ROCK SALT FROM CANADA

Determination of the Commission in Investigation No. 731-TA-239 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

USITC PUBLICATION 1798

JANUARY 1986

United States International Trade Commission / Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

Staff Assigned

Brian Walters, Investigator
Cynthia Trainor, Commodity-Industry Analyst
John Ryan, Economist
William Perry, Attorney
Randi Field, Attorney
Marvin Claywell, Accountant

Robert Eninger, Supervisory Investigator

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

C O N T E N T S

CONTENTS

Figure

Tables

CONTENTS

Tables—Continued

CONTENTS

Tables—Continued

Note.—Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-239 (Final)

ROCK SALT FROM CANADA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 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 not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Canada of rock salt, provided for in items 420.94 and 420.96 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 effective July 15, 1985, following a preliminary determination by the Department of Commerce that imports of rock salt from Canada 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 August 7, 1985 (50 F.R. 31933). The hearing was held in Washington, DC, on December 5, 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)).

VIEWS OF THE COMMISSION

On the basis of the record in this investigation, the Commission unanimously determines that an industry in the United States is not materially injured or threatened with material injury nor is the establishment of an industry materially retarded 1/ by reason of imports of rock salt from Canada which the Department of Commerce has determined are sold at less than fair value (LTFV).

Because we find that circumstances are not appropriate for invoking a regional industry analysis, our negative determination is based upon our findings with respect to the national industry consisting of the producers of rock salt. The record shows that the domestic industry's production, shipments, employment, and financial indicators were low in 1983 as a result of a mild winter. These indicators rose, however, during 1984 and continued to rise in 1985. Import trends, additional pricing data, increased Canadian consumption, and other factors considered during this final investigation show that there is no material injury or threat of material injury to the domestic industry by reason of LTFV imports from Canada.

Definition of like product/domestic industry

The Commission is first required to determine the domestic industry against which to assess the impact of unfairly traded imports. Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as--

> The domestic producers as a whole of a like product, or those producers whose collective output of the like product

---

1/ Since there is an established domestic industry, "material retardation" was not raised as an issue in this investigation and will not be discussed further.

> constitutes a major proportion of the total domestic production of that product. 2/

"Like product," in turn, is defined in section 771(10) as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 3/

In the preliminary investigation, we determined that the like product was rock salt. No additional information collected during this final investigation warrants a revision in the definition of the like product. Therefore, we adopt that definition as fully discussed in the preliminary determination. 4/

Regional industry--Section 771(4)(C) states that "[i]n appropriate circumstances, the United States, for a particular product market, may be divided into two or more markets and the producers within each market may be treated as if they were a separate industry . . . .," i.e., what is commonly referred to as a regional industry. 5/ In making a regional industry

---

2/ 19 U.S.C. § 1677(4)(A).

3/ 19 U.S.C. § 1677(10).

4/ In the preliminary investigation, the Commission determined that the like product was rock salt and did not include evaporated salt. Although the Commission concluded that solar salt has the same purity and crystal size as rock salt, it preliminarily concluded that solar salt is not like rock salt and reserved a final decision regarding the inclusion of solar salt within the scope of the like product for this final investigation.

Having reexamined this issue, we find that the major differences between rock and solar salt are moisture content and impurities. The higher moisture content of solar salt causes some lumping which, in turn, can cause the salt to clog spreading machines which are used in highway deicing. Transcript of the hearing (Tr.) at 67 and 147. Solar salt is the purer of the two forms. The higher purity of solar salt makes it more desirable than rock salt in the chemical industry. Id. at 61-62. On the other hand, the lower purity range of rock salt does not adversely affect its use in deicing roads.

Although solar salt may be interchangeable with rock salt in use, this interchangeability is limited as a result of such characteristics as the differences in the purity and moisture content between the two. We, therefore, determine that solar salt should not be included within the like product.

5/ 19 U.S.C. § 1677(4)(C).

determination, the Commission examines whether the producers within the region sell "all or almost all" of their production of the like product in question in that market, and whether the demand in the regional market is supplied, to any substantial degree, by domestic producers of the like product located outside the region. The Commission then determines whether there is a concentration of dumped or subsidized imports within the regional market, and that all, or almost all, of the producers within that market are materially injured or threatened with material injury, or that the establishment of an industry is being materially retarded, by reason of LFTV imports.

A mechanical application of the statutory criteria does not conclude an analysis of regional industry. The statutory language "appropriate circumstances" and "may be treated" allows for discretion in finding a regional market, 6/ but the Court of International Trade and the Commission have cautioned against "[a]rbitrary or free handed sculpting of regional markets." 7/ The statute and its legislative history indicate that the Commission is to determine whether a regional market exists by determining whether an "[i]solated or separate geographic market" exists. 8/ Factors which the Commission has used to measure "isolation" include, but are not limited to, such commercial realities as transportation costs and geographic boundaries.

6/ Section 771(4)(C), 19 U.S.C. § 1677(4)(C). See Certain Steel Wire Nails from the Republic of Korea, Inv. No. 731-TA-26 (Final), USITC Pub. 1088 at 9 (1980); see also Chairwoman Stern's footnote in Frozen French Fried Potatoes from Spain, Inv. No. 731-TA-93 (Preliminary), USITC Pub. 1259 at 6 n.15 (1982).

7/ See Atlantic Sugar, Ltd. v. United States, 519 F. Supp. 916, 920 (CIT 1981); Portland Hydraulic Cement from Australia and Japan, Invs. Nos. 731-TA-108-109 (Preliminary), USITC Pub. 1310 at 11 n.30 (1982).

8/ 19 U.S.C. § 1677(4)(C). See also S. Rep. No. 249, 96th Cong., 1st Sess. 82 (1979). Thus, the Commission stated in Cut-To-Length Carbon Steel Plate from the Republic of Germany, Inv. No. 731-TA-147 (Preliminary-Remand), USITC Pub. 1550 at 8 (1984): "The overriding concern of regional industry analysis is to determine whether a market is isolated and insular."

Petitioner has alleged that there is a regional industry consisting of Alabama, Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Ohio, Tennessee, West Virginia, Wisconsin, and western Pennsylvania. 9/

The record in this investigation indicates that petitioner's proposed region satisfies the statutory criteria for finding a regional industry. Even though the statutory criteria are met, however, we find that circumstances are not appropriate for applying a regional industry analysis in this investigation.

We note that rock salt is sold throughout the eastern two-thirds of the United States and that transportation costs are a significant part of the delivered price in all shipments of rock salt. 10/ Generally, rock salt can be competitively transported by truck only within a 100-mile radius of the mine or by rail within about a 400-mile radius. Boat and barge shipments can be made at a substantially lower cost per ton-mile and are, therefore, used whenever possible, particularly over longer distances. 11/

The petitioner's proposed region appears to be a feasible one because of boat and barge rates on the Mississippi River system. The "backhaul system" permits rock salt produced in southern mines to be economically shipped up the

---

9/ Report of the Commission (Report) at A-5. The petitioner alleges that this region includes the states in which rock salt is produced and/or used for ice control. We also have examined respondents' proposed region as well as three alternate regions. See Id. at A-5-A-7 and A-13-A-29 and Attachment to GC-I-258 (1985).

10/ Report at A-51-A-52. U.S. mines that currently produce rock salt are located in southern Louisiana, southeastern Texas, midstate Kansas, northeastern Ohio on Lake Erie, and midstate New York.

11/ Id. Rock salt regularly is shipped on the Great Lakes, the Mississippi River system, and the Gulf Intercoastal Waterway.

