

# UNREFINED MONTAN WAX FROM EAST GERMANY

Determination of the Commission  
in Investigation No. 731-TA-30 (Final)  
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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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.



UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigation No. 731-TA-30 (Final)

UNREFINED MONTAN WAX FROM EAST GERMANY

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-30 (Final), the Commission unanimously determines, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)), that an industry in the United States is materially injured by reason of imports from East Germany of unrefined montan wax, provided for in item 494.20 of the Tariff Schedules of the United States, which the Department of Commerce has determined to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective March 4, 1981, following a preliminary determination by the Department of Commerce that unrefined montan wax from East Germany is being, or is likely to be, sold in the United States at LTFV.

Notice of the institution of the Commission's investigation and of the public hearing 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 March 25, 1981 (46 F.R. 18633). The hearing was held in Washington, D.C. on July 20, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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





## VIEWS OF THE COMMISSION

Our determination is based on the considerations set forth below.

Domestic industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 1/ "Like product" is defined as a product which is like, or in the absence of like, most similar in characteristics and uses with, the article under investigation. 2/

The imported product which is the subject of this investigation is unrefined montan wax from East Germany. Unrefined montan wax is a mineral wax distilled from lignite with the use of chemical solvents. There are five grades of the wax being imported into the United States at the present time. Four of the five grades of the imported wax are used primarily in the production of one-time carbon paper.

There are several domestic products which are like-product candidates with respect to the imported montan wax. The first is unrefined montan wax produced by American Lignite Products Co. (Alpco), of Ione, Calif. It, like the imported wax, is distilled from lignite with the use of chemical solvents and is used primarily in the production of one-time carbon paper. Alpco is the only domestic producer of this product in the United States. The other

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1/ 19 U.S.C. § 1677(4)(A).

2/ 19 U.S.C. § 1677(10).

products are Bareco, Moore & Munger, Frye and Carnauba waxes.

The Moore & Munger, Frye, and Bareco waxes are modified microcrystalline waxes. They are produced from different raw materials, through a different production process than unrefined montan wax, and have a different chemical composition. Carnauba wax is a natural vegetable wax which is also derived from a different raw material, through a different production process than unrefined montan wax, and it also has a different chemical makeup.

It is clear from the hearing transcript that the substitutability of Carnauba wax for montan wax is not direct, but requires changes in the formula for the end product. 3/ Moreover, there is not a large amount of substitution of Carnauba wax for unrefined montan wax because it is priced significantly higher. 4/

Although petroleum-based Bareco, Moore & Munger, and Frye waxes were priced competitively with Alpcos wax in 1979, by mid-1980 they were priced higher. Furthermore, substitution of these products for unrefined montan wax would require changes in the ink formulations and could affect the quality of the end product. 5/

For these reasons, we conclude that the would be substitutes are not sufficiently akin to the imported montan wax to be considered like products. We do find the montan wax produced by Alpcos to be like the imported wax. Accordingly, since Alpcos is the only domestic producer of the product which is like the unrefined wax from East Germany sold at less than fair value (LTFV), it comprises the domestic industry.

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3/ Hearing Transcript at 138, 139, 149, and 150.

4/ Staff Report at A-38.

5/ Id. at A-39.

Section 771(4)(D) of the Act directs the Commission to assess the effect of dumped imports in relation to the U.S. production of a like product if available data permit the separate identification of that product in terms of such criteria as the production process or the producers' profits. In this investigation, however, the like product constitutes almost all of production of the industry and, therefore, total industry data are considered to give an accurate reflection of the industry.

Material injury by reason of LTFV imports

Section 771(7) of the Act directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) their impact on domestic prices, and (3) the consequent impact on the domestic industry. 6/

Volume of imports.--Imports of unrefined montan wax from East Germany increased steadily from 1977 through 1980, with a substantial increase shown in 1980. This increase in imports reflected an effort to buildup inventories in anticipation of a dock strike in the fall of 1980. However, the build-up continued through the end of the year, even after the threat of a dock strike had passed. Subsequently, there was a radical drop in the volume of imports in the first quarter of 1981, and then a substantial increase in the second quarter of 1981. Thus, in the period June 1980 through June 1981, imports increased not only in absolute volume, but also relative to U.S.

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6/ Specific company-related data are confidential and cannot be discussed in this public document.

consumption, with the ratio of shipments of imports to consumption reaching its highest level in the fourth quarter of 1980. Overall, shipments of imports increased their share of the U.S. market by eight percentage points from 1977 through 1980. Despite a decline in the absolute volume of shipments of imports in the first six months of 1981, their share of the market increased by two percentage points when compared with the corresponding period in 1980.

Effect of LTFV imports on domestic prices.--Price comparisons were made between Alpcos type 1650 wax and the imported Romonta type 6715 wax. These two products were chosen for comparison because they are the two products used most often in the production of one-time carbon paper and are the two that compete most directly. In every quarter in the three and a half years in which the comparisons were made, the imported product undersold the domestic product by weighted average margins ranging from 9.3 percent to 24.2 percent. 7/ In July-September of 1980, and again in January-March of 1981, the domestic producer lowered its price by 2.5 cents and 1.5 cents, respectively, in an attempt to compete with the imported wax. These price reductions during a period of increasing production costs, coupled with the large margins of underselling, are clear indications of price depression.

Evidence on lost sales was not overwhelming, however, one company cited as a lost sale substantially decreased its purchases of the domestic product

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7/ Pricing information was also obtained on the substitute products. As mentioned earlier at the present time they are priced significantly higher than the unrefined montan wax and do not seem to be a depressing factor in the market.

and increased its purchases of the imported product citing price as a major factor in its decision. Other companies show increased purchases of the imported product while purchases of the domestic product remained stable. 8/

Impact on the domestic industry.--The economic indicators present a picture of a domestic industry in reasonably good health up until 1980. Production in the U.S. industry increased from 1978 to 1979 and the ratio of production to capacity during this time period was above 90 percent. Domestic shipments increased from 1978 to 1979 and inventories remained at a low level. Financial data provided by AlpcO show that its gross profit increased from 1978 to 1979 as did its operating profit and net profit before taxes.

From 1980 to the present time, however, the economic indicators give clear evidence of an industry suffering material injury. Production declined in 1980 and again in the first six months of 1981. The ratio of production to capacity fell sharply, in part because of the decline in production, but also because of increases in capacity resulting from the installation of new, more efficient equipment. Shipments of the domestic producer dropped substantially from 1979 to 1980, a trend that has continued in the first six months of 1981. Inventories remained fairly low but show an increase at the end of June 1980, the time the effect of the injury first became apparent. In fact, by July of 1980, the producer indicates he had no more back orders and was forced

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8/ Chairman Alberger, Vice Chairman Calhoun, and Commissioner Stern also note that the price sensitivity of unrefined montan wax is difficult to determine. There is testimony that at least one purchaser was willing to switch with a price difference of only 1 cent a pound while others continued to purchase the domestic wax although it was being undersold by almost 10 cents a pound.

to begin producing as the orders came in. AlpcO reported a number of plant shut-downs in the period July-December of 1980. This drop in production and shipments had its effect on employment, which dropped substantially. Although some of this drop in employment may have been the result of the new, more efficient machinery, much of it is attributable to the decline in production and shipments, and the consequent plant shut-downs.

Perhaps the most telling indication of material injury is in the financial experience of the domestic producer. In the accounting year ending on May 31, 1981, AlpcO's net sales fell by almost 30 percent. Operating profit fell sharply in 1981 as did the operating profit margin. The company showed a pre-tax loss which resulted from declining sales and increased interest expense.

AlpcO apparently first became aware of its declining orders in early 1980 and noticed the impact of the imports in June of 1980. This coincides with the time period when the margins of underselling were at their highest. During 1978 and 1979, prior to the period of Commerce's investigation, AlpcO was producing at near capacity and doing so profitably. The margins of underselling declined only in January-March of 1981, when the average price of the domestic product was reduced, thus further aggravating AlpcO's financial difficulties.

The respondent has argued that if there is any material injury suffered by the domestic industry, that this injury is due entirely to "vicissitudes unrelated to imports," namely, inefficiencies which were exacerbated by costs of solvents and natural gas, the high costs of raising money for investments,

unwillingness to maintain higher inventories, the low wax content of its lignite, a transportation cost disadvantage, declining export sales and price competition from Carnauba wax. This view is not supported by the record in this investigation.

First, the domestic industry did have certain operating inefficiencies when it was purchased by the current owners in 1977. This was admitted by the petitioners at the hearing. 9/ However, despite these inefficiencies AlpcO was doing well in 1978 and 1979, while being undersold by an average weighted margin of approximately 13 percent. These admitted inefficiencies, themselves, therefore, did not seem to have an injurious effect although AlpcO's new owners recognized them from the beginning and made substantial investments in new machinery to improve their efficiency. In late 1979 and in 1980, however, when AlpcO should have been able to realize the benefits of its investments, the margin of underselling increased to more than 20 percent. Despite its efforts to be more efficient, the domestic producer was hit by substantial cost increases for energy and solvent. Its attempts to pass these costs on to its customers were thwarted by the low price of the imported product. In fact, petitioner was forced to roll back its prices. This price reduction did not increase sales, however, as the price of the imported product increased only slightly and the margin of underselling remained above 20 percent. The resulting drop in profitability had the effect of interfering with the ability of AlpcO to raise the capital needed to make further investments in equipment to improve operating efficiencies, particularly with respect to energy usage.

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9/ Transcript, at 12.

As to respondents' argument that AlpcO was unwilling to maintain high inventories, the company's ratio of production to capacity indicates that prior to 1980, AlpcO was operating at more than 90 percent of capacity. Thus, it was producing and shipping almost as much as it could, with little product available for building inventories.

Higher transportation costs for shipping montan wax from California to carbon paper manufacturers, most of whom are located east of the Mississippi, place AlpcO at a disadvantage when compared with the importer located in New Jersey. This disadvantage has been in effect, however, since AlpcO's inception and whatever negative effect it may have had could not have been major since AlpcO had no problem with declining sales prior to late 1979 and particularly 1980.

The legislative history of the Act indicates that the law does not contemplate that the cause of material injury from LTFV imports be weighed against other factors which may be contributing to over-all injury to the domestic industry. In this case, there are many factors which have contributed to the injury, but given the increasing volume of imports and the high margin of underselling, there is no doubt that these LTFV imports are a cause of material injury.



## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On September 8, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from American Lignite Products Co. (Alpco) of Ione, Calif., alleging that montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States (TSUS), is being, or is likely to be, sold in the United States at less than fair value (LTFV). Accordingly, effective September 8, 1980, the Commission instituted preliminary antidumping investigation No. 731-TA-30 (Preliminary). On October 23, 1980, the Commission unanimously determined, on the basis of the information developed during the course of investigation No. 731-TA-30 (Preliminary), that there was a reasonable indication that an industry in the United States was being materially injured, or was threatened with material injury, by reason of imports from East Germany of montan wax which are allegedly being sold at LTFV. 1/ As a result of the Commission's determination, the Department of Commerce continued its investigation into the question of sales at LTFV.

On March 4, 1981, the Department of Commerce made a preliminary determination that there is a reasonable basis to believe or suspect that exports of unrefined montan wax from East Germany are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673). 2/ As a result of this preliminary determination by Commerce, effective March 4, 1981, the Commission instituted investigation No. 731-TA-30 (Final) to determine whether 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 LTFV imports of unrefined montan wax from East Germany.

Notice of the Commission's institution of investigation No. 731-TA-30 (Final), and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of March 25, 1981 (46 F.R. 18633). Subsequent to the posting of the notice, however, the Department of Commerce extended the period for its final determination for up to 60 days. Accordingly, the Commission postponed (46 F.R. 25376) and later rescheduled (46 F.R. 32702) its hearing. 3/ Commerce made its final LTFV determination on July 22, 1981 (46 F.R. 38555). This determination was revised on August 25, 1981. A full discussion of that determination is presented in the section of this report entitled "Nature and Extent of Sales at LTFV." The Commission's hearing was held in Washington, D.C. on July 20, 1981, 4/ and its vote in the investigation was made on August 26, 1981.

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1/ A copy of the Commission's preliminary determination is presented in app. A.

2/ Copies of Commerce's preliminary determination and revised preliminary determination are presented in app. B.

3/ Copies of the Commission's notices are presented in app. C.

4/ A list of witnesses appearing at the hearing is presented in app. D.<sup>1</sup>

Previous U.S. International Trade Commission Investigation  
Concerning Montan Wax

On October 28, 1955, the Secretary of the Treasury advised the Chairman of the United States Tariff Commission (former name of the U.S. International Trade Commission) "that montan wax in its crude form from the Soviet Zone of Germany and from Czechoslovakia is being, or is likely to be, sold in the United States at less than fair value." The Tariff Commission then conducted investigation No. AA1921-6 to determine whether imports of montan wax were injuring or were likely to injure a domestic industry.

A hearing was held in connection with the investigation on January 10, 1956. On January 18, 1956, a press release was issued which stated that after "investigation in accordance with the provisions of section 201(a) of the said Antidumping Act, the Commission, by unanimous opinion, has determined that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia." 1/

#### Descriptions and Uses

Unrefined montan wax is a hard, brittle mineral wax found in lignite or brown coals and generally extracted from them with the use of solvents. Although it has been used in the production of floor and shoe polishes, and as a mold release agent, its main use in the United States is as a flow agent in the manufacture of one-time carbon paper.

Lignite, from which the montan wax is extracted, is a soft low-grade coal, classified between peat and sub-bituminous coal. Wax-bearing lignite is found in those areas where the plants from which the coal was eventually formed had a high wax content. This wax was preserved in the coal. Genetically, montan wax is a fossilized plant wax and is similar to vegetable waxes in many of its characteristics and uses.

To produce montan wax economically, it is necessary to find a source of lignite with a high wax content and a low resin content. Worldwide, the principal sources of lignite suitable for producing montan wax are in the Roblingen area of East Germany and in Amador County, Calif. The world's two principle facilities for the production of montan wax, VEB Braunkohlenkombinat of East Germany and Alpco of California, are located near the source of the raw material. There have been reports of some production in Russia and China, but there have been no imports from these countries in recent years and production may have been discontinued due to a shortage of suitable lignite.

#### The imported product

Romonta montan wax.--The imported product which is the subject of this investigation is unrefined montan wax from East Germany. It is sold under the brand name Romonta.

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1/ A copy of the Tariff Commission's press release announcing this determination is reproduced in app. E.

In East Germany the lignite is mined using the open-pit method. The coal, which has a moisture content of less than 50 percent, is dried to a moisture content of \* \* \* percent and then crushed to a grain size of 0.2 to 2 millimeters. The crushed lignite is then placed in an extraction machine with hot organic solvents where the wax itself is extracted using the countercurrent principle. The solvents used vary but they generally contain some combination of benzene and ethyl alcohol. The actual solvent mix used at the present time is proprietary. The wax is then separated from the solvent by distillation and by blowing in steam. It is then mixed with various chemicals to produce specific grades of unrefined montan wax. The finished wax is cast into small blocks, or sprayed in a special unit to form a fine granulate, or, while still in liquid form, poured into heatable tank cars or trucks. Most of the unrefined montan wax imported into the United States is in the granulated form.

VEB Braunkohlenkombinat produces several grades of montan wax which it ships throughout the world. There are five grades being exported to the United States at the present time. The Romonta "regular" or "normal" grade is in the crudest state. Romonta 6715 is a very hard dark wax in which the resin content is reduced and the asphalt content increased. This is the grade used most often in the production of carbon paper. Romonta 76 is also a hard dark wax and is considered an improved form of type 6715. Romonta CP-77 is a premium product. All of these grades can be used in the production of one-time carbon paper. The fifth grade exported to the United States is called Romonta-Y, a specially formulated wax with a low ash content for precision molding. It is not believed to be used in the production of one-time carbon paper at the present time.

An estimate of the share of imports of each grade in 1980 is shown in the following tabulation:

	<u>Share of total</u> <u>(Percent)</u>
Regular-----	***
6715-----	***
76-----	***
CP-77-----	***
Romonta-Y-----	***
Total-----	<u>100.0</u>

The U.S. importer.--There is one importer of montan wax from East Germany in the United States--Strohmeier & Arpe Co., Inc., of Millburn, N.J. It is the exclusive distributor of the East German product in both the United States and Canada and is a wholly owned subsidiary of Chr. Bjelland & Co., Inc., a major international food supplier also located in Millburn, N.J.

Strohmeier has been in the wax business for more than 75 years and is one of the largest suppliers of natural waxes in the world. It has been importing unrefined montan wax from East Germany since 1907. Its agreement with VEB Braunkohlenkombinat as exclusive distributor runs for a period of several years, however, the price and quantity of purchases are negotiated on an annual basis.

