LOW-FUMING BRAZING COPPER WIRE AND ROD FROM SOUTH AFRICA

Determination of the Commission in Investigation No. 731-TA-247 (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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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-247 (Final)

LOW-FUMING BRAZING COPPER WIRE AND ROD FROM SOUTH AFRICA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from South Africa of low-fuming brazing copper wire and rod, provided for in items 612.62, 612.72, and 653.15 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation following a preliminary determination by the Department of Commerce on September 23, 1985, that imports of low-fuming brazing copper wire and rod from South Africa were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 9, 1985 (50 F.R. 41231). The hearing was held in Washington, DC, on December 4, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

2/ Vice Chairman Liebeler and Commissioner Lodwick dissenting. Commissioner Brunsdale did not participate.

VIEWS OF CHAIRWOMAN STERN, COMMISSIONER ECKES, AND COMMISSIONER ROHR

We determine that an industry in the United States is materially injured by reason of imports of low-fuming brazing copper wire and rod (LFBR) from South Africa which are being sold at less than fair value (LTFV). 1/

We have recently completed an investigation of imports of LFBR from New Zealand. 2/ We recognize here, as we did in the New Zealand investigation, that there are many complexities that affect the analysis of the impact of the price and volume of imports on the domestic LFBR industry, such as the changing composition of the domestic industry and the LFBR distribution network. Many of the indicators relevant to the condition of the domestic industry have declined. The industry's profitability picture is poor, and the data in general indicate a deteriorating condition. Our analysis of these indicators and the conditions of trade in the LFBR industry shows that the domestic industry is experiencing material injury by reason of imports of LFBR from South Africa.

The like product and the domestic industry 3/

The imported product which is the subject of this investigation is LFBR, principally of copper and zinc alloy, whether bare or flux-coated. 4/ We

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1/ Material retardation of the establishment of an industry is not at issue in this investigation and will not be discussed further.

2/ Low-Fuming Brazing Copper Wire and Rod from New Zealand, Inv. No. 731-TA-246 (Final), USITC Pub. 1779 (Nov. 1985) (hereafter cited "New Zealand investigation").

3/ Section 771(4)(A) of the Tariff Act of 1930 defines the "domestic industry" as "[t]he 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." 19 U.S.C. § 1677(4)(A). The statute defines "like product" as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to investigation . . . ." 19 U.S.C. § 1677(10). Thus, the Commission must first determine the appropriate like product. We then consider which firms in the United States are domestic producers of that product in order to define the domestic industry.

4/ Commerce, Initiation of Antidumping Investigation, 50 Fed. Reg. 10518, 10522, 10524 (Mar. 15, 1985).

determined in the New Zealand investigation that the domestic product like imported LFBR is domestically produced LFBR of either 680 or 681 alloy, whether bare or flux-coated. In the present investigation, both petitioners and respondent agree with this like product definition, and no new information concerning like product has been uncovered by the Commission which persuades us that the definition be changed. Therefore, we again conclude that there is one like product consisting of LFBR of 680 or 681 brass alloy whether bare or flux-coated.

In the New Zealand investigation, we determined that the domestic industry included firms that only flux-coat purchased bare LFBR (referred to as processors/master distributors) as well as firms that produce bare LFBR. 5/ 6/ We included firms that flux-coat purchased LFBR because they produce the like product, flux-coated LFBR, which is interchangeable with bare LFBR and distributed in the same channels of trade. 7/ Moreover, the value added to the final product by flux-coating is significant, 8/ the capital

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5/ Domestic firms which produce bare LFBR are American Brass Co., Century Brass Products, Inc., Cerro Metal Products Inc., and J.W. Harris Co. Cerro and Harris also flux-coat bare LFBR. Domestic firms which only flux-coat purchased bare LFBR include Allweld, Thermacote-Welco, and Aufhauser Brothers.

6/ In our analysis of whether a particular firm is a domestic producer, the Commission has examined the overall nature of production-related activities in the United States, including the extent and source of a firm's capital investment, the technical expertise involved in production activity in the United States, the value added to the product in the United States, employment levels, the quantity and type of parts sourced in the United States, and any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative, and our analysis considers all market conditions deemed relevant in light of the specific facts of the investigation. See Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134-135 (Final), USITC Pub. 1514 at 8 (1984); Certain Radio Paging and Alerting Receiving Devices from Japan, Inv. No. 731-TA-102 (Final), USITC Pub. 1410 at 8 (1983).

7/ Transcript of the conference held in conjunction with the preliminary investigation at 43-46.

8/ Transcript of the hearing (Tr.) at 68 and Report of the Commission (Report) at A-29.

investment in flux-coating equipment is substantial, 9/ and for this industry, the flux-coaters have significant employment levels. 10/ There has been no significant change in the information before the Commission in this investigation. Thus, we adhere to our previous definition of the domestic industry.

Related parties 11/

Aufhauser Brothers (Aufhauser), the only significant importer of South African LFBR, imports a large amount of the bare LFBR used in its operation from South Africa. This company clearly benefits from the sales at LTFV. While this processor/master distributor accounts for a significant percentage of total domestic LFBR production, the clear benefit it derives from the importation of LFBR imports necessitates its exclusion as a related

9/ Report at A-21.
10/ *Id*. at A-14.
11/ In assessing whether appropriate circumstances exist for excluding firms as related parties, the Commission has considered the following factors:

(1) the percentage of domestic production attributable to the importing producer;
(2) the reasons that the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and
(3) the position of the related producers vis-a-vis the rest of the domestic industry.

See 12-Volt Motorcycle Batteries from Taiwan, Inv. No. 731-TA-238 (Preliminary), USITC Pub. 1654 (1985).

party. 12/ Thus, for the purposes of this investigation the domestic industry consists of the petitioners 13/ and J.W. Harris Company (Harris).

Condition of the domestic industry

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, changes in U.S. production, market share, capacity utilization, investment, employment, wages, productivity, domestic prices, and profitability. In this investigation, the Commission considered information available for the period of January 1982, to September 1985.

As we noted above, the Commission has very recently considered the condition of the domestic LFBR industry in the New Zealand investigation. In that investigation, we described the make-up of the industry and the U.S.

12/ Application of the related parties provision is within the sound discretion of the Commission after analyzing the facts of each case. See Rock Salt from Canada, Inv. No. 731-TA-239 (Final), USITC Pub. 1798 (Jan. 1986). Thermacote-Welco (Thermacote) is a processor/master distributor that imports the majority of the bare LFBR that it uses from New Zealand. In the New Zealand investigation, the Commission excluded Thermacote from the domestic industry under the related parties provision, 19 U.S.C. § 1677(4)(B). In view of our decision in this investigation to cumulate imports from New Zealand with imports from South Africa, discussed infra, we deem it inappropriate to include Thermacote in the domestic industry. Inclusion of Thermacote would result in the domestic industry including a firm which benefits from the importation of LFBR at issue in this investigation which is being sold at LTFV (see our opinion in the New Zealand investigation). The Commission believes it would be incongruous to consider the data from Thermacote in assessing the condition of a domestic industry which is seeking relief from imports. We note that even if Thermacote were included in the domestic industry, we would have reached the same affirmative determination in this investigation.

Another domestic firm, Allweld, is also a processor/master distributor and importer from New Zealand. Allweld, however, did not consider itself to be a producer, and did not answer its producer questionnaire. Thus, the Commission has no usable data from Allweld and the issue of whether to exclude Allweld from the domestic industry is, therefore, moot.

13/ The petitioners are American Brass Co., Rolling Meadows Illinois; Century Brass Products, Inc., Waterbury, Connecticut; and Cerro Metal Products, Inc., Bellefonte, Pennsylvania. J.W. Harris Co., Cincinnati, Ohio, supported this petition.

distribution system for LFBR. Nothing has occurred to change that make-up in the two intervening months since the New Zealand investigation concluded.

Apparent U.S. consumption of LFBR rose in the 1982-83 period, decreased in 1984, and increased somewhat in the January-September 1985 period as compared with the corresponding period in 1984. 14/ U.S. production of LFBR increased during 1982-84, but decreased in January-September 1985 over the same time in 1984. 15/ Production capacity increased sharply during 1982-84 due to the start-up of domestic production by Harris, but decreased in 1985 due to Harris' switch to production of different alloys on its LFBR equipment and one petitioner's closing of its brass mill. 16/ Capacity utilization rose from 1982 to 1983, declined in 1984, and increased somewhat in the period of January-September 1985 over the corresponding period of 1984. 17/

Domestic producers' shipments of bare LFBR increased from 1982-84; however, this increase in shipments reflected the start-up of production by Harris. Shipments continued to increase in the January-September period of 1985 over the corresponding period of 1984. 18/ Inventories, whether expressed in actual quantities or as a percentage of shipments, steadily increased from 1982-84, but decreased in the January-September 1985 period over the same time period in 1984. 19/

Employment, like shipments, increased significantly in the 1982-84 period, but the increase was entirely attributable to the start-up by Harris.

14/ Report at A-10.
15/ Id. at A-10-A-11.
16/ Id.
17/ Id. Undue emphasis should not be placed on the capacity utilization data because LFBR is not a main product line and represents only a small percentage of the producers' total sales. Id. at A-16. Moreover, the equipment used for LFBR production can be and has been used to produce other products. Id. at A-11.
18/ Id. at A-12.
19/ Id. at A-13.

In the period January-September 1985, however, the total number of workers decreased substantially over the same period in 1984. 20/ Similarly, total hours worked and wages paid increased during 1982-84, due to the start-up of Harris, but decreased for the January-September 1985 period over the corresponding period of 1984. 21/

Although net sales of bare LFBR by domestic producers grew during the period (due to the start-up of domestic production by Harris), there were aggregate gross losses throughout the period on the bare LFBR operations. 22/ The domestic industry also experienced aggregate operating losses throughout the period on its bare product operations. 23/

The flux-coated LFBR represents the more profitable item of production for the domestic industry. Sales of flux-coated LFBR by domestic producers increased in 1983 due to the start-up by Harris, decreased somewhat in 1984 and then decreased sharply in the interim period of 1985 over the corresponding period of 1984. 24/ Throughout the period of the investigation the financial condition of the domestic flux-coating operations remained poor. Although the trends have differed slightly, the two producers of flux-coated LFBR have experienced gross losses during the period of investigation. The same producers sustained large operating losses on their flux-coating LFBR operations throughout the period. 25/

We find that employment in the domestic industry has declined substantially since 1984. During most of the period of investigation, domestic inventories have increased, and net sales of the more profitable

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20/ Id. at A-14-A-15.
21/ Id.
22/ Id. at A-17-A-18.
23/ Id. at A-16-A-17.
24/ Id. at A-19.
25/ Id.

flux-coated LFBR have declined. Moreover, the financial condition of the domestic industry has remained unhealthy throughout the period of investigation. Thus, we conclude that the domestic industry as a whole is experiencing material injury. 26/ 27/

Cumulation

Under the Trade and Tariff Act of 1984 (the 1984 Act), imports must be cumulated if they satisfy three requirements. The imports must (1) compete with both other imports and the domestic like product, (2) be marketed within a reasonable coincidental period, and (3) be subject to investigation. 28/

Imports of LFBR are basically fungible. LFBR is imported in significant quantities from New Zealand as well as South Africa. There are common or similar channels of distribution for all LFBR, 29/ and the prices of the

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26/ Chairwoman Stern believes that the causal context is critical to a reliable material injury determination. For instance, in a case where a new industry is showing losses, it may well be ahead of expectations and hence "healthy." Or an industry which may warrant above normal returns as a return to innovation could be judged materially injured because LTFV imports had eroded its financial position (though profits might still be "normal" by other standards). The appropriate context for the material injury finding is in conjunction with the causal analysis.

Therefore, Chairwoman Stern does not believe it necessary or desirable to make a determination on the question of material injury separate from the consideration of causality. She joins her colleagues by concluding that the domestic industry is experiencing economic problems. For a fuller discussion of this issue, see Additional Views of Chairwoman Stern in Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 (Dec. 1985). Chairwoman Stern reads American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (CIT 1984), aff'd sub nom., Armco, Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985), as holding that the approach of the Commission majority is permissible but not required under the statute.

27/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. See Additional Views of Commissioner Eckes in Cellular Mobile Telephones and Subassemblies Thereof from Japan, Inv. No. 731-TA-207 (Final), USITC Pub. 1786 (Dec. 1985).

28/ 19 U.S.C. § 1677(7)(E).

29/ Report at A-9.

imported product and the like product are within a reasonable range. 30/ Finally, there are sales or offers to sell in the same market. 31/ Thus, we find that imports of LFBR from South Africa and New Zealand are simultaneously present in the market and that imports compete with each other and the like product.

We have recently completed an overlapping investigation of imports of LFBR from New Zealand. The New Zealand and South African investigations were initiated simultaneously. We determine, therefore, that LFBR from New Zealand was subject to investigation at the same time as the LFBR from South Africa. Thus, we find that LFBR from New Zealand and South Africa satisfy all of the criteria for cumulation. 32/

Material injury by reason of imports 33/

In determining whether imports of LFBR from South Africa are causing material injury to a domestic industry, we have considered the cumulative volume and effect of imports from South Africa and New Zealand. The volume of imports from these two countries was significant throughout the period of investigation, and accounted for the vast majority of imports in 1984 and interim 1985. 34/ The combined volume of imports from South Africa and

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30/ Id. at A-29-A-32.
31/ Id. at A-33-A-39.
32/ Commissioner Eckes did not cumulate imports in the recent investigation regarding imports from New Zealand.
33/ In making a determination whether the domestic industry is being materially injured "by reason of" LTFV imports from South Africa, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the effect of such imports on the relevant domestic industry. 19 U.S.C. § 1677(B). Evaluation of these factors involves a consideration of (1) whether the volume of imports or increase in volume is significant, (2) whether there has been significant price undercutting by the imported products, and (3) whether imports have otherwise depressed prices to a significant degree or prevented price increases. 19 U.S.C. § 1677(7)(C).
34/ Report at A-26.

New Zealand increased steadily through the years 1982 to 1984 and then decreased in January-September 1985 over the corresponding period in 1984. 35/

The market share held by combined imports of LFBR from South Africa and New Zealand is substantial and has been consistently significant during the period of investigation. Market penetration by imports of LFBR from all other countries decreased sharply during the 1982-84 period, and then increased somewhat during the January-September 1985 period.

The price of imported bare LFBR from South Africa paid by processor/ master distributor Aufhauser was substantially below the domestic price of bare LFBR sold to master distributors throughout the period of investigation. 36/ This is the first point of competition between imported and domestically produced LFBR and represents a very significant volume of sales of this product. To the extent that pricing is important, it is most important at this stage in the distribution channel. There has also been an irregular pattern of underselling of the imported product and indications of price suppression at points further down the distribution chain. 37/

35/ Id. We note that this decrease in imports coincided with the initiation of the Commission investigation. It is conceivable that the investigation had a "chilling effect " on importation. In addition, there is only one significant importer of LFBR from South Africa, and that importer admittedly times its purchases in order to profit by speculating on the value of the South African rand. Tr. at 60. Thus, undue emphasis should not be placed on import data from a single time period. Although the imports from South Africa substantially decreased during the last data gathering period, the overall trend throughout the period was increasing importation from South Africa. We note that in the New Zealand investigation combined imports from New Zealand and South Africa had risen sharply in the January-June 1985 period over the corresponding period in 1984.

36/ Report at A-30 and A-32. This comparison is not based on direct price competition because, although Aufhauser has requested quotes from the domestic LFBR producers, it has not purchased LFBR from the domestic industry in recent years.