Mississippi River and its tributaries. 12/ The backhaul rates provide an economic rationale to include the Louisiana mines within the petitioner's proposed region.

Detailed examination, however, reveals the arbitrariness of the petitioner's proposed region. One major defect is the exclusion of the petitioner's Retsof, New York, mine. As stated above, rock salt can be competitively transported by truck within a 100-mile radius of the mine, but boat or barge shipments can be made at substantially lower cost per ton-mile. Thus, Retsof, which is located about 60 miles from Buffalo and 30 miles from Rochester 13/ has shipped, by truck and boat, into petitioner's proposed region. In 1985, petitioner transported a sizable shipment from Retsof to Sheboygan, Wisconsin, by trucking the salt to Buffalo and then shipping the salt by boat the remaining distance. 14/ Additionally, during 1983 and 1984, significant tonnages of rock salt were shipped from Retsof to destinations that are a considerable distance outside the limited marketing area designated to Retsof by the petitioner. 15/ The record indicates that fluctuating market conditions during the period of investigation extended the reach of the Retsof mine far into the petitioner's proposed region.

Our difficulty with accepting petitioner's proposed region is not, however, limited to the petitioner's exclusion of the Retsof mine. The record indicates that the midwest and northeast sectors of the rock salt market are

---

12/ Petitioner states that grain and wheat are brought down the Mississippi River in very large quantities on barges, which results in the need for backhauls up the Mississippi and other rivers. Tr. at 15. Conversely, rock salt that is produced in the northern mines is subject to relatively high transport costs when it is shipped from the Great Lakes southward on the Mississippi River system.

13/ Id. at 16.

14/ Id. at 64.

15/ Confidential Questionnaire of International Salt Company (ISCO) at 23; Respondents' Prehearing Brief at 26.

related in a manner similar to the north and south sectors. The tonnage shipped through the Welland Canal shows that rock salt has been moved east of petitioner's proposed boundary. 16/ Just as the Mississippi River system adjoins the northern and southern portions of petitioner's proposed region, so does the Great Lakes waterway system connect the midwestern and northeastern states. 17/

In addition, we find that the boundaries of the rock salt market do not consistently coincide with petitioner's proposed region. Some areas outside of petitioner's region are reached for the same cost or less than some areas inside the region. 18/ ISCO itself is a good example. ISCO formerly supplied the Buffalo area from its Cleveland mine but it now supplies that market from its Retsof mine. 19/ Additionally, there are many instances in which Morton and Domtar have shipped substantial tonnages across the petitioner's eastern boundary. 20/ Thus, we find that the petitioner's proposed regional industry is a discretionary one that shifts in response to changing market conditions.

Further, the actual boundaries of the market do not coincide with the petitioner's proposed western boundary. For example, during the period of investigation, several shipments of rock salt produced in Kansas were sent to Minnesota. 21/ Thus, the western boundary is not limited by the Mississippi

---

16/ Statement of Harold J. Miller on Behalf of Domtar Industries (hereinafter Miller's Statement) at 11 and Exhibit 4. The Welland Canal connects Lake Erie and Lake Ontario and is located east of petitioner's proposed boundary.

17/ See Tr. at 104-05; Respondents' Prehearing Brief at 20.

18/ Tr. at 94-95; Respondents' Prehearing Brief at 21. See Miller's Statement at Exhibit 6.

19/ Tr. at 95.

20/ Respondents' Prehearing Brief at 22-23. Morton states that for the last two or three years, all of its salt into Buffalo, Pittsburgh, and Erie, Pennsylvania has been Fairport, Ohio, salt. Tr. at 148. The Fairport salt also has been shipped to Oswego, Ogdensberg, and Schenectady, New York.

21/ Report at A-47.

River system since the Kansas mines do compete by truck or rail with rock salt transported on the Mississippi.

Finally, the distribution boundaries for the highway deicing segment of the rock salt industry fluctuate in accordance with shifting weather patterns. In those years in which the winters are mild, the demand for rock salt drops and inventories rise. 22/ The reverse is true during more severe winters. The level of inventories carried over into the next season, as determined by the severity of the weather, affects distribution decisions. Thus, for example, following the mild winter in 1983, Morton shipped over 100,000 tons of rock salt from its Fairport, Ohio, mine to Schenectady, New York, a market that Fairport typically does not serve. 23/ Accordingly, petitioner's alleged boundaries shift with changes in supply and demand caused by weather.

For the above reasons, we conclude that the petitioner's region is too arbitrary. 24/ There are numerous variables in this industry that show that the petitioner's proposed region reflects freehanded sculpting rather than a

---

22/ Transcript of the Conference (hereinafter Preliminary Conference) at 154; Statement of David B. Nilson dated Feb. 19, 1985 (hereinafter Nilson's Preliminary Statement) at 4.

23/ Nilson's Preliminary Statement at 4; Tr. at 148, 150; Respondents' Prehearing Brief at 25-26.

24/ The parameters of any regional industry in this investigation constantly will be in a state of flux because of factors such as weather patterns, production, demand, and transportation costs. Accordingly, we find that the parameters of any proposed region would be arbitrary and not reflective of commercial reality.

separate industry in an isolated market. We, therefore, determine that a regional industry analysis is inappropriate. 25/

Related parties--Petitioner has urged the Commission to invoke the related parties provision so as to exclude from the Commission's analysis the domestic mining operations of respondents Morton and Domtar. The "related parties" provision provides:

> When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term 'industry' may be applied in appropriate circumstances by excluding such producers from those included in that industry. 26/

Application of the related parties provision is within the sound discretion of the Commission after analyzing the facts of each case. The principal consideration is whether there is a nexus between a domestic producer and the allegedly LTFV imports which, if not accounted for, may result in an inaccurate assessment of material injury or threat of such injury. Domestic producers who substantially benefit from their relation to the subject imports are properly excluded as related producers. 27/

25/ We note that the standard for injury to a regional industry is more restrictive in order to compensate for the narrow focus of regionality. To find injury, the Commission must determine whether the producers of all, or almost all, of the production within that market are materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the LTFV imports. 19 U.S.C. § 1677(4)(C). Accordingly, inasmuch as we have not adopted petitioner's proposed region, petitioner's injury allegations have been viewed less stringently than had we adopted any other proposed region--all of which included the Retsof mine which petitioner would have us exclude.

26/ 19 U.S.C. § 1677(4)(b).

27/ See GC-F-280, Frozen Concentrated Orange Juice from Brazil, Inv. No. 701-TA-84 (Preliminary) at 13 (GATT committees have interpreted "related producers" for purposes of antidumping considerations as those for whom the benefit from the dumped imports is so significant that it causes them to behave differently from other producers and confers upon them a substantial advantage inimical to a finding of injury or threat of material injury).