The unrefined montan wax is exported from East Germany by AHB Chemie-Export-Import, a government foreign trade organization responsible for exporting chemical products. VEB Braunkohlenkombinat delivers the product to Hamburg, West Germany, where the importer takes control of the goods.

As stated previously, the importer handles five grades of montan wax. In addition, Strohmeyer imports Carnauba wax from Brazil, candelilla wax from Mexico, beeswax from Chile, Mexico, Dominica, Ethiopia, Tanzania, Australia, New Zealand, Brazil, and Argentina, Japan wax from Japan, bayberry wax from Colombia, and ouricury wax from Brazil.

The East German producer.--The world's major producer of unrefined montan wax is VEB Braunkohlenkombinat of the Roblingen area of East Germany. It accounts for approximately \* \* \* percent of total world production. VEB Braunkohlenkombinat is part of a state-owned lignite works called "Gustav Sobottka." The lignite works include open-cast mines, railroad installations for transporting the lignite to the refineries, briquetting and wax refineries, a power plant, and the firm's internal lines for electric power and steam. Lignite is mined to provide fuel for generating electricity and for compression into briquettes for other requirements. The lignite briquettes are used throughout East Germany and exported to other European countries. The onsite electric generation plant supplies power for the public population in the surrounding area as well as company requirements.

When lignite with highwax content is encountered during the mining process, it is diverted to the wax plant. After the wax is extracted, the lignite residue is used in the production of briquettes. The plant produces \* \* \* million pounds of montan wax a year, which is exported to 40-50 countries throughout the world.

Tariff treatment.--Montan wax is classifiable under item 494.20 of the TSUS. Imports are duty free from all countries. The duty-free status was provided for in the Tariff Act of 1930 as originally enacted and has been bound since June 1951 as a concession granted by the United States in the General Agreement on Tariffs and Trade.

On at least two occasions in recent years, attempts have been made in Congress to have a duty placed on montan wax. In July 1978, a bill was proposed (H.R. 13412) to provide a column 2 rate of duty of 6.5 cents per pound. The bill was never reported out of Committee. In March 1980, H.R. 5242 was proposed to amend the TSUS by deleting current item 494.20, which provides for duty-free treatment of imports of montan wax from all countries, and substituting new items 494.19 and 494.21 in lieu thereof. Item 494.19 would cover unrefined montan wax and provide for a column 1 duty rate of free and a column 2 rate of 11 cents per pound, thus maintaining the duty-free status of imports from countries entitled to most-favored nation treatment while imposing a duty on imports from all other sources including East Germany. Item 494.21 would cover all other montan wax which would be duty free in both column 1 and column 2. This bill also was never reported out of Committee.

The domestic product

Alpco montan wax.--Unrefined montan wax is produced in the United States by one producer, Alpco of Ione, Calif. The means of extracting the wax is basically the same in the California plant as it is in the East German facility.

First, lignite with a sufficiently high wax content must be found. Once located, the suitable lignite, which has a moisture content of roughly \* \* \* percent, is mined and stockpiled, then taken to the plant where it is dried and crushed to a grain size of 0.2 to 2 millimeters. After being sifted to remove the fine particles (fines) which would clog the machinery, the crushed lignite is placed in an extraction machine where hot solvent is poured through it, removing the wax from the lignite. This solution is then distilled to remove the solvent, which is circulated through the system to be used again. Prior to 1979, the fines which were sifted out were unusable. With the addition in that year of a fines plant, however, these fine particles became subject to an extraction process whereby they are dipped in hot solvents. The solvent is then distilled to separate the wax as in the other process.

After distillation, the wax is moved to a mixing tank where chemical additives are introduced. Finally, the liquid wax is placed on a cold roll to solidify, after which it is chipped and bagged.

Unrefined montan wax is produced in the United States in two grades, type 1650 and type 16, both of which are used in the production of one-time carbon paper. Both grades are priced the same, but over \* \* \* percent of Alpco's business is in type 1650. Approximately \* \* \* percent of the company's sales by volume are of these two grades. The remaining \* \* \* percent of Alpco's sales are of a refined montan wax, type 400, which is priced substantially higher than type 1650 and type 16, and is not used in the production of one-time carbon paper.

The U.S. producer.--Alpco began operations in 1947. It was formed by an Eastern U.S. family in the coal business. The company initially intended to produce briquettes for use as a fuel, but the lignite proved to be unsatisfactory for this use. It was discovered to contain appropriately high levels of wax for the production of montan wax, however, and the company began the commercial production of that product during 1948. The only other sources of montan wax at that time were East Germany and, to a much lesser extent, Czechoslovakia.

In 1968, the company was sold to the Interpace Corp. of Parsippany, N.J. Interpace had extensive mineral-processing and mining operations in Amador County, Calif. In 1975, following a change in management, Interpace decided to sell the montan wax plant. After more than a year on the market, three employees made an offer to purchase the plant in early 1977. The offer was accepted and Alpco went into operation under new ownership on June 1, 1977.

The company presently has a sublease on lignite deposits which runs to the year 2050. The sublease provides Alpco with rights to all lignite with a wax content above \* \* \* percent on \* \* \* acres of land. In addition, it has rights to two other tracts of land, one of \* \* \* acres, and another of \* \* \* acres. In order to ensure an adequate supply of lignite with a suitable wax

content, the company does exploratory drilling every year to determine the wax content of the lignite at the various locations and plan the order in which the lignite will be mined. Deposits of lignite are then classified as proven, 1/ probable, 2/ or indicated. 3/ Alpcó has mining reports which estimate proven reserves for \* \* \* years, probable reserves for \* \* \* years, and indicated reserves for \* \* \* years. 4/ Alpcó contracts with a mining company that mines the lignite in the summer and stockpiles it, then delivers it to the plant, as needed, on a daily basis. Lignites with different wax contents are combined during production to maintain an average wax content of approximately \* \* \* percent. This facilitates the production of a consistent quality of montan wax.

### Competitive products

Unrefined montan wax is considered to be the product with the best combination of properties for use in the production of one-time carbon paper. Those properties which make it the preferred product are its flow and binding qualities, which enhance its ability to spread and bind the other ingredients to the paper, its hardness, which provides a clear sharp image, and its high melting point, which serves to stabilize the end product even under adverse conditions. There are, however, other waxes both synthetic and natural which have characteristics similar to unrefined montan wax (although they have different chemical compositions) and which can be used to complement unrefined montan wax, or act as a substitute for it in this use. The Bareco, Moore & Munger and Frye waxes, which are discussed below, have generally the same properties as montan wax but not to the same degree or in the same combination. Carnuba wax, which is discussed on the next page, has greater hardness but lacks in flow qualities. The use of any of these products to replace montan wax would require substantial reformulations. In addition to inherent differences, the price of these products makes them commercially unattractive at the present time.

Bareco waxes.--The Bareco WB series of waxes are produced by the Bareco Division of the Petrolite Corp. Bareco WB's are modified microcrystalline waxes which are derived from petroleum. When petroleum is distilled by heating (in a still), several products are removed at various boiling points. After these products (such as light petroleum gases, gasoline, naphtha, kerosene, paraffin wax distillate, and others) have been removed, a residue remains in the still which will not distill without decomposition. The microcrystalline wax is derived from this residue by a complex series of solvent separations.

There are particular Bareco waxes (WB 5, 7, 10, 11, 14, and 16) which are used in the production of one-time carbon paper. Petrolite reported that all

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1/ Proven--Drilled and assayed on 100-foot centers; sufficient data to assure the wax yield after mining with plus or minus 5-percent accuracy.

2/ Probable--Drilled on 500-foot or closer centers; sufficient data to give reasonable indication of the grade plus or minus 10 percent.

3/ Indicated--Drilled on greater than 500-foot centers; data indicates existence of deposition and rough characterization of grade.

4/ A summary of Alpcó's wax-bearing lignite reserve estimate is provided in app. F.

sales of these products from 1977 to the present time have been to one-time carbon paper manufacturers.

Moore & Munger waxes.--Other modified microcrystalline waxes used in the production of one-time carbon paper are Moore & Munger D-6070 and Frye D-6072, both products of Moore & Munger, Inc., of Fairfield, Conn. They are derived from petroleum in a process similar to that of the Bareco WB waxes. Like the Bareco waxes, the Moore & Munger and Frye waxes are used as flow and wetting agents, and all of the sales of these products are to one-time carbon paper producers.

Carnauba wax.--Carnauba wax is a natural vegetable wax which is derived from the fronds of the Carnauba palm. This wax is produced only in northeastern Brazil where it occurs as a coating on the leaves of the Carnauba palm. Carnauba palms grow to a height of about 35 to 40 feet and bear a crown of fan-shaped leaves. The leaves are cut during the dry season, then dried, shredded, and flailed with a stick or by machine to remove the wax, which is collected as a powder. Each tree produces roughly 3 ounces of wax per year; however, total annual production is over 25 million pounds.

Carnauba is a very hard wax with a high melting point and superior emulsifying properties as well as a high luster. It is used in high grade waxes for automobiles, floors, furniture, and shoes, as well as in multiple-use and one-time carbon paper.

U.S. Market

Unrefined montan wax is used in combination with mineral oil, paraffin, and carbon black in the production of one-time carbon paper ink. There are three types of customers for the product: those who make the carbon paper ink, those who make one-time carbon paper, and those who make the whole business form. These firms may use AlpcO and Romonta waxes in the same ink or they may use one or the other in separate formulations. A user generally does not substitute one unrefined montan wax for the other in any given formula, however, because of the chemical variations in the waxes and the precision in the formulas. Once a formula is established which combines the four basic ingredients in a satisfactory manner, the use of montan wax from a different source would require a reformulation of all the ingredients.

Consumption of unrefined montan wax

Apparent U.S. consumption of unrefined montan wax (based on U.S. shipments made by AlpcO and Strohmeyer) increased annually from 1977 to 1979 and then fell slightly in 1980. A continued decline is indicated during January-June 1981 as shown in the following tabulation:

Apparent U.S. consumption  
1,000 pounds

1977 <u>1</u> /-----	***
1978-----	***
1979-----	***

1980-----	***
January-June--	
1980-----	***
1981-----	***

<sup>1/</sup> Based on an estimate of Alpco's domestic shipments for January-May 1977 of \* \* \* pounds.

From 1977 to 1978, apparent U.S. consumption of unrefined montan wax increased by \* \* \* pounds or \* \* \* percent. In 1979, consumption increased by \* \* \* pounds or \* \* \* percent, and in 1980, it decreased by \* \* \* pounds or \* \* \* percent. The first 6 months of 1981 shows a decline of \* \* \* pounds or \* \* \* percent when compared with the January-June of 1980.

The single largest use of one-time carbon paper is in manifold business forms. The use of these forms is tied closely to the computer industry, and the market for them has been steadily increasing since 1977 according to data in the 1981 U.S. Industrial Outlook, published by the Department of Commerce. The business-form industry experienced one of its best years in 1979. This growth continued through January-March 1980, but, beginning in April or May of that year, the industry experienced a slowdown which lasted throughout the remainder of the year and will likely mean continued slower growth through 1981. Although competing paperless technologies will displace some forms usage, forms industry shipments are expected to grow an average of 12 percent a year through 1985. A more imminent concern to the unrefined montan wax industry is the use of other waxes in the production of one-time carbon paper inks.

#### Consumption of competitive products

The producer of the Bareco WB 5, 7, 10, 11, 14 and 16 waxes reported that all of these waxes may be substituted for unrefined montan wax in one-time ink formulations "although when the substitution is made, the formula must, at the least, be rebalanced and in the more complex cases, the formula must be completely revised." He stated, however, that Bareco waxes differ in raw materials and chemical composition from unrefined montan wax. Total U.S. shipments of Bareco waxes are shown in the following tabulation.

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***

The producer of the Moore & Munger D-6070 and the Frye D-6072 waxes reported that these products are the "functional equivalent to unrefined montan wax, and can be used as its substitute, or in conjunction with it in the manufacture of one-time carbon paper." Total U.S. shipments of these waxes are shown in the following tabulation:



	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***

Total imports of Carnauba wax are shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	5,021
1978-----	8,487
1979-----	6,507
1980-----	5,731

These figures indicate that imports of Carnauba wax fluctuated throughout the period. It should be noted that Carnauba wax is used primarily for products other than one-time carbon paper.

The Robert A. Baldini Co. of New Jersey, a subsidiary of Strohmeyer & Arpe Co., is an importer of Carnauba wax. This company reported that to substitute Carnauba for unrefined montan wax, the "formulation changes and risk involved are not minor from a chemical and business point of view," and that to substitute Carnauba wax for unrefined montan wax would be more difficult than to change from one montan wax to the other.

#### Nature and Extent of Sales at LTFV

On July 22, 1981, the Department of Commerce made a final determination that unrefined montan is being sold in the United States at LTFV. Margins were found on 75 percent of the merchandise sold to the unrelated U.S. purchaser during the period April-September 1980, and ranged from 5.2 to 13.3 percent. The weighted average margin over all sales was 6.58 percent. Commerce calculated the margins using a constructed value of specific factors of production in East Germany, based on similar costs in West Germany. Commerce subsequently revised this margin to 13.02 percent on August 25, 1981. <sup>1/</sup>

Consideration of Material Injury

Data presented in this section on Alpcos production, capacity, shipments, inventories, and employment include the operations on type 400 montan wax, which is a refined product. Alpcos estimates that type 400 wax accounted for about \* \* \* percent of its total shipments in 1980; therefore, data in the following discussions overstate Alpcos unrefined montan wax operations by that amount. The inclusion of type 400 wax in the analyses has only a very minor effect and causes no noticeable distortions.

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<sup>1/</sup> Copies of Commerce's final determination and revised final determination are presented in app. G.

U.S. production, capacity, and capacity utilization

Total domestic production of montan wax is shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
June-December 1977 <sup>1/</sup> -----	***
1978-----	***
1979-----	***
1980-----	***
January-June:	
1980-----	***
1981-----	***

Production of montan wax rose by \* \* \* pounds, or by \* \* \* percent, from 1978 to 1979. It dropped by \* \* \* pounds in 1980, representing a decline of \* \* \* percent. Figures for January-June 1981 compared with the corresponding period of January-June 1980, show production dropped by \* \* \* pounds, or by \* \* \* percent.

Unrefined montan wax is produced by continuous operation of the production facilities. When in full operation, the plant runs 3 shifts a day, 7 days a week. Data on Alpcos productive capacity for montan wax are shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
June-December 1977-----	***
1978-----	***
1979-----	***
1980-----	***

These figures show an increase in capacity from 1978 to 1979 of \* \* \* pounds, or \* \* \* percent. This increase was due to the installation in March 1979 of a solvent recovery system which allows for the extraction of wax from previously unusable lignite fines. This system increased capacity by \* \* \* million pounds a year.

Capacity figures show another increase in 1980 of \* \* \* pounds, or \* \* \* percent. This increase was attributable to the fines plant being operational for the entire year and to the installation of a surge system in July 1980, which reportedly improved extraction equipment utilization and eliminated down time. The new surge system brings total annual capacity as of January 1, 1981, to \* \* \* million pounds.

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<sup>1/</sup> As Alpcos began operations under present ownership on June 1, 1977, all economic data for 1977 were reported only for June-December.

Alpco reported that it had no plant shutdowns in January-June 1980. During July-December 1980, the plant was shutdown \* \* \* times for a total of \* \* \* days due to a reduction in orders. Alpco's capacity utilization is shown in table 1.

Table 1.--Unrefined montan wax: U.S. production, capacity, and ratio of production to capacity, June-December 1977, 1978-80, January-June 1980, and January-June 1981

Period	Production	Capacity <u>1/</u>	Ratio of produc-
	1,000 pounds	1,000 pounds	tion to capacity
			Percent
June-December 1977---	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
January-June:			
1980-----	***	***	***
1981-----	***	***	***

1/ Based on operating 3 shifts a day, 7 days a week.

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

Capacity utilization declined \* \* \* percentage points, from \* \* \* percent in 1978 to \* \* \* percent in 1979, as capacity increased by \* \* \* percent and production increased by only \* \* \* percent. In 1980, the ratio of production to capacity fell sharply, to \* \* \* percent, as capacity increased by \* \* \* percent and production declined by \* \* \* percent. Capacity utilization remained low, but improved slightly to \* \* \* percent in January-June 1981.

U.S. producer's domestic shipments

Data on the U.S. producer's domestic shipments of montan wax are shown in the following tabulation:

	Quantity
	<u>1,000 pounds</u>
June-December 1977-----	***
1978-----	***
1979-----	***
1980-----	***
January-June--	
1980-----	***
1981-----	***

These figures show that shipments increased from 1978 to 1979 by \* \* \* <sup>A-11</sup> pounds, or by \* \* \* percent. Shipments declined in 1980, however, by \* \* \*

pounds, or \* \* \* percent. Figures for January-June 1981 compared with figures for the corresponding period of 1980 show a drop in shipments of \* \* \* pounds, or \* \* \* percent.