37/ Id. at A-32.

Finally, the data show that there has been a downward trend in the prices of LFBR whether sourced domestically or imported during the period of investigation. Moreover, the Commission was able to confirm instances of lost sales and lost revenue because of imports from South Africa. 38/

Although Aufhauser, the South African importer, has expressed reluctance to purchase bare LFBR from a firm that is competing with it for sales to retailers, domestic producers have made limited sales to processors/master distributors and have stated that they will sell to the processors in the future. 39/ The domestic industry clearly has the capacity to make such sales.

We conclude that the rising volume of LFBR imports from South Africa and New Zealand and increasing import penetration during most of the period of investigation, together with underselling and generally declining prices, establishes a causal connection between the material injury to the domestic industry and the LTFV imports from South Africa.

38/ Id. at A-33-A-39.
39/ Tr. at 19 and 23.

VIEWS OF VICE CHAIRMAN LIEBELER

Based on the record in Investigation No. 731-TA-247 (Final), I determine that an industry in the United States is not materially injured, or threatened with material injury, or materially retarded, by reason of imports of low-fuming brazing copper wire and rod from South Africa that are sold at less than fair value (LTFV).[1] I concur in the decision of the majority with respect to like product, domestic industry, related parties[2] and condition of the industry.[3]

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1 Because the domestic industry is well-established, the issue of material retardation need not be addressed.

2 I concur with the majority's decision to exclude Aufhauser, the importer from South Africa, under the related parties provision. Because I am not cumulating imports of New Zealand, I find it unnecessary to decide whether it is appropriate to exclude the financial data of Thermacote-Welco, the importer from New Zealand.

3 I find that there is one like product and one industry. I note that it would be equally possible to find two like products and two domestic industries. Because there are no imports of the flux coated product, the industry producing flux coated product would be uninjured by reason of imports. The related party issue with respect to the firms that coat the product would then not need to be reached. The analysis that follows in the text applies equally to the industry composed of only producers of bare product.

In order for a domestic industry to prevail in a final investigation the Commission must determine that the dumped imports cause or threaten to cause material injury to the domestic industry producing the like product. This analysis is usually recognized to be a two-step procedure. First, the Commission must determine whether the domestic industry producing the like product is injured or is threatened with material injury. Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped imports. Only if the Commission answers both questions in the affirmative will it make an affirmative determination in the investigation.

In Certain Red Raspberries from Canada, I set forth a framework for examining causation in Title VII investigations:[4]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous

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[4] Inv. No. 731-TA-196 (Final), USITC Pub. 1680, at 11-19 (1985) (Additional Views of Vice Chairman Liebeler).

products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[5]

These factors, when viewed together, serve as proxies for the injury that Congress has directed the Commission to undertake: whether foreign firms are engaging in unfair price discrimination practices that cause or threaten to cause material injury to a domestic industry.[6]

The starting point for the five factor approach is import penetration data. This factor is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The statute requires that, under certain conditions, imports of two countries must be cumulated to determine the effect of the imports on price and volume. Cumulation is mandated when imports from two or more countries compete with each other and with like products of the domestic industry and are subject to investigation.[7] Imports of

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5 Id. at 16.

6 Trade Reform Act of 1974, S. Rep. 1298, 93rd Cong. 2d Sess. 179.

7 19 U.S.C. 1677(7)(C)(iv)(1985 cum. supp.).

low-fuming brazing copper wire and rod from New Zealand are no longer subject to investigation[8] and thus cannot be cumulated.[9] The import penetration ratio for South Africa increased from 1982 to 1984 before declining during January September 1985 and has remained at moderate levels during the period of investigation.[10] An unusual facet to this investigation is that the share of the market held by domestic producers increased substantially during the period of investigation.

The second factor is a high margin of dumping. The higher the margin of dumping, ceteris paribus, the more likely it is that the product is being sold below marginal cost, which is a requirement for predatory pricing, and the more likely it is that the

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8 The Commission, by a 3-2 vote, made an affirmative determination with respect to New Zealand. Low-Fuming Brazing Copper Wire and Rod from New Zealand, Inv. No. 731-TA-246, USITC Pub. No. 1779 (Nov. 1985).

9 See Certain Carbon Steel Products from Austria, Czechoslovakia, East Germany, Hungary, Norway, Poland, Romania, Sweden, and Venezuela, Inv. Nos. 701-TA-225-234 & 731-TA-213-217, 219, 221-226, & 228-235 (Preliminary), USITC Pub. No. 1642 (Feb. 1985).

10 Report at Table 13. Only a general discussion of information collected during this investigation is possible because most of the information is confidential.

domestic producers will be adversely affected by the dumping. The margin of dumping is determined by the Department of Commerce. In this case, the weighted-average margin was 3.3 percent ad valorem.[11]

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. There is no significant evidence of record suggesting that these products are differentiable.[12]

The fourth factor is declining prices. Evidence of declining domestic prices, <u>ceteris paribus</u>, might indicate that domestic producers were lowering their prices to maintain market share. Evidence with respect to price trends is mixed. According to information received in response to Commission questionnaires, the U.S. average price on several products declined while on other products, the price remained stable. No strong conclusions can be drawn from the pricing information in this case.

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[11] Report at A-5.

[12] Report at A-32.

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer can gain market power. Many other countries exported low-fuming brazing copper wire and rod to the U.S. during the period of investigation. In 1982, imports from other countries captured a large portion of the U.S. market, indicating that there are in fact no barriers to entry.[13]

These factors must be balanced in each case to reach a sound determination. Imports from South Africa hold a moderate share of the U.S. market and prices are declining in some product lines. The weighted average dumping margin is very low, however. More importantly, domestic production, both absolutely and in terms of market share, has increased. These factors when viewed together are inconsistent with a finding of unfair price discrimination. Thus, my analysis of the factors

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13 Report at Table 13. Imports from other countries have decreased during the period of investigation by almost the same amount that the market share held b y domestic producers has increased. There has been no evidence of record suggesting that the decrease in imports from other countries has been due to barriers to entry.

indicates that a domestic industry in the United States is not injured or threatened with injury by reason of LTFV imports of low-fuming brazing copper wire and rod from South Africa.

VIEWS OF COMMISSIONER LODWICK

I determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of low-fuming brazing copper wire and rod (LFBR) from South Africa which the Department of Commerce has determined to be sold at less than fair value (LTFV). In November 1985, I found neither material injury nor a causal connection between the condition of the domestic injury and LTFV imports from New Zealand.[1] These views will discuss only new information since that investigation, specifically: (1) interim 1985 data through September 1985, and (2) information pertaining to threat from LTFV imports from South Africa.

ADDITIONAL INFORMATION FOR THE PERIOD JANUARY-SEPTEMBER 1985

During January-September 1985, apparent consumption of LFBR rose marginally relative to the prior year period. Domestic shipments (excluding flux-coated rod made from imported bare rod) grew more substantially, so that the share of consumption accounted for by domestic shipments grew.[2] Conversely, the volume of imports from

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[1] Low-Fuming Brazing Copper Wire and Rod from New Zealand, USITC Publication 1779, November 1985. My views included consideration of the cumulative effect of LTFV imports from New Zealand and South Africa.

[2] Report at A-10.

South Africa, as well as the cumulative volume of imports from South Africa and New Zealand, fell significantly. In fact, cumulative LTFV imports dropped roughly 30% relative to domestic shipments.[3]

Although as I discussed in my prior opinion, pricing information is of limited relevance for this product, I note the following. (1) Domestic prices did tend to decline in 1985. However, whereas prices to consumers for the domestic and South African product tended to be quite close in 1984, the domestic product generally undersold the South African product in 1985. This is consistent with the increase in domestic shipments relative to imports, and strongly suggests no price undercutting by the subject imports.[4] (2) Despite the decline in domestic prices, gross margins (which indicate the relationship between price and cost of goods sold) improved during January-September 1985 for bare rod, flux-coated rod excluding material made from imported bare rod, and total flux-coated rod.[5] This indicates no price suppression.

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[3] Report at A-27.

[4] Report at A-28-32.

[5] Report at 16-20.

The additional information noted above supports my negative determination.

ADDITIONAL INFORMATION ON THREAT

Additional information pertaining to threat entails: (1) data on stocks held by importers of South African LFBR, and (2) data on the industry in South Africa.

Importer stocks declined substantially during January-September, 1985, and as of September 30, 1985 such inventory was well below year earlier levels.[6]

The industry in South Africa did increase capacity modestly in 1985. However, capacity utilization is very high, and the share of shipments from the South African industry going to the U.S. during January-September 1985 was consistent with average shares for 1982 through 1984.[7]

These results, coupled with conditions in the domestic market highlighted earlier, suggest no threat to the domestic industry.

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6 Report at A-23.

7 Report at A-23.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 19, 1985, countervailing duty and antidumping petitions were filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of American Brass Co., Rolling Meadows, IL; Century Brass Products, Inc., Waterbury, CT; and Cerro Metal Products, Inc., Bellefonte, PA. The petitions alleged that an industry in the United States is materially injured and is threatened with material injury by reason of imports from France, New Zealand, and South Africa of low-fuming brazing copper wire and rod 1/ upon which bounties or grants are alleged to be paid, and which are allegedly sold in the United States at less than fair value (LTFV). 2/ Accordingly, the Commission instituted preliminary investigations (Nos. 701-TA-237 and 238 (Preliminary) and Nos. 731-TA-245-247 (Preliminary)) under the provisions of the Tariff Act of 1930 (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

At the time the petitions were filed, New Zealand was a "country under the Agreement" within the meaning of section 701(b) of the Act; therefore, an injury determination by the Commission was required. Effective April 1, 1985, however, the Office of the United States Trade Representative terminated New Zealand's status as a "country under the Agreement." Accordingly, the Commission terminated its countervailing duty investigation.

As a result of its preliminary investigations, the Commission on April 5, 1985, notified Commerce that there was a reasonable indication that an industry in the United States was materially injured by reason of imports from New Zealand and South Africa of low-fuming brazing copper wire and rod which were alleged to be sold in the United States at LTFV. The Commission made negative determinations 3/ in its investigations involving imports from France. 4/

On July 16, 1985, Commerce extended the date for its preliminary determination in the investigation of LTFV sales from South Africa by publishing a notice in the Federal Register (50 F.R. 28826). 5/

1/ For purposes of this investigation, low-fuming brazing copper wire and rod covers brazing wire and rod, of copper, whether or not flux-coated, provided for in items 612.62, 612.72, and 653.15 of the Tariff Schedules of the United States (TSUS).

2/ Inasmuch as South Africa is not a signatory to the General Agreement of Tariffs and Trade (GATT) Subsidies Code, the Commission was not required to make an injury determination.

3/ Commissioner Lodwick dissenting.

4/ Low-Fuming Brazing Copper Wire and Rod From France, New Zealand, and South Africa: Determinations of the Commission in Investigations Nos. 701-TA-237 and 731-TA-245-247 (Preliminary) . . ., USITC Publication 1673, April 1985.

5/ A copy of Commerce's extension notice is presented in app. A.

On August 5, 1985, Commerce published (50 F.R. 31642) its final determination that no benefits which constitute bounties or grants within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in South Africa of low-fuming brazing copper wire and rod. As noted earlier in the report, South Africa is not a signatory to the GATT Subsidies Code; therefore, the Commission was not required to make a preliminary injury determination in the countervailing duty proceeding. 1/

On September 23, 1985, Commerce published in the Federal Register (50 F.R. 38567) its preliminary affirmative determination that imports of low-fuming brazing copper wire and rod from South Africa are being, or are likely to be, sold in the United States at LTFV within the meaning of section 733 of the Act (19 U.S.C. § 1673b). As a result of Commerce's affirmative preliminary determination of LTFV sales from South Africa, the Commission instituted investigation No. 731-TA-247 (Final), effective September 20, 1985, under section 735(b) of the Act (19 U.S.C. § 1673d(b)), to determine whether an industry in the United States is materially injured or is threatened with material injury, or whether the establishment of an industry in the United States is materially retarded, by reason of LTFV imports from South Africa of low-fuming brazing copper wire and rod.

Notice of the institution of the Commission's final investigation and a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 9, 1985 (50 F.R. 41231). 2/

On December 6, 1985, the Commission received notice of Commerce's final determination that imports of low-fuming brazing copper wire and rod from South Africa are being sold at LTFV. 3/ A public hearing was held by the Commission in connection with the investigation on December 4, 1985, in Washington, DC. 4/ The briefing and vote was held on January 6, 1986.

The Product

Description and uses

Low-fuming brazing copper wire and rod is a general-purpose welding material used almost exclusively to bond dissimilar metal components together. It is used in the manufacture of such items as agricultural tools, bicycle frames, wheelchairs, and metal furniture. Equipment maintenance and

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1/ Also on Aug. 5, 1985, Commerce published in the Federal Register (50 F.R. 31638) its final determination that certain benefits which constitute bounties or grants are being provided to manufacturers, producers, or exporters in New Zealand of low-fuming brazing copper wire and rod.

2/ A copy of the Commission's institution notice is presented in app. B.

3/ A copy of Commerce's notice is presented in app. A.

4/ A list of the witnesses is presented in app. C.

repair is another major area where this product is used. Brazing produces a coalescence of materials by heating a filler metal that liquifies at a temperature above 450 degrees C (840 degrees F). The filler metal is distributed between the surfaces of the joint by capillary attraction. In the brazing process, only the filler metal, not the base metals being joined, is melted by heating with an oxyacetylene brazing apparatus. Brazing differs from soldering in that soldering employs a filler metal that liquifies below 450 degrees C.

Low-fuming brazing material is one of five major types of nonferrous, copper-based alloy brazing filler metals, the others being silicon bronze, nickel silver, deoxidized copper, and phosphor bronze. The low-fuming type is estimated by industry sources to account for 80 percent of the volume of such brazing materials consumed in the United States.

Basically a copper-zinc alloy, 1/ low-fuming brazing material is produced according to standard chemical compositions designated by the Copper Development Association (CDA). Two grades are sold in the United States, CDA 680 and CDA 681. CDA 680 is distinguished from CDA 681 by the former's nickel content of between 0.20 and 0.80 percent. Nickel ensures a more wear-resistant weld and also enables the brazing material to flow more freely. Otherwise, the two grades have very similar chemistries, as shown below (in percent):

CDA Alloy 680	Element	CDA Alloy 681
56.0-60.0	Copper	56.0-60.0
.05	Lead	.05
.25-1.25	Iron	.25-1.25
.75-1.10	Tin	.75-1.10
42.19-35.64	Zinc	42.39-36.44
.20-.80	Nickel	—
.01	Aluminum	.01
.01-.50	Manganese	.01-.50
.04-.15	Silicon	.04-.15
.50	All other	.50

Low-fuming brazing material may be sold in coiled wire or rod form, but it is chiefly sold as cut-to-length rod. The major sizes are 18-inch and 36-inch lengths, with 1/8-inch, 3/32-inch, and 3/16-inch diameters most common. Approximately 55 to 60 percent of brazing rod is sold with a chemical flux-coating. 2/ Flux-coating the rod saves time and labor as the rod does

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1/ The family of alloys in which low-fuming material is included is also known as "manganese bronzes."

2/ Most metals and alloys tend to form oxide scale on the surface when exposed to the atmosphere. This tendency increases as the temperature is raised, so a flux material is applied to protect the surfaces to be brazed. The flux must completely cover and protect the filler metal until the brazing temperature is reached. Recommended fluxes should be used in their proper temperature ranges and on the materials for which they are designed. Most brazing fluxes are proprietary mixtures of several ingredients. Ingredients of brazing fluxes include chlorides, fluorides, fluoroborates, borax, borates, boric acid, wetting agents, and water.

not have to be lifted from the weld to be dipped in flux. Flux may also be applied to the rod during the brazing operation by dipping the rod in flux or by gas-fluxing, when the brazer applies flux through the brazing apparatus. Gas-fluxing is limited in its applications to small areas such as the welding step in an assembly line.

