B, of the Commission's Rules of Practice and Procedure (19 CFR 207).

For purposes of this investigation, secondary aluminum alloy is aluminum alloy which has been produced from aluminum recovered from scrap.

Written Submissions: Any person may submit to the Commission a written statement of information pertinent to the subject of this investigation. A signed original and nineteen (19) true copies of each submission must be filed at the Office of the Secretary, U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436, on or before April 24, 1981. All written submissions except for

confidential business data will be available for public inspection.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

For further information concerning the conduct of the investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and B (19 CFR 207), and Part 201, Subparts A through E (19 CFR 201).

Conference: The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10 a.m., e.s.t., on Monday, April 20, 1981, at the U.S. International Trade Commission Building. Parties wishing to participate in the conference should contact the supervisory investigator for this investigation, Mr. Lynn Featherstone (202–523–0242). It is anticipated that parties in support of the petition for antidumping duties and parties opposed to such petition will each be collectively allocated 1 hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the supervisory investigator.

Inspection of Petition: The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

By order of the Commission.

Issued: March 30, 1981.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-10627 Filed 4-7-81; 8:45 am]

BILLING CODE 7020-02-M

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 731-TA-40 (Preliminary)

SECONDARY ALUMINUM ALLOY IN UNWROUGHT FORM FROM THE UNITED KINGDOM

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigation on Monday, April 20, 1981, in room 117 of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the petition

Aluminum Recycling Association, Inc.
Washington, D.C.

R. M. Cooperman, Executive Director
Marietta Bernot, Consultant
Richard Barnett, Vice President, Aluminum Smelting and Refining Co.

In opposition to the petition

Steptoe & Johnson -- Counsel
Washington, D.C.
on behalf of

The United Kingdom Association of Light Alloy Refiners, Ltd.

Charlene Barshefsky -- OF COUNSEL

Barnes, Richardson & Colburn
Washington, D.C. and New York
on behalf of

Alcan Enfield Alloys, Ltd.

Rufus E. Jarman, Jr. -- OF COUNSEL

APPENDIX B

DEPARTMENT OF COMMERCE'S NOTICE OF INITIATION OF ANTIDUMPING INVESTIGATION

International Trade Administration

Secondary Aluminum Alloy In Unwrought Form From the United Kingdom; Initiation of Antidumping Investigation

AGENCY: U.S. Department of Commerce.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping investigation to determine whether Secondary Aluminum Alloy In Unwrought Form from the United Kingdom is being sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission of this action so that it may preliminarily determine whether these imports are materially injuring or threatening to materially injure a U.S. industry.

EFFECTIVE DATE: April 22, 1981.

FOR FURTHER INFORMATION CONTACT: Miguel Pardo de Zela or Roland MacDonald, Import Administration Specialists, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230 ((202) 377-5050 or 4087).

SUPPLEMENTARY INFORMATION:

Initiation and Antidumping Investigation

On March 24, 1981, we received a petition from the Aluminum Recycling Association, Inc. that complies with 19 CFR 353.36 and 353.37. Filed on behalf of the U.S. industry producing secondary aluminum alloy in unwrought form, the petition alleges that various producers in the United Kingdom are selling this merchandise in the United States at less than fair value within the meaning of Section 731 of the Tariff Act of 1930, as amended ("The Act"). It also alleges that these imports are materially injuring a U.S. industry.

Sales at less than fair value generally occur when the prices of the merchandise exported to the United States are less than the prices of such or similar merchandise sold for consumption in the exporter's home market. Material injury can include actual or potential decline in U.S. output, sales market share, profits, productivity, and return on investments.

Currently classified under item 618.0650 of the Tariff Schedules of the United States Annotated, secondary aluminum alloy is produced from aluminum base scrap (approximately 85% by volume) and alloying materials which may include copper, iron, magnesium, manganese, nickel, silicon, tin, titanium, and zinc. Secondary aluminum is produced to rigid specifications according to customer requirements.

Upon examining this petition, we have found that its information reasonably supports its allegations. Therefore, in accordance with Section 732 of the Act, we are initiating an investigation to determine whether there is a reasonable basis to believe or suspect that secondary aluminum alloy from the United Kingdom is being, or is likely to be, sold in the United States at less than fair value. If this investigation proceeds normally, we will announce our preliminary determination by August 31, 1981.

Notification of ITC

Section 732 of the Act also requires us to notify the U.S. International Trade Commission of this action and to provide it with a copy of the information we used to arrive at this determination. We will make available to the ITC all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine by May 8, 1981, whether there is a reasonable indication that imports of secondary aluminum alloy from the United Kingdom are likely to materially injure a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed to its conclusion.

April 13, 1981.

[FR Doc. 81-11988 Filed 4-21-81; 8:45 am]
BILLING CODE 3510-25-M