The value of domestic shipments is shown in the following tabulation:

	<u>Value</u> (1,000 dollars)	<u>Unit value</u> Cents per pound
June-December 1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

These figures show that the value of shipments increased steadily from June 1977 through December 1980. The average value per pound increased by \* \* \* cents, or \* \* \* percent, from June-December 1977 to December 1978, and by another \* \* \* cents, or \* \* \* percent, from 1978 to 1979. There was a continued increase in 1980 of \* \* \* cents per pound, or \* \* \* percent. The overall increase in the value per pound of shipments from June-December 1977 to December 1980 was \* \* \* percent.

#### U.S. producer's exports

U.S. exports of montan wax are made primarily to Canada and the Far East, particularly Japan, and accounted for about \* \* \* percent of Alpcos total shipments in 1980. Quantity, value, and value per pound of exports are shown in table 2.

Table 2.--Unrefined montan wax: U.S. exports, June-December 1977 and 1978-80

Period	Quantity	Value	Unit value
	<u>1,000 pounds</u>	<u>1,000 dollars</u>	<u>Average unit value</u> <u>cents per pound</u>
June-December 1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***

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

Exports increased from 1978 to 1979 by \* \* \* pounds, or \* \* \* percent. They declined substantially from 1979 to 1980, by \* \* \* pounds or \* \* \* percent. The value of exports increased by \* \* \* from 1978 to 1979, an increase of \* \* \* percent, and declined in 1980 by \* \* \* or \* \* \* percent. The average unit value of exports increased steadily throughout the period, A-12 paralleling that of domestic shipments.

U.S. producer's inventories

Alpco's end-of-period inventories of unrefined montan wax fluctuated markedly throughout the period for which information was requested but remained small, as shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***
June:	
1980-----	***
1981-----	***

Inventories were \* \* \* pounds higher at the end of 1980 than they were at the end of 1979, and had increased by another \* \* \* pounds by June 30, 1981. Ratios of inventories to production and shipments remained at low levels throughout the period, as shown in table 3. End-of-period inventories on a monthly basis from January 1979 through June 1981 are shown in figure 1.

Table 3.--Unrefined montan wax: Alpco's ratios of inventories to production and to domestic shipments, June-December 1977, 1978-80, January-June 1980, and January-June 1981

(In percent)	
Period	Ratio of inventories to--
	Production : Domestic : shipments
June-December 1977-----	<u>1/</u> <u>2/</u> : <u>1/</u> ***
1978-----	*** : ***
1979-----	*** : ***
1980-----	*** : ***
January-June--	:
1980-----	<u>1/</u> *** : <u>1/</u> ***
1981-----	<u>1/</u> *** : <u>1/</u> ***

1/ Based on annualized production and shipment data.  
2/ Less than \* \* \* percent.

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

Delivery lead time

The producer and importer provided estimates of their average <sup>A13</sup>lead time to major customers of montan wax as an indicator of their ability to meet demand.

Confidential

The domestic producer reported delivery lead times of \* \* \* weeks in 1977. This went up to \* \* \* weeks in 1978 and as high as \* \* \* weeks in January-June 1979. This occurred during a time of increased production and shipments. Lead time then dropped to \* \* \* weeks in July-December 1979. In 1980, AlpcO reported delivery lead times of \* \* \* weeks for January-March then \* \* \* lead time from April 1980 to March 1981.

The importer has a policy of shipping orders as soon as they come in and reported \* \* \* delivery lead time. It should be noted that the importer maintains a substantial inventory which enables it to ship from stock.

Employment and productivity

AlpcO's average yearly employment increased by \* \* \* workers from \* \* \* in June-December 1977 to \* \* \* in 1978 and then remained constant until 1980 when it dropped by \* \* \* workers. The average number of workers during January-June of 1981 decreased by \* \* \* employees, or \* \* \* percent, compared with the corresponding period of 1980.

Part of the drop in 1980 followed installation of the surge bin system. \* \* \* operators were eliminated when the mill- and process-operator positions were combined into one. Supervisory responsibilities were taken from the operators and used to create \* \* \* foreman positions. \* \* \* of these foremen were hired in 1981. The remaining drop in employment in 1980 was the result of a reduction in force. Among those released were \* \* \*. In most instances, these functions continue to be carried out, to the extent possible, by the remaining employees. As shown in table 4, productivity has risen sharply as the number of workers was reduced in 1980 and 1981.

Table 4.--Average number of production and related workers engaged in the production of montan wax, man-hours worked by such workers, and output per man-hour, June-December 1977, 1978-80, January-June 1980, and January-June 1981

Period	Production and related workers	Man-hours worked: by production and related workers	Output per man-hour
			Pounds
June-December 1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
January-June--			
1980-----	***	***	***
1981-----	***	***	***

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

Financial experience of the U.S. producer

Profit-and-loss experience of the overall company.--During 1978-80, AlpcO's overall net sales rose from \* \* \* million to \* \* \* million, representing an increase of \* \* \* or \* \* \* percent. However, during the latest accounting year ended May 31, 1981, AlpcO's overall net sales fell \* \* \* percent to \* \* \* million (table 5).

Table 5.--Overall profit-and-loss experience of American Lignite Products Co., 1978-81 1/

Item	Accounting year ended May 31--			
	1978	1979	1980	1981
Net sales-----1,000 dollars--	***	***	***	***
Cost of goods sold-----do-----	***	***	***	***
Gross profit-----do-----	***	***	***	***
Operating expenses:				
Marketing expenses-----do-----	***	***	***	2/
Research and development-----do-----	***	***	***	2/
Administrative-----do-----	***	***	***	2/
Total operating expenses-----do-----	***	***	***	***
Operating profit-----do-----	***	***	***	***
Other income and (expense):				
Other income-----do-----	***	***	***	***
Interest expense-----do-----	***	***	***	***
Total other expense (net)-----do-----	***	***	***	***
Net profit before taxes-----do-----	***	***	***	***
Ratio of gross profit to net sales-----percent--	***	***	***	***
Ratio of operating profit to net sales-----do-----	***	***	***	***
Ratio of net profit or (loss) before taxes to net sales-----do-----	***	***	***	***
Ratio of cost of goods sold to net sales-----do-----	***	***	***	***
Ratio of total operating expenses to net sales-----do-----	***	***	***	***

1/ Unrefined montan wax sales accounted for \* \* \* percent or more of the company's total sales revenue in each of the years 1978-81.

2/ Data not available.

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

As a share of net sales, the cost of goods sold remained relatively stable during 1978-81--ranging from \* \* \* percent in 1979 to \* \* \* percent in 1980. Operating expenses, as a share of net sales, declined from \* \* \* percent



to \* \* \* percent during 1978-80. Such expenses, however, rose to \* \* \* percent during 1981. Interest expense rose sharply from \* \* \* in 1978 to \* \* \* in 1981.

Operating profit increased from \* \* \* in 1978 to \* \* \* in 1979, before declining slightly to \* \* \* in 1980. Operating profit fell sharply to \* \* \* during the 1981 accounting year. The operating profit margin rose from \* \* \* percent in 1978 to \* \* \* percent in 1979, dipped to \* \* \* in 1980, and then fell sharply to \* \* \* percent in 1981.

Net profit before income taxes rose sharply to \* \* \* or \* \* \* percent of net sales in 1979, compared with \* \* \* or \* \* \* percent of net sales in 1978. In 1980, pre-tax profit dipped to \* \* \* or \* \* \* percent of net sales. The company sustained a loss of \* \* \* or \* \* \* percent of net sales during the 1981 accounting year. The sharp decline in profit during 1981 resulted from declining sales and increased interest expense, which occurred in conjunction with capital expenditures related to a capacity expansion program.

Financial condition.--Balance sheet data relative to Alpc's overall company operations are presented in table 6. The value of total assets rose from \* \* \* million as of May 31, 1978, to \* \* \* million as of March 31, 1981. Total liabilities rose from \* \* \* to \* \* \* million and stockholders' equity from \* \* \* to \* \* \* during this period.

The current ratio (ratio of current liabilities to current assets) ranged from a low of \* \* \* to \* \* \* as of May 31, 1978, and 1980, to a high of \* \* \* to \* \* \* as of May 31, 1979. Debt-to-equity ratios ranged from a low of \* \* \* percent as of May 31, 1980, to a high of \* \* \* percent as of May 1978. Net sales per dollar of assets ranged from a low of \* \* \* in 1979 to \* \* \* and \* \* \* respectively, in 1978 and 1980. For the 10-month period ended March 31, 1981, net sales per dollar of assets dipped to \* \* \*, compared with \* \* \* in the corresponding period of 1980.

Table 6.--Financial condition of American Lignite Products Co., as of May 31, 1978-80, March 31, 1980, and March 31, 1981

Item	As of May 31--			As of March 31--	
	1978	1979	1980	1980	1981
Assets:					
Current assets:					
1,000 dollars--:	***	***	***	***	***
Fixed assets:					
Cost---1,000 dollars--:	***	***	***	***	***
Accumulated deprecia- tion-1,000 dollars--:	***	***	***	***	***
Book value					
1,000 dollars--:	***	***	***	***	***
Other assets					
1,000 dollars--:	***	***	***	***	***
Total assets					
1,000 dollars--:	***	***	***	***	***
Liabilities and stock- holders' equity:					
Current liabilities					
1,000 dollars--:	***	***	***	***	***
Long-term liabilities					
1,000 dollars--:	***	***	***	***	***
Total liabilities					
1,000 dollars--:	***	***	***	***	***
Stockholders' equity					
1,000 dollars--:	***	***	***	***	***
Total liabilities and stockholders' equity					
1,000 dollars--:	***	***	***	***	***
Current ratio-----:	***	***	***	***	***
Debt-to-equity ratio					
percent--:	***	***	***	***	***
Net sales per dollar of total assets---dollars--:	***	***	***	***	***
Ratio of net profit before: income taxes to--					
Total assets---percent--:	***	***	***	***	***
Stockholders' equity					
percent--:	***	***	***	***	***
Net investment in assets----percent--:	***	***	***	***	***

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

The ratio of net profit before taxes to total assets rose from \* \* \* percent in 1978 to \* \* \* percent in 1979, before declining to \* \* \* percent in 1980. For the two corresponding 10-month periods of 1980 and 1981, pre-tax profit dipped from \* \* \* percent of total assets in 1980 to \* \* \* percent in 1981.

Net profit, as a share of stockholders' equity, ranged from \* \* \* percent in 1979 down to \* \* \* percent in 1980 for the 12-month periods. For the 10-month period ended March 31, 1981, pre-tax profit dipped to \* \* \* percent of stockholders' equity compared with \* \* \* percent for the corresponding period in 1980. Pre-tax profit was equal to \* \* \* percent of net investment in assets in 1978, \* \* \* percent in 1979, and \* \* \* percent in 1980. <sup>1/</sup> For the 10-month period ended March 31, 1981, profit dropped to \* \* \* percent of net investment in assets, compared with \* \* \* percent for the corresponding period of 1980.

In order to increase the company's net investment in assets, AlpcO did not pay any dividends nor did the company increase the salary or benefits of any officer during the period covered by this report. As a result, shareholders' equity, as a share of net investment in assets, increased from \* \* \* percent in 1978 to \* \* \* percent in 1980. Because of an expansion program and lower profits, the ratio dipped to \* \* \* percent for the 10-month period ended March 31, 1981.

Profit-and-loss experience on unrefined montan wax.--Net sales of unrefined montan wax accounted for \* \* \* percent or more of AlpcO's total company net sales in each of the years covered by this report. Therefore, for the purposes of this report, greater emphasis has been placed on overall company profit-and-loss and financial data which are supported by statements prepared by independent accountants or by internal reports.

AlpcO did prepare a profit-and-loss statement applicable only to its unrefined montan wax operation, but preparation of the statement involved the use of allocations, and hence, the quality is unknown. However, profit-and-loss data up to the gross profit level, as supplied by AlpcO, are presented in table 7 for accounting years ended May 31, 1978-81.

The data presented in the table show that unrefined montan wax sales followed the same trend as overall company net sales during 1978-81. Gross profit, however, followed a somewhat different trend, declining slightly in 1979 before rising in 1980. In 1981, gross profit declined \* \* \* percent--the same percentage rate as for overall company operations. The gross profit margin declined from \* \* \* percent to \* \* \* percent during 1978-80. In 1981, the gross profit margin rose to \* \* \*. Overall company gross margin exceeded that of unrefined montan wax operations in each of the years 1979-81.

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<sup>1/</sup> Net investment in assets is equal to the sum of long term liabilities and stockholders' equity.

Table 7.--Profit-and-loss experience of American Lignite Products Co.  
on its unrefined montan wax operations, 1978-81

Item	Accounting year ended May 31--			
	1978	1979	1980	1981
Net sales-----1,000 dollars--	***	***	***	***
Cost of goods sold-----do----	***	***	***	***
Gross profit-----do----	***	***	***	***
Ratio of gross profit to net sales-----percent--	***	***	***	***
Overall company gross profit margin-----do----	***	***	***	***

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

Research and development expenditures.--Alpco reported research and development expenses as shown in the following tabulation:

	<u>Quantity</u> <u>1,000 dollars</u>
June-December 1977-----	***
1978-----	***
1979-----	***
1980-----	***

These expenses went to cover the laboratory costs and salary of the chemist who spent half his time developing new, non-carbon-paper uses for unrefined montan wax and the lignite residue, as well as ways of improving the operations of the plant and reducing the use of solvents and energy.

Capital expenditures.--Alpco reported capital expenditures for 1978 through 1980 totalling \* \* \*. These capital expenditures were in addition to the \* \* \* which went to purchase the business in 1977. A breakdown of capital expenditures by year is presented in the following tabulation:

	<u>Quantity</u> <u>1,000 dollars</u>
1978-----	***
1979-----	***
1980-----	***
Total-----	***

The largest capital expenditure was \* \* \* for the purchase of a fines plant in 1978 and 1979. The fines plant provided a system whereby Alpco could extract montan wax from the fine particles of lignite which had previously been unusable. This plant increased capacity by \* \* \* pounds a year.

In July 1980, \* \* \* was expended for a surge bin system, which improved extraction equipment utilization and increased capacity by \* \* \* pounds a year. Additionally, in 1980, \* \* \* was expended on dry desolventizing equipment which resulted in more efficient use of energy. The remaining capital expenditures of \* \* \* over the period 1978 through 1980 were for mining development.

### Consideration of the Threat of Material Injury

#### Rate of increase of imports

Imports of unrefined montan wax from East Germany increased each year from 1977 through 1980, as shown in the tabulation on page A-23. Imports increased irregularly, however, when quarterly data are examined, as shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds 1/</u>	<u>Percentage change</u>
1979:		
January-March-----	***	
April-June-----	***	***
July-September-----	***	***
October-December-----	***	***
1980:		
January-March-----	***	***
April-June-----	***	***
July-September-----	***	***
October-December-----	***	***
1981:		
January-March-----	***	***
April-June-----	***	***

#### Rate of increase of market penetration

Imports as a share of U.S. consumption increased by \* \* \* percentage points from 1977 through 1980. On a quarterly basis, the data show an increase in market penetration on a fluctuating basis (table 8).

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1/ Due to rounding, numbers may not add to yearly totals.

Table 8.--Unrefined montan wax: U.S. shipments of imports, total consumption, and market penetration, by quarters, January 1979-June 1981

Period	Shipment of imports	Total consumption	Market penetration
	1,000 pounds	1,000 pounds	Percent
1979:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December----:	***	***	***
1980:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December----:	***	***	***
1981:			
January-March-----:	***	***	***
April-June-----:	***	***	***

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

#### Capacity of the East German producer to generate exports

As indicated earlier, the East German producer of unrefined montan wax is the largest producer of that product in the world. This plant accounts for approximately \* \* \* percent of world production and exports to 40-50 countries. Approximately \* \* \* percent of its production goes to West Germany, with roughly \* \* \* percent going to the United States.

Specific figures on the East German capacity and production are unavailable, however, representatives of the company estimate present capacity to be \* \* \* to \* \* \* metric tons of wax a year, the equivalent of \* \* \* to \* \* \* million pounds a year. Their estimate of capacity is based on a cost efficiency formula of extracting roughly \* \* \* percent of the wax from the lignite. By increasing the amount of solvent used or the heat level, they could increase capacity. For example, by increasing the amount of solvent used so that an additional \* \* \* percent of wax would be extracted, they could increase their production by \* \* \* tons, or \* \* \* million pounds per year. Alpc's total capacity is \* \* \* million pounds per year.