The growing use of robotics and changes in technology are shrinking the demand for low-fuming brazing wire and rod in some of its traditional markets. 1/ In the early 1980's, the automobile repair business began requiring steel welding wire in repair work instead of low-fuming brazing materials. In the furniture industry, aluminum has become more popular, which has also decreased demand in that market. Due to changing market conditions, some processors have diversified their product lines to remain competitive with the larger integrated producers.

Manufacturing processes

The first step in the production of low-fuming brazing material is the melting of the raw materials in an electric furnace to produce a molten material with the required chemistry. Brazing rod manufacturers generally buy copper on the spot market from dealers and producers at prices that reflect the price of copper as traded on the London Metal Exchange (LME) and the New York Commodity Exchange (COMEX). This material is then cast into ingots (typically 4 to 14 inches in diameter), which are subsequently cut to length into billets. After cooling, the billets are reheated in a furnace to extrusion temperature and then fed into an extruder where they are reduced in diameter. Next, the extruded material is cold drawn through a die or series of dies to further reduce the material to finished size. Cold drawing also strengthens the material. After drawing, the material is annealed to increase softness (so it can be further worked) and pickled in sulfuric acid. Pickling is followed by a rinse to remove the oxide scale that forms during the drawing process. The drawing, annealing, and pickling operations are repeated until the material reaches its finished size (typically 1/8-inch or 3/32-inch in diameter). The finished rod is then sent either to a straightener, where it is straightened and cut to length (typically 18-inch or 36-inch lengths), or is coiled on a coiler. The cut-to-length material is then chamfered to remove burrs and sharp edges. The rod may then be sold as an uncoated product, or may be coated with flux in an extrusion press, after which it is dried on racks.

U.S. tariff treatment

Imports of low-fuming brazing copper wire and rod subject to this investigation are classified and reported for tariff and statistical purposes under items 612.6205 (rod), 612.7220 (wire), and 653.1500 (flux-coated wire or rod) of the Tariff Schedules of the United States Annotated (TSUSA). The

1/ Transcript of the public hearing in investigation No. 731-TA-246 (Final), pp. 54 and 55.

current column 1 or most-favored-nation (MFN) rates of duty, 1/ final concession rates granted under the Tokyo round of the Multilateral Trade Negotiations (MTN), rates of duty for imports from least developed developing countries (LDDC's) enumerated in general headnote 3(e)(vi), and column 2 duty rates are shown in table 1. Imports of the subject products are eligible for duty-free treatment, if from designated beneficiary countries under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA), or if from Israel under the United States-Israel Free Trade Area Agreement.

Nature and Extent of Sales at LTFV

The Department of Commerce's final determination that imports of low-fuming brazing copper wire and rod from South Africa are being sold in the United States at LTFV was published in the Federal Register on December 6, 1985. Commerce found margins on 26 percent of the sales compared. The margins calculated by Commerce ranged from 8.0 percent ad valorem to 27.0 percent ad valorem and the weighted-average margin on all sales was 3.3 percent ad valorem. 2/ Accordingly, Commerce directed the U.S. Customs Service to continue to suspend liquidation of all entries of low-fuming brazing copper wire and rod from South Africa that are entered, or withdrawn from warehouse for consumption, on or after September 23, 1985.

To determine whether sales of the subject merchandise in the United States were made at LTFV, Commerce compared the U.S. price with the foreign market value. Commerce used the purchase price to represent the U.S. price since the product was sold to unrelated purchasers prior to importation into the United States. The purchase price was based on the c.i.f. packed price to unrelated customers in the United States. The foreign market value was based on home market sales since no sales were found to be made at less than cost over an extended period of time, in substantial quantities, and at prices not permitting recovery of all costs within a reasonable period of time. Commerce calculated the foreign market value on the basis of delivered prices to unrelated purchasers.

U.S. Producers

For purposes of this report, the U.S. low-fuming brazing copper wire and rod industry is defined as those companies that produce bare wire and rod. These companies cast, extrude, and draw the low-fuming material to its final

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1/ MFN rates are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, these rates do not apply to products of LDDC's or Israel, or to articles afforded preferential treatment pursuant to the GSP or CBERA, under the special rate of duty column. The People's Republic of China, Yugoslavia, Romania, and Hungary are the only Communist countries now afforded MFN treatment.

2/ Counsel for Aufhauser and counsel for McKechnie stated at the hearing that the margins were caused by exchange rate fluctuations (transcript, pp. 36-38, 76, and 86-89, and McKechnie's posthearing brief, pp. 1-5).

Table 1.--Low-fuming brazing copper wire and rod: U.S. rates of duty, as of Jan. 1, 1980, Jan. 1, 1985, and Jan. 1, 1987

(Cents per pound; percent ad valorem)

TSUS item No.	Description	Rate of Duty 1/				
		Col. 1			LDDC	Col. 2
		Jan. 1, 1980	Jan. 1, 1985	Jan. 1, 1987		
	Wrought rods, of copper:					
2/ 612.62	Brass	3/ 2.5%	4/ 2.3%	5/ 2.2%	6/ 2.2%	9%
	Wire, of copper:					
	Other than nickel: silver					
7/ 612.72	Not metal coated or plated.	8/ 0.7¢ + 11/ 5.8%	8/ 0.2¢ + 12/ 4.5%	9/ 4%	10/ 4%	28%
	Wire rods, etc., of base metal, coated with flux, used for brazing of metal or metallic carbides:					
653.15	Other than lead-tin solders.	4.4%	1.3%	Free	Free	35%

1/ Rates of duty for Tariff Schedules of the United States (TSUS) items 612.62 and 612.72 are divided into column 1-a and column 1-b rates of duty. Column 1-a rates apply when the market price of copper is 24 cents or more per pound. Column 1-b rates apply when the market price of copper is under 24 cents per pound.
2/ Includes TSUSA item 612.6205.
3/ Col. 1-a rate. Col. 1-b rate was 0.9¢ on copper content + 0.9¢.
4/ Col. 1-a rate. Col. 1-b rate is 0.8¢ on copper content + 0.8¢.
5/ Col. 1-a rate. Col. 1-b rate will be 0.8¢ on copper content + 0.8¢.
6/ Col. 1-a rate. Col. 1-b rate is 0.8¢ on copper content + 0.8¢.
7/ Includes TSUSA item 612.7220.
8/ On copper content.
9/ Col. 1-a rate. Col. 1-b rate will be 0.6¢ on copper content + 3.5%.
10/ Col. 1-a rate. Col. 1-b rate is 0.6¢ on copper content + 3.5%.
11/ Col. 1-a rate. Col. 1-b rate was 0.9¢ on copper content + 5.7%.
12/ Col. 1-a rate. Col. 1-b rate is 0.7¢ on copper content + 4.1%.

dimensions. The following tabulation, compiled from data obtained in response to the Commission's questionnaires, lists the four U.S. producers and each firm's capacity and share of total U.S. production of low-fuming brazing copper wire and rod in 1984:

Firm	Capacity (1,000 pounds)	Share of U.S. production (percent)
J.W. Harris Corp	***	***
Cerro Metal Products, Inc	***	***
Century Brass Products, Inc	***	***
American Brass Co	***	***
Total	***	***

J.W. Harris Corp. began production of CDA 681 low-fuming brazing copper rod at its plant in Cincinnati, OH, in January 1983. Prior to that time, J.W. Harris bought wire and rod * * *, and then cut, flux-coated, and packaged the product for sale. In addition to low-fuming brazing material, J.W. Harris produces a full range of brazing and soldering alloys, along with brazing and soldering fluxes. J.W. Harris also serves as a major distributor of welding materials to retail outlets. In October 1984, Harris acquired Unibraze Corp., which imported and flux-coated bare rod prior to its acquisition by Harris. In August 1985, Harris temporarily shut down its casting operation for low-fuming brazing copper rod.

Cerro Metal Products, Inc., a division of the Marmon Group, Inc., produces both CDA 680 and CDA 681 low-fuming brazing copper rod 1/ at its plant in Bellefonte, PA. Cerro is one of two U.S. producers with flux-coating capabilities and is the only producer to flux-coat CDA 680 rod. 2/ In addition to low-fuming brazing rod, Cerro produces such brazing alloys as naval bronze, nickel silver, and silicon bronze. 3/ However, Cerro's major product groups include brass and bronze rods, wires, and shapes; brass, bronze, and aluminum forgings; and automatic screw machine parts of brass.

Like Cerro, Century Brass Products, Inc., located in Waterbury, CT, has been a producer of a wide range of brass products of both CDA 680 and CDA 681 alloy, including brass strip, wire, rod, and tubes. Century has produced * * *; its * * *. Century has no flux-coating operations, * * *. On March 5, 1985, Century announced the closing of its Metals Division after the United Auto Workers (UAW) refused to grant wage and benefit concessions. Century officials said the company had been hurt by cheap imports and by several strikes by workers in recent years. Due to the closing of its brazing operations, Century was unable to provide data for January-September 1985.

1/ * * *.

2/ The petitioners requested that the product scope of the investigation include flux-coated, as well as bare, wire and rod in order to avoid circumvention of any order that might result from the investigation (transcript of the hearing, pp. 7 and 8, and prehearing brief, pp. 2-6). Petitioners also requested that both CDA 680 and CDA 681 alloys be included. There appear to be no imports of CDA 680.

3/ Low-fuming brazing rod accounts for 1 to 2 percent of Cerro's total production, transcript of the hearing in investigation No. 731-TA-246 (Final), p. 35.

American Brass Co., a division of ARCO Metals Co., has produced a full line of brass, copper and alloy rods, wire, and extruded shapes at its Ansonia, CT, plant. Production of low-fuming brazing copper wire and rod * * *. In 1985, American temporarily ceased production of low-fuming brazing rod. 1/ Like Century, American has no flux-coating equipment.

As indicated above, two of the four wire and rod producers, Cerro and J.W. Harris, have flux-coating operations. In addition to these two companies, there are four other U.S. companies, 2/ which are known as processors, that flux-coat bare brazing rod. These companies buy bare rod, primarily from imported sources, add the flux-coating on their own equipment, and sell the product mostly to master distributors or retailers. The two largest, Aufhauser Bros. Corp. and Thermacote-Welco Co., consider themselves to be U.S. manufacturers of flux-coated low-fuming brazing copper rod. 3/ A third processor, * * *, does not consider itself to be a producer of the product.

U.S. Importers

The net import file maintained by the U.S. Customs Service identified seven importers of low-fuming brazing copper wire and rod (under TSUSA item 612.6205 only) from South Africa during October 1982-June 1985. One company accounted for almost * * * percent of total imports during the period. The primary importer, Aufhauser Bros., 4/ of Plainview, NY, is a processor with flux-coating capabilities that sells the brazing material to master distributors, such as industrial gas firms, and to retailers (welding supply houses). Aufhauser testified at the hearing that 70 percent of its rod production is flux-coated. 5/ * * * importers listed in the net import file * * * of low-fuming brazing copper wire and rod from South Africa during the period.

1/ Transcript of the public hearing in investigation No. 731-TA-246 (Final), pp. 7 and 31.

2/ * * * stated that it has the capability to flux-coat rod but has not processed any to date.

3/ Petitioners argue that any company that purchases all of its bare low-fuming brazing rod and does no more than flux-coat the rod should not be considered a U.S. producer of the product under investigation (transcript of the hearing, pp. 8 and 9, and posthearing brief, pp. 1 and 2). Counsel for Aufhauser and counsel for the South African firm that accounts for all exports to the United States argue that the processors are part of the industry because flux-coating is a manufacturing process of the finished product and value added by the flux-coating is substantial (transcript of the hearing, pp. 63 and 68; and posthearing brief, pp. 4 and 5).

4/ McKechnie Brothers, South Africa, Ltd., the sole producer/exporter in South Africa, claims all of its exports to the United States are to Aufhauser.

5/ Transcript of the hearing, p. 69.

The U.S. Market

Channels of distribution

The U.S. distribution system for low-fuming brazing copper wire and rod has five tiers: producers, processors, master distributors, welding supply houses (retailers), and end users. The producers manufacture the wire, the bulk of which is cut into rod lengths by the producers themselves. The rod may be flux-coated or left bare, and is then boxed and shipped. The bare rod is packed in boxes, whereas, the flux-coated rod is typically placed in 10-pound tubes for protection and then packed in 50-pound boxes for shipment. For the petitioning firms, most of the rod is shipped to master distributors. Cerro sells exclusively to master distributors. There are approximately 10 large master distributors, including industrial gas firms such as the Linde Division of Union Carbide, 1/ which sell gas, brazing rods, and other welding supplies and equipment to retailers. Most of the retailers, in turn, sell to end users. Some retailers purchase cut flux-coated rod, repackage it, and sell it to distributors, franchises, and end users. For the newest U.S. producer, J.W. Harris, sales to master distributors and processors constitute a very small portion of total rod sales; most of the firm's low-fuming brazing rods are sold to its subsidiary, Unibraze, or directly to retailers. 2/ In June 1985, Harris shifted its production of flux-coated rod to Unibraze.

Most of the imported brazing wire and rod is sold to processors. The processors also buy some U.S.-produced wire and rod. 3/ J.W. Harris testified at the hearing that the processors are the largest market for sales of low-fuming brazing copper wire and rod. 4/ The processors cut, flux-coat, 5/ and package rod for sale to master distributors or to retailers. Most processors' sales are primarily to retailers. Aufhauser's five largest customers consider themselves master distributors, the largest being * * *, which accounts for * * * percent of Aufhauser's sales (responses to purchasers' questionnaires and telephone conversations with industry sources). Many also do flux-coating for other companies on a private label basis.

The petitioners argue that the processors and master distributors are basically at the same level in the distribution process and that it is at this level of distribution that the most serious competition with imported low-fuming brazing rod takes place. 6/

1/ In June 1985, the Linde Division was sold to L-Tec Welding & Cutting Systems.

2/ Transcript of the public hearing, pp. 23 and 24.

3/ Dr. Keith Aufhauser, president of Aufhauser Bros. Corp., stated at the hearing that Cerro refuses to sell low-fuming brazing rod to his firm but that Harris has sold him small amounts of the bare rod to round out his supplies (transcript, pp. 60-62; posthearing brief, pp. 1 and 2; and app. B).

4/ Transcript, pp. 23 and 24.

5/ All imported wire and rod is bare (wire in coiled form is never coated). The coated product is susceptible to chipping in shipping over long distances. However, petitioners questioned this statement at the hearing in investigation No. 731-TA-246 (Final) (transcript, pp. 32 and 33). Also, some end users prefer to hand dip the rod in flux, so importing bare rod allows more flexibility in selling the product (transcript, p. 11).

6/ Transcript of the hearing, pp. 12 and 13, and posthearing brief, pp. 5 and 6.

Apparent U.S. consumption

Apparent U.S. consumption of low-fuming brazing copper wire and rod rose from * * * pounds in 1982 to * * * pounds in 1983 (table 2). In 1984, consumption decreased to * * * pounds, or * * * percent below the 1982 level. Apparent consumption increased from * * * pounds during January-September 1984 to * * * in the corresponding period of 1985, or by * * * percent.