The determination of whether to exclude related parties involves two steps. First, the Commission must determine whether the domestic producers also are importers or are related to importers or exporters of the merchandise under investigation. In this regard, we note that the major importers of Canadian rock salt are Morton Salt Company and Domtar Industries, Inc. 28/

Second, the Commission must determine whether appropriate circumstances exist for excluding the related parties from the domestic industry. Among the factors considered by the Commission in previous investigations are:

(1) the position of the related producers vis-a-vis the rest of the domestic industry; 29/
(2) the reasons the domestic producers have chosen to import the product under investigation, that is to benefit from the unfair trade practice or in order to enable it to continue production and compete in the domestic market; 30/ and,
(3) the percentage of domestic production attributable to the related producers. 31/

An appropriate circumstance for applying the related parties provision is one in which the foreign producer directs his exports to the United States in such a manner so as not to compete with his related U.S. producer. 32/ Morton Thiokol, Inc., the parent firm, imports from the Canadian Salt Co., Ltd., its Canadian subsidiary. Domtar Industries, Inc., is a U.S. subsidiary that imports from Domtar, Inc., its Canadian parent. 33/ These relationships do

28/ Report at A-11.
29/ See, e.g., Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. 1153 (1981).
30/ See, e.g., Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Final), USITC Pub. 1228 (1982); Certain Iron-Metal Castings from India, Inv. No. 303-TA-13, USITC Pub. 1098 (1980).
31/ See, e.g., Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (Final), USITC Pub. 1045 (1980); Melamine in Crystal Form from Austria and Italy, Invs. Nos. 731-TA-13-14 (Final), USITC Pub. 1065 (1980); Motorcycle Batteries from Taiwan, Inv. No. 731-TA-42 (Final), USITC Pub. 1228 (1982); Certain Iron-Metal Castings from India, Inv. No. 303-TA-13, USITC Pub. 1098 (1980).
32/ S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979).
33/ Report at A-9-A-10 and A-12.

not necessarily shield them from competition with LTFV Canadian imports. All of the major domestic rock salt producers are large, multi-national corporations, with operations in the United States and abroad. 34/ The petitioner itself is a Dutch corporation that imports Canadian rock salt. 35/ Additionally, each of the respondent's Louisiana facilities are in the same competitive position with respect to Canadian imports as those operated by the petitioner. 36/

Further, as a practical matter, each company's accounting and financial records regarding domestic operations are kept separately from its foreign operations within its overall financial and accounting records thereby avoiding any commingling of books or records. 37/

Moreover, the primary interests of the respondents lie in domestic production. Morton Salt is a major domestic producer. 38/ Morton operates three rock salt mines in the United States. In 1984, these three mines produced nearly three million tons of salt and accounted for between 20 and 25 percent of all of the rock salt sold in the United States. In 1984, Domtar's Louisiana rock salt mine produced approximately 1,650,000 tons of rock salt which accounted for about 60 percent of all of Domtar's rock salt sales in the United States. 39/ These figures show that respondents' fundamental interests remain in domestic operations.

Where the subject products are not imported in a manner to shield domestic production from competition and the related domestic producer continues to compete with the imports on the same basis as all other domestic

34/ Tr. at 106.
35/ Report at A-10-A-11.
36/ Respondents' Prehearing Brief at 35.
37/ Id. at 36 n.1; Report at A-30-A-31.
38/ Tr. at 106-07.
39/ Preliminary Conference at 71.

producers, exclusion as a related party is not warranted. 40/ We note that there is evidence in the record that Morton and Domtar import in order to meet U.S. demand 41/ and, therefore, they import for reasons other than attempting to benefit from the dumping. Further, there is no evidence in the record which indicates that the respondents are attempting to benefit from the dumping.

The two related producers account for a significant share of domestic production. Exclusion of both producers would necessarily exclude economic data of considerable significance to an accurate picture of the whole domestic industry and, thereby, impair the accuracy of the Commission's ultimate injury or threat determination. Our analysis, however, must proceed beyond a superficial weighing of the amount of domestic production.

For all of the above reasons, we do not invoke the related parties provision in this investigation. 42/

Condition of the domestic industry 43/

In making a determination as to the condition of the domestic industry, the Commission considers, among other factors, changes in U.S. production,

---

40/ See Sugars and Syrips from Canada, GC-D-076 at 3 (Feb. 1980), regarding Inv. No. 731-TA-3 (Final), USITC Pub. 1047 (1980); Television Receiving Sets from Japan, Inv. No. 751-TA-2, USITC Pub. 1153 (1981).

41/ Tr. at 109 and 121-22; Respondents' Prehearing Brief at 56-57 and 110.

42/ Vice Chairman Liebeler concurs with the result reached by the Commission majority in this section, but does not join in their reasoning. In this case she found the availability of segregated financial data for each company's domestic and foreign operations an especially important consideration in her decision not to apply the related parties provision. Vice Chairman Liebeler believes the primary purpose of the related parties provision is to prevent domestic producer/importers from defeating a title VII case because their importing operations are more profitable than their domestic production. In the instant case, the financial data for domestic production can be separated from the financial data for importing. Consequently, a finding of injury cannot be insulated by high profits to importers.

43/ 19 U.S.C. § 1677(7)(C)(iii).

capacity, capacity utilization, shipments, inventories, employment, and profitability. 44/

In 1983, a year when the winter was unseasonably warm, production declined significantly as compared with 1982. In 1984, production increased above 1982 levels. The corresponding periods of January-September 1984 and 1985 had production levels that remained fairly stable. 45/

Capacity remained fairly stable for the years 1982-84, as well as the corresponding periods of January-September 1984 and 1985. 46/ Capacity utilization levels remained relatively high and stable throughout the period of investigation. The only decline occurred in 1983. 47/

Domestic shipments followed essentially the same pattern as production, remaining stable in 1982 and 1984. Shipments experienced a slight decline in 1983. During January-September 1985 domestic shipments remained at nearly the same levels as for the corresponding period in 1984. 48/

Levels of inventories declined from 1981 to 1983 before increasing in 1984. Inventory levels for the period January-September 1985 rose above the levels during the corresponding period in 1984. 49/

Employment levels declined in 1983 as compared to 1982 levels. Employment levels remained fairly constant for 1983 and 1984. A comparison of

---

44/ Most of the data concerning the condition of the domestic industry are confidential because of the limited number of domestic producers of rock salt. Report at A-8. Accordingly, our discussion of the condition of the domestic industry must focus on general trends and is presented in general terms.

45/ Id. at A-14.

46/ Id. at A-15. We note that although the petitioner closed its Detroit mine in 1983, it also expanded capacity at its Avery Island facility. Tr. at 56, 58-59, and 110.

47/ Report at A-16.

48/ Id. at A-20.

49/ Id. at A-22.

the corresponding periods of January-September 1984 and 1985 showed employment had improved somewhat in 1985, but these levels were still not as high as 1982 levels. 50/ Labor productivity decreased from 1982 to 1983 but then increased in 1984. Labor productivity during January-September 1985 increased over productivity during the same period in 1984. 51/ Thus, both the number of production and related workers producing rock salt and their labor productivity has increased since the preliminary investigation.

Financial indicators followed trends similar to production and shipments. Net sales declined in 1983, and then increased in 1984, although not to 1982 levels. Net sales during January-September 1985 improved over net sales during the same period of 1984. During January-September 1985, operating income increased sharply over operating income in the corresponding period of 1984. Profits, measured as a ratio of operating income to net sales, also exhibited similar trends.

Although 1983 was not a good year for the domestic rock salt industry, the record in this investigation indicates that the domestic industry

---

50/ Id. at A-23.
51/ Id. at A-24.

recovered during 1984 and 1985. Thus, we have determined that the domestic rock salt industry is not experiencing material injury. 52/ 53/

Causation

In examining the causal nexus between the condition of the U.S. industry and LTFV imports, the Commission has considered, among other factors the

---

52/ 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 not experiencing economic problems. For a fuller discussion of this issue, see Photo Albums and Photo Album Filler Pages from Hong Kong and the Republic of Korea, Invs. Nos. 731-TA-240-241 (Final), USITC Pub. 1784 at 7 n.19 (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.