#### Consideration of the Causal Relationship between LTFV Imports and Alleged Injury

##### U.S. imports

Import data on unrefined montan wax are based on information supplied by the sole U.S. importer, Strohmeyer Arpe Co., in its questionnaire response. These data are shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***
January-June--	
1980-----	***
1981-----	***

From 1977 to 1978, imports increased by \* \* \* pounds or \* \* \* percent. They increased by \* \* \* pounds, or \* \* \* percent, in 1979 and by an additional \* \* \* million pounds, or \* \* \* percent, in 1980. Imports were \* \* \* percent higher in 1980 than they had been in 1977. Data for January-June 1981, however, show a sharp drop of \* \* \* pounds, or \* \* \* percent, compared with imports for the corresponding period of 1980. There were no imports reported in February or March 1981.

#### U.S. importer's inventories and U.S. shipments

The U.S. importer's end-of-period inventories are shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***
June--	
1980-----	***
1981-----	***

Inventories declined sharply from 1977 to 1978 by \* \* \* pounds, or \* \* \* percent, then increased by \* \* \* pounds, or \* \* \* percent, in 1979. In 1980, inventories doubled. A decline of \* \* \* pounds or \* \* \* percent is shown at the end of June 1981, when compared with the end of June 1980.

The U.S. importer's domestic shipments of unrefined montan wax are shown in the following tabulation:

	<u>Quantity</u> <u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***
January-June--	
1980-----	***
1981-----	***

Domestic shipments of imports increased by \* \* \* pounds from 1977 to 1978, representing an increase of \* \* \* percent. They remained the same in 1979, then increased by \* \* \* pounds, or by \* \* \* percent, in 1980. Domestic shipments of imports declined by \* \* \* pounds, or \* \* \* percent, in January-June 1981, compared with the corresponding period of 1980. The ratios of inventories to imports and to U.S. shipments of imports are shown in table 9.

Table 9.--Unrefined montan wax: Ratios of end-of-period inventories of imports to imports and shipments of imports, 1977-80, January-June 1980, and January-June 1981

Period	Ratio of inventories of imports to--	
	Imports	Domestic shipments of imports
	<u>Percent</u>	<u>Percent</u>
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***
January-June--		
1980-----	<u>1/</u> ***	<u>1/</u> ***
1981-----	<u>1/</u> ***	<u>1/</u> ***

1/ Based on annualized import and shipment data.

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

The table indicates that the importer maintains much higher inventories than does the domestic producer. The ratio of inventories to both imports and shipments of imports followed the same trend from January 1977 through June 1981, declining in 1978 and then increasing in 1979 and 1980. In 1977, 1978, and again in January-June 1981, Strohmeyer's shipments exceeded its imports by significant amounts, indicating that it was selling off inventories. Inventories were unusually high at the end of January 1981 and dropped by more than half by the end of March.



Market penetration

The ratio of U.S. shipments of imports to apparent U.S. consumption is shown in table 10.

Table 10.--Unrefined montan wax: U.S. shipments of imports from East Germany and apparent U.S. consumption, 1977-80, January-June 1980, and January-June 1981

Period	U.S. shipments of imports	Apparent U.S. consumption	Ratio of U.S. shipments of im- ports to con- sumption
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>Percent</u>
1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***
January-June--			
1980-----	***	***	***
1981-----	***	***	***

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

The market share held by imports from East Germany increased by \* \* \* percentage points from 1977 to 1978, then declined by \* \* \* percentage point in 1979. It increased by \* \* \* percentage points, however, in 1980. In January-June 1981, an increase in market share of \* \* \* percentage points is indicated when compared with the same period of 1980.

Prices of unrefined montan wax

Alpco produces two grades of unrefined montan wax (type 16 and type 1650), both of which are sold at the same price. The company also sells a refined grade of montan wax, type 400, which is not used in the production of one-time carbon paper and is priced substantially higher. Approximately \* \* \* percent of Alpco's sales are of type 1650. Sales are generally made at list prices, which are f.o.b. plant (Ione, Calif.) with buyers paying the freight. Shipments are normally made in 40,000 pound truckload lots, with slightly higher prices being charged for smaller shipments.

All imports of unrefined montan wax from East Germany are handled by Strohmeyer & Arpe Co. Five grades of unrefined montan wax are imported, all of which sell at slightly different prices. Approximately \* \* \* percent of the importer's sales are made on a spot basis, while the remainder are sold on the basis of long-term contracts. Sales prices and terms of contract are negotiated every year. Prices are quoted f.o.b. dock with buyers paying inland freight.

The domestic producer and the importer of montan wax were requested to provide the Commission with quarterly data on net prices (f.o.b. shipping point) on type 1650 and type 6715, 1/ respectively, to their three largest U.S. customers. Weighted average selling prices were constructed by the Commission and are presented in table 11.

Table 11.--Unrefined montan wax: Weighted average selling prices, f.o.b. shipping point, of the domestic producer and importer, and the importer's margins of underselling, by quarters, January 1978-June 1981

Period	Producer's weighted	Importer's	Importer's mar-
	average selling	weighted average	gins of under-
	price (type 1650)	selling price	selling
	Cents per pound		Percent
1978:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December-----:	***	***	***
1979:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	***	***	***
October-December-----:	<u>1/</u> ***	***	***
1980:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September-----:	<u>2/</u> ***	***	***
October-December-----:	***	***	***
1981:			
January-March-----:	<u>3/</u> ***	***	***
April-June-----:	***	***	***

1/ This figure represents a price increase of \* \* \* cents per pound in this quarter. Prices rose from \* \* \* cents to \* \* \* cents per pound.

2/ Prices were increased to \* \* \* in July of 1980, however, an across-the-board price reduction of \* \* \* cents per pound was put into effect by AlpcO on August 15, 1980, on shipments over \* \* \* pounds. A company spokesman said the decrease was made in an effort to compete with the East German product.

3/ The price decrease to \* \* \* cents per pound was again offered reportedly in an attempt to compete with the East German wax.

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

1/ Type 6715 accounted for \* \* \* percent of total imports in 1980 and is believed to be the grade most similar to AlpcO's type 1650.

Table 11 shows that the imported product was underselling the domestic product throughout the period January 1978-June 1981. The importer's margins of underselling were about \* \* \* cents per pound, or around \* \* \* percent, in January-March 1978, then declined to a low of about \* \* \* percent in January-June 1979. Margins rose sharply in late 1979 and exceeded \* \* \* percent throughout 1980. In January-June 1981, margins of underselling declined to about \* \* \* percent because of an increase of \* \* \* cents per pound in the importer's prices in that period, and a decrease in Alpco's prices.

During January 1978-June 1981, the producer's prices increased by \* \* \* percent and the importer's prices increased by \* \* \* percent.

Annual data on prices of all grades of montan wax imported from East Germany ("Regular," type 6715, type 76, type CP-77, and Romonta-Y) are presented in table 12, along with similar data for the domestic product, type 1650. As shown, selling prices of the five imported grades of unrefined montan wax were consistently lower (with the exception of type CP-77 in 1979) than those of the domestically produced grades, with margins of underselling ranging from \* \* \* to \* \* \* percent.

Table 12.--Unrefined montan wax: Lowest net selling prices, f.o.b. shipping point, to principal domestic end-use purchasers, of the U.S. importer and producer, by grades, 1978-80 and January-March 1981

(In cents per pound)					
Grade	1978	1979	1980	January-March 1981	
Imported product:					
Regular-----	***	***	***	***	***
Type 6715-----	***	***	***	***	***
Type 76-----	***	***	***	***	***
Type CP-77-----	***	***	***	***	***
Romonta Y-----	***	***	***	***	***
Domestic product:					
Type 1650-----	***	***	***	***	***

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

The importer also provided its average purchase prices (ex-dock prices) for unrefined montan wax imported from East Germany (table 13).

Table 13.--Unrefined montan wax: U.S. importer's average purchase prices, by grades, 1978-80 and January-March 1981

(In cents per pound)				
Grade	1978	1979	1980	January-March 1981
Regular-----	***	***	***	-
Type 6715-----	***	***	***	***
Type 76-----	***	***	***	-
Type CP-77-----	***	***	***	***
Romonta-Y-----	***	***	***	-

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

#### Prices of competitive products

As indicated earlier, Carnauba wax, Bareco WB series waxes, and Moore & Munger waxes can be substituted for or used to complement unrefined montan wax in one-time carbon paper ink formulations.

Lowest net selling price to principal purchasers of Carnauba wax, as reported by one of the largest distributors of the product (Strohmeyer & Arpe), are shown in the following tabulation:

	<u>Cents per pound</u>
1977-----	***
1978-----	***
1979-----	***
1980-----	***

The prices reported for Carnauba wax are significantly higher than prices reported for either the Alpcor or Romonta montan wax. In ink formulations, one-third less Carnauba wax would be needed than the replaced unrefined montan wax, however, an additional flow agent of some type would be required. The price of Carnauba wax has increased by only \* \* \* cents, or \* \* \* percent, from 1978 to 1980, while the price of domestic unrefined montan wax has increased by \* \* \* percent for the same time period.

Strohmeyer also stated that in "substituting Carnauba wax for unrefined montan wax there is a generally accepted rule of thumb in the industry that Carnauba wax becomes attractive at a price of about 50 percent higher than unrefined montan wax." Price is only one of many factors involved in the consideration, however, and it does not seem that there has been large scale substitution of Carnauba wax for unrefined montan wax.

The Commission was able to obtain prices on four of the Bareco WB series waxes, Frye D-6072, and Moore & Munger D-6070. These waxes are petroleum based and their prices are closely tied to prices of crude oil, which have undergone substantial increases in the last few years. Prices of these waxes are shown in table 14.

Table 14.--Lowest net selling prices of Bareco WB waxes, Frye D-6072 wax, and Moore & Munger D-6070 wax, f.o.b. shipping point, by quarters, January 1979-March 1981

(In cents per pound)						
Period	Bareco WB-10	Bareco WB-11	Bareco WB-14	Bareco WB-16	Frye D-6072	Moore & Munger D-6070
1979:						
January-March-----:	***	***	***	***	***	***
April-June-----:	***	***	***	***	***	***
July-September----:	***	***	***	***	***	***
October-December--:	***	***	***	***	***	***
1980:						
January-March-----:	***	***	***	***	***	***
April-June-----:	***	***	***	***	***	***
July-September----:	***	***	***	***	***	***
October-December--:	***	***	***	***	***	***
1981:						
January-March-----:	***	***	***	***	***	***

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

This table shows that these products were priced competitively with Alpcos wax in 1979, but by mid-1980 were priced higher. Substitution of these products for unrefined montan wax would require changes in the ink formulations and could affect the quality of the end product.

#### Transportation costs

The U.S. producer and the importer generally sell their products f.o.b. plant and dock, respectively. Customers pay inland freight charges. Both Alpcos and Strohmeyer provided estimates of transportation costs to their customers on their five largest shipments in 1980. This information is provided in table 15.

This table indicates that the transportation costs incurred by the customers of Alpcos went as high as \* \* \* cents per pound compared with a reported high of \* \* \* cents per pound for customers of the importer. The average shipping distance of these five largest sales reported by the producer was \* \* \* miles and that for the importer was \* \* \* miles.

The 1981 U.S. Industrial Outlook reports that the major U.S. producing regions for manifold business forms are the East North Central and Middle Atlantic. The Commission was able to determine the location of all the purchasers of unrefined montan wax and the majority are, in fact, located in the Northeast, North Central and Mid-Atlantic regions. The location of the purchasers gives the importer a definite transportation-cost advantage not only by reason of its location in New Jersey, but also by its ability to import the product at various ports. <sup>1/</sup>

Table 15.--Unrefined montan wax: Transportation charges for the producer's and importer's 5 largest shipments in 1980

Shipment	Distance transported	Transportation cost	
		Total cost	Cost per pound
		Dollars	Cents
Alpco:	Miles		
Shipment 1---(54,000 pounds)---	***	***	***
Shipment 2---(42,000 pounds)---	***	***	***
Shipment 3---(40,000 pounds)---	***	***	***
Shipment 4---(40,000 pounds)---	***	***	***
Shipment 5---(40,000 pounds)---	***	***	***
Strohmeyer & Arpe:			
Shipment 1---(40,000 pounds)---	***	***	***
Shipment 2---(40,000 pounds)---	***	***	***
Shipment 3---(40,000 pounds)---	***	***	***
Shipment 4---(40,000 pounds)---	***	***	***
Shipment 5---(40,000 pounds)---	***	***	***

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

### Lost sales

Alpco reported lost sales of unrefined montan wax to imports from East Germany involving 8 different companies (14 plant locations) during the period September 1, 1980-March 31, 1981. The staff obtained information on all the alleged lost sales.

Seven of the companies responded to the Commission's purchaser questionnaire. This provided information on the quantity and value of their purchases of unrefined montan wax during 1977-80 and on pricing during 1979, 1980, and January-March 1981. In all but one instance, the data indicated that the price paid for Alpco wax exceeded that paid for the East German product. The single exception occurred during January-March of 1979. In the discussion that follows, information will be provided at the plant level only when its buying patterns vary significantly from the pattern exhibited by the company as a whole.

<sup>1/</sup> Principal ports of entry in 1980 were New York, N.Y., Savannah, Ga., Houston, Tex., and Portland, Oreg. A-30

Alpco alleged lost sales at \* \* \*. Data from these plants indicate that they purchased both the Alpco and Romonta waxes during 1978-80. In absolute terms, the quantity of unrefined montan wax purchased from Strohmeyer greatly exceeded the amount purchased from Alpco, but the volume of purchases from both sources followed the same general trend. This can be seen in the following tabulation, which shows aggregate company purchases from 1978 to 1980, of both the Alpco and Romonta waxes:

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>
1978-----	***	***
1979-----	***	***
1980-----	***	***

The volume of purchases from both sources increased from 1978 to 1979, then declined in 1980. The East German product, however, took a greater share of the increase in 1979 and a smaller share of the decrease in 1980. As a result, the volume of imported montan wax in \* \* \* purchases grew over the 3-year period from 72 to 75 percent of its total purchases of unrefined montan wax. This company stated the main factor in its decision to purchase the imported montan waxes was "the physical characteristics that they alone possess and impart to our finished product." Along with this, they cited availability, quality, responsiveness to orders, reliability, and historical supplier relationship as being very important. Price was cited as being of mid-range importance.

\* \* \* made no purchases of either Carnauba or Bareco waxes and purchased minimal quantities of Frye D-6070 wax in 1979 and 1980, which it used in conjunction with both imported and domestic montan wax. It is reportedly being replaced by Alpco 1650 when the current inventory runs out.

Alpco alleged lost sales at \* \* \*. This company reported total purchases for all locations. It purchased both the Alpco and Romonta waxes throughout the period. \* \* \* reported it had changed its product line to expand the use of unrefined montan wax and decrease the use of Carnauba wax. Purchasing patterns for montan wax are shown in the following tabulation:

	<u>U.S. produced</u> <u>montan wax</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>montan wax</u> <u>(1,000 pounds)</u>	<u>Carnauba wax</u> <u>(1,000 pounds)</u>
1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***

The quantities of the East German unrefined montan wax purchased were greater than those of the domestically produced product by factors of 2.4 in 1977, 4.9 in 1978, 6.0 in 1979, and 4.3 in 1980. Reports from two plants indicated difficulties, prior to 1975, with unfilled orders from Alpco<sup>31</sup> \* \* \* reported similar difficulties with deliveries from 1977 to 1979. \* \* \*

reported that the "domestic type 1650 and the East German type 6715 for all practical purposes are interchangeable. However, a slightly sharper and denser image is produced by East German type 6715."

In its questionnaire response, \* \* \* ranked availability, quality, responsiveness to orders, reliability, and alternate source as the most important reasons for purchasing the imported product. Price, relationship with the supplier, and terms of the sale were rated of mid-range importance.

Alpco alleged lost sales at one of the \* \* \*. The total purchases of unrefined montan wax made by \* \* \* are shown in the following tabulation:

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

The purchases of domestically produced unrefined montan wax by \* \* \* greatly exceed the volume of purchases of the imported product. Purchases of both products increased from 1977 to 1979, then dropped in 1980. The volume of purchases of the domestic product was 6.8 times greater than the purchases of the imported product in 1977, 14.0 times in 1978, 6.3 times in 1979, and 5.0 times in 1980.

The lost sales reported by Alpco were at the \* \* \* plant of \* \* \*. That plant's purchases of unrefined montan wax are shown in the following tabulation.

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

These figures show that purchases of the domestic montan wax exceeded those of the East German product by a factor of 10 in 1978, 18 in 1979, and 12 in 1980.

Purchases made by the other five plants of \* \* \* varied, however, all of them purchased larger quantities of the Alpco wax than the East German product and the \* \* \* plant purchases the Alpco product exclusively.

In its questionnaire response, \* \* \* reported that the main reason it purchased the East German product was to maintain a second source of supply. It ranked availability, price, quality, and reliability of delivery as being of low to mid-range importance.

All plants of \* \* \* reported substantial purchases of \* \* \*.