Table 2.--Low-fuming brazing copper wire and rod: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1982-84, January-September 1984, and January-September 1985 1/

Year	Producers' shipments 2/	Imports	Apparent consumption	Ratio to consumption of: Producers' shipments	Ratio to consumption of: Imports
	1,000 pounds			Percent	
1982	***	***	***	***	***
1983	***	***	***	***	***
1984	***	***	***	***	***
Jan.-Sept.--					
1984	***	***	***	***	***
1985	***	***	***	***	***

1/ J.W. Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-September 1984 and January-September 1985.

2/ These data include intracompany shipments of rod from J.W. Harris to Unibraze, as well as rod that was produced and flux-coated domestically; they do not include imported material that was flux-coated in the United States.

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

Consideration of Alleged Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

U.S. production of low-fuming brazing copper wire and rod increased from * * * pounds in 1982 to * * * pounds in 1984 (table 3). Production decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. Rod accounted for the bulk of production; its share of production grew steadily from * * * percent in 1982 to * * * percent in 1984, and accounted for all production during January-September 1985. J.W. Harris and Cerro reported that * * * percent and * * * percent, respectively, of their rod production is flux-coated.

Table 3.--Low-fuming brazing copper wire and rod: U.S. production, capacity, and capacity utilization, 1982-84, January-September 1984, and January-September 1985

Item	1982 1/	1983	1984	January-September-- 1984	January-September-- 1985
Wire:					
Production------------1,000 pounds---	***	***	***	***	***
Capacity---------------------do------	***	***	***	***	***
Capacity utilization---percent---	***	***	***	***	***
Rod: 2/					
Production------------1,000 pounds---	***	***	***	***	***
Capacity---------------------do------	***	***	***	***	***
Capacity utilization---percent---	***	***	***	***	***
Total: 2/					
Production------------1,000 pounds---	***	***	***	***	***
Capacity---------------------do------	***	***	***	***	***
Capacity utilization---percent---	***	***	***	***	***

1/ Since J.W. Harris began production in 1983, it is not included in data for 1982. Also, Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-September 1984 and January-September 1985.

2/ These data include rod that was produced and flux-coated domestically; they do not include imported material that was flux-coated in the United States by the producers or processors.

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

Production capacity increased nearly * * * percent during 1982-84, rising from * * * pounds in 1982 to * * * pounds in 1984. The startup of domestic production by J.W. Harris in January 1983 accounts for the higher capacity levels in 1983 and 1984. Production capacity decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. The decrease is due both to J.W. Harris' beginning production of other alloys on its low-fuming brazing copper wire and rod equipment and to Century closing its brazing mill operations in 1985. Capacity utilization rose from * * * percent in 1982 to * * * percent in 1983, then declined to * * * percent in 1984. Conversely, capacity utilization increased from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985.

* * * processors, * * *, reported that their capacity to flux-coat brazing rod increased from * * * pounds in 1982 to * * * pounds in 1984 (not included in table 3). This increase is due to the entry of * * * as a processor of the flux-coated product in 1984. Prior to 1984, * * * flux-coated most of * * * rod. The * * * processors' share of total U.S. production of flux-coated brazing rod, as reported by all firms responding to

the Commission's questionnaires * * *, decreased from * * * percent in 1982 to * * * percent in 1984. Their share of production then increased from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985. * * * experienced a declining share of total production of both bare and flux-coated wire and rod, decreasing from * * * percent in 1982 to * * * percent in 1984. Its share increased from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985. * * * share of total low-fuming brazing copper wire and rod production was * * * percent in 1984, * * *, and then decreased to * * * percent during January-September 1984 and the corresponding period of 1985.

U.S. producers' domestic shipments

U.S. producers' total domestic shipments of low-fuming brazing copper wire and rod increased steadily, from * * * pounds in 1982 to * * * pounds in 1984, or by * * * percent (table 4). Again, the entry of J.W. Harris into domestic production accounts for the increases in 1983 and 1984. Total shipments increased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985, or by * * * percent. Shipments of

Table 4.--Low-fuming brazing copper wire and rod: U.S. producers' domestic shipments, 1982-84, January-September 1984, and January-September 1985

Item	1982 1/	1983	1984 2/	January-September-- 1984	January-September-- 1985 2/
Wire shipments:					
Quantity--1,000 pounds--:	***	***	***	***	***
Value--1,000 dollars--:	***	***	***	***	***
Unit value--per pound--:	***	***	***	***	***
Rod shipments: 3/					
Quantity--1,000 pounds--:	***	***	***	***	***
Value--1,000 dollars--:	***	***	***	***	***
Unit value--per pound--:	***	***	***	***	***
Total shipments: 3/					
Quantity--1,000 pounds--:	***	***	***	***	***
Value--1,000 dollars--:	***	***	***	***	***
Unit value--per pound--:	***	***	***	***	***

1/ Since J.W. Harris began production in 1983, it is not included in data for 1982. Also, Harris' data are reported on a fiscal year basis for 1983 and 1984, ending Mar. 31, and on a calendar year basis for January-September 1984 and January-September 1985.

2/ These data include Harris' intracompany transfers of brazing rod to Unibraze.

3/ These data include rod that was produced and flux-coated domestically; they do not include shipments of imported material that was flux-coated in the United States by the producers or processors.

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

flux-coated rod increased from * * * percent of total shipments in 1982 to * * * percent in 1984 and then dropped to * * * percent during January-September 1985.

Total domestic shipments of flux-coated rod by * * * (not included in table 4) increased from * * * pounds in 1982 to * * * pounds in 1984. Again, this was due to the * * * in 1984 as a processor of bare rod. Shipments were * * * pounds during January-September 1984 and the corresponding period of 1985.

U.S. producers' exports

The * * * U.S. producers, * * *, reported exports of brazing rod. Exports increased from * * * pounds in 1982 to * * * pounds in 1984. Exports declined from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985, as shown in the following tabulation:

	Quantity (1,000 pounds)	Value (1,000 dollars)	Unit value (per pound)
1982	***	***	***
1983	***	***	***
1984	***	***	***
Jan.-Sept.--			
1984	***	***	***
1985	***	***	***

Included in the totals above are exports reported by * * * of * * * pounds of flux-coated rod in 1983 and * * * pounds in 1984 to * * *. These exports decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985.

U.S. producers' inventories

End-of-period inventories of low-fuming brazing copper wire and rod, as reported by U.S. producers in response to the Commission's questionnaires, more than doubled between 1982 and 1983, from * * * pounds to * * * pounds. A further increase, to * * * pounds, occurred in 1984. Inventories decreased from * * * pounds as of September 30, 1984, to * * * pounds by September 30, 1985, 1/ as shown in the following tabulation (in thousands of pounds):

	Inventories
As of Dec. 31 --	
1982	***
1983	***
1984	***
As of Sept. 30--	
1984	***
1985	***

1/ Unibraze reported inventories of * * * pounds as of Sept. 30, 1985.

Producers' end-of-period inventories as a share of domestic shipments were * * * percent in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent during January-September 1984, and * * * percent in the corresponding period of 1985.

Employment and wages

Production and related workers producing low-fuming brazing copper wire and rod for the three largest producers accounted for * * * percent of their total production and related workers producing all products during January-June 1985. 1/ As shown in table 5, employment of workers in the production of low-fuming brazing copper wire and rod increased * * * percent during 1982-84, from * * * in 1982 to * * * in 1984. This increase is attributable entirely to J.W. Harris' entry into the industry. Employment decreased from * * * workers during January-September 1984 to * * * workers in the corresponding period of 1985. Employment of production workers at * * *, was * * * during January-September 1984 and the corresponding period of 1985. 2/ Employment of production workers at * * *, dropped from * * * in 1982 to * * * during January-September 1985. 3/ There was no change in the number of production workers at * * * during 1982-84. Century ceased production of low-fuming brazing copper wire and rod in March 1985 and reported no employment data for 1985.

Total hours worked increased from * * * in 1982 to * * * in 1984, and then decreased from * * * during January-September 1984 to * * * in the corresponding period of 1985. * * * reported declines in total hours worked from 1982 to 1984. Wages and total compensation paid to production and related workers producing low-fuming brazing copper wire and rod increased overall between 1982 and 1984 * * *, but declined for * * * over the same time period. Overall, productivity increased during the period of investigation, from * * * pounds per hour in 1982 to * * * pounds per hour in 1984 and from * * * pounds per hour during January-September 1984 to * * * pounds per hour in the corresponding period of 1985.

Employment of workers by * * * in the production of flux-coated rod increased from * * * in 1982 to * * * in 1984 and January-September 1985. Employment of workers by * * * in the production of flux-coated rod was * * * in 1984 and January-September 1985. Total hours worked in processing the rod for * * * increased from * * * in 1982 to * * * in 1983. Total hours worked by * * * was * * * in 1984. Total hours increased from * * * during January-September 1984 to * * * in the corresponding period of 1985. Similarly, wages and total compensation paid to workers processing flux-coated rod increased throughout the period * * *.

Employees at Century and Cerro are represented by the United Auto Workers Union; those at American are represented by the United Steelworkers. There is no union representation for employees of J.W. Harris.

1/ American Brass, which reported * * * in 1983 and 1984, is excluded from these numbers because it was unable to provide separate data on hours worked and wages and total compensation paid.

2/ * * *.

3/ * * *.

Table 5.--Average number of production and related workers engaged in the manufacture of low-fuming brazing copper wire and rod, hours worked by such workers, wages paid, and total compensation, by firms, 1982-84, January-September 1984, and January-September 1985 1/

Item	Number of workers	Hours worked	Wages paid	Total compensation
		Thousands	1,000 dollars	
Harris:				
1982	***	***	***	***
1983	***	***	***	***
1984	***	***	***	***
January-September--				
1984	***	***	***	***
1985	***	***	***	***
Cerro:				
1982	***	***	***	***
1983	***	***	***	***
1984	***	***	***	***
January-September--				
1984	***	***	***	***
1985	***	***	***	***
Century:				
1982	***	***	***	***
1983	***	***	***	***
1984	***	***	***	***
January-September--				
1984	***	***	***	***
1985	***	***	***	***
Total:				
1982	***	***	***	***
1983	***	***	***	***
1984	***	***	***	***
January-September--				
1984	***	***	***	***
1985	***	***	***	***

1/ Data for 1983 and 1984 are for 3 firms that accounted for * * * percent of U.S. producers' shipments in 1984. However, 1982 data are for only 2 firms, Century and Cerro, since J. W. Harris did not produce this product until 1983.

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

Financial experience of U.S. producers

Three firms, J.W. Harris, Cerro, and American Brass, furnished usable income-and-loss data on their operations producing low-fuming brazing copper wire and rod and also on their overall establishment operations. As indicated previously, Century ceased producing low-fuming brazing copper wire and rod in March 1985 and did not return its questionnaire in this final investigation. The three responding firms' aggregate sales of low-fuming brazing copper wire and rod were * * * percent of their total establishment sales in 1984. As mentioned in earlier sections, 1982 data do not include J.W. Harris, since it began operations in 1983.

Overall establishment operations.—The income-and-loss data of the three establishments within which low-fuming brazing copper wire and rod is produced are presented for each individual company in table 6. Aggregate establishment sales of the three producers in 1983-84 are over * * * higher than those reported in the preliminary investigation because * * * previously provided incorrect data on its overall establishment operations. American Brass' data are not included in the interim period ended September 30, 1985, because the company did not provide income-and-loss data on its operations producing uncoated brazing copper wire and rod for interim 1985. Therefore, the exclusion of Harris in 1982 and American Brass in interim 1985 limits period-to-period comparisons and trend analysis of the aggregate data.

Table 6.—Income-and-loss experience of U.S. producers on the overall operations of their establishments within which low-fuming brazing copper wire and rod are produced, accounting years 1982-84, and interim periods ended September 30, 1984, and September 30, 1985

*　　*　　*　　*　　*　　*　　*

Aggregate establishment net sales of the three producers increased from * * * in 1983 to * * * in 1984, or by * * * percent. An aggregate operating loss of * * *, or * * * percent of sales, was incurred in 1983, whereas, operating income of * * *, or * * * percent of sales, was reported in 1984. * * * was the only producer to sustain operating losses on overall establishment operations, and it did so in all 3 years 1982-84 and in interim 1984.

Combined operations producing uncoated and flux-coated brazing copper wire and rod.—Although Century Brass did not return its questionnaire for this final investigation, having closed its Metals Division in March 1985, its 1982-84 financial data on its operations producing low-fuming brazing copper wire and rod are available from the preliminary investigation. A comparison of Century Brass' sales and operating income-or-loss data with those of American Brass, Cerro, and Harris on their total low-fuming brazing copper wire and rod operations (uncoated and flux-coated) is presented in the following tabulation:

	1982	1983	1984
Net sales:			
American Brass------1,000 dollars--	***	***	***
Cerro------do------	***	***	***
Harris------do------	***	***	***
Subtotal------do------	***	***	***
Century Brass------do------	***	***	***
Total------do------	***	***	***
Operating income or (loss):			
American Brass------1,000 dollars--	***	***	***
Cerro------do------	***	***	***
Harris------do------	***	***	***
Subtotal------do------	***	***	***
Century Brass------do------	***	***	***
Total------do------	***	***	***
Operating income or (loss) margins:			
American Brass------percent--	***	***	***
Cerro------do------	***	***	***
Harris------do------	***	***	***
Subtotal------do------	***	***	***
Century Brass------do------	***	***	***
Total------do------	***	***	***

Uncoated brazing copper wire and rod.--The financial data of the three producers on their operations producing uncoated low-fuming brazing copper wire and rod are presented for each individual firm in table 7.

Table 7.--Income-and-loss experience of U.S. producers on their operations producing uncoated low-fuming brazing copper wire and rod, accounting years 1982-84, and interim periods ended September 30, 1984, and September 30, 1985

* * * * * * *

Aggregate net sales grew from * * * in 1983 to * * * in 1984, an increase of * * * percent, because * * * sales in 1984 increased by * * * percent over sales in 1983. During the interim periods ended September 30, sales increased by * * * percent from * * * in 1984 to * * * in 1985.

There were aggregate gross losses in 1983, 1984, and both interim periods. * * * reported a nominal gross profit in 1982, at * * * percent of sales, then suffered gross losses ranging between * * * percent and * * * percent of sales. * * * low sales volume produced wide swings in its profit or loss margins; its gross loss of * * * in 1983 was * * * percent of * * * in sales, and its gross profit of * * * in 1984 was * * * percent of * * * in sales. * * * reported small gross profits in 1983 and interim 1984, but incurred gross losses in 1984 and interim 1985. However, * * * operating results in 1984 and interim 1985 were affected by * * *. Income-and-loss data for * * *.

There were aggregate operating losses in all periods, with operating loss margins of * * * percent in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent in interim 1984, and * * * percent in interim 1985. At the operating income or loss level, * * * incurred a slight loss in 1982 (* * * percent of sales) and heavy losses thereafter, ranging between * * * percent and * * * percent of sales. * * *, after incurring operating losses of * * * and * * * in 1982 and 1983, respectively, reported operating income of * * * for interim 1984 and for the full year of 1984.

Harris, whose accounting year ends on March 31, acquired Unibraze on September 27, 1984. Income-and-loss data for Harris and Unibraze on their operations producing and/or marketing uncoated rod, both separately and combined, are presented in the following tabulation below:

Item	1984			Interim period ended Sept. 30, 1985		
	Harris	Unibraze 1/	Combined	Harris	Unibraze	Combined
Net sales——1,000 dollars—	***	***	***	***	***	***
Cost of goods sold——do——	***	***	***	***	***	***
Gross profit or (loss)-do——	***	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars—	***	***	***	***	***	***
Operating income or (loss)——1,000 dollars—	***	***	***	***	***	***
Ratio to net sales:						
Cost of goods sold percent—	***	***	***	***	***	***
Gross profit or (loss)-do—	***	***	***	***	***	***
General, selling, and administrative expenses percent—	***	***	***	***	***	***
Operating income or (loss)——percent—	***	***	***	***	***	***

1/ Unibraze data are only for the 6-month period subsequent to the acquisition.