53/ Commissioner Eckes believes that the Commission is to make a finding regarding the question of material injury in each investigation. The Court of International Trade recently held that:

> The Commission must make an affirmative finding only when it finds both (1) present material injury (or threat to or retardation of the establishment of an industry) and (2) that the material injury is 'by reason of' the subject imports. Relief may not be granted when the domestic industry is suffering material injury but not by reason of unfairly traded imports. Nor may relief be granted when there is no material injury, regardless of the presence of dumped or subsidized imports of the product under investigation. In the latter circumstances, the presence of dumped or subsidized imports is irrelevant, because only one of the two necessary criteria has been met, and any analysis of causation of injury would thus be superfluous.

American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1276 (CIT 1984) (emphasis supplied), aff'd sub nom., Armco, Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. 54/

The levels of U.S. imports of rock salt from Canada rose slightly from 1982 to 1983, then increased again in 1984. However, imports in January-September 1985 declined from those in January-September 1984. 55/ Market penetration by imports from Canada rose slightly from 1982 to 1984. Market penetration for the January-September 1985 period declined slightly from the 1984 period.

The pricing data requested and collected during this final investigation were much more comprehensive than in the preliminary investigation. The Commission collected price data on 100 contracts for pavement ice-control rock salt in eight states in which Canadian-produced rock salt is marketed. 56/ Price movements and competitive bids for 1983-85 for each of the eight states were examined. Prices for the winning bids generally decreased in 1983 but then increased in 1984 and increased again in 1985. Significantly, contract prices in 1984 increased to most locations, regardless of whether the area was supplied by Canadian rock salt in addition to U.S.-produced rock salt. Further, the prices of winning bids in 1985 to those destinations where imports compete directly with U.S.-produced rock salt were significantly

---

54/ 19 U.S.C. § 1677(7).

55/ Report at A-35.

56/ The Commission requested delivered prices for annual bids for 1983-85 to 34 specific delivery locations. Id. at A-41. The specific delivery points chosen were those inside or near the region in which firms having both Canadian and U.S. mines (i.e., Morton and/or Domtar) would bid to supply Canadian-produced rock salt rather than rock salt produced at their Louisiana mines. Prices were requested for the period in which the contracts for the following winter were awarded. For example, contracts for the winter of 1985-86 were awarded in 1985. Id. at A-41-A-42.

higher than the price increases to destinations where only domestic salt was sold. 57/ We also note that the general price increases which occurred in 1984 correspond to the time period when Canadian import levels were the highest.

Margins of underbidding or overbidding were calculated based on the lowest U.S. or Canadian bids as a percentage of the winning bid to each delivery location. Sixty-nine contracts were won by firms supplying U.S.-produced rock salt. 58/ In contrast, only thirty of the contracts were won by firms supplying Canadian-produced rock salt. 59/ 60/ In those instances in which contracts were won by firms supplying Canadian-produced rock salt, we found no consistent pattern of underselling. 61/

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission considers, among other economic factors, the ability of the foreign producers to increase the level of imports to the United States and the likelihood they will do so, rapid increases in U.S. market penetration, the probability that imports will enter the United States

---

57/ ECS Study at 23, infra n.66.

58/ Inasmuch as generally there is only one price per year per customer (i.e., the winning bid), and since delivered prices vary significantly within even a few miles, meaningful averages of price data for producers and importers could not be computed. Report at A-42.

59/ One remaining contract had not yet been awarded at the time that questionnaire responses were due. Id. at A-43.

60/ Vice Chairman Liebeler does not believe evidence of underbidding or overbidding, like evidence of underselling or overselling, to be probative on the issue of causation. See Additional Views of Vice Chairman Liebeler in Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. Nos. 701-TA-258-260 (Preliminary), USITC Pub. 1771 at 34-36 (1985).

61/ Report at A-44. Most purchasers could not confirm lost sales allegations because the country of origin for the delivered rock salt is not always known nor specified in the contract. Id. at A-55. Thus, data on lost sales were not probative on the issue of causation.

at prices that will have a depressing or suppressing effect on domestic prices, increases in inventories of the merchandise in the United States, and underutilized capacity for producing the merchandise in the exporting country. 62/ Upon consideration of these factors, we have determined that the available data confirm the absence of any real and imminent threat of material injury to the domestic industry producing rock salt.

Canadian production capacity increased only slightly from 1982 levels to 1984 levels. A comparison of the corresponding periods of January-September 1984 and 1985 shows that production capacity levels remained constant for the time period. 63/ Respondents indicated no plans to expand capacity. We also note that although Canadian capacity has increased during the past four years, Canadian consumption also has increased. 64/ Consumption is up in Canada because of increased use of rock salt for deicing purposes and because the chemical industry, the chlor-alkali industry, is getting an increasing share of the chlorine business. 65/

Although the market penetration of Canadian rock salt increased steadily from 1982 to 1984, the penetration ratio decreased during the first nine months of 1985 as compared with the corresponding period in 1984. The penetration ratio during 1985 decreased to a level slightly below the penetration ratio in 1983. Accordingly, rather than continuing to increase, Canadian imports have leveled off or declined.

We have found little evidence that future imports will enter the U.S. market at prices that will suppress or depress domestic prices. Information

62/ 19 U.S.C. § 1677(7)(F).
63/ Report at A-13, Table 6.
64/ Tr. at 100.
65/ Id. at 135.

in the record indicates that the prices of winning bids in 1985 to those destinations where imports compete directly with U.S. supply were significantly higher than the price increases to destinations where only domestic salt was sold. 66/

Inventories of Canadian-produced rock salt decreased slightly from 1981 to 1982 and then increased slightly in 1983 and 1984. Inventories declined during interim 1985 compared with interim 1984. 67/

Capacity utilization figures for Canadian rock salt have remained at relatively high levels. 68/ Capacity utilization declined from the January-September 1985 period as compared with the corresponding period in 1984. 69/

66/ Report at A-42; Economic Analysis of the Impact of Canadian Rock Salt on the U.S. Market at 23.
67/ Report at A-34, Table 27.
68/ Id. at A-13, Table 6.
69/ Id.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On January 28, 1985, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by counsel on behalf of International Salt Co. (ISCO), Clark Summit, PA, a U.S. producer of rock salt. The petition alleges that an industry 1/ in the United States is materially injured, or is threatened with material injury, by reason of imports from Canada of rock salt, provided for in items 420.94 and 420.96 of the Tariff Schedules of the United States (TSUS), which are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective January 28, 1985, the Commission instituted investigation No. 731-TA-239 (Preliminary) under section 733(a) of the Tariff Act of 1930 to determine whether there was a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. 2/

On March 14, 1985, the Commission determined that there was a reasonable indication that an industry in the United States is materially injured, or threatened by material injury, 3/ by reason of imports from Canada of rock salt, provided for in TSUS items 420.94 and 420.96, which are alleged to be sold in the United States at LTFV.

On July 15, 1985, the Department of Commerce published notice in the Federal Register (50 F.R. 28602) of its preliminary determination that rock salt from Canada is being, or is likely to be, sold in the United States at LTFV. Accordingly, the Commission instituted investigation No. 731-TA-239 (Final), effective July 15, 1985, to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. On August 1, 1985, Commerce published notice in the Federal Register (50 F.R. 31213) of the postponement until not later than November 27, 1985, of its final determination as to whether sales of rock salt from Canada have occurred at LTFV. On December 4, 1985, Commerce published notice in the Federal Register (50 F.R. 49741) of its final determination that rock salt from Canada is being sold in the United States at LTFV. 4/

Notice of the institution of the Commission's final investigation and of a hearing to be held in connection therewith was given by posting copies of

1/ The petition alleges that the industry that is materially injured is located in a distinct region of the United States, as provided in section 771(4)(C) of the Tariff Act of 1930. The region is described in the section of this report on the domestic market.