Alpco alleged lost sales to \* \* \*. \* \* \* plants responded to the Commission's questionnaire. Aggregated purchases of unrefined montan wax of these \* \* \* plants are shown in the following tabulation:

	<u>U.S. produced</u> (1,000 pounds)	<u>East German</u> (1,000 pounds)
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

The figures show purchases of the domestic montan wax increased from 1977 to 1979, then declined slightly in 1980. Purchases of the East German product increased throughout the period. Purchases of the imported product exceeded purchases of the domestic product by 1.6 times in 1977 and 1.4 times in 1978. In 1979, purchases of the U.S. product exceeded purchases of the East German product by a factor of 1.1. The relationship reversed itself again in 1980 when purchases of the imported product were 1.2 times greater than purchases of the domestic product.

At the plant level, buying habits of the \* \* \* listed as lost sales varied. One plant purchased only the East German product throughout the period. A \* \* \* purchased the Alpco product only in 1979 and 1980, and in both these years purchases of the domestic unrefined montan wax were greater than those of the East German product. \* \* \* purchased the domestic product beginning in 1979 and such purchases declined by \* \* \* pounds in 1980. Its purchases of the imported product also began in 1979, but these purchases increased by \* \* \* pounds in 1980. The \* \* \*, located in \* \* \*, was not listed as a lost sale; it purchases only the domestic product.

\* \* \* identified having an alternative source, availability, responsiveness to orders, and reliability as the most important factors in its decision to purchase the imported product. Price and terms of sales were also noted. The company indicated that in the early 1970's it was unable to purchase sufficient quantities from the domestic producer to meet requirements.

Alpco reported sales lost to \* \* \*. That company reported purchasing the Alpco wax throughout the period 1977-80. It purchased the East German wax in 1977, 1979, and 1980. Purchases are shown in the following tabulation:

	<u>U.S. produced</u> (1,000 pounds)	<u>East German</u> (1,000 pounds)
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

These figures show that purchases from AlpcO increased from 1977 to 1979, then dropped sharply in 1980. Purchases of the imported wax dropped from 1977 to 1979, then increased in 1980. In 1980, for the first time, purchases of the East German product exceeded purchases of the domestic product. At the time of the preliminary injury determination in this case, a spokesperson for \* \* \* reported that it purchased both the domestic and imported unrefined montan wax. Since revising its formula in 1979, however, the East German product works better in its formulation. The higher price of the domestic product was also a consideration. These statements are consistent with the information contained in \* \* \* response to the Commission's questionnaire in which it cited the most important reasons for purchasing the imported product as being availability, price, and quality.

\* \* \* was also alleged as a lost sale by AlpcO. That company purchased only the East German product from 1977 through 1980. Its purchases are shown in the following tabulation:

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>
1977-----	-	***
1978-----	-	***
1979-----	-	***
1980-----	-	***

The volume of its purchases increased irregularly over the 4 year period. At the time of the preliminary investigation in this case, an individual with \* \* \* reported that AlpcO's prices were too high. In the questionnaire response, the company reported the East German product produced inks which gave higher quality images than others, and it could use less in its formulas, thereby lowering costs.

AlpcO reported sales lost to \* \* \*. This company made its last purchase of the domestic unrefined montan wax in 1977, and first reported purchases of the East German product in 1980. In 1977 \* \* \* changed from AlpcO montan wax to Bareco WB 11, citing better quality in the finished product as the reason for switching. It cited availability and price as the reasons for deciding to buy the East German product in 1980. \* \* \* purchases are shown in the following tabulation:

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>	<u>Bareco WB11</u> <u>(1,000 pounds)</u>
1977-----	***	***	***
1978-----	***	***	***
1979-----	***	***	***
1980-----	***	***	***

\* \* \* was also alleged to be a lost sale. This company reported some purchases of the U.S.-produced wax in 1977 and 1979. It purchased the East German product throughout the period, however, these purchases declined, as shown in the following tabulation:

	<u>U.S. produced</u> <u>(1,000 pounds)</u>	<u>East German</u> <u>(1,000 pounds)</u>
1977-----	***	***
1978-----	***	***
1979-----	***	***
1980-----	***	***

This company reported that availability, price, quality, and formula compatability were very important factors in its decision to purchase the East German product. At the time of the preliminary determination, a spokesperson for the firm reported that for the last 10 years the East German wax has been used in 95 percent of its formulations. The domestic wax is purchased periodically to maintain a second source of supply. The individual contacted stated that in his formulation the East German product worked better.



APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION PRELIMINARY INJURY DETERMINATION

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[Investigation No. 731-TA-30 (Preliminary)]

**Montan Wax From East Germany**

*Determination*

On the basis of the record<sup>1</sup> developed in investigation No. 731-TA-30 (Preliminary), the Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury,<sup>2</sup> by reason of imports of montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, which are allegedly being sold in the United States at less than fair value (LTFV).

*Background*

On September 8, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce each received a petition from American Lignite Products Co., Ione, Calif., alleging that montan wax from East Germany is being, or is likely to be, sold in the United States at LTFV.

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

<sup>2</sup> Chairman Alberger found only that there is a reasonable indication that an industry in the United States is materially injured.

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 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 October 23, 1980.

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 in the Commission's New York City Office, located at 6 World Trade Center, and by publishing the notice in the Federal Register on September 24, 1980 (45 FR 63390). The public conference was held in Washington, D.C., on October 1, 1980, and all persons who requested the opportunity were permitted to appear in person or by counsel.

**Statement of Reasons for the Affirmative Determination of Vice Chairman Michael J. Calhoun and Commissioners George M. Moore and Catherine Bedell**

On the basis of the record developed in investigation No. 731-TA-30 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

**Discussion**

Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) directs that, within 45 days after a petition is filed under section 732(b), the Commission— shall make a determination, based upon the best information available to it at the time of the determination, of whether there is a reasonable indication that—

- (1) An industry in the United States—
  - (A) Is materially injured, or
  - (B) Is threatened with material injury, or
- (2) The establishment of an industry in the United States is materially retarded,<sup>3</sup> by reason of imports of the merchandise which is the subject of the investigation by the administering authority.

<sup>3</sup> Establishment of an industry is not an issue in this investigation and will not be further discussed.

In order to reach a decision we are required to define the domestic industry, review available information for reasonable indications of material injury or threat of material injury, and find a nexus between these reasonable indications and the subject imports.

**Domestic industry**

In the present case we find the like product to be montan wax and the industry to consist of the one firm producing montan wax in the United States, American Lignite Products Co. (Alpco). This firm accounts for the total known domestic production of montan wax, which, based on the evidence before us, is the only product which is either like or most similar in characteristics and uses with the montan wax from East Germany.

**The question of reasonable indication of material injury**

Subsection 771(7)(A) of the Tariff Act (19 U.S.C. 1677(7)(A)) defines the term "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant." In making a determination of material injury or threat of material injury, subsections 771(7) (B) and (C) direct the Commission to consider, among other factors, (1) the volume of imports of the merchandise which is the subject of the investigation, (2) the effect of imports of such products on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. We base our decision in this case on an evaluation of the facts as they relate to these indicia of injury.

**Volume of imports.**—All U.S. imports of montan wax come from East Germany and all are imported by Strohmeier and Arpe Co., Inc. Such imports increased from 1977 through 1979 by more than 30 percent. A comparison of the imports for January-June 1980 with those for the corresponding period of 1979 shows an increase of almost 60 percent.<sup>4</sup> Strohmeier's inventories of montan wax more than doubled in January-June 1980,<sup>5</sup> and its U.S. shipments of the East German product were higher by 11 percent in January-June 1980 than in January-June 1979.<sup>6</sup> The substantial volume of imports placed into inventory has created a large overhang on the market which could seriously affect the sales of the domestic producer in the near future. This is a serious threat to the domestic industry since in the first

three quarters of 1980 the price of the imports was at least 22 percent below that of the domestic product.<sup>7</sup>

While the U.S. market for montan wax increased steadily from 1977 through June 1980, the importer's share of this market remained fairly stable through 1979. However, in the period January-June 1980, the importer's market share rose by 2 percentage points.<sup>8</sup> This increase in market penetration occurred concurrently with declines in the U.S. producer's production, employment, and profitability.

**Effect of imports on prices.**—In 1976, the prices of U.S. and East German montan wax were approximately equal. Since that time, the price of domestically produced montan wax has risen at a much faster rate than that of the East German product. As a result, by the end of 1979 the imported wax was priced 21 percent below the domestic product. This margin of underselling increased to a high of 26 percent in July 1980, and then fell to 23 percent in August, when the domestic producer lowered his price, citing competition from the East German product as the reason.<sup>9</sup>

Although the margins of underselling have been increasing for more than a year, the full impact of the price differences may be just beginning to manifest itself in the performance indicators of the domestic producer because most customers cannot switch from one type of montan wax to another quickly.<sup>10</sup> The large and increasing price advantage enjoyed by the East German wax provides an incentive for Alpco's customers to consider changing suppliers, thus posing an imminent threat to Alpco's performance.

While Alpco's prices rose in 1979 and 1980, they did not rise as rapidly as the company's production costs (particularly costs for energy and chemical solvents),<sup>11</sup> indicating that the suppressing effect of the significantly lower-priced East German product has aggravated Alpco's cost-price squeeze.

**Impact of imports on the domestic producer.**—The record shows that Alpco's production declined by 2 percent in January-June 1980 compared with the corresponding period of 1979. Production figures for July and August 1980, however, indicate sharp drops of 42 and 35 percent, respectively, from July and August 1979 levels.<sup>12</sup> Alpco's capacity utilization also declined in

<sup>7</sup> Report, p. A-22.

<sup>8</sup> Report, p. A-18.

<sup>9</sup> Report, p. A-22.

<sup>10</sup> Report, p. A-3.

<sup>11</sup> Report, p. A-15.

<sup>12</sup> Report, pp. A-5 and A-6.

January-June 1980, in part because of the decline in production.<sup>13</sup>

Alpco's domestic shipments increased by about 6 percent in 1979 and by 2 percent in January-June 1980 compared with the corresponding period of 1979. However, data for July and August 1980 show that shipments were 38 percent and 39 percent, respectively, below those in the corresponding months of 1979. There are indications that this decline is part of a trend which actually began in May 1980, when shipments were 22 percent below those in May 1979.<sup>14</sup> In addition, Alpco reported significantly higher end-of-period inventories in June, July, and August 1980, than in the corresponding months of 1979 or in any month during January-May 1980.<sup>15</sup>

Alpco's employment remained at about the same level from 1978 until early 1980, when it dropped by 10 percent. However, by July 1980, employment dropped another 35 percent.<sup>16</sup> This corresponds to a period of sharp declines in production and shipments.

The domestic producer's ratio of gross profits to net sales declined from 1978 to 1979 and dropped again in the January-June 1980 period as compared with the January-June 1979 period.<sup>17</sup> This ratio in 1980 is somewhat lower than the ratio generally maintained by other chemical manufacturers.

#### Conclusion

On the basis of increasing imports and their large margin of underselling, coupled with the declining trends in production, shipments, employment, and profits experienced by the domestic industry in 1980 (particularly since June of this year), we conclude that there is a reasonable indication that the domestic industry producing montan wax is materially injured, or is threatened with material injury, by reason of imports from East Germany allegedly sold at less than fair value.

#### Views of Chairman Bill Alberger

##### Determination and Conclusion of Law

On the basis of the record developed in investigation No. 731-TA-30 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

#### Discussion

The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 (19 U.S.C. 1677(4)(A)) as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." The term "like product" is further defined in section 771(10) of the Tariff Act as meaning "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation \* \* \*". In this case the industry consists of one firm producing montan wax in the United States, American Lignite Products Co. (Alpco).

All U.S. imports of montan wax come from East Germany. Such imports increased from 1977 through the first half of 1980. The increase in 1980 may have been in expectation of a dock strike, as inventories increased substantially in January-June of 1980. Shipments of the East German product also increased significantly in 1980. The large volume of inventories could seriously affect the sales of the domestic producer, especially when the price of the imports was at least 22 percent below the domestic product in each of the first 3 quarters of 1980.

In 1976, prices of the domestic and imported montan wax were competitive but in 1977, a price spread developed, with the imports underselling by increasing margins. By the end of 1979, there was a price difference of 21 percent, increasing to 26 percent in July of 1980. A switch to or from the domestic to the imported product can take from several months to a year due to differences in the chemical makeup of the products and the necessity to change formulations for use on different types of paper. The margins have reached levels that certainly encourage such switching.

Alpco's production increased from 1978 to 1979, but declined in January-June of 1980. Much sharper drops occurred in July and August of 1980. Capacity has increased but capacity utilization is down. Domestic shipments dropped sharply in July and August of 1980. Employment increased from 1977 to 1978, then remained at the same level until early 1980 when it declined, corresponding with a slight decline in production as well as increased efficiency. However, in July of 1980 employment dropped by 35 percent. This corresponds to a period of sharp declines in production and shipments. Profits are generally good throughout the period. Lost sales information is really

inconclusive as to whether switches occurred based on lower prices.

On the basis of the large margin of underselling of increasing imports coupled with sharply declining domestic production, shipments, and employment particularly in the most recent months of 1980, there is a reasonable indication that the domestic industry producing montan wax is suffering material injury by reason of imports from East Germany allegedly sold at less than fair value.

#### Findings of Fact

The following findings of fact are relevant to our determination in this investigation. Data discussion is limited to confidentiality, with only one domestic producer and one importer.

##### A. Volume of imports

1. Imports of montan wax from East Germany have increased steadily from 1977 to 1979, and in January-June 1980, such imports show an increase of almost 60 percent compared with the corresponding period of 1979 (Report, p. A-17).

2. Montan wax from East Germany maintained a large share of the U.S. market from 1977 through 1979 with an increase shown for the first 6 months of 1980 (Report, p. A-18).

##### B. The effect of imports on prices

3. The price of montan wax from East Germany was approximately 15 percent lower than that of the Alpco product in 1978. In 1979 this price differential decreased to as low as 10 percent, then increased to 21 percent by the end of the year. In 1980, the price of the imported product was as much as 26 percent lower than the Alpco product (Report, p. A-23).

4. The price of the domestic product rose by 38 percent from 1978 to August 1980 with most of the increase coming in late 1979 and early 1980 (Report, p. A-23). Alpco's price increases generally reflected increases in its production costs as the company's ratio of cost of goods sold to net sales remained fairly stable throughout the period with a slight increase in the first 6 months of 1980 (Report, p. A-14).

5. Prices of the montan wax from East Germany rose by approximately 20 percent from January 1978 to September 1980 (Report, p. A-23).

##### C. The impact of imports on the U.S. industry

6. U.S. production of montan wax rose by 10 percent from 1978 to 1979. Production in January-June 1980, however, was 2 percent below that of January-June 1979, and in July and August 1980, production was sharply

<sup>13</sup> Report, p. A-7.

<sup>14</sup> Report, pp. A-7 and A-8.

<sup>15</sup> Report, pp. A-10 and A-11.

<sup>16</sup> Report, pp. A-13 and A-14.

<sup>17</sup> Report, p. A-14.



lower than in the corresponding months of 1979 (Report, pp. A-5 and A-6).

7. The ratio of production to capacity dropped from 94 percent in 1978 to 90 percent in 1979. In the first 6 months of 1980, this declining trend worsened with a drop in capacity utilization of 15 percentage points (Report, p. A-7).

8. Alpcos domestic shipments of montan wax increased from 1978 to 1979 by 6 percent. In 1980, such shipments were higher in each month from January through April as compared with the corresponding months of 1979, but during May-August 1980, domestic shipments were lower in each month than they were in May-August 1979. Total domestic shipments during January-August 1980 were about 10 percent below those for the corresponding period of 1979 (Report, p. A-8). Alpcos exports of montan wax rose in 1979, but declined during January-June 1980 compared with January-June 1979 (Report, p. A-9).

9. Alpcos maintained very small inventories of montan wax throughout the period examined by the Commission although a build-up in inventories was shown in June 1980 (Report, pp. A-10 and A-11).

10. Alpcos employment increased by 10 percent from 1977 to 1978, remained constant in 1979, and then declined in the first 6 months of 1980. It continued to decline in July and August 1980, with a drop of 35 percent reported in the latter month (Report, p. A-13).

11. The producer's gross profits increased from 1978 to 1979, but declined slightly in the first 6 months of 1980 as compared with the corresponding period in 1979 (Report, p. A-14).

12. Alpcos cited 10 instances in which it allegedly lost sales to East German montan wax. It is not clear what impact lower prices had on these accounts (Report, p. A-25).