Since the acquisition, Harris' sales of uncoated wire and rod have included substantial intracompany transfers to Unibraze at * * *. Harris' trade and transfer sales are shown in the following tabulation:

Item	1984	Interim period ended Sept. 30, 1985
Trade sales——1,000 dollars—	***	***
Intracompany transfers——do—	***	***
Total net sales——do—	***	***

Flux-coated brazing copper rod.—The income-and-loss data of Cerro and Harris in producing flux-coated low-fuming brazing copper rod are presented in table 8.

Table 8.—Income-and-loss experience of U.S. producers on their operations producing flux-coated low-fuming brazing copper rod, accounting years 1982-84, and interim periods ended September 30, 1984, and September 30, 1985

* * * * * * *

Whereas * * *'s net sales * * *, * * * sales * * *. Their combined sales * * * from * * * in 1983 to * * * in 1984, or by * * * percent. During the interim periods, aggregate sales decreased by * * * percent from 1984 to 1985, * * *.

The profitability situation was similar to that for uncoated wire and rod. * * * , but the * * * margins as a percent of sales were somewhat smaller than for uncoated wire and rod. * * * reported * * * in 1983, 1984, and interim 1984, but * * * in interim 1985. There were aggregate operating losses in all periods.

Harris transferred all of its flux-coating equipment and all flux-coated stock to Unibraze in June 1985. Income-and-loss data for Harris and Unibraze on their operations producing and/or marketing flux-coated rod, both separately and combined, for 1984 and the 6-month interim period ended September 30, 1985, are presented in the tabulation below.

Item	1984			Interim period ended Sept. 30, 1985		
	Harris	Unibraze 1/	Combined	Harris	Unibraze	Combined
Net sales------1,000 dollars---	***	***	***	***	***	***
Cost of goods sold------do------	***	***	***	***	***	***
Gross profit or (loss)-do------	***	***	***	***	***	***
General, selling, and administrative expenses 1,000 dollars---	***	***	***	***	***	***
Operating income or (loss)------1,000 dollars---	***	***	***	***	***	***
Ratio to net sales:						
Cost of goods sold percent---	***	***	***	***	***	***
Gross profit or (loss)-do---	***	***	***	***	***	***
General, selling, and administrative expenses percent---	***	***	***	***	***	***
Operating income or (loss)----------percent---	***	***	***	***	***	***

1/ Unibraze data are only for the 6-month period subsequent to the acquisition.

Intracompany transfers of flux-coated rod to Unibraze were * * *. Harris' trade and transfer sales are shown in the following tabulation:

Item	1984	Interim period ended Sept. 30, 1985
Trade sales------1,000 dollars--	***	***
Intracompany transfers------do----	***	***
Total net sales------do----	***	***

Processors' financial data.--* * * reported only net sales, ranging between * * * in 1982 and 1984 and * * * in 1983, and * * * and * * * for interim periods 1984 and 1985, respectively. * * * stated that his company does not record its cost and operating income-or-loss data by product line.

* * * provided income-and-loss data as summarized in the following tabulation:

Item	1984	Interim period ended Sept. 30-- 1984	1985
Net sales------1,000 dollars--	***	***	***
Gross profit------do----	***	***	***
Operating income------do----	***	***	***
Ratio to net sales:			
Gross profit------percent--	***	***	***
Operating income------do----	***	***	***

A comparison of the profit or loss margins on flux-coated operations of * * * are presented in the following tabulation:

Item	1982	1983	1984	Interim period ended Sept. 30-- 1984	1985
Gross profit or (loss) margin:					

* * * * * * *

Operating income or (loss) margin:					

* * * * * * *

Capital expenditures.—Three producers provided usable data on capital expenditures for all products of their establishments (table 9). The * * * capital expenditure in 1983 for machinery, equipment, and fixtures for producing both uncoated and flux-coated low-fuming brazing copper wire and rod was reported by * * *.

Table 9.—U.S. producers' capital expenditures and fixed assets employed in their establishments within which low-fuming brazing copper wire and rod are produced, 1982-84, January-September 1984, and January-September 1985

(In thousands of dollars)

Item	1982 1/	1983	1984	January-Sept.— 1984	January-Sept.— 1985
Capital expenditures—					
All products of the establishments:					
Land and land improvements	***	***	***	***	***
Building or leasehold improvements	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	***	***	***	***	***
Brazing wire and rod:					
Land and land improvements	***	***	***	***	***
Building or leasehold improvements	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	***	***	***	***	***
Fixed assets employed in the production of 2/—					
All products of the establishments:					
Original cost	***	***	***	3/ ***	3/ ***
Book value	***	***	***	3/ ***	3/ ***
Brazing wire and rod:					
Original cost	***	***	4/ ***	5/ ***	5/ ***
Book value	***	***	***	5/ ***	5/ ***

1/ Data for * * * are not included.
2/ As of the end of each period shown.
3/ * * * did not provide data.
4/ The * * * increase was an investment by * * * in * * *; this equipment is not used in the production of brazing copper wire and rod.
5/ Data are for * * *.

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

* * * invested * * * in machinery, equipment, and fixtures for producing flux-coated brazing copper rod in 1983, * * *, compared with * * * invested by * * * in 1984, * * *.

Investment in productive facilities.—The three producers supplied usable data concerning their investment in facilities employed in the production of all products of the establishments. * * * reported such data used in the production of low-fuming brazing copper wire and rod. As shown in table 9, their aggregate investment in such facilities, valued at cost, grew from * * * in 1982 to * * * in 1984. Most of the increase is accounted for by * * * investment in 1983. The book value of such facilities increased from * * * in 1982 to * * * in 1983, then declined slightly to * * * in 1984.

Research and development expenses.—* * * was the only company that incurred research and development expenses related to the production of low-fuming brazing copper wire and rod. It reported expenditures of * * * in 1983, * * * in 1984, * * * in interim 1984, and * * * in interim 1985.

Capital and investment.—U.S. producers were asked to describe any actual or potential negative effects of imports of low-fuming brazing copper wire and rod from South Africa on their firm's growth, investment, and ability to raise capital. 1/ Two firms responded; their comments are quoted below:

*   *   *   *   *   *   *

Consideration of the Threat of Material Injury to an Industry in the United States

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of LTFV imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in South Africa to generate exports (including the availability of export markets other than the United States).

Trends in imports and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and LTFV imports. A discussion of the U.S. importer's inventories of low-fuming brazing copper wire and rod and the available data on the capacity of the South African producer to generate such exports follows.

U.S. importer's inventories

Aufhauser was not able to provide separate inventory data on imports of low-fuming brazing copper wire and rod from South Africa. Aufhauser claims that the imported product is not identified by its country of origin once it enters the plant inventory. Therefore, Aufhauser's total inventories of rod and its reported imports from South Africa and other countries were used to

1/ As indicated previously, the Commission made negative injury determinations in its preliminary investigations concerning allegedly subsidized and LTFV imports from France. The Commission recently conducted a final investigation concerning imports from New Zealand, which Commerce found are being sold at LTFV.

estimate the firm's inventories of merchandise from South Africa, as shown in the following tabulation (in thousands of pounds):

	Inventories
As of Dec. 31—	
1982	***
1983	***
1984	***
As of Sept. 30—	
1984	***
1985	***

The South African industry and its capacity to generate exports

McKechnie Bros., South Africa, Ltd., is the sole producer of low-fuming brazing copper rod in South Africa. In addition to low-fuming brazing rod, McKechnie produces various copper and alloy products. 1/ Denver Metal Works (Pty), Ltd., ceased manufacturing and marketing low-fuming brazing rod in January 1982. 2/

Domestic shipments by McKechnie of low-fuming brazing copper wire and rod increased from * * * pounds in 1982 to * * * pounds in 1983 and * * * pounds in 1984. Domestic shipments decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985 (table 10). Total exports increased from * * * pounds in 1982 to * * *

Table 10.—Low-fuming brazing copper wire and rod: South Africa's capacity, capacity utilization, domestic shipments, and exports, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	January-September—	
				1984	1985
Capacity——1,000 pounds	1/	1/	***	***	***
Capacity utilization percent	1/	1/	***	***	***
Domestic shipments 1,000 pounds	***	***	***	***	***
Exports to—					
United States——do	***	***	***	***	***
All other——do	***	***	***	***	***
Total——do	***	***	***	***	***

1/ Not available.

Source: Data provided by counsel for McKechnie Bros. (S.A.), Ltd.

1/ McKechnie is an independent corporation, with McKechnie-U.K. holding an indirect minority interest.

2/ Denver is a sister company of McKechnie Bros. (S.A.), Ltd. (postconference brief of McKechnie Bros., Ltd., preliminary investigations Nos. 701-TA-237 and 238 and 731-TA-245-247).

pounds in 1983 and to * * * pounds in 1984. Total exports decreased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985. Exports to the United States increased from * * * pounds in 1982 to * * * pounds in 1983 before dropping to * * * pounds in 1984. Exports to the United States increased from * * * pounds during January-September 1984 to * * * pounds in the corresponding period of 1985.

Consideration of the Causal Relationship Between LTFV Imports and the Alleged Injury

U.S. imports

As documented during the Commission's recent investigation concerning imports from New Zealand and during the hearing held in conjunction with this investigation, the official published data of the U.S. Department of Commerce on imports of low-fuming brazing copper rod include imports of material that have been misclassified by Customs as to the proper TSUSA number and as to the country of origin. 1/ The data presented in table 11 reflect all corrections and modifications made to the official statistics by the Bureau of the Census that have been brought to the attention of the Commission's staff. As indicated, U.S. imports of low-fuming brazing copper wire and rod from South Africa increased from 526,000 pounds in 1982 to 1.0 million pounds in 1984, representing an increase of nearly 93 percent. 2/ Such imports declined 31 percent during January-September 1985 compared with imports in the corresponding period of 1984.

The value of U.S. imports from South Africa increased from $537,000 in 1982 to $867,000 in 1984, or by 62 percent. The value of the imports from South Africa during January-September 1985 was $548,000, compared with $812,000 in the corresponding period of 1984.

As indicated in table 11, total U.S. imports of low-fuming brazing copper wire and rod increased from 2.6 million pounds in 1982 to 2.9 million pounds in 1984, or by 12 percent. Imports then decreased by 41 percent during January-September 1985 compared with imports in the corresponding period of 1984.

In the Commission's recent investigation on imports of low-fuming brazing copper wire and rod from New Zealand, the import data used in compiling apparent consumption and import penetration ratios were from responses to the Commission's questionnaires. Data gathered in that investigation indicated that even the corrected official Census Bureau data substantially understated imports of low-fuming brazing copper wire and rod from New Zealand. In contrast, at the hearing in this investigation, no parties took exception to

1/ Transcript of the hearing, pp. 91 and 92, petitioners' prehearing brief, pp. 14-17, and transcript of the hearing in investigation No. 731-TA-246 (Final), pp. 12-15.

2/ Questionnaire responses indicate that most of the imported material is in rod form, although some does enter in wire form. Counsel for McKechnie Bros. (S.A.), Ltd., stated in a telephone conversation that low-fuming brazing copper wire and rod from South Africa enters the United States under TSUSA item 612.6205.

Table 11.—Low-fuming brazing copper wire and rod: 1/ U.S. imports for consumption, by principal sources, 1982-84, January-September 1984, and January-September 1985 2/

Source	1982	1983	1984	January-September— 1984	January-September— 1985
	Quantity (1,000 pounds)				
South Africa	526	871	1,013	939	645
New Zealand	790	900	1,201	1,123	901
France	743	618	240	240	0
West Germany	118	0	20	15	0
Spain	0	0	0	0	11
Brazil	0	0	18	8	0
Portugal	200	0	276	276	80
All other	233	271	159	159	0
Total	2,611	2,660	2,927	2,760	1,637
	Value (1,000 dollars)				
South Africa	537	760	867	812	548
New Zealand	747	775	1,023	963	705
France	693	543	207	207	-
West Germany	76	-	21	15	-
Spain	-	-	-	-	10
Brazil	-	-	26	17	-
Portugal	177	-	252	252	63
All other	210	249	158	157	-
Total	2,440	2,327	2,554	2,423	1,326
	Unit value (per pound)				
South Africa	$1.02	$0.87	$0.86	$0.86	$0.85
New Zealand	.95	.86	.85	.86	.78
France	.93	.88	.86	.86	-
West Germany	.64	-	1.05	1.00	-
Spain	-	-	-	-	.91
Brazil	-	-	1.44	2.13	-
Portugal	.89	-	.91	.91	.79
All other	.90	.92	.99	.99	-
Average	.93	.87	.87	.88	.81

1/ The data reported in this table are for TSUSA item 612.6205 only.
2/ Petitioners in their prehearing brief discuss and document the fact that imports during the period of the investigation have been misclassified by TSUSA number and by country of origin. The import statistics presented in the table reflect all of the Census Bureau's corrections to date.

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

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

the accuracy of the corrected official Census Bureau statistics on imports from South Africa. Accordingly, data on imports from South Africa shown elsewhere in this report are compiled from revised Census statistics, whereas, data on imports from New Zealand and other countries were compiled from responses to the Commission's questionnaires.

According to data submitted in response to Commission questionnaires mailed to all known importers of low-fuming brazing copper wire and rod and as shown in table 12, South Africa and New Zealand were the principal sources of imports during the period of the investigation. Other sources of imports were * * *. South Africa accounted for * * * percent of the quantity and * * * percent of the value of U.S. imports of low-fuming brazing copper wire and rod during January-September 1985.

Table 12.—Low-fuming brazing copper wire and rod: 1/ U.S. imports for consumption, by sources, 1982-84, January-September 1984, and January-September 1985

Source	1982	1983	1984	January-September— 1984	January-September— 1985
	Quantity (1,000 pounds)				
South Africa	526	871	1,013	939	645
New Zealand	***	***	***	***	***
All other	***	***	***	***	***
Total	***	***	***	***	***
	Value (1,000 dollars)				
South Africa	537	760	867	812	548
New Zealand	2/ ***	2/ ***	2/ ***	2/ ***	2/ ***
All other	2/ ***	2/ ***	2/ ***	2/ ***	2/ ***
Total	***	***	***	***	***
	Unit value (per pound)				
South Africa	$1.02	$0.87	$0.86	$0.86	$0.85
New Zealand	***	***	***	***	***
All other	***	***	***	***	***
Average	***	***	***	***	***

1/ Includes imports by 2 U.S. producers.
2/ Data submitted on a landed, duty-paid basis.

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

Two U.S. producers, * * * and * * *, reported imports of low-fuming brazing copper rod during 1982-84. * * * imports were from * * *, and * * * imports were from * * *. U.S. producers' imports of the subject merchandise represented * * * percent of the total quantity of imports in 1982, * * * percent in 1983, and * * * percent in 1984. They reported no imports of the product during January-September 1985. Their imports of low-fuming brazing copper rod represented * * * percent of the quantity of U.S. producers' domestic shipments in 1982, * * * percent in 1983, and * * * percent in 1984.