2/ On Feb. 19, 1985, Commerce initiated an investigation to determine whether rock salt from Canada is being, or is likely to be, sold in the United States at LTFV.

3/ Vice Chairwoman Liebeler determined that there was a reasonable indication of material injury.

4/ A copy of Commerce's final determination is presented in app. A.

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 August 7, 1985 (50 F.R. 31933). The public hearing was held in Washington, DC, on December 5, 1985. 1/

The Product

Description and uses

Description.—Rock salt is produced through underground mining of salt deposits, where it occurs naturally as sedimentary rock. These deposits evolved from inland seas that were separated from oceans and evaporated.

North American rock salt deposits occur in several basins located in various regions of the United States, Mexico, and Canada. The Silurian basin deposit extends through areas of Michigan, Ohio, Pennsylvania, New York and the Canadian Province of Ontario. The Permian basin is located in parts of Colorado, Kansas, New Mexico, Oklahoma, Texas, and northern Mexico. The gulf coast basin includes parts of Arkansas, Louisiana, Mississippi, Alabama, Texas, and northeastern Mexico. The Williston and Elk Point basins cover parts of North and South Dakota, Montana, and the Provinces of Saskatchewan and Alberta. Other significant world rock salt deposits occur in South America, the United Kingdom, Europe, and the U.S.S.R.

Uses.—The major U.S. use of rock salt is in highway deicing. In 1984, 53 percent of all domestically produced rock salt sold or used in the United States was for this purpose. Of total salt used for deicing in 1984, rock salt accounted for approximately 94 percent and solar salt 2/ for about 6 percent.

Another use of rock salt is in the chemical industry, particularly in the manufacture of chlor-alkalis (i.e., chlorine, sodium hydroxide, and synthetic sodium carbonate). The chemical industry accounted for 17 percent of rock salt used domestically in 1984 and for 55 percent of all salt used domestically in 1984.

1/ A copy of the Commission's notice and a list of witnesses appearing at the hearing are presented in app. B.

2/ The solar evaporation method is the oldest method of salt recovery and it is very dependent on humidity and precipitation conditions. Solar evaporation is used mainly along seacoasts. Sea water (or brine) is concentrated in specially constructed evaporating ponds. During initial concentration, many impurities also precipitate out. The concentrated salt water is then pumped to lime beds to remove calcium chloride and then to harvesting ponds to permit salt crystallization. When about 85 percent of the salt has crystallized, the remaining liquor or "bitterns" is channeled elsewhere for discarding or further reclaiming/extraction of magnesium, bromine, potassium, or sodium compounds. The salt crop is then harvested, washed, and stockpiled. Further processing consists only of drying, crushing, and screening. This is a very time-consuming, yet energy-efficient, process. It takes about 5 years from start of initial concentration to final crystallization. To be sold as food grade, solar salt must be redissolved and the brine processed in vacuum pans.

Salt used as highway deicer, whether domestic or imported, must meet American Society for Testing and Materials standard specifications. Its chemical composition must be 95 percent sodium chloride, plus or minus 0.5 percentage point. Up to 2 percent of an anticaking agent is permitted. Rock salt used primarily as pavement deicer has two grade levels based on particle-size classifications. Grade 1 consists of particles generally less than 1/2-inch in size. 1/ Grade 2 consists of particles generally less than 3/4-inch in size. 2/

Salt used as highway deicer creates significant environmental problems, including vegetation damage, contamination of waterways and wells, auto corrosion, scaling of concrete surfaces, and corrosion of steel reinforcing bars on bridge decks.

Table 1 shows the distribution of all forms of domestically produced salt, by end use, in 1984.

Table 1.—Rock salt: Distribution of domestically produced salt in the United States, by end uses, 1984

(In thousands of tons)

End use	Evaporated		Rock	Brine	Total
	Vacuum pans and open pans	Solar			
Highway use	—	482	7,121	—	7,603
Chemical manufacturing	596	633	2,370	18,197	21,796
Manufacturing industries	195	443	502	459	1,599
Food processing and related industries 1/	1,849	444	1,310	—	3,603
Other	970	518	2,259	1,029	4,776
Total	3,610	2,520	13,562	19,685	39,377

1/ Rock salt used in this category is essentially made into brine solutions and used by meatpackers for refrigeration purposes, tanners, casing manufacturers, and in the canning industries. Rock salt is sold in grocery stores for use in home ice cream makers and for personal property deicing.

Source: Compiled from data of the U.S. Department of the Interior, U.S. Bureau of Mines, "Salt", Minerals Yearbook, 1984.

1/ Grade 1 particle size has been found to be most effective for ice control and skid resistance under most conditions.
2/ Grade 2 is typical of salt available in the Rocky Mountain region and in the West. It reflects regional customer preferences.

Substitutes.---Many substitutes for deicing salt have been suggested, but most are too expensive and/or unavailable in the large quantities needed. Urea is used as a deicer on airport runways. Abrasives and calcium chloride may also be used for deicing. Calcium chloride is more expensive and corrosive than sodium chloride, but it is more effective for deicing at lower temperatures and is frequently mixed with rock salt in colder climates. Soda ash (sodium carbonate) may be substituted for sodium chloride used in the manufacture of caustic soda (sodium hydroxide) but only at higher costs. Potassium chloride is sometimes substituted for sodium chloride used as food flavoring, especially for patients with hypertension or those requiring low-sodium diets.

Manufacturing process

Rock salt is generally recovered through shaft mining. Underground salt deposits are mined similar to coal. A shaft is sunk into the salt vein, then undercutting, drilling, and blasting are used to free the deposits, which are loaded and transported for further processing. This is called the "room and pillar" method, because as rock salt is removed, empty spaces (rooms) are created in which pillars of undisturbed salt are left for support. At least two access shafts are constructed to provide adequate safety and ventilation. Processing involves crushing, screening, bagging, and loading. Crushing and screening may be done in the mine or at the surface.

U.S. tariff treatment

Rock salt is classified in items 420.94 and 420.96 of the TSUS. The current column 1 most-favored-nation (MFN) rates of duty, 1/ future column 1 concession rates granted under the Tokyo round of the Multilateral Trade Negotiations (MTN), 2/ least developed developing countries (LDDC's) duty rates, 3/ and column 2 specified Communist countries duty rates, 4/ are given in the following tabulation:

1/ The rates of duty in col. 1 are MFN rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. The People's Republic of China, Hungary, Romania, and Yugoslavia are the only Communist countries eligible for MFN treatment. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel or of LDDC's, as provided under the special rates of duty column.

2/ Final concession rates granted under the Tokyo round of the MTN are the result of staged duty reductions of col. 1 rates that began Jan. 1, 1980. The reductions will occur annually, with the final rates becoming effective Jan. 1, 1987.

3/ LDDC rates are preferential rates (reflecting the full U.S. MTN concession rate for a particular item without staging) applicable to products of those LDDC's designated in general headnote 3(e)(vi) of the TSUS.

4/ The rate of duty in col. 2 applies to imported products from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

TSUS item No.	Description	Rate of duty				
		Col. 1			LDDC's	Col. 2
		Jan. 1, 1985	Jan. 1, 1986	Jan. 1, 1987		
420.94 1/	Sodium chloride, in bulk.	0.8% ad val.	0.4% ad val.	Free	Free	26% ad val.
420.96	Sodium chloride, other.	Free				11¢ per 100 lb.