13. There was insufficient data available to the Commission to enable us to analyze cash flow, wages, ability to raise capital, and investments.<sup>19</sup>

**Recommendation and Supporting Statement of the Director of Operations for an Affirmative Preliminary Determination in Investigation No. 731-TA-30 (Preliminary), Montan Wax From East Germany**

**Recommendation**

On the basis of the record developed in this investigation, I recommend that the Commission determine that there is a reasonable indication that an industry

in the United States is materially injured, or is threatened with material injury, by reason of imports of montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, which the petitioner alleges are being, or are likely to be, sold in the United States at less than fair value.

**Supporting Statement**

**Procedural background**

The Commission instituted this investigation on September 8, 1980, following receipt of a petition filed by the sole U.S. producer of montan wax, American Lignite Products Co. (Alpcos). A public conference was held in Washington, D.C., on October 1, 1980, at which parties in support of the petition and those opposed to it presented testimony. The Commission's determination in the investigation is due to be transmitted to the Department of Commerce on October 23, 1980.

**The U.S. market**

Montan wax is a fossilized vegetable wax that is extracted from lignite using various solvents. Suitable lignite deposits are found in very few locations, and the only major ones are in East Germany and California. Only the petitioner produces montan wax in the United States, and only one company, Strohmeyer & Arpe Co., imports the product from East Germany. Sales made by these two companies account for all known consumption of montan wax in the United States.

Montan wax is principally used as a flow agent in the manufacture of one-time carbon paper, although minor amounts are used in other applications such as shoe polishes. The U.S. and East German products are not identical in characteristics, but are generally substitutable with relatively minor changes in wax formulations. In addition, carnauba wax (a vegetable wax obtained from the Carnauba palm, which grows only in northeastern Brazil), and at least two types of synthetic petroleum-based waxes can be used in most montan wax applications. All these products compete in the market, usually on the basis of price, although producers of one-time carbon paper resist changing products once an effective wax formulations has been developed. In 1979 and 1980, the price of the synthetic waxes rose significantly along with increases in crude oil prices, so that these products may not currently be price competitive with montan wax. Should this investigation be returned to the Commission for a final injury determination, a thorough analysis of

these competitive products and their price relationships will be made. Information developed in this preliminary investigation indicates that U.S. consumption of montan wax has not declined because of sales lost to other waxes, although increases in montan wax use may have been slowed by such competition.

**Findings with respect to "a reasonable indication of material injury, or threat thereof", by reason of imports subject to the investigation**

Information obtained in this investigation from questionnaires completed by Alpcos and Strohmeyer is confidential since only two firms are involved. Thus, the findings released in this public document cite only general trends or, in some instances, statistics presented by parties at the Commission's conference. The reasonable indication of material injury or threat of material injury in this investigation is most clearly demonstrated by the changes in Alpcos performance during January-June 1980, a period in which both the margin by which the East German product undersold the U.S. product and the market share held by the East German product reached new highs for the period examined. Concurrently, Alpcos experienced declines in production, capacity utilization, employment, and profitability and increases in inventories. Inventories of the imported product also rose sharply and contribute to the threat of continued injury in the near future. Specific findings follow:

1. Since the present owners of Alpcos purchased the company in mid-1977, production costs have risen substantially, necessitating an increase in the price for montan wax from 46 cents per pound during 1978 to 63.5 cents per pound in July 1980. A price reduction of 2.5 cents per pound was made in August 1980. Prices for the East German product, however, increased by a much smaller amount and were significantly lower than the Alpcos prices throughout the period. The margins of underselling increased during each quarter in 1979 and reached a high for the period examined during July-September 1980 (Report, pp. A-21-A-23).

Alpcos production of montan wax rose in 1979 but fell during January-June 1980 compared with production in January-June 1979 (Report, p. A-5). The company's inventories on June 30, 1980, were more than double the amount held on June 30, 1979 (Report, p. A-10). Capacity utilization fell from 94 percent in 1978 to 90 percent in 1979 and to 75

<sup>19</sup>The recommendation of the Director of Operations is attached for informational purposes below.

percent in January-June 1980 (Report, p. A-7).<sup>20</sup>

3. The average number of production and related workers engaged in the production of montan wax fell from 21 in 1979 to 19 during January-June 1980, 17 in July 1980, and 11 in August 1980 (Report, pp. A-13-A-14).

4. Alpcos gross profit on montan wax operations fell slightly during January-June 1980 (Report, p. A-14), and a net operating loss was incurred during the company's June-August 1980 fiscal quarter (transcript of the conference, p. 8).

5. Imports of the East German product rose by significant amounts in 1978 and 1979, and were more than 50 percent higher in January-June 1980 than in January-June 1979 (Report, p. A-17). End-of-period inventories of East German montan wax held by Strohmeyer rose in 1979 and nearly tripled in January-June 1980, compared with inventories in January-June 1979 (Report, p. A-19).

6. U.S. market penetration by East German montan wax remained relatively constant during 1977-79, but rose during January-June 1980 to its highest level during the period examined (Report, p. A-18).

### Conclusion

On the basis of the information developed in the investigation, I recommend that the Commission find that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of montan wax from East Germany which are allegedly sold in the United States at less than fair value.

### Views of Commissioner Paula Stern

#### Introduction

On the basis of the record developed in Investigation No. 731-TA-30 (Preliminary), I have determined that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

#### Industry

Section 771(4)(A) of the Tariff Act of 1930 defines "industry" for the purposes of these investigations as "the domestic producers as a whole, of a like product, or those producers whose collective

output of the like product constitutes a major proportion of the total domestic production." "Like product" is in turn defined in section 771(10) of the Tariff Act as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the investigation \* \* \*." In this investigation the like product is montan wax, and the U.S. industry is comprised of the American Lignite Products Co. (ALPCO), the only domestic company manufacturing montan wax.

#### Material Injury by Reason of Alleged LTFV Imports

From June 1977, when ALPCO began operating under new ownership, until the end of 1979, the record of this preliminary investigation indicates healthy growth for the U.S. montan wax industry. With the market for montan wax expanding between 1978 and 1979,<sup>21</sup> U.S. production increased ten percent, shipments grew six percent, and exports rose significantly. Capacity expanded and sizeable investments were made in machinery and equipment.

During this period, however, the competitive position of the alleged LTFV imports in the U.S. market was strengthening. Underselling of the domestic product by the alleged LTFV imports, which had been minimal prior to 1977, amounted to fifteen percent by the end of 1978 and after December 1979 increased markedly. Specifically, in January 1980 the margin of underselling was 22 percent, and by July-September it reached a range of 23-26 percent.

This underselling was a result of U.S. prices increasing more rapidly than those of the alleged LTFV imports. During the period under consideration the average price of East German montan wax increased about twenty percent. Meanwhile, U.S.-produced montan wax prices held steady in 1978, but jumped eleven percent from 1978 to 1979 and another 26.3 percent from January-July 1980. Despite these price increases the petitioner alleged that his prices had not kept up with rapidly escalating costs, notably for energy, chemicals and raw materials. The competition from the alleged LTFV imports constrained the petitioner from raising prices, and in August 1980 ALPCO lowered prices two-and-a-half cents reportedly in an effort to compete with the East German product.<sup>22</sup> Thus,

<sup>21</sup> Data is not available for the entire year for 1977.

<sup>22</sup> It is possible that competitive products such as carnauba wax and petrochemical substitutes for montan wax also play a role in price suppression. This should be explored further in the final investigation.

there were indications of both price suppression and price depression.

The volume of alleged LTFV imports has also been growing. Imports of East German montan wax rose thirteen percent from 1977 to 1978. They increased again by nineteen percent from 1978 to 1979. In January-June 1980, when the margin of underselling was greatest, imports rose roughly 56 percent above the same period in 1979. The increased imports in 1980 went predominantly into importers' inventories which were at levels well above those for 1979.<sup>23</sup> Shipments of imports were eleven percent higher in the first six months of 1980 than in the corresponding period in 1979. Import penetration was somewhat greater in June-August 1980, although the montan wax market had shrunk considerably from the corresponding period in 1979.<sup>24</sup>

Just as these economic factors which link the imports to the domestic market became most prominent, ALPCO began experiencing economic difficulties. From January to June 1980 production, shipments, employment and profits all declined slightly. Exports fell of 25 percent and inventories increased.<sup>25</sup> In the period June-August 1980 the situation deteriorated.<sup>26</sup> Employment dropped by 42 percent during this period, and production, shipments and capacity utilization decreased substantially from 1979 levels. Production fell 33 percent, shipments dropped 56.9 percent and capacity utilization fell from 96.4 percent to 54.8 percent.<sup>27</sup> The ratio gross profits to sales also declined from the 1979 level for this quarter.

On the basis of the above, I have found that a reasonable indication of material injury by reason of the alleged LTFV imports has been demonstrated. I am aware, however, that the declining position of the U.S. industry from April 1980 to the present did occur at the same time that consumption of montan wax,

<sup>23</sup> The importer indicated that it was necessary to increase inventories as a result of a threatened dock strike expected in September 1980.

<sup>24</sup> Data gathered on lost sales in this investigation was inconclusive.

<sup>25</sup> Capital expenditures, increased capacity, and productivity improvement by ALPCO may suggest economic well-being. These signs should be further explored in any final investigation.

<sup>26</sup> The questionnaires in this investigation requested data for the months of January-August 1980. ALPCO operates on a fiscal year basis with the June-August period as the first quarter of the fiscal year. The case for a reasonable indication of material injury is clearly demonstrated in the A-42 January-August 1980 period, and especially during June-August 1980. A final investigation should provide a better perspective on the latest period.

<sup>27</sup> All data come from the Staff Report, except capacity utilization for July-August which comes from petitioner's post-conference brief, p. 1.

which had been increasing continuously since 1977, dropped. In antidumping cases the Commission does not weigh the causes of injury to a domestic industry. However, if the case should return for a final determination, I would expect that additional information will help clarify the casual link existing between LTFV imports and material injury.

#### *Threat*

The intention of the Congress concerning affirmative findings of threat is clear. An affirmative finding "must be based upon information showing that the threat is real and injury is imminent, not a mere supposition or conjecture."<sup>28</sup> Since 1947, when ALPCO—the only American producer of montan wax—was established, the potential for imports of East German montan wax to eradicate U.S. production of this product has existed. The scale of East German montan wax operations was and is striking in comparison to the ALPCO operations. Nevertheless, ALPCO has continued to play an important role in the U.S. montan wax market. Thus, while the domestic industry has been "threatened" in the vernacular sense since its inception, what we need to determine in this investigation is whether the industry is now "threatened" in the more restricted sense of the antidumping statute.

There are several factors which distinguish the "threat" now facing the domestic industry from that which it has faced since 1947. The substantial margin of underselling now existing between the prices of U.S. and East German montan wax coupled with the current inability of the industry to cover its costs have created a situation in which the U.S. industry is particularly vulnerable to import-related injury. Moreover, the importer now has substantial inventories to supply additional demand for imports at current low prices.<sup>29</sup> As we presumably move out of recession, there will be a good market for increased imports considering the margin of underselling and the inventory overhang. These factors are the basis for my affirmative determination on "threat" at this preliminary stage.

The degree to which the industry is threatened depends heavily on the degree to which underselling results in sales lost to the alleged LTFV imports. More research is needed in the final investigation concerning the actual price sensitivity of this product and the lead

time that normally takes place before a customer changes supplier.

#### *Conclusion*<sup>30</sup>

The standard of "reasonable indication" has been met in this case as regards both material injury and threat. Underselling is striking and the domestic industry is encountering increasing economic difficulties.

Issued: October 23, 1980.

By order of the Commission.

**Kenneth R. Mason,**  
*Secretary.*

[FR Doc. 80-34548 Filed 11-5-80; 8:45 am]  
BILLING CODE 7020-02-M

<sup>28</sup> Senate Report No. 96-249, 96th Cong., 1st Sess. (1979).

<sup>29</sup> See Conference Transcript, p. 86.

<sup>30</sup> I concur in the Findings of Fact stated in the "Views of Chairman Bill Alberger."



APPENDIX B

U.S. DEPARTMENT OF COMMERCE PRELIMINARY LTFV DETERMINATION

and

REVISED PRELIMINARY LTFV DETERMINATION

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**Unrefined Montan Wax From the  
German Democratic Republic,  
Antidumping; Preliminary  
Determination, Sales at Less Than Fair  
Value**

**AGENCY:** U.S. Department of Commerce.

**ACTION:** Preliminary affirmative determination of sales at less than fair value.

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**SUMMARY:** We have determined that there is a reasonable basis to believe that unrefined montan wax from the German Democratic Republic (GDR) is being, or is likely to be, sold in the United States at less than fair value. Therefore, we have directed the U.S. Customs Service to suspend the liquidation of entries of this merchandise. A cash deposit, bond, or other security in an amount equal to the estimated dumping margin of 29.5 percent will be required at the time of each entry, or withdrawal from warehouse for consumption in the United States. Unless there is an extension of the investigation, we will make our final determination by May 18, 1981.

**EFFECTIVE DATE:** March 12, 1981.

**FOR FURTHER INFORMATION CONTACT:** Francis R. Crowe, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue NW., Washington, D.C. 20230 (202-377-3093).

**SUPPLEMENTARY INFORMATION:**

**Case History**

On September 5, 1980, we received an antidumping petition from the American Lignite Products Company (ALPCO) of Ione, California. The petition alleged that unrefined montan wax from the GDR is being, or is likely to be, sold in the United States at less than the fair value and that the sales were causing material injury to an industry in the United States within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) ("the Act").

After reviewing the petition, we determined it contained sufficient grounds to initiate an antidumping investigation. Therefore, on September 30, 1980, we announced the initiation in the Federal Register (45 FR 64611).

On October 23, 1980, the U.S. International Trade Commission found that there is a reasonable indication that these imports are materially injuring or are threatening to materially injure a U.S. industry. It published its determination in the *Federal Register* on November 6, 1980 (45 FR 73921-26).

On January 30, 1981, we published a notice in the *Federal Register* (46 FR 9982) that we were postponing, under section 733(c)(2) of the Act, our preliminary determination. The extension was necessary since the case is extraordinarily complicated and the Department needed additional time to collect and analyze data needed for the preliminary determination.

#### Product Description

Currently classifiable under item 494.20 of the Tariff Schedules of the United States, unrefined montan wax is a nonoxidized mineral wax extracted from lignite, not advanced beyond extraction or cleansing by solvent. This product is primarily used in the United States as a flow agent in one-time carbon ink formulas. It is also used for producing polishes, mold release agents and for casting.

#### Nature of the Industry

Commercial production of montan wax requires deposits of lignite with a high wax content. Such deposits occur in very few places in the world. The world's major producer (accounting for some 85% of total production) is VEB Braunkohlenkombinat of the GDR. The petitioner in this case, ALPCO produces between 3 and 5% of world supply. These two firms are the only producers that sell unrefined montan wax in the U.S. market.

VEB Braunkohlenkombinat is part of a state owned combine. It exports montan wax through AHb Chemie-Export-Import of East Berlin, a government Foreign Trade Organization responsible for exporting chemical products. The sole U.S. importer of the product is Strohmeier and Arpe of Millburn, New Jersey. Imports of unrefined montan wax from the GDR represented 56 percent of the U.S. consumption of the product in 1979.

The GDR is a major world producer of lignite, using it to supply more than 80 percent of its power and fuel requirements. The plant that produces montan wax is part of a vertically integrated power production facility. Lignite is mined primarily to provide both fuel for generating electricity and fuel in the form of compressed briquettes for other requirements. The on-site electric generation plant supplies commercial power for the surrounding

area, for the mining operation, for the wax extraction plant, and for the briquette plant. The lignite briquettes that are produced are shipped throughout the GDR and also exported to other European countries.

When wax-bearing strata are encountered during the mining operation, the lignite with a high wax content is diverted from the production of other fuels to the wax plant. After the wax is extracted the residual lignite flows back into the production of briquettes. The plant produces approximately 60-110 million pounds of montan wax per year. This is less than one percent by weight of the plant's total production, which includes the lignite burned directly on site and the lignite used for briquette production.

Production of montan wax in the GDR contrasts sharply with production by petitioner. ALPCO does not mine its own lignite and does not produce montan wax as a co-product in the production of electric power and lignite briquettes. Rather, ALPCO purchases its lignite, must use purchased natural gas for energy in the process of extracting wax from the lignite, and depends almost entirely on montan wax sales for income since there is virtually no market for the residual lignite.

ALPCO produced approximately 4.1 million pounds of unrefined montan wax in 1979 and sold 3.2 million pounds domestically (44% of total U.S. consumption).

#### Methodology Fair Value Comparison

In this preliminary determination, we have made fair value comparisons by comparing the purchase price to the constructed value of comparable merchandise produced in the United States adjusted for certain differences in the costs of production in the GDR.

#### Purchase Price

We used purchase price as defined in section 772(b) of the Act, because the price to the unrelated customer was agreed to before the montan wax was imported. We calculated purchase price by deducting the cost of inland freight within the GDR and within the Federal Republic of Germany and the cost of harbor charges from the f.o.b. Hamburg price.