U.S. market penetration

The market share held by U.S. imports of low-fuming brazing copper wire and rod from South Africa increased from * * * percent in 1982 to * * * percent in 1984 (table 13). The market share held by imports from South Africa decreased from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985. The market share held by combined imports from South Africa and New Zealand increased from * * * percent in 1982 to * * * percent in 1984. Their market share decreased from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985. Market penetration by imports of brazing wire and rod from all other countries decreased to * * * percent in 1984, well below the 1982 level of * * * percent and the 1983 level of * * * percent. The trend of declining market penetration changed during January-September 1985, increasing to * * * percent from * * * percent in the corresponding period of 1984. The U.S. producers' share of the market increased from * * * percent in 1982 to * * * percent in 1984. This trend continued, increasing from * * * percent during January-September 1984 to * * * percent in the corresponding period of 1985.

Table 13.--Low-fuming brazing copper wire and rod: Ratios of imports and U.S. producers' domestic shipments to consumption, 1982-84, January-September 1984, and January-September 1985

(In percent)

Item	1982	1983	1984	January-September--	
				1984	1985
Imports from--					
South Africa	***	***	***	***	***
New Zealand	***	***	***	***	***
All other imports	***	***	***	***	***
Total	***	***	***	***	***
U.S. producers' domestic shipments	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

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

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

Prices and margins of underselling or overselling

Producers and processors of low-fuming brazing copper wire and rod quote prices on a per pound basis. Quantity discounts are generally available. Prices are quoted on a delivered basis, assuming that a certain minimum shipment value is obtained. Purchasers of low-fuming brazing copper rod, whether master distributors, retailers, or end users, often combine low-fuming brazing copper rod with other brazing and welding alloys (silver, silicon, or aluminum) in order to meet the prepaid freight purchase level.

Seven product specifications of CDA 681 low-fuming brazing copper wire and rod were selected for price comparisons. The selection was intended to include the largest volume items, while maintaining some variety in the types of products. All seven items are of CDA 681 alloy rather than CDA 680 alloy, since all imports are believed to be of this material. Four of the seven items are uncoated since imports are only brought into the country in this form. 1/ The following products were selected:

(1) Uncoated 36-inch rod, 1/8-inch in diameter;
(2) Flux-coated 36-inch rod, 1/8-inch in diameter;
(3) Uncoated 36-inch rod, 3/32-inch in diameter;
(4) Flux-coated 36-inch rod, 3/32-inch in diameter;
(5) Uncoated 18-inch rod, 1/8-inch in diameter;
(6) Flux-coated 18-inch rod, 1/8-inch in diameter; and
(7) Uncoated coiled wire, 1/16-inch in diameter.

The Commission requested U.S. producers and importers to provide quarterly price data from January 1983 through September 1985 for sales to their largest customers. Prices were requested at different levels of distribution: master distributors, processors, retailers, and end users.

Information submitted in response to the Commission questionnaires indicates that the 36-inch length rod (both 1/8-inch and 3/32-inch diameters) accounts for most sales of low-fuming brazing copper rod in the United States. In fact, the 1/8-inch diameter, 36-inch length, uncoated rod is considered to be the benchmark product for price comparisons within the industry. 2/

Three of the four domestic producers responded to the questionnaire. 3/

1/ As noted previously, the petitioners requested that the product scope of the investigation include flux-coated as well as bare brazing wire and rod in order to avoid circumvention of any order that might result from this investigation. Thus we include in this section prices of an imported product that has been flux-coated in the United States.

2/ Transcript of the public hearing in investigation No. 731-TA-246 (Final), p. 82.

3/ One of the petitioners, * * * and did not return a questionnaire in the final investigation. Its response to the questionnaire in the preliminary investigation provided no information on the sales of the products selected for price analysis. The response of another petitioner, * * *, indicated only two quarterly sales of the selected products during the period under investigation.

Of these, * * *, provided usable information. 1/ * * * showed sales of products 1 through 4 (36-inch rod) to master distributors, retailers, and end users. * * * showed sales of the same products only to master distributors. These two producers accounted for * * * percent of total domestic low-fuming brazing copper rod production in 1984.

The only significant importer of low-fuming brazing copper rod from South Africa is Aufhauser Bros. Corp. Aufhauser reported delivered prices on its sales to its largest customer, * * *, from April-June 1984 to July-September 1985. * * * reported its purchase price from Aufhauser during the entire period requested. Where data from both sources were available, reported prices were nearly identical. Therefore, prices provided by * * * were used to complete the importer price information.

Aufhauser's five largest customers, including * * *, are master distributors. Aufhauser also reported prices on its sales to a retailer. However, this customer made very few purchases of any one product from Aufhauser during the period. Similarly, data from purchasers' questionnaires showed very few purchases by retailers from Aufhauser. Therefore, price comparisons are only presented for sales to master distributors.

Finally, although virtually all imports of low-fuming brazing copper rod from South Africa are entered by Aufhauser, the firm does not import exclusively from South Africa. Mr. Keith Aufhauser reported that he charges the same price for the product regardless of its country of origin, but does not keep records of his sales of products from different import sources. This is born out by purchasers that were unable to identify the country of origin or even if the products they purchased were from U.S. or foreign sources. Thus, the prices quoted for Aufhauser in this report apply to sales of products that are not necessarily from South Africa. However, imports from South Africa accounted for * * * percent and * * * percent of Aufhauser's total purchases of low-fuming brazing copper rod in 1984 and during January-September 1985, respectively.

Comparison of producers' and importer's selling prices.—Tables 14 and 15 show two U.S. producers' and the importer's selling prices to master distributors for the two sizes of 36-inch copper rod, uncoated and flux-coated. 2/ There was a downward trend in U.S. prices during the period covered, with the most discernible decline occurring in 1983. The average U.S. price for 1/8-inch diameter, 36-inch uncoated rod sold to master

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1/ * * * was exclusively an importer in 1982; it imported a small quantity of low-fuming brazing copper rod from * * * during January-March 1984 and none thereafter. However, for the purpose of this analysis, it is considered a domestic producer. Also, another importer, * * *.

2/ Note that the flux-coated rod is an imported product that has had value added in the United States. Assuming that the chemicals used in flux-coating are produced domestically, the total value added in the United States is from 10 to 20 percent. The value added by the flux-coating process is 8 to 15 percent. These estimates were calculated from information provided in enclosure 2 of the petitioners' posthearing brief on low-fuming brazing copper wire and rod from New Zealand (investigation No. 731-TA-246 (Final)), and enclosure in respondent's posthearing brief in this investigation.

Table 14.—U.S. producers' and importer's delivered prices of CDA 681 low-fuming brazing copper rod (1/8-inch diameter, 36-inch length) to master distributors and margins of underselling or (overselling), by quarters, January 1983–September 1985

*   *   *   *   *   *   *

Table 15.—U.S. producers' and importer's delivered prices of CDA 681 low-fuming brazing copper rod (3/32-inch diameter, 36-inch length) to master distributors and margins of underselling or (overselling), by quarters, January 1983–September 1985

*   *   *   *   *   *   *

distributors declined by * * * percent from January–March 1983 to July–September 1985, from * * * per pound to * * * per pound. The price for the comparable size flux-coated rod sold to master distributors fell by * * * percent during the same period. The prices for 3/32-inch diameter, 36-inch rod declined by * * * percent and * * * percent for uncoated and flux-coated rod, respectively, over the period. Prices for rod imported from South Africa did not change appreciably from January–March 1983 to July–September 1985.

From July–December 1983 through July–September 1985, Aufhauser's selling price to its largest customer was usually within * * * per pound of * * * selling price. * * * prices tended to be slightly higher than * * * prices. Therefore, the U.S. average sales prices tend to be slightly higher than Aufhauser's prices. Large margins of underselling by Aufhauser were evident during January–June 1983, but showed a decline during the rest of the year. Margins of underselling fluctuated during 1984 with no discernable trend. Finally, in 1985, the data show a slight margin of overselling.

For 1/8-inch diameter, 36-inch bare rod, the margin of underselling dropped from * * * percent in January–March 1983 to less than * * * percent during April–June 1984. Overselling occurred during all but one quarter of the remainder of the period, ranging from * * * percent to * * * percent. For the comparable flux-coated product, the margin of underselling dropped from * * * percent during April–June 1983 to * * * percent during July–September 1984. During 1985, overselling occurred, ranging from * * * percent to * * * percent.

For 3/32-inch diameter, 36-inch bare rod, the margin of underselling again dropped from * * * percent during January–March 1983 to * * * percent during July–September 1984. Margins of underselling of * * * percent and * * * percent occurred for the next two periods, respectively. Finally, overselling of * * * percent to * * * percent occurred during April–September 1985. For the comparable flux-coated rod, the margin of underselling was * * * percent during April–June 1983 and fairly small during the remainder of 1983 and 1984. In 1985, overselling again occurred with margins ranging from * * * percent to * * * percent.

Comparison of purchasers' delivered prices.—In the preliminary investigation, producers and importers were asked to identify their five largest customers for low-fuming brazing rod during 1984. In the investigation on the product from New Zealand, purchasers' questionnaires were sent out to those customers. Using information submitted during those investigations, questionnaires were sent out to 18 purchasers of low-fuming brazing copper rod, 1/ 7 of which provided useful price data. 2/ Each firm was requested to submit information regarding their largest quarterly purchase of seven specific low-fuming brazing copper wire and rod products, as well as the name of the vendor. Prices were reported on a per pound, delivered basis.

It was found that most purchasers cannot distinguish the imported product from the U.S. product. There are no country of origin markings, and if the original product, bare rod, has been flux-coated, only its cut end is visable to a purchaser. That the U.S. and imported products are indistinguishable was supported by purchasers' statements that they were not aware of the country of origin of the products. To distinguish between purchase prices of U.S.-produced and imported low-fuming brazing copper rod, staff separated data by vendors, as identified by the purchasers. 3/

An average transaction price for each vendor for each product was calculated. Vendor averages were combined into weighted averages for the U.S. products. Price data for the products from South Africa differed considerably among customers. These variations were greater than the variations between the average price of the South African products and the U.S. products. Therefore, the range of prices is shown from which the average transaction price was calculated for South Africa.

These data, shown in tables 16 and 17, do not show any consistent margin of underselling or overselling. Flux-coated, 1/8-inch diameter, 36-inch rod from South Africa was generally higher priced than the U.S. product. Flux-coated, 3/32-inch diameter, 36-inch rod from South Africa was priced within * * * above or below the price of the domestic product, with the exception of prices in April-June 1983, in which a large margin of underselling occurred. Similarly, there was no consistent underselling or overselling for the uncoated products.

1/ Eight of the 26 customers responding to the New Zealand questionnaire in investigation No. 731-TA-246 (Final) reported largest purchases for New Zealand imports only.

2/ Two of the questionnaires were from retailers. However, they made so few purchases, that price comparisons for retailers were not possible.

3/ Again, note that although Aufhauser Bros. Corp. is the predominant importer of the products from South Africa, it also purchases low-fuming brazing rod from other sources. Therefore, purchases from Aufhauser may not necessarily be of South African origin. However, since the price of the product is the same, regardless of the source, Aufhausers' prices are reported as being prices of South African products in this report.

Table 16.—Master distributors' delivered prices of CDA 681 low-fuming brazing copper rod (1/8-inch diameter, 36-inch length), by vendors and by quarters, January 1983-September 1985

* * * * * * *

Table 17.—Master distributors' delivered prices of CDA 681 low-fuming brazing copper rod (3/32-inch diameter, 36-inch length), by vendors and by quarters, January 1983-September 1985

* * * * * * *

Importer's purchase prices.—Aufhauser purchases bare rod * * * from * * *. Although it has requested price quotes from * * *, it has not made any purchases from * * * U.S. sources in recent years.

Aufhauser provided import prices for the South African product for each quarter of January 1983-September 1985. Prices were provided from invoices and were quoted in either U.S. dollars or South African rands. Table 18 presents the c.i.f. import prices, as provided by Aufhauser for 1/8-inch and 3/32-inch diameter, 36-inch length bare rod. When prices were quoted in rands, the staff estimated the price in dollars. 1/ The f.o.b. prices were estimated by adding a * * * percent duty and a delivery and brokerage fee of * * *. 2/

Table 18.—Importer's purchase prices of CDA 681 bare low-fuming brazing copper rod from South Africa, January 1983-September 1985

* * * * * * *

Transportation costs

U.S. producers and importers were requested to provide data on the transportation costs paid by themselves and their customers. In virtually all instances, questionnaire responses showed f.o.b. and delivered prices as the same. Low-fuming brazing copper wire and rod is traditionally sold on a prepaid freight basis when orders are above a certain dollar amount. Purchasers consistently reported that orders are generally prepaid, with shipping charges being absorbed by the vendor. Standard practice for most

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1/ Delivery lags range from 60 to 90 days. Aufhauser did not indicate the precise date that payment on an order was made or the appropriate exchange rate to use to convert prices quoted in rands to prices in dollars.

2/ These fees were provided by Aufhauser.

distributors of welding supplies is to order a number of items together in a shipment. Quantity discounts apply to the value of the total shipment (generally a minimum of $1,000), not just to the low-fuming brazing copper rod portion. Freight costs were almost always reported to have been paid by the seller. When the purchaser assumed the cost of freight, it was reported to range from 3 to 5 percent of the purchase price.

Exchange rates

The South African rand depreciated by over 50 percent, in nominal terms, against the U.S. dollar over the last 3 years . The value of the rand fell irregularly from January 1982 through September 1985 against the U.S. dollar, with the sharpest declines occurring from the middle of 1984 through March 1985 (table 19).

Much of the depreciation in the nominal exchange rate can be attributed to the inflation rate in South Africa relative to that of the United States. When allowance is made for relative inflation rates, the value of the rand did not begin to decline appreciably until January-March 1984. The depreciation of the rand was significant during July-December 1984 and January-March 1985. Over the entire period, the value of the rand declined by over 35 percent in real terms.

Lost sales and lost revenue

Three U.S. producers made allegations of lost sales and lost revenue because of price suppression or depression. * * * cited only the customers, * * *, but made several specific allegations. These were all attributed to South Africa. Almost * * * pounds in sales were reported to have been lost, valued at roughly * * *. Alleged price reductions ranged from * * * to * * * per pound. * * * cited 24 cases of lost sales and 12 instances of lost revenue. All lost sales reported by * * * were in the range of 500 to 5,000 pounds. * * * was rarely specific about the country of origin and in most instances did not mention the amount of price reduction or the quantity involved. 1/ In the preliminary investigation, * * * cited eight cases 2/ of sales lost to imports during 1982-84, but was not specific as to the amounts involved or the country of origin. * * * allegations of lost sales from the preliminary investigation are included here.

Each instance of a sale allegedly lost to imports from South Africa was investigated by the Commission staff. Although imports from New Zealand are not the subject of the present investigation, some of the information in this section pertains to the New Zealand product imported by * * * and is presented in order to provide a more complete understanding of the U.S. market for low-fuming brazing copper wire and rod. Most of the firms that were contacted stated that they did not know if the low-fuming brazing material they purchased had been imported.

1/ In those instances where * * * did mention price reductions, they ranged from * * * per pound to * * * per pound.

2/ Of the eight cases cited by * * *, two involved * * *.