1/ Products from eligible countries receive preferential tariff treatment under the GSP and the CBERA. Products of Israel also enter duty free.

Imports from beneficiary countries entering under item 420.94 are eligible for duty-free entry under the GSP and the CBERA. Products of Israel enter free of duty under the U.S.-Israel Free Trade Agreement.

Nature and Extent of Sales at LTFV

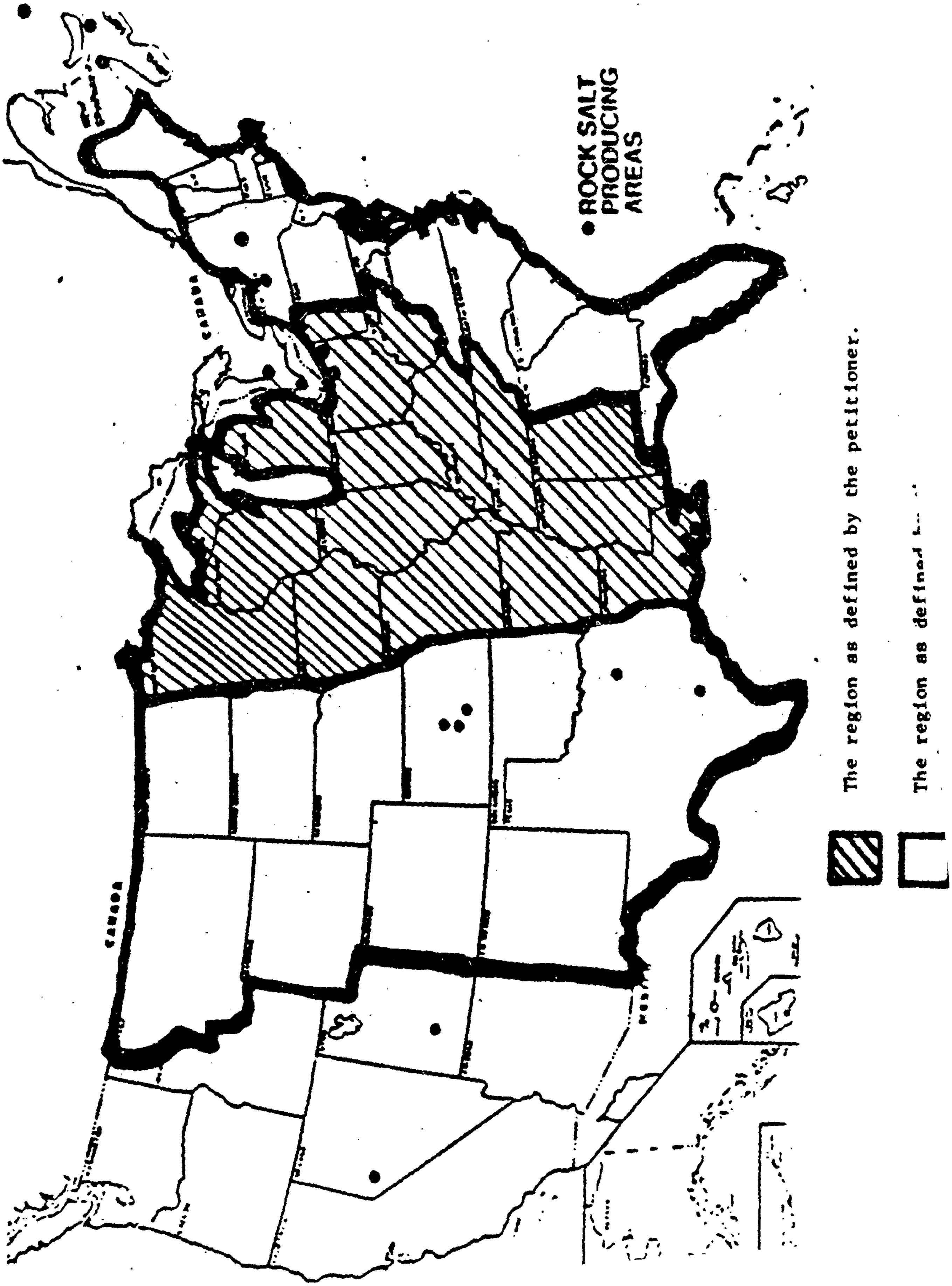
On December 4, 1985, the Department of Commerce published in the Federal Register its final affirmative determination of sales at LTFV on rock salt from Canada. Commerce found that two Canadian companies, Domtar, Inc., and Morton Thiokol, Inc., accounted for at least 60 percent of the imports of rock salt into the United States during the review period, April 1, 1984, to January 31, 1985. Commerce found no export sales of rock salt by the Potash Company of America during the period under investigation, but found weighted-average margins of 8.15 percent for Domtar, 4.39 percent for Morton Thiokol, and a weighted-average margin of 6.35 percent for all other Canadian manufacturers/producers and exporters.

The Domestic Market

The petitioner specified the area consisting of all or part of 16 States as a region of the United States within which U.S. producers are allegedly injured by LTFV sales of rock salt imported from Canada. This region, which is shown in figure 1 and which is hereafter referred to as the "petitioner's region," consists of Alabama, Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Ohio, Tennessee, West Virginia, Wisconsin, and western Pennsylvania. The petition alleges that this region includes the States in which rock salt is produced and/or used for ice control.

The respondents believe that the region should include all States to which U.S.-produced rock salt is regularly shipped, regardless of the intended end use. They argue that the appropriate region is bounded on the north by Canada and on the west by the Continental Divide. The area proposed by the respondents is also shown in figure 1.

Figure 1.—The region as defined by the petitioner and by the respondents.



Apparent U.S. consumption

Data on apparent U.S. consumption of rock salt are presented in table 2. Apparent U.S. consumption within the petitioner's region was consistently greater than consumption in the rest of the United States. It decreased from 9.5 million tons to 7.8 million tons from 1982 to 1983, and increased to 10.4 million tons in 1984. Apparent U.S. consumption in the petitioner's region was 4.5 percent greater during January-September 1985 than that in the corresponding period of 1984.

Table 2.—Rock salt: Apparent U.S. consumption, by regions, 1982-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1982	1983	1984	Jan.-Sept.— 1984	1985
Total apparent consumption	***	***	***	***	***
Within the petitioner's region:					
Domestic shipments—					
Produced within the region	6,971	5,426	7,133	5,020	5,296
Produced outside the region	597	545	702	432	510
Subtotal	7,568	5,971	7,836	5,452	5,806
Imports	1,915	1,830	2,604	1,827	1,800
Apparent consumption within the petitioner's region	9,483	7,803	10,440	7,279	7,606
Within the respondents' region:					
Domestic shipments:					
Produced within the region	12,552	9,659	12,471	8,533	8,582
Produced outside the region	0	0	0	0	0
Subtotal	12,552	9,659	12,471	8,533	8,582
Imports	2,580	2,715	3,923	2,692	2,186
Apparent consumption within the respondents' region	15,132	12,374	16,394	11,225	10,768

Source: Shipments, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports, compiled from official statistics of the U.S. Department of Commerce.

Consumption within the respondents' region during 1982-84 followed a similar pattern, decreasing from 15.1 million tons in 1982 to 12.4 million tons in 1983, and increasing to 16.4 million tons in 1984. However, within the respondents' region, apparent consumption fell 4.1 percent from January-September 1984 to January-September 1985.