#### Foreign Market Value

We have decided that the economy of the GDR is state controlled to the extent we are unable to determine the foreign market value of unrefined montan wax by normal standards. As a result, we are required by Section 773(c) of the Act to use prices, or the constructed value, of such or similar merchandise in a non-

state-controlled country or countries. Our regulations establish a clear preference for a foreign market value based upon sales prices and stipulate that, to the extent possible, sales prices or constructed value should be determined on the basis of prices or costs in a non-state-controlled-economy country at a stage of economic development comparable to the state-controlled economy country.

An immediate difficulty in this case is the limited worldwide production of unrefined montan wax. The wax is produced in the Federal Republic of Germany, but is used for further processing. We do not, at this stage, have a price or constructed value for wax produced in the FRG.

We have received pricing information on certain substitute products, in particular an oxidized microcrystalline wax with a high melting point (OMW) which is produced in the Netherlands. We understand that OMW has essentially identical (for commercial purposes) chemical and physical properties to montan wax, and, like montan wax, is a fossil fuel derivative, is a residual co-product in the production of fuel, and is used as an extender in higher value waxes and as a flow and coating agent in one-time carbon paper.

However, given the fact that OMW is derived from petroleum, not lignite, and there are likely to be differences in the manufacturing processes, we are not, at this point, willing to declare the products "similar" as within the meaning of the antidumping law.

Counsel for the importer has argued forcefully that since there is no commercial production of unrefined montan wax in a non-state-controlled-economy country (other than the United States), we must construct a fair value based on specific components or factors of production in the GDR, valued on the basis of prices in a non-state-controlled-economy country or countries "reasonably comparable" in economic development to the GDR. Counsel maintains that for purposes of valuing GDR production factors we should use U.K. prices for all but lignite and energy costs and, for those inputs, Canadian prices.

Laying aside the assertion that unrefined montan wax is not produced commercially in any non-state-controlled-economy country other than the U.S. (as noted above, we know of limited captive FRG production), we cannot, at this point, accept the use of a constructed value as urged by counsel for the importer.

First, we have not had an opportunity to fully analyze the U.K. data which was submitted on February 23, 1980. Second, and more importantly, on the basis of a preliminary review, we have concluded that if we were to construct a value for montan wax based on a non-state-controlled-economy valuation of the GDR factors of production, we would select values in the Federal Republic of Germany—not the U.K. and Canada.

We strongly believe that this factor analysis is to be performed in a single, non-state-controlled-economy country where all factors can be valued rather than to seek values in two or more countries. Unlike the UK, FRG produces lignite and montan wax. Furthermore, the FRG and the GDR are not only developed industrialized countries with a large manufacturing sector, but they also share a common cultural and ethnic heritage and remain linked economically.

Counsel for the importer contends that, notwithstanding these points, the disparity between the GDR and the FRG in per capita GNP and wages in the manufacturing sector is such as to invalidate FRG for purposes of developing surrogate values. Their arguments merit further analysis. We will continue examination of the issues involved in the use of surrogate non-state-controlled-economy values in preparation of our final determination.

Since we are, at this point, not in a position to construct a value for unrefined montan wax based on GDR factors of production valued at surrogate non-state-controlled-economy prices, we have, for purposes of this preliminary determination, established foreign market value on the basis of the constructed value of montan wax as produced in the U.S., adjusted for certain known differences in costs of production in the GDR.

The adjustments to the U.S. constructed value have been for the costs of lignite, direct labor, thermal energy and solvents. Of these, the most significant are economies in the use of lignite and energy in GDR production.

In California, the lignite left after the extraction of the wax has virtually no commercial value. Only a small portion of the lignite is sold for agricultural purposes. Thus, almost the entire cost of the lignite should be allocated to ALPCO's cost of production of the wax. In the GDR, however, the residual lignite is a commercially viable co-product. Because the lignite not consumed in the production of montan wax is used in the manufacture of lignite briquettes, the cost allocated to wax production only

includes the value of lignite lost by briquette production.

The GDR producer's energy consumption is significantly lower than that of the California producer. This situation is the result of differences in the quality of the lignite input into the extraction process and in the operation of the respective plants. The lignite in the GDR has a much higher wax content and so less of the available wax is extracted in the GDR. The higher percent of wax extraction in California requires proportionally more thermal energy than is needed in the GDR. In addition, the plant in the GDR is run continuously, 365 days per year, 24 hours per day, whereas the California plant operates in response to specific orders. The high start up costs resulting from this non-continuous operation are reflected in high energy usage in California.

#### Verification

Although we have verified no information to date, all information relied on in making the final determination will be verified in accordance with section 776 of the Act (19 U.S.C. 1677e).

#### Negative Determination of Critical Circumstances

The petitioner asserts that "critical circumstances" exist with respect to imports of unrefined montan wax from the GDR. To determine that critical circumstances exist, we must find that there is a reasonable basis to believe that (1) there is a history of dumping of montan wax in the United States or elsewhere, or the importers knew or should have known that the exporter was selling montan wax at less than fair value, and (2) there have been massive imports of montan wax over a relatively short period.

We are unaware of any antidumping order concerning montan wax from the GDR. That the petitioner has alleged massive imports of montan wax from 1977 through 1979 does not establish a history of dumping by the foreign manufacturer. Consequently, the petitioner's information does not offer a reasonable basis to believe that importers knew, or should have known, that the GDR exporter was selling montan wax in the United States at less than fair value. Therefore, we have concluded that critical circumstances do not exist. Accordingly, we will not suspend liquidations retroactively.

#### Preliminary Determination

We have preliminarily determined that exports of unrefined montan wax

from the GDR are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673). We found that the margins ranged from 23.3 percent to 39.3 percent and the weighted average margin was 29.5 percent.

#### Public Comment

As required by 19 CFR 353.47, we will hold a public hearing to afford interested parties an opportunity to comment orally on this preliminary determination. If requested, this hearing is scheduled to begin at 10:00 a.m. on April 9, 1981, at the U.S. Department of Commerce, room 6802, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Interested parties who desire such a conference should so inform the Deputy Assistant Secretary for Import Administration, room 2800, at the address shown above. This request should contain: (1) the party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. All requests must be received by the Deputy Assistant Secretary no later than March 22, 1981.

Any written views should be filed at the above address in at least 10 copies, on or before April 13, 1981 (19 CFR 353.46(a)).

#### Suspension of Liquidation

In accordance with section 733(d)(1) and (2) of the Act (19 U.S.C. 1673b), we are directing the U.S. Customs Service to suspend, upon this notice's publication, the liquidation of this merchandise entered into the United States, or withdrawn from warehouse, for U.S. consumption. As of that date, a cash deposit, bond, or other security in the amount of 29.5 percent of the f.o.b. value of unrefined montan wax must be posted. This suspension of liquidation will remain in effect until further notice.

#### ITC Notification

As section 733(d)(3) of the Act requires, we are making available to the U.S. International Trade Commission all nonprivileged and nonconfidential information relating to this investigation. We will 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.



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This determination is published in accordance with § 353.39, Commerce regulations (19 CFR 353.39).

**John D. Greenwald,**

*Deputy Assistant Secretary for Import Administration.*

March 6, 1981.

[FR Doc. 81-7686 Filed 3-11-81; 8:45 am]

**BILLING CODE 3510-25-M**

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**SUPPLEMENTARY INFORMATION:** Our notice of March 12, 1981, stated that, for purposes of the preliminary determination, we established foreign market value on the basis of the constructed value of montan wax as produced in the U.S., adjusted for certain known difference in costs of production in the GDR. We identified these adjustments as costs of lignite, direct labor, thermal energy and solvents.

Our calculation of the thermal energy component of the constructed value of montan wax, has been revised. The formula used in the conversion of kilocalorie to BTU's understated thermal energy costs. That error has been corrected. This results in a higher constructed value of montan wax. We found that the margins ranged from 44.2 percent to 62.9 percent and the weighted-average margin was 51.4 percent.

Accordingly, we are amending our preliminary determination of sales at less than fair value by directing the U.S. Customs Service, upon this notice's publication, to require a cash deposit, bond, or other security in an amount equal to an estimated dumping margin of 51.4 percent at the time of each entry, or withdrawal from warehouse, for consumption in the United States.

This determination is published in accordance with § 353.39, Commerce Regulations (19 CFR 353.39).

April 23, 1981.

**John D. Greenwald,**  
*Deputy Assistant Secretary for Import Administration.*

[FR Doc. 81-12830 Filed 4-28-81; 8:45 am]

**BILLING CODE 3510-25-M**

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**Unrefined Montan Wax From the German Democratic Republic; Antidumping—Amended Preliminary Determination of Sales at Less Than Fair Value**

**AGENCY:** U.S. Department of Commerce.

**ACTION:** Amended preliminary determination of sales at less than fair value.

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**SUMMARY:** On March 12, 1981, we determined that there is a reasonable basis to believe that unrefined montan wax from the German Democratic Republic (GDR) is being, or is likely to be, sold in the United States at less than fair value. We directed the U.S. Customs Service to suspend the liquidation of entries of this merchandise. We stated that a cash deposit, bond, or other security in an amount equal to the estimated dumping margin of 29.5 percent will be required at the time of each entry, or withdrawal from warehouse for consumption in the United States. We are amending our preliminary determination of sales at less than fair value by directing the U.S. Customs Service to require a cash deposit, bond, or other security in an amount equal to an estimated dumping margin of 51.4 percent at the time of each entry, or withdrawal from warehouse, for consumption in the United States. On April 21, 1981, we announced in the Federal Register (46 FR 22778-9) an extension of the period for a final determination. We will make a final determination by July 17, 1981.

**EFFECTIVE DATE:** April 29, 1981.

**FOR FURTHER INFORMATION CONTACT:** Francis R. Crowe or Charles E. Wilson, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230 (202-377-3003 or 202-377-5288).

APPENDIX C

U.S. INTERNATIONAL TRADE COMMISSION NOTICES  
CONCERNING ITS FINAL ANTIDUMPING INVESTIGATION

**(Investigation No. 731-TA-30 (Final))****Unrefined Montan Wax From East Germany; Investigation and Hearing****AGENCY:** United States International Trade Commission.**ACTION:** Institution of final antidumping investigation.

**SUMMARY:** As a result of an affirmative preliminary determination by the United States Department of Commerce that there is a reasonable basis to believe or suspect that exports of unrefined montan wax from East Germany are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-30 (Final) to determine whether 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 of such merchandise. Unrefined montan wax is classifiable in item 494.20 of the Tariff Schedules of the United States. This investigation will be conducted according to the provisions of Part 207, Subpart C, of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 44 FR 76457).

**EFFECTIVE DATE:** March 4, 1981.

**FOR FURTHER INFORMATION CONTACT:** Ms. Judith Case, Office of Investigations, U.S. International Trade Commission, Room 350, 701 E Street NW., Washington, D.C. 20436; telephone 202-523-0339.

**SUPPLEMENTARY INFORMATION:** On October 23, 1980, the Commission unanimously determined, on the basis of the information developed during the course of Investigation No. 731-TA-30 (Preliminary), that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports of unrefined montan wax from East Germany, which were allegedly being sold in the United States at LTFV. As a result of the Commission's affirmative preliminary determination, the Department of Commerce continued its investigation into the question of LTFV sales. Unless

the investigation is extended, the final LTFV determination will be made by the Department of Commerce on or before May 18, 1981.

**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 June 4, 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).

A staff report containing preliminary findings of fact will be available to all interested parties on May 20, 1981.

**Public Hearing**

The Commission will hold a public hearing in connection with this investigation on June 8, 1981, in the Hearing Room of the U.S. International Trade Commission Building, beginning at 10 a.m., e.d.t. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m., e.d.t.) on May 18, 1981. All persons desiring to appear at the hearing and make oral presentations must file prehearing statements and should attend a prehearing conference to be held at 10 a.m., e.d.t., on May 21, 1981, in Room 117 of the U.S. International Trade Commission Building. Prehearing statements must be filed on or before June 4, 1981.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing statements and to new information. The Commission will not receive prepared testimony for the public hearing, as would otherwise be provided for by rule 201.12(d). All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing statements in accordance

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with rule 207.22. Post-hearing briefs will also be accepted within a time specified at the hearing.

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

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, 44 FR 76458).

By order of the Commission.

Issued: March 17, 1981.

**Kenneth R. Mason,**  
*Secretary.*

[FR Doc. 81-5078 Filed 3-24-81; 8:45 am]

BILLING CODE 7020-02-M

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[Investigation No. 731-TA-30 (Final)]

**Unrefined Montan Wax From East  
Germany; Postponement of  
Prehearing Conference and Hearing**

**AGENCY:** International Trade  
Commission.

**ACTION:** Notice of postponement of  
prehearing conference and hearing.

**SUMMARY:** The U.S. International Trade  
Commission announces the  
postponement of the prehearing  
conference and the hearing on unrefined  
montan wax.

**FOR FURTHER INFORMATION CONTACT:**  
Judith Case, U.S. International Trade  
Commission, 202-523-0339.

**SUPPLEMENTARY INFORMATION:** The  
prehearing conference which had been  
scheduled for May 1, 1981, and the  
hearing in this investigation which had  
been scheduled for June 8, 1981, have  
been postponed until further notice. The  
Commission's prehearing conference  
and hearing have been postponed as a  
result of the postponement by the  
United States Department of Commerce,  
for up to 60 days, of its final  
determination, as to the question of  
whether unrefined montan wax from  
East Germany is being, or is likely to be  
sold in the United States at less than fair  
value. The prehearing conference and  
the hearing will be rescheduled at such  
time as Commerce makes its final  
determination, and a notice will be  
published with these dates, at that time.

The Commission will prepare and  
place on the record by May 20, 1981, a  
staff report containing preliminary  
findings of fact, the public portion of  
which will be made available to  
interested persons. Commission rule  
207.22, requiring the submission of  
prehearing statements by parties within  
15 days of release of the staff report is  
waived for purposes of this investigation  
to allow parties time to address all  
relevant issues which may develop. The  
date for submission of the prehearing  
statements will be announced in the  
Commission notice rescheduling the  
prehearing conference and the hearing.

Issued: April 28, 1981.

By order of the Commission.

**Kenneth R. Mason,**  
*Secretary.*

Commerce announced an extension of the investigation for up to 60 days (46 FR 22778) and the Commission postponed its scheduled prehearing conference and hearing (46 FR 25376). Commerce will now make its final less-than-fair-value determination not later than July 17, 1981, and the Commission must make its final determination within 45 days after the final Commerce action. Accordingly, the Commission is rescheduling its prehearing conference for July 14, 1981, and its hearing for July 20, 1981.

Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m., e.d.t.) on July 13, 1981. All persons desiring to appear at the hearing and make oral presentations must file prehearing statements and should attend the prehearing conference at 9:30 a.m., e.d.t., on July 14, 1981, in Room 117 of the U.S. International Trade Commission Building. Prehearing statements should be filed on or before July 15, 1981.

Testimony at the public hearing is governed by § 207.23 of the Commission's Rules of Practice and Procedure (19 CFR 207.23). This rule requires that testimony be limited to a non-confidential summary and analysis of material contained in prehearing statements and to new information. The Commission will not receive prepared testimony for the public hearing, as would otherwise be provided for by rule 201.12(d). All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing statements in accordance with rule 207.22. Posthearing briefs will also be accepted within a time specified at the hearing.

*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 July 15, 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 § 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR 207), and part 201, subparts A through E (19 CFR 201).

This notice is published pursuant to § 207.20 of the Commission's Rules of Practice and Procedure (19 CFR 207.20, 44 FR 76458).

Issued: June 19, 1981.

By order of the Commission.

**Kenneth R. Mason,**

*Secretary.*

[FR Doc. 81-18700 Filed 6-23-81; 8:45 am]

BILLING CODE 7020-02-M

**[Investigation No. 731-TA-30 (Final)]**

**Unrefined Montan Wax From East Germany**

**AGENCY:** International Trade Commission.

**ACTION:** Scheduling of prehearing conference and hearing.

**SUMMARY:** The United States International Trade Commission hereby gives notice that the prehearing conference and hearing to be held in connection with the subject investigation are scheduled to begin at 9:30 a.m., e.d.t., on July 14 and at 10:00 a.m., e.d.t., on July 20, 1981, respectively, in the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C.

**FOR FURTHER INFORMATION CONTACT:** Judith Case, Office of Investigations, U.S. International Trade Commission, Room 350, 701 E Street NW., Washington, D.C. 20426; telephone 202-523-0339.