Table 19.—Exchange rates: 1/ Indexes of producer prices in the United States and South Africa, 2/ and of the nominal and real exchange rates between the U.S. dollar and the South African rand, by quarters, January 1982–September 1985

Period	U.S. producer price index	S. African producer price index	Nominal-exchange-rate index	Real-exchange-rate index 3/
			Dollars per rand	
1982:				
January-March	100.0	100.0	100.0	100.0
April-June	100.1	103.7	91.8	95.1
July-September	100.5	107.1	85.9	91.5
October-December	100.6	111.0	87.6	96.7
1983:				
January-March	100.7	113.3	91.2	102.6
April-June	101.0	115.7	90.8	104.0
July-September	102.0	117.6	89.2	102.9
October-December	102.5	119.7	84.2	98.2
1984:				
January-March	103.6	121.3	80.1	93.8
April-June	104.3	124.1	77.5	92.2
July-September	104.1	124.4	62.9	75.2
October-December	103.8	132.5	54.4	69.4
1985:				
January-March	103.6	138.8	48.6	65.1
April-June	103.7	144.3	50.3	70.0
July-September 4/	103.0	147.3	44.1	63.1

1/ Exchange rates expressed in U.S. dollars per South African rand.

2/ Producer price indicators—intended to measure final producer prices—are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

3/ The real value of a currency is the nominal value adjusted for the relative rate of inflation, here measured by the producer price indexes in the United States and South Africa. Producer prices in the United States increased by 3.7 percent during January 1982–June 1985 compared with a 44.3-percent increase in South Africa during the same period.

4/ The South African producer price index is reported for July only; the real exchange rate is based on data for July only.

Source: International Monetary Fund, International Financial Statistics, November 1985.

Note—January-March 1982=100.

<u>Lost sales allegations by * * *</u>.—In its questionnaire response * * *, * * * maintained that it lost sales to * * *, a master distributor, as a result of imports of low-fuming brazing copper wire and rod from South Africa and New Zealand. * * *. * * * explained that * * *. The low-fuming brazing rod line was dropped as it was not profitable. He said that the distributors formerly supplied by * * * went to * * * for their low-fuming brazing rod needs, but he could not confirm that the former business was captured by imports.

* * * is a master distributor of low-fuming brazing copper materials, * * *. In early 1985, it accounted for * * * percent of * * * sales and at least * * * percent of * * *, according to industry estimates. * * *. * * *, like * * *, prefers longstanding business associations with its suppliers. It does not actively seek lower bids from competitors and is reluctant to switch suppliers when one is offered. * * * was * * *'s exclusive supplier for many years. However, * * *, stated that a few years back, * * *'s prices were not low enough to enable * * * to compete in the market. To remain competitive, * * * began placing orders with * * *. Consequently, * * * was forced to lower its prices. According to the spokesman, * * * continues to meet * * * prices and * * * presently divides its purchases about evenly between the two suppliers.

<u>Lost sales allegations by * * *</u>.—The staff contacted all firms cited as lost sales by * * *. The responses of these purchasers are summarized below.

* * * said that his firm is a welding supply distributor carrying a full mix of products with low-fuming brazing rod accounting for * * * percent of his business. His firm purchases the majority of its low-fuming brazing rod from * * *, usually in 5,000 to 10,000 pound lots. He purchases small amounts of the product from * * * because they sell the product with different chemistries. The price he pays for 3/32-inch, 36-inch length rod has declined from * * * per pound in 1982 to * * * per pound in 1985. He attributes the decline in prices to imports from South Africa and New Zealand. He also stated that he would purchase low-fuming brazing rod from * * * regardless of the price because of their reliability, advertising, and quick response to orders. He said that, when requested, * * * has reduced its prices in order for him to maintain a profit margin on his sales.

* * *, general manager of * * *, stated that his firm is a welding supplyhouse and purchases are made from many sources, among them * * *. He stated that he had no way of knowing whether the low-fuming brazing material he purchased was imported, but he suspects that some, if not all, of what they are currently purchasing is imported due to the change in prices. He could not elaborate on the change in prices. Although he purchased small quantities from * * * in the past, he is currently not buying * * * product because their prices are not competitive.

* * * in the purchasing department of * * *, stated that his firm is a retailer and purchases only prepackaged low-fuming brazing rod. He has purchased low-fuming brazing rod from * * * but he has no idea if any of the product is imported. He stated that some companies will not purchase from U.S. producers because they lock their buyers into purchasing exclusively from them. According to * * *, "In this business, greed is king."

* * * in the purchasing department of * * *, stated that his firm is a wholesale welding supplyhouse; he purchases exclusively from * * *. His company has cut back the amount of low-fuming brazing rod they purchase because * * * prices are higher than the prices of companies selling imported low-fuming brazing material and because the demand for the product has slumped. He stated that he cannot compete with the prices offered by companies that sell imported low-fuming brazing rod, and that prices, not quality, determine sales. His company's sales of low-fuming brazing rod are down because bronze welding products are not as popular as they used to be, as firms are switching to other welding alloys.

* * *, purchasing agent for * * *, stated that his company purchases almost exclusively from * * *. He has been purchasing from * * * for the last 25 years. He considers * * * low-fuming brazing rod to be the best in the market. He has purchased small amounts of low-fuming brazing rod from * * * over the last 3 years but their flux-coating is inferior to * * *. He said that * * * offers competitively low prices but he cannot afford to stock * * * product because the flux falls off. He thinks * * * buys the bare rod from * * *. He believes in buying American products and would like to buy from * * * because of their location.

* * * of * * *, stated that his firm has purchased all of its low-fuming brazing rod from * * * for the last 4 to 5 years. He stated that he had received offers from * * * that were competitively priced 1-month specials, but he preferred to stay with a known source. He places all his orders with * * * and does not shop the market.

A spokesman for * * *, stated that his company has not bought or sold any low-fuming brazing material.

* * *, president of * * *, stated that his firm buys from * * *, with * * * being their main supplier of low-fuming brazing rod. The firm sometimes purchases from * * * when they offer a special, but has not done so in the last 8 to 10 months.

* * *, marketing manager for * * *, stated that his firm is a * * * distributor and has been for 28 years. As a result of that relationship, he traditionally purchases from * * *. He has purchased other alloys (* * *) from * * *, and began buying significant quantities of low-fuming brazing rod from * * * in late 1984 and early 1985 * * *, because the * * * product was significantly lower in price. Late in the first quarter of 1985, * * * was able to provide some price relief, and * * * again purchased low-fuming brazing rod from * * *. At present, there is a conscious effort to divide purchases of low-fuming brazing rod between * * *. * * * said that the industry is generally very price conscious and therefore competitive. He does not buy from * * *, and does not buy any low-fuming brazing rod from * * *. As a * * * distributor, he cited problems with the previous * * * operation (e.g., delays in delivery and large quantity purchase requirements) that, along with prices, made other vendors more attractive. He noted that there have been no significant changes in the master distributor/retailer relationship since the * * *. He continues to buy from * * * and is hoping that some of the earlier problems will be corrected by the new management.

* * *, purchasing agent for * * *, said that his company shops the market and looks for the lowest quote. His firm's primary sources of low-fuming brazing rod are * * *. His purchases of the product average 300 pounds a month. His last two purchases of low-fuming brazing rod were placed with * * *.

* * *, purchasing agent for * * *, said that his company has bought all of its copper brazing rod from * * * for over a year. * * * stated that he had made occasional purchases of low-fuming brazing rod from * * * but currently only buys from * * *. However, he said that the price of this rod has declined in the past year, and the quantities purchased by * * * have decreased because of a reduction in demand.

* * * of * * *, says that his company buys from * * *, and has made no change in the mix of orders between the two suppliers recently.

* * * of * * *, said that his company has been buying from * * * for a long time because of its good quality and low price. He stated that he has never purchased low-fuming brazing rod from * * *, although he has reviewed * * * product and bid price.

* * *, owner of * * *, stated that his company is a distributor of welding supplies and has been purchasing low-fuming brazing rod for at least 15 years. He purchases 1,000 pounds a month from * * *. He purchases more frequently from * * * because its prices are usually lower, although he thinks the product sold by * * * is of superior quality. Price is the most important factor in determining his purchases. A recent quote on 1/8-inch low-fuming brazing rod had * * * at * * * per pound and * * * at * * * per pound. Both firms have lowered their prices to get a sale. He recently received an offer from * * * with very good prices but he was not familiar with the quality of their product so did not make a purchase.

* * * in the purchasing department of * * *, stated that his firm is a welding supply distributor that purchases low-fuming brazing rod from * * *. His firm's purchasing decisions are based on its customers preferences as to quality, price, and brand name. He uses price lists issued by the producers and his customers preferences to determine from whom to purchase the product. * * * prices are traditionally higher than the other producers prices. He said that he has seen a drop in demand for low-fuming brazing rod in the past year but could not elaborate.

* * * of * * *, said that his firm is a * * * distributor and buys almost all of its low-fuming brazing rod from them. He has occasionally purchased the product from * * * when he needs other welding supplies and can qualify for a discount. He has not purchased low-fuming brazing rod from * * * in the last 6 months. His firm makes its purchases of the product on the basis of delivery, reliability, price, and quality. He said that, on occasion, * * * has lowered its price to meet the competition but that his firm does not buy on the basis of price.

* * *, stated that his firm is a welding supply distributor that purchases almost all of its low-fuming brazing rod from * * *. He said that he purchases the product from * * * because of its quality and availability.

He purchases approximately 100 pounds a month and could not recall an instance of * * * lowering its price to get the business although they do "meet the price." Although he has received attractive offers from other suppliers, he has purchased low-fuming brazing rod almost exclusively from * * * for the last year.

* * * of * * *, said that his firm has purchased low-fuming brazing rod from many sources for the past 30 years. One of his major suppliers is * * *. He purchases about 200 pounds a month and looks for good quality and price. He could not recall an instance of * * * lowering its price to meet the competition or of his firm switching from * * * to another supplier because of a lower price.

Lost sales allegations by * * *.—* * *, president of * * *, said that he purchased a large quantity of low-fuming brazing rod * * * from * * * during 1981 and 1982. Since then, * * * has bought several products from * * * in small quantities. * * * explained that the large purchase was only because of a temporary low-price offer; he switched to other sources when the prices were raised.

* * * of * * *, said that his company does not now, nor has it in the recent past, bought or sold low-fuming brazing material.

* * * in the purchasing department of * * *, stated that * * * they purchased most of their U.S.-produced low-fuming brazing rod from * * *. They also had a few purchases of low-fuming brazing rod from * * * prior to 1984. All of their product is now purchased from * * *.

* * *, a purchasing agent for * * *, stated that his firm purchases very small quantities of low-fuming brazing rod. They purchase most of their low-fuming brazing rod from * * * because the product is available immediately, whereas, orders placed with * * * take 6 to 8 weeks. Price is also a factor, and he shops the market.

* * *, general manager of * * *, stated that his firm purchases low-fuming brazing rod from * * *. He has been in this business for * * * and his first order for * * * pounds of low-fuming brazing rod from * * * was placed in * * *. He said his firm is a processor and a welding supplyhouse. Although they have the capability to flux-coat the bare rod, they have not produced any to date. His firm also buys small quantities of the bare rod from * * *. He has received some quotes from * * * but they purchase the imported product because of price and availability. He stated that the low-fuming brazing rod market is very competitive, and to stay in business, he has to buy the lower priced imported product.

Lost sales and lost revenue allegation by * * *.—* * *, materials manager of * * *, stated that in his 5 years with the firm, no purchases had ever been made from any of the petitioners. He was not even aware that * * * manufactured low-fuming brazing rod. At one time, when * * * was considering expanding into the auto market, it considered purchasing silicon bronze, an alloy other than the one under investigation, from * * *, but this expansion did not take place. * * * tried to sell low-fuming brazing copper wire and rod to the firm in 1983-84, but "was not competitive at all." * * * stated that * * * is always a strong competitor and was his firm's biggest supplier in 1984 and through January-June 1985. He could not confirm whether * * * had lowered its prices in response to competition from imports, but did cite * * *. He stated that * * * seemed to be able to meet * * * lower prices, * * *.

Lost revenue allegations by * * *.—* * *, product manager of * * *, stated that * * * percent of his business is with * * *. He said this percentage has not changed in the last year. He indicated that in dealing with his firm, * * * may have been forced to lower its prices in order to meet competition from * * *. He was unable to identify any imported product that * * * purchased. He did state that since mid-1985, the firm, for the first time, began purchasing from * * *, a processor they had not dealt with previously. Purchases from * * * are the result of customers specifically requesting the firm as a supplier. Such purchases have displaced purchases from * * *, but they have not been significant.

* * *, purchasing agent for * * *, stated that his firm is a wholesaler (distributor) and receives quotes from * * *. The firm normally orders 200 to 300 pounds of low-fuming brazing rod at a time. His experience indicates that * * * can meet any price quoted. Although the firm does not deal with * * *, it would "if the situation warranted." * * * is the firm's sole supplier of silver solder. * * * stated that the decision on where to purchase low-fuming brazing rod is determined by what other orders are being made at a particular time. That is, bronze purchases are used to round or fill out an order from a producer or processor so that they can meet the minimum requirements for a prepaid shipment.

* * *, regional purchasing manager for * * *, said that his firm traditionally shops around for the best price available on low-fuming brazing rod. As a result, he rarely pays the prices quoted in a published pricelist. He purchases from * * *, as well as from * * *. He makes spot purchases from * * * (irregular purchases of about * * * pounds), and has not purchased from * * * in 4 years. He always negotiates prices and could not verify whether, or for what reason, a particular vendor might have offered him a better price.

APPENDIX A

COMMERCE'S FEDERAL REGISTER NOTICES

Notices

Federal Register
Vol. 50, No. 136
Tuesday, July 16, 1985

DEPARTMENT OF COMMERCE

International Trade Administration

[A-791-502]

Low-Fuming Brazing Copper Rod and Wire From South Africa; Postponement of Preliminary Antidumping Determination

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: The preliminary antidumping determination involving low-fuming brazing copper rod and wire from South Africa is being postponed until not later than September 17, 1985..

EFFECTIVE DATE: July 16, 1985.

FOR FURTHER INFORMATION CONTACT: Michael Ready, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-2813.

SUPPLEMENTARY INFORMATION: On March 11, 1985, we announced the initiation of an antidumping investigation to determine whether low-fuming brazing copper rod and wire from South Africa is being, or is likely to be, sold in the United States at less than fair value (50 FR 10524). The notice stated that we would issue preliminary determination by July 29, 1985.

As detailed in that notice, the petition alleged that imports from South Africa of low-fuming brazing copper rod and wire are being, or are likely to be, sold in the United States at less than fair value.

On July 3, 1985, counsel for petitioners, American Brass, Century Brass, and Cerro Metal Products, requested that the Department extend the period for the preliminary determination until 210 days after the date of receipt of the petition in accordance with section 733(c)(1(A) of the Tariff Act of 1930, as amended (the Act). Accordingly, the period for determination in the case is hereby extended. We intend to issue a preliminary determination not later than September 17, 1985.

This notice is published pursuant to section 733(c)(2) of the Act.

Gilbert B Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

July 9, 1985.

[FR Doc. 85-16878 Filed 7-15-85; 8:45 am]

BILLING CODE 3510-DS-M

Notices

Federal Register
Vol. 50, No. 235
Friday, December 6, 1985

DEPARTMENT OF COMMERCE

International Trade Administration

[A-791-502]

Low-Fuming Brazing Copper Rod and Wire From South Africa; Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that low-fuming brazing copper rod and wire from South Africa is being sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: December 6, 1985.

FOR FURTHER INFORMATION CONTACT: Michael Ready or Raymond G. Busen, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230, telephone: (202) 377-2813 or (202) 377-3464.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that low-fuming brazing copper rod and wire from South Africa is being sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (19 U.S.C. 1673d) (the Act). For low-fuming brazing copper rod and wire sold by McKechnie Brothers S.A. (Pty.) Limited, the only known exporter of the subject merchandise, we have found that the foreign market value exceeded the United States price on 26 percent of the sales compared. The margin of dumping ranged from 8 percent to 27 percent. The weighted-average was 3.30 percent.