Channels of distribution

Rock salt is sold directly by the producers or importers to highway maintenance departments and other users of bulk rock salt. Intermediaries, such as packagers or wholesalers, play a role only in a small portion of total rock salt sales, mostly serving smaller purchasers. For a further discussion of the distribution system, refer to the transportation section of this report.

U.S. Producers

The locations of rock salt mines in North America are shown in figure 1, and the names and production locations of the U.S. firms that produce rock salt are given in table 3. The four largest U.S. rock salt producers are International Salt Co. (ISCO), Domtar Industries, Inc., Morton Thiokol, Inc., and Cargill, Inc. They accounted for more than 90 percent of aggregate U.S. production of rock salt in 1984.

ISCO, the petitioner, is the largest U.S. producer of rock salt. The company has rock salt mines in New York, Louisiana, and Ohio. ISCO's Detroit, MI, mine closed permanently in 1983. 1/ Most ISCO rock salt is shipped in bulk for use as highway deicer or as raw material for chlor-alkali production. ISCO's Retsof, NY, mine is believed to be the largest rock salt mine in the Western Hemisphere.

Domtar produces rock salt in both the United States and Canada and sells both domestic and imported rock salt in the United States. Domtar's accounting functions for its U.S. operations are performed in Toronto; legal, financial, and other services are performed at the company's headquarters in Montreal. Domtar's U.S. rock salt mine is in Louisiana.

Morton Thiokol also produces and markets rock salt both in the United States and in Canada. Morton's U.S. rock salt mines are in Louisiana, Ohio, and Texas. In addition to highway deicing sales, Morton Thiokol supplies rock salt for residential water softening and municipal water conditioning.

Cargill, Inc., now operates only one rock salt mine, at Lansing, NY. Cargill's Belle Island, LA, plant was closed on February 1, 1984, for safety reasons. Cargill sometimes sells solar salt as a substitute for rock salt along the east coast. Rock salt from Cargill's New York mine does not meet industrial grade specifications and therefore must be sold as deicing salt.

American Salt Co., in Kansas, has an annual rock salt capacity of approximately * * * per year, * * *. The firm's rock salt sales are approximately * * * per year. American Salt Co.'s rock salt market is limited due to lack of direct access to waterway transportation. Independent Salt Co. and Carey Salt Co. are also small Kansas producers. United Salt Corp. produces and ships rock salt in Texas. Redmond Clay & Salt Co., located in Utah, and Huck Salt, the smallest U.S. rock salt producer, located in Nevada 2/ did not provide complete data in response to the Commission's questionnaire.

1/ For a discussion of the Detroit mine closing, see Transcript of Hearing pp. 21-30, 52-53, 58-59, 68-69, 73-82, 88, 98-100, 111-114, 122-123, 127-129, 137, and 158-159.

2/ Huck produces * * * per year.

Table 3.--Names and locations of U.S. producers of rock salt

Firm	Share of 1984 rock salt production 1/	Mine/plant locations	Type of salt produced	Parent	Canadian affiliation
	Percent				
American Salt Co.	***	Lyons, KS	Evaporated	None	None
			Rock		
		Grantsville, UT	Solar		
Carey Salt Division of Processed Minerals, Inc.	***	Hutchinson, KS	Evaporated	Canadian Pacific, Ltd. (Canada)	Parent
			Rock		
Cargill, Inc.	***	Hutchinson, KS	Evaporated	None	None
		Breaux Ridge, LA	Brine		
		Belle Is., LA 2/	Rock		
		Lansing, NY	Rock		
		Watkins Glen, NY	Evaporated		
			Brine		
		Amboy, CA	Solar		
		Napa, CA	Solar		
		Newark, CA	Evaporated		
			Solar		
			Brine		
		Redwood City, CA	Solar		
Domtar Industries, Inc.	***	Cote Blanche, LA	Rock	Domtar, Inc.	Parent and sister companies
		Tooele, UT	Solar		
Huck Salt	3/ ***	Fallon, NV	Rock	None	None

See footnotes at end of table.

Table 3.--Names and locations of U.S. producers of rock salt--Continued

Firm	Share of 1984 rock salt production 1/	Mine/plant locations	Type of salt produced	Parent	Canadian affiliation
	Percent				
Independent Salt Co.	***	Kanopolis, KS	Rock	None	None
International Salt Co.	***	Avery Island, LA	Evaporated	Akzona, Inc.	Iroquois
			Rock	(Netherlands)	Salt
		Detroit, MI 4/	Rock		Products,
		Retsof, NY	Rock		Ltd.
		Watkins Glen, NY	Evaporated		
		Cleveland, OH	Rock		
Morton Thiokol, Inc.	***	Hutchinson, KS	Evaporated	None	The
		Weeks Island, LA	Evaporated		Canadian
			Rock		Salt Co.,
		Manistee, MI	Evaporated		Ltd.
		Marysville, MI	Evaporated		
		Silver Springs, NY	Evaporated		
		Fairport, OH	Rock		
		Rittman, OH	Evaporated		
		Grand Saline, TX	Evaporated		
			Rock		
		Salt Lake City, UT	Solar		
Redmond Clay & Salt Co.	3/ ***	Redmond, UT	Brine	None	None
			Rock		
United Salt Corp.	***	Carlsbad, NM	Solar	None	None
		Houston, TX	Evaporated		
		Hockley, TX	Rock		

1/ Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.
2/ Closed in 1984.
3/ * * *.
4/ Closed in 1983.

U.S. Importers

The major importers of Canadian rock salt in the region defined by the petitioner are Morton and Domtar. There are a few other firms that import rock salt into other parts of the United States from Canada, as well as from other countries.

Table 4 shows imports of rock salt from Canada by U.S. producers. Morton's imports * * *. Domtar's imports * * *. Because of a 97-day strike at Domtar's Goderich, Ontario, mine, Domtar's imports * * *. ISCO's imports from Canada are small compared with its U.S. production, amounting to less than * * * percent of the firm's U.S production. No other U.S. producers import rock salt from Canada.

Table 4.--Rock salt: Imports from Canada by U.S. producers, by firms, 1982-84, January-September 1984, and January-September 1985

*   *   *   *   *   *   *

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

The Canadian Industry

Canada produced 7.2 million tons of salt in 1982, or about 5 percent of the total world salt output. 1/ Rock salt accounted for 65 percent of all Canadian salt production in 1982 and 61 percent in 1981. Nova Scotia, Quebec, and Ontario produce most of the rock salt mined in Canada (see figure 1 on page A-6).

The largest market for salt in Canada is that for snow and ice control. This Canadian market sector accounted for 48 percent of all Canadian rock salt produced in 1982. The next largest Canadian salt market is the chemical industry for chlor-alkali salt production. Export sales of highway rock salt to the U.S. eastern seaboard were begun in 1982 by Seleine Mines, Inc. and in 1984 by the Potash Company of America (PCA).

There are four major Canadian rock salt producers. Their names, locations, dates of initial production, parent companies, and 1984 production are given in table 5. It can be seen by the initial production dates that rock salt mining is a relatively young industry in Canada.

1/ Canadian statistics quoted or calculated are taken from G.S. Barry, Salt Statistics Canada; Mineral Policy Sector, Energy Mines and Resources, Canada, May 1984.