**SUPPLEMENTARY INFORMATION:** On March 4, 1981, the Commission instituted a final antidumping investigation on unrefined montan wax from East Germany and scheduled a prehearing conference and hearing in connection with the investigation for May 21, and June 8, 1981, respectively (46 FR 18633). A staff report containing preliminary findings of fact was made available to all interested parties on May 20, 1981. On April 21, 1981, however, the U.S. Department of





APPENDIX D

LIST OF WITNESSES APPEARING AT  
THE COMMISSION HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Unrefined Montan Wax from East Germany

Inv. No. : 731-TA-30 (Final)

Date and time: July 20, 1981 - 10:00 a.m., e.d.t.

Sessions were held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

In support of the petition:

American Lignite Products Company, Ione, California

John J. Hounslow, President

Patrick J. Volkar, Vice President

In opposition to the petition:

Chapman, Duff and Paul--Counsel  
Washington, D.C.  
on behalf of

Strohmeyer & Arpe Company, Inc.

Robert A. Baldini, President

Paul A. Lenzini )  
Dr. Gary C. Hufbauer )--OF COUNSEL

APPENDIX E

UNITED STATES TARIFF COMMISSION 1955 PUBLIC INFORMATION NOTICE  
CONCERNING MONTAN WAX IN CRUDE FORM

UNITED STATES TARIFF COMMISSION  
WASHINGTON

PUBLIC INFORMATION

For release  
January 18, 1956

TREASURY DEPARTMENT STATEMENT CONCERNING MONTAN WAX IN CRUDE FORM

There is reproduced below the Treasury Department announcement concerning its action with respect to montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia.

\* \* \* \* \*

The Treasury Department has instructed Customs field officers to discontinue the withholding of appraisement of entries of montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia and to process entries of such merchandise without regard to any question of dumping. Withholding of appraisement had been announced in this case because of suspected dumping in April, 1955.

Montan wax is obtained from lignites or brown coal. In its crude form it is a dark, hard, high melting, brittle wax used principally in the production of one-time carbon paper.

The Treasury instructions were issued after notification by the United States Tariff Commission of a unanimous opinion that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovak

The letter of notification to Treasury Secretary Humphrey from the Tariff Commission is as follows:

January 18, 1956

Dear Mr. Secretary:

Reference is made to the letter from the Acting Secretary of the Treasury, dated October 27, 1955, advising that montan wax in crude form from the Soviet Zone of Germany and from Czechoslovakia is being, or is likely to be, sold in the United States at less than fair value as that term is used in the Antidumping Act, 1921, as amended.

After investigation in accordance with the provisions of section 201(a) of the said Antidumping Act, the Commission, by unanimous opinion, has determined that the domestic industry producing montan wax is not being, and is not likely to be, injured by reason of the importation of crude montan wax from East Germany or from Czechoslovakia.

Sincerely yours,

A-60

Edgar B. Brossard  
Chairman

**APPENDIX F**

**SUMMARY OF ALPCO'S WAX BEARING LIGNITE RESERVE ESTIMATE**

**Confidential Information**

APPENDIX G

U.S. DEPARTMENT OF COMMERCE FINAL DETERMINATION

and

REVISED FINAL LTFV DETERMINATION

within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) ("the Act"), thereby materially injuring a U.S. industry and presenting "critical circumstances". Because the petition contained sufficient grounds to warrant an investigation, on September 24, 1980, we initiated an antidumping investigation and informed the U.S. International Trade Commission ("ITC") of our action (45 FR 64611).

On the basis of information the ITC developed during its preliminary investigation, it determined on October 23, 1980, that there is a reasonable indication that these imports are materially injuring or are threatening to materially injure a U.S. industry (45 FR 73921-26).

On January 30, 1981, we announced a postponement of our preliminary determination (46 FR 9982). We found in our preliminary determination that unrefined montan wax from the GDR was, or was likely to be, sold in the United States at less than fair value on March 12, 1981 (46 FR 16287). The preliminary determination of critical circumstances was negative. On April 29, 1981, we amended the preliminary determination to correct an error that had been made in the calculation of thermal energy costs (46 FR 23963).

#### *Scope of the Investigation*

Currently classifiable under item 494.20 of the Tariff Schedules of the United States, unrefined montan wax is a nonoxidized mineral wax extracted from lignite, not advanced beyond extraction or cleansing by solvent. This product is primarily used in the United States as a flow agent in one-time carbon ink formulas. It is also used for producing polishes, as a mold release agent, and for casting.

The investigative period is April through September 1980. We used sales to the United States shipped during this period for comparison. As Chemie-Export-Import of Berlin, GDR, sold all of the unrefined montan wax to the United States from the GDR, we limited the investigation to sales from Chemie.

#### *Methodology*

##### *U.S. Price*

We used purchase price as defined in section 772(b) of the Act, because the price to the unrelated customer was agreed to before the montan wax was imported. We calculated the purchase price by deducting the cost of inland freight within the GDR (as valued in the Federal Republic of Germany ("FRG")) and within the FRG and the cost of harbor charges from the f.o.b. Hamburg

price to arrive at a packed price ex-factory Roblingen, GDR.

#### *Foreign Market Value*

We have decided that the economy of the GDR is state controlled to the extent that we are unable to determine the foreign market value of unrefined montan wax by normal standards. As a result, we are required by section 773(c) of the Act to use the prices, or the constructed value, of such or similar merchandise in a non-state-controlled country or countries. Our regulations establish a clear preference for a foreign market value based upon sales prices and stipulate that, to the extent possible, sales prices or constructed value should be determined on the basis of prices or costs in a non-state-controlled-economy country at a stage of economic development comparable to the state-controlled-economy country.

An important difficulty in this case is the limited worldwide production of unrefined montan wax. The wax is produced in the FRG, but is used for further processing. We were not able to obtain a price or constructed value for wax produced in the FRG.

We then attempted to find other products produced in non-state-controlled economy countries in order to determine if a "such or similar" product existed which could be used to establish the fair value of montan wax from the GDR. We received information on a variety of products both natural and synthetic but we determined that none could be considered such or similar within the meaning of the antidumping law. The natural vegetable waxes were ruled out as commercial substitutes because of the instability of the market for them. The various synthetic products either had not been sold during the period under investigation, had not been used by carbon paper or ink manufacturers, were derived from montan wax imported from the GDR, or had very limited use in the carbon paper industry.

Since there is no commercial production of unrefined montan wax in a non-state-controlled-economy country (other than the United States) and no such or similar merchandise, we constructed a value based on specific components or factors of production in the GDR, valued on the basis of prices in a non-state-controlled-economy country "reasonably comparable" in economic development to the GDR. Counsel for the importer maintains that for purposes of valuing GDR production factors we should use United Kingdom ("U.K."), Canadian, or a combination of U.K. and Canadian prices.

## DEPARTMENT OF COMMERCE

### International Trade Administration

#### Antidumping; Unrefined Montan Wax From the German Democratic Republic; Final Determination of Sales at Less Than Fair Value

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Final Determination of Sales at Less Than Fair Value.

**SUMMARY:** We have determined that unrefined montan wax from the German Democratic Republic (GDR) is being sold in the United States at a weighted-average dumping margin of 6.58 percent. The U.S. International Trade Commission is determining currently whether these imports are materially injuring or threatening material injury to a U.S. industry.

**EFFECTIVE DATE:** July 28, 1981.

**FOR FURTHER INFORMATION CONTACT:** Francis R. Crowe, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, D.C. 20230 (202-377-3003).

#### **SUPPLEMENTARY INFORMATION:**

##### *Procedural Background*

On September 5, 1980, we received an antidumping petition from the American Lignite Products Company (ALPCO) of Lone, California. The petition alleged that unrefined montan wax from the GDR is being, or is likely to be, sold in the United States at less than fair value



However, we have concluded that to construct a value for montan wax based on a non-state-controlled-economy valuation of the GDR factors of production, we should select values in the Federal Republic of Germany—not the U.K. and/or Canada. Essentially, we found that, of the industrialized countries, the FRG is more comparable to the GDR for purposes of this case than is the U.K. or Canada.

Counsel for the importer contends that if the FRG is chosen as a surrogate then the surrogate values should be adjusted to reflect differences between the GDR and the FRG in per capita GNP and wages in the manufacturing sector. We feel, however, that once a reasonably comparable surrogate is chosen, then no adjustments are to be made under section 353.8(c) of the Commerce Regulations.

Both the exporter and counsel for the importer contend that montan wax is a by-product of the production of energy in the form of mined lignite, fuel briquettes, and electricity. As such they would value only those factors that relate to the extraction of the wax directly. They do not believe that any of the pre-extraction costs, such as crushing and drying the lignite, should be allocated to the wax. They cite as arguments the fact that the wax is extracted at a facility which is under the direction of the Coal and Energy Ministry; therefore, the main purpose of the facility is to produce energy. They also argue that the wax represents less than one percent of the total volume, by weight of total production of the Roblingen facility.

We do not feel that these arguments are convincing. Even though the complex, under the direction of the Coal and Energy Ministry, produces energy and related items, a significant investment has been made in a sizable plant to extract and market montan wax. The extraction of montan wax is not essential to the production of energy from lignite. Montan wax has a very high value in relation to the products and the sales are an important part of the economic activity of the facility, a much greater share than the weight of the wax alone would indicate. In addition, great care is taken to segregate the waxy lignite from regular lignite during all phases of mining and processing. For these reasons, we feel that part of the common processing costs in the facility should be allocated to montan wax. Therefore, we have allocated a portion of the costs of transporting lignite from the mine to the plant, as well as a portion of the crushing and drying costs. Because of

the differences in value of the resulting products that share these processes, lignite briquettes, montan wax, and electricity, and because the resulting products are not measured in the same units (tons and kilowatt hours) we have allocated the processing costs on the basis of the ratio of the weighted value of the various products. This was done on the basis of the product split of only the high wax lignite that flows through the wax extraction process.

Currency conversions for the surrogate values were made on the date the importer placed an order for each monthly shipment during the investigatory period.

Sales were made pursuant to a purchase agreement dated November 1979 between Chemie-Export-Import and the sole U.S. importer, Strohmeier and Arpe ("S & A") of Millburn, New Jersey (unrelated parties).

However, an analysis of the shipment documents indicates that the quantities of different types of wax vary month to month and that the overall contractual amount for the year was increased in June 1980. Therefore, we believe that the terms of sale were fixed when S & A submitted a monthly order to ship a specified quantity of the various grades of wax.

#### Verification

On June 29, 30, 1981, we verified production factor information provided by the respondent at the plant and offices of VEB Braunkohle-Kombinat Gustav Sobottka, Roblingen, GDR. Types of documents examined included purchase orders, inventory receipt records, production records, shift logs, laboratory reports, various measurement recordings and personnel records. In addition, we obtained shipping documents describing inland freight and f.o.b. charges at the port of Hamburg, FRG. These documents are included as exhibits in our verification report.

Values in the surrogate country, the FRG, were verified through a variety of methods. Data concerning factor valuations were gathered from two sources, submissions from independent consultants used by counsel for S & A and the Foreign Commercial Service ("FCS"). We relied primarily on data which was available from published sources. However, where no documented source was available we used the information supplied by the FCS as the best information available.

#### Final Determination

Based on the preceding criteria, and in accordance with section 353.44 of the Commerce Regulations, we have determined that exports or unrefined

montan wax from the German Democratic Republic are being sold at less than fair value within the meaning of section 731 of the Act. Margins were found on 75 percent of the merchandise sold to the unrelated U.S. purchaser during the period, and they ranged from 5.23 to 13.3 percent. The weighted average margin over all sales was 6.58 percent. We have provided interested parties with an opportunity to present oral views in accordance with 19 CFR 353.47 and written views in accordance with 19 CFR 353.46(a).

#### Negative Determination of Critical Circumstances

The petitioner asserts that "critical circumstances" exist with respect to imports of unrefined montan wax from the GDR. To determine that critical circumstances exist, we must find that (1) there is a history of dumping of montan wax in the United States or elsewhere, or the importers knew or should have known that the exporter was selling montan wax at less than fair value, and (2) there have been massive imports of montan wax over a relatively short period.

We are unaware of any antidumping order concerning montan wax from the GDR. That the petitioner has alleged massive imports of montan wax from 1977 through 1979 does not establish a history of dumping by the foreign manufacturer. Consequently, the petitioner's information does not offer a reasonable basis to believe that importers knew, or should have known, that the GDR exporter was selling montan wax in the United States at less than fair value. Therefore, we have concluded that critical circumstances do not exist. Accordingly, we will not suspend liquidations retroactively.

#### Continuation of Suspension of Liquidation

The liquidation of all entries, or withdrawals from warehouse, for consumption of this merchandise will continue to be suspended. The Customs Service will require posting of a cash deposit, bond, or other security in the amount of 6.58 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption on or after the date of publication of this notice. The cash deposits, bonds or other security on merchandise entered since the preliminary determination will remain in effect. A-65

#### ITC Notification

We have referred this case to the ITC so that it may determine whether these

imports are materially injuring a U.S. industry. That determination is due within 45 days of the publication of this notice.

As section 735(c)(1)(A) of the Act requires, we are making available to the ITC all nonprivileged and nonconfidential information relating to this investigation. We will 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 written consent of the Deputy Assistant Secretary for Import Administration.

If the ITC rules that material injury does not exist, this case will be terminated, and all securities posted as a result of the liquidation will be refunded or cancelled. If, however, the ITC rules that such injury does exist, within 7 days we will issue an antidumping order, directing customs officers to assess an antidumping duty on all montau wax from the GDR, entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value of the merchandise exceeds the United States price.

**Lawrence J. Brady,**

*Assistant Secretary for Trade Administration.*

July 22, 1981.

[FR Doc. 81-21908 Filed 7-22-81; 8:45 am]

BILLING CODE 3510-25-M

DEPARTMENT OF COMMERCE  
INTERNATIONAL TRADE ADMINISTRATION  
ANTIDUMPING - UNREFINED MONTAN WAX  
FROM THE GERMAN DEMOCRATIC REPUBLIC  
AMENDED FINAL DETERMINATION OF SALES AT LESS THAN FAIR VALUE

AGENCY: U.S. Department of Commerce

ACTION: Amended Final Determination of Sales at Less than Fair Value

SUMMARY:

On July 28, 1981, we announced our determination that unrefined montan wax from the German Democratic Republic (GDR) is being sold in the United States at a weighted - average dumping margin of 6.58 percent.

We directed the Customs Service to require the posting of a cash deposit, bond, or other security in the amount of 6.58 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption on or after that date.

We are amending our determination by directing the U.S. Customs Service to require the posting of a cash deposit, bond, or other security in the amount of 13.02 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption.

Effective Date:

Date of publication in the Federal Register.

For Further Information Contact:

Francis R. Crowe, Office of Investigations, Import Administration,  
U.S. Department of Commerce, 14th Street & Constitution Avenue,  
N.W., Washington, D.C. 20230 (202-377-3003).

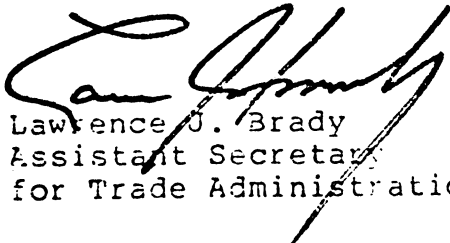
Supplementary Information:

Our notice of July 28, 1981 (46 Fed. Reg. 38555), stated that in constructing a value of montan wax from the GDR, we allocated to the wax a portion of certain processing costs which were shared by the various products which result from the high wax lignite that flows through the wax extraction process. We allocated these processing costs on the basis of the ratio of the weighted value of these products, namely, wax, briquettes, and electricity. After a review of the calculations, we have concluded that the value was overstated for the amount of electricity that could be produced by the lignite which is routed to the steam/electric generation plant. A recalculation of the product values has resulted in a change in the ratio used to allocate the common processing costs. We also made an adjustment in the calculation of the cost of steam. We used the caloric content of lignite in the GDR instead of that in the Federal

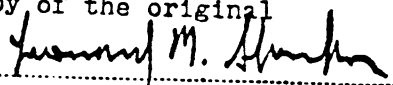
Republic of Germany, the surrogate country, in order to more accurately reflect the physical characteristics of the raw material in the GDR. Using the corrected figures, we have revised the weighted-average dumping margin to 13.02 percent.

Accordingly, we are directing the U.S. Customs Service, effective upon the date of publication of this notice and until further notice, to require posting of a cash deposit, bond, or other security in the amount of 13.02 percent of the ex-factory value of unrefined montan wax from the GDR for all entries, or withdrawals from warehouse, for consumption on or after the date of publication of this notice. The liquidation of all entries, or withdrawals from warehouse, for consumption of this merchandise will continue to be suspended. The cash deposit, bonds or other security on merchandise entered since the preliminary determination will remain in effect.

We have notified the International Trade Commission of this action.

 AUG 25 1981  
Lawrence J. Brady  
Assistant Secretary  
for Trade Administration

Certified to be a true  
copy of the original

  
.....  
Certifying Officer  
International Trade Administration  
Department of Commerce