Case History

On February 19, 1985, we received a petition in proper form from American Brass, Century Brass, and Cerro Metal Products of Meadows, IL, Waterbury, CT, and Bellefonte, PA, respectively, filed on behalf of the U.S. low-fuming brazing copper rod and wire industry. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from South Afirca 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), and that these imports are materially injuring, or threatening material injury to, a U.S. industry. On May 10, 1985, a letter supporting the petition was filed by J.W. Harris Company of Cincinnati, OH, another producer of low-fuming brazing rod and wire.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping investigation. We initiated the investigation on March 11, 1985 (50 FR 10524), and notified the ITC of our action.

On April 5, 1985, the ITC found that there is a reasonable indication that imports of low-fuming brazing copper rod and wire from South Africa are materially injuring, or threatening material injury to, a U.S. industry (USITC Pub. No. 1673, April 1985).

On March 22, 1985, we presented a questionnaire to counsel for the manufacturer McKechnie Brothers S.A. (Pty.) Limited (McKechnie), who accounts for all South African exports of the subject merchandise to the United States. On May 28, 1985, we received a reply to the questionnaire.

Pursuant to a request made by the petitioners, on July 9, 1985, we extended the period for making the preliminary determination until September 17, 1985 (50 FR 28828).

Also on July 9, 1985, the petitioners alleged that the respondent's home market sales were at prices below the cost of production and requested that the Department conduct a cost investigation. We therefore requested that McKechnie respond to a cost questionnaire. We received a reply to the cost questionnaire on August 21, 1985.

On October 3, 1985, McKechnie submitted an amended reply to the cost questionnaire

We published a preliminary determination of sales at less than fair value on September 23, 1985 (50 FR 38567). Our notice of the preliminary determination provided interested parties with an opportunity to submit views orally or in writing.

We made fair value comparisons between sales of such or similar merchandise which was sold by McKechnie in both the United States and South African markets. Such merchandise comprised 88 percent of McKechnie's sales to the United States.

Standing

On March 20, 1985, Aufhauser Brothers Corporation ("Aufhauser") requested that we rescind our initiation of this investigation, alleging that the petitioners had not filed "on behalf of" the domestic industry, as required by section 732 of the Act. This allegation was also raised in the context of our countervailing duty investigation of low-fuming brazing copper rod and wire from South Africa. We investigated and found in the preliminary countervailing duty determination that there is no reason to conclude that petitioners do not have standing (50 FR 21328). We have received no further evidence to change that determination, as stated in our final countervailing duty determination (50 FR 31842).

Scope of Investigation

The products covered by this investigation are low-fuming brazing copper rod and wire, principally of copper and zinc alloy ("brass"), of varied dimension in terms of diameter, whether cut-to-length or coiled, whether bare or flux-coated, currently classified in the *Tariff Schedules of the United States Annotated* (TSUSA) under items 612.6205, 612.7220 and 653.1500. The chemical composition of the products under investigation is defined by Copper Development Association (CDA) standards 680 and 681.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to unrelated purchasers prior to its importation into the United States. We calculated the purchase price based on the CIF packed price to unrelated customers in the United States. We made deductions, where appropriate, for brokerage, handling, inland freight and inland insurance charges in South Africa, ocean freight, marine insurance, and rebates.

Foreign Market Value

We compared the cost of production provided by McKechnie with their home market selling prices and found that no sales were made at less than cost over an extended period of time, in substantial quantities, and at prices not permitting recovery of all costs within a reasonable period of time. We therefore used home market sales prices to determine foreign market value.

We calculated foreign market value based on home market prices on the basis of delivered prices to unrelated purchasers. From these prices we deducted, where appropriate, inland freight, rebates, and cash settlement discounts. We made adjustments, where appropriate, for differences in credit expenses in accordance with § 353.15 of our regulations (19 CFR 353.15), and differences in physical characteristics in accordance with § 353.16 of our regulations (19 CFR 353.16). We deducted home market packing costs and added U.S. packing.

We disallowed claimed adjustments for warehouse labor and inventory financing costs because these costs did not bear a direct relationship to the sales which are under consideration as required by § 353.15.

Verification

As provided in section 776(a) of the Act, we verified data used in making this determination by using verification procedures which included examination of company records and selected original source documentation containing relevant information.

Petitioners' Comments

Comment 1. Notwithstanding the verification of McKechnie's reported cost data, the petitioners believe those data are unduly low in comparison to the U.S. producers's costs and should not be relied upon by the administering authority in its determination.

DOC Position. The Department verified the accurancy of the cost data submitted by respondent. Information submitted by petitioners was considered for purposes of reviewing respondent's cost data and provided no indication that respondent's data were inaccurate or unrepresentative of the actual cost incurred by respondent.

Comment 2. Petitioners argue that, since loans from McKechnie's shareholders to McKechnie are related-party transactions, the Department should use an imputed interest rate for these loans in calculating the cost of production. Petitioners state that, if these loans had not been made, McKechnie would have had to borrow the funds from unrelated sources.

DOC Position: The money from shareholders in these transactions is treated as equity in the audited financial statements of McKechnie. The provision by the shareholders of capital under the terms of these transactions, particularly their indeterminate duration, and the treatment accorded them in the financial statements, indicate that they should be treated as part of the equity participation of the shareholders rather than as traditional debt instruments.

Comments 3. Petitioners argue that no allowance should be made for quantity or loyalty discounts.

DOC Position. We agree. See our position with regard to respondent's comment 2.

Comment 4. Petitioners argue that McKechnie has not provided the necessary information on credit expense related to a certain U.S. sale. Petitioners state that McKechnie has not provided information on the currency in which interest is to be paid or on the actual interest rates incurred. Further, petitioners argue that even if borrowings are dollar-denominated, the actual interest rate is greater than the nominal rate due to exchange risks. Petitioners further argue that absent necessary information concerning these borrowings, the Department should use South African interest rates when calculating the credit expense associated with this U.S. sale.

DOC Position. The Department has verified that borrowings associated with the U.S. sale in question were dollar-denominated. Further McKechnie used its dollar receipts from the sale to repay the loan thereby avoiding exchange risks. For a discussion of how we calculated U.S. credit expense, see our position with regard to respondent's comment 4.

Comment 5. Petitioners argue that the Department, in calculating net home market prices, should deduct early payment discounts only on sales for which payment was made within 30 days.

DOC Position. We disagree. We have based our calculations on the verified net price received by McKechnie. Whether or not an early payment discount was in fact warranted is irrelevant to this calculation.

Comment 6. Petitioners argue that no adjustment should be made for McKechnie's home market indirect selling expenses for warehouse labor and inventory financing.

DOC Position. We agree. See our position below with regard to respondent's comment 5.

Comment 7. Petitioners argue that the Department should made any necessary currency conversions at the exchange rates certified by the Federal Reserve Bank of New York for the dates of purchase of McKechnie's sales to the United States.

DOC Position. We agree. This is in accordance with § 353.56 of our regulations.

Respondent's Comments

Comment 1. Respondent argues that in calculating United States price for a particular sale to the United States which was denominated in U.S. dollars, the Department should convert the sales price to South African rands at the rate McKechnie negotiated with its bank, and make any necessary deductions in rands, not rands converted to U.S. dollars.

DOC Position. We disagree. Inasmuch as this is a "purchase price" transaction, we are required by § 353.56 of our regulations to make currency conversions at the exchange rate certified by the Federal Reserve Bank of New York as of the date of purchase. Further, it is our policy to make comparisions for U.S. sales denominated in dollars by converting any deductions denominated in foreign currency to dollars.

Comment 2. Respondent argues that in calculating net home market prices, the Department should make a deduction in an amount equal to the difference in the "quantity discount" given to McKechnie's single United States customer and the "quantity discount" given McKechnie's largest home market customer.

DOC Position. We disagree. The record indicates that "quantity discounts", as such, do no exist in either market. Sales prices to the United States are individually negotiated. Prices to McKechnie's largest home market customer are calculated by adding to a basis price size extras and deducting a "quantity allowance". In fact, the "quantity allowance" was deducted in McKechnie's price calculation for every sale to this customer, regardless of the quantity purchased.

Comment 3. Respondent argues that in calculating net home market prices, the Department should disregard sales to other then the largest home market customer.

DOC Position. We agree. During the period of investigation, 94 percent of McKechnie's home market sales were to a single customer. The prices for all of these sales were calculated using the same basis price. The remaining six percent of McKechnie's home market sales were to number of small customers. Prices for these sales were calculated using basis prices higher than the single basis price used for the large customer. Section 353.20(b) of our regulations specifies that "If not less than 80 percent of all sales in the home market (or to third countries, if appropriate) during the period of investigation were made at the same price, weighted averages of all sales will not be used and foreign market value will be based upon the sales at the price." Since 94 percent of the sales here were all calculated using the same basis price, we have based foreign market value on those sales.

Comment 4. Responent argues that the Department failed to make an adjustment due to the lower interest rates received for credit on U.S. sales. On U.S. dollar-denominated sales, McKechnie borrowed U.S. dollars which it immediately deposited in its South African overdraft account, thus reducing the overdraft and the interest due. When McKechnie recived dollars in payment for the sale it used these dollars to repay the dollar loan. Thus, McKechnie was able to borrow at the lower U.S. interest rate thereby reducing its rand interest expense. Respondent claims the Department failed to consider the lower interest rates.

DOC Position. In both the preliminary determination and this final determination, we have calculated interest expense for both markets based on interest rates actually incurred. For a particular U.S. sale, McKechnie incurred interest expense based on U.S. interest rates. To the extent that U.S. sales have lowered the rand interest expense by reducing the company's overdraft account, we have accounted for it by looking at the actual interest expense. Any further adjustment would be double counting.

Comment 5. Respondent argues that in calculating net home market prices the Department should make an adjustment for warehouse labor and inventory interest expenses.

Doc Position. These expenses are the result of maintaining LFB inventory in McKechnie's warehouse prior to sale. No adjustment is warranted because the expenses do not bear a direct relationship to the sales which are under consideration as required by § 353.15(a) of our regulations.

Comment 6. Respondent argues that in calculating net home market prices, the Department should make an adjustment for rebates McKechnie pays its largest customer based upon rebates *earned* by the customer during the six-month period of investigation rather than upon rebates *paid* to the customer during the period of investigation.

Doc Position. We agree that the most logical basis for making this adjustment is the rebates earned by the customer during the period of investigation since these are most closely tied to the sales under consideration. Furthermore, during the verification we tested the representativeness of this figure and found that it did not differ significantly from a figure based upon rebates *paid* over the course of McKechnie's fiscal year which completely encompassed the period of investigation.

Comment 7. Respondent argues that the local transport cost on a per ton basis incurred by McKechnie's Local Transport Department should be calculated by dividing the total tons of finished product shipped into the total expenses of the Department. Shipments of scrap which are backhauled from customers to McKechnie do not result in additional expense and should not be considered in calculating the per ton cost of local transport deliveries.

Doc Position. We agree.

Continuation of Suspension of Liquidation

We are directing the United States Customs Service to continue to suspend liquidation of all entries of low-fuming brazing copper rod and wire from South Africa that are entered, or withdrawn from warehouse, for consumption, on or after September 23, 1985, the date of publication of the preliminary determination in the Federal Register. The United States Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The bond or cash deposit amounts established in our preliminary determination of September 23, 1985, remain in effect with respect to entries or withdrawals made prior to the date of publication of this notice in the Federal Register. With respect to entries or withdrawals made on or after the publication of this notice, the bond or cash deposit amounts required are shown below.

Manufacturer/producer/exporter	Weighted-average margin percentage
McKechnie Brothers S.A. (Pty.) Ltd.	3.20
All others	3.20

ITC Notification

In accordance with section 735(d) of the Act, we will notify the ITC of our determination. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will make its determination whether these imports are materially injuring, or threatening to materially injure, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on low-fuming brazing copper rod and wire from South Africa entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

Gilbert B. Kaplan,

Acting Assistant Secretary for Trade Administration.

December 2, 1985.

[FR Doc. 85-29023 Filed 12-5-85; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

THE COMMISSION'S *FEDERAL REGISTER* NOTICES

[Investigation No. 731-TA-247 (Final)]

Low-Fuming Brazing Copper Wire and Rod From South Africa

AGENCY: International Trade Commission.

ACTION: Institution of a final antidumping investigation and scheduling of a hearing to be held in connection with the investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-247 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) 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 from South Africa of low-fuming brazing wire and rod, wholly or in chief value of copper, provided for in items 612.62 (rod), 612.72 (wire), and 653.15 (flux-coated wire or rod) of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before December 2, 1985, and the Commission will make its final injury determination by January 17, 1986 (see sections 735(a) and 735d(b) of the act (19 U.S.C. 1673(a) and 1673d(b))).

For further information concerning the conduct of this 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).

EFFECTIVE DATE: September 20, 1985.

FOR FURTHER INFORMATION CONTACT: Valerie Newkirk (202-523-0165), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of low-fuming brazing copper wire and rod from South Africa are being sold in the United States at LTFV within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on February 19, 1985, by counsel on behalf of American Brass Co., Rolling Meadows, IL; Century Brass Products, Inc., Waterbury, CT; and Cerro Metal Products, Inc., Bellefonte, PA. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 14174, April 10, 1985). Simultaneously, and in response to the same petition, the Commission also made a preliminary affirmative determination with respect to allegedly LTFV imports of the subject products from New Zealand and negative determinations with respect to allegedly LTFV and subsidized imports of such products from France. The Department of Commerce made its preliminary affirmative LTFV determination concerning imports from New Zealand on August 2, 1985.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service list.—Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with § 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff report.—A public version of the prehearing staff report in this investigation will be placed in the public record on November 18, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with this investigation beginning at 10:00 a.m. on December 4, 1985, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. 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.) on November 22, 1985. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on November 25, 1985, in room 117 of the U.S. International Trade Commission Building. the deadline for filing prehearing briefs is November 27, 1985.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Commission's rules (19 CR 201.6(b)(2))).

Written submissions.—All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rule (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on December 10, 1985. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before December 10, 1985.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 206.6 of the Commission's rules (19 201.6).

Authority

This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: October 1, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-24190 Filed 10-8-85; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX C

LIST OF WITNESSES

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Low-Fuming Brazing Copper Wire and Rod from South Africa

Inv. No. : 731-TA-247 (Final)

Date and time: December 4, 1985 - 10:00 a.m.

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

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

American Brass Company, Century Brass Products, Inc., and Cerro Metal Products, Inc.

Robert J. Wardell, President, Copper & Brass FAbricators Council

Robert A. Cucuel, Vice President of Marketing and Sales of Mill Products

James D. Cleminshaw, Product Manager-Wire, Cerro Metal Products

Judy Fudge, Manager of Inside Sales/Purchasing, J. W. Harris Co., Inc.

Nicholas D. Giordano of Georgetown Economic Services

David A. Hartquist)
Jeffrey S. Beckington)--OF COUNSEL

- more -

IN OPPOSITION TO THE IMPOSITION OF
ANTIDUMPING DUTIES:

Thorp, Reed and Armstrong--Counsel
Washington, D.C.
on behalf of

Aufhauser Brothers Corporation

Dr. Keith Aufhauser, President

Roger M. Golden--OF COUNSEL

Williams & Connelly--Counsel
Washington, D.C.
on behalf of

McKechnie Brothers South Africa (Pty.) Ltd.

Dr. Keith Aufhauser, President, Aufhauser Brothers Corporation

David D. Aufhauser)
Bruce R. Genderson)--OF COUNSEL