Table 5.—Rock salt: Canadian producers, location, initial production, parent company, and 1984 production

Company	Location	Initial production year	Parent	1984 production
				(1,000 tons)
The Canadian Salt Co., Ltd.	Pugwash Ojibway	1959 1955	Morton Thiokol, Inc., United States	***
Potash Co. of America.	Sussex	1984	Potash Co. of America, United States	***
Domtar, Inc	Goderich	1959	None	***
Seleine Mines, Inc	Magdalen Islands	1982	Societe quebecoise d'exploration Miniere (SOQUEM)	***

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

The Canadian Salt Co., Ltd., mines about 20 percent of all Canadian rock salt produced annually at its Pugwash, Nova Scotia, mine. The parent firm of this Canadian producer is Morton Thiokol, Inc., in the United States.

In Quebec, Seleine Mines, Inc. (SOQUEM), produced * * * tons of rock salt at its Magdalen Islands mine in the Gulf of St. Lawrence in 1984. SOQUEM has a long-term contract with the Government of Quebec to supply road salt and a contract to supply rock salt to Diamond Crystal Salt Co. of New York. SOQUEM is reportedly financially troubled and seeking a partner or outright purchaser. 1/

Ontario shares the northern portion of the Silurian Basin salt deposits. Domtar, Inc., mines this deposit at Goderich and Morton at Ojibway. The Goderich mine's production * * * (see table 6).

In New Brunswick, a Canadian subsidiary of Potash Co. of America (Carlsbad, NM) extracts rock salt at a rate of * * * tons per year in a new facility started in 1984. It plans to sell most of the output to * * * for use in the Eastern United States.

1/ See Appendix 1 of respondents' Prehearing Brief.

Table 6 shows production, capacity, and capacity utilization data for the four major Canadian rock salt producers. Approximately * * * percent of the Canadian Salt Co.'s (Morton) production in Canada is for export to the United States; for Domtar the ratio is * * * percent.

Table 6.--Rock salt: Canada's production, capacity, and capacity utilization, by firms, 1982-84, January-September 1984, and January-September 1985

* * * * * * *

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

The Question of Material Injury

U.S. production, capacity, and capacity utilization

Table 7 shows U.S. production of rock salt, by regions and by firms. About * * * percent of ISCO's total U.S. production was within the petitioner's region in 1984. ISCO accounted for * * * percent of aggregate production in that region in 1982, * * * percent in 1983, and * * * percent in 1984. ISCO's production in January-September 1985 was * * * percent from production in the corresponding period of 1984 due to a strike at its Cleveland mine. Domtar does not produce outside the petitioner's region, and Morton's production outside the petitioner's region is approximately * * * percent of its production within the region. Morton and Domtar together accounted for * * * percent of total U.S. production within the petitioner's region in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent during January-September 1984, and * * * percent during January-September 1985.

ISCO accounted for * * * percent of production in the respondents' region in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent during January-September 1984, and * * * percent during January-September 1985. Morton and Domtar together accounted for * * * percent of total U.S. production within the respondents' region in 1982, * * * percent in 1983, * * * percent in 1984, * * * percent during January-September 1984, and * * * percent during January-September 1985. There are only two U.S. companies producing rock salt outside the respondents' region, Redmond Clay & Salt Co. and Huck Salt. Production at these two firms accounted for * * * percent of total U.S. rock salt production in 1984.

Domtar's production was * * * from 1982 to 1983, before * * * percent in 1984. Morton's overall production * * * percent from 1982 to 1983, and * * * percent in 1984. Morton and Domtar's production for January-September 1985 was * * * percent over production in the corresponding period of 1984. ISCO's production in the respondents' region * * * percent from 1982 to 1983 but then * * * percent in 1984. ISCO's production within the petitioner's region followed the same pattern.

Table 7—Rock salt: U.S. production, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1982	1983	1984	Jan.-Sept— 1984	Jan.-Sept— 1985
Total U.S. production	***	***	***	***	***
Within the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	7,936	5,802	8,517	6,224	6,497
Within the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	12,991	9,320	13,574	10,000	10,123

1/ Cargill.
2/ American, Carey, Cargill, Independent, and United.

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

Table 8 shows the productive capacity of rock salt mines, by regions. Morton's and Domtar's capacity within the petitioner's region * * * percent, respectively, from 1982 to 1984. * * *, ISCO's capacity * * * percent from 1982 to 1984. ISCO closed its Detroit mine in 1983, citing, in part, competition from LTFV imports from Canada. The respondents argue that it was closed because it was an inefficient mine that could not compete with the more efficient mines of its competitors. ISCO * * *.

Table 8—Rock salt: U.S. production capacity, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1982	1983	1984	Jan.-Sept.— 1984	Jan.-Sept.— 1985
Total U.S. production capacity	***	***	***	***	***
Within the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	10,587	9,649	10,177	7,609	7,863
Within the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	17,914	17,002	17,543	13,135	13,393

1/ Cargill.
2/ American, Carey, Cargill, Independent, and United.

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

Table 9 shows the utilization of U.S. productive capacity to produce rock salt. Morton's utilization of its capacity within the petitioner's region * * *. Domtar's capacity utilization * * *. ISCO's capacity utilization in both regions * * *. The only other U.S. producer within the petitioner's region, Cargill, closed its Louisiana mine in 1984.

Table 9--Rock salt: Utilization of U.S. productive capacity, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

(In percent)

Item	1982	1983	1984	Jan.-Sept-- 1984	Jan.-Sept-- 1985
Total U.S. capacity utilization	***	***	***	***	***
Within the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	75	60	84	82	83
Within the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	73	55	77	76	76

1/ Cargill.
2/ American, Carey, Cargill, Independent, and United.

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

U.S. producers' shipments

Table 10 shows domestic shipments of U.S.-produced rock salt on the basis of the region defined by the petitioner. During the period under investigation, Morton shipped from * * * to * * * percent of its regional production to areas outside the petitioner's region; ISCO shipped * * * percent of its regional production from within to outside the region; and Domtar's shipments outside the region * * *. ISCO shipped * * * percent of its domestic shipments of rock salt produced outside the petitioner's region to destinations inside the region. Morton shipped between * * * and * * * percent of its domestic shipments of rock salt produced outside the petitioner's region to destinations within the region. Domtar does not produce rock salt outside the region.

Table 10.—Rock salt: Domestic shipments of rock salt produced within and outside the petitioner's region, by destinations and by firms, 1982-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1982	1983	1984	Jan.-Sept.— 1984	Jan.-Sept.— 1985
Produced within the petitioner's region and shipped to destinations—					
Within the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	6,971	5,426	7,133	5,020	5,296
Outside the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	***	***	***	***	***
Produced outside the petitioner's region and shipped to destinations—					
Within the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	597	545	702	432	510
Outside the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	4,418	3,209	4,030	2,626	2,534

1/ Cargill.
2/ American, Carey, Cargill, Independent, Redmond, and United.

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

Table 11 shows domestic shipments of U.S.-produced rock salt on the basis of the region defined by the respondents. Cross regional shipments in the respondents' region were virtually nil during the period under investigation.

Table 12 summarizes domestic producers' shipments of rock salt on the basis of the petitioner's region. Less than 10 percent of total domestic shipments into the petitioner's region were shipped from outside the region. Between 9 and 15 percent of the domestic shipments to destinations outside the region were shipped from inside the petitioner's region.

Table 13 shows data comparable to those in table 12 on the basis of the respondents' definition of the relevant region. Virtually all domestic shipments of rock salt produced within the respondents' region were shipped to destinations within the region.

Exports of rock salt represented * * * percent of Morton's production and * * * percent of ISCO's production within the petitioner's region. Exports from outside the petitioner's region were negligible. Almost all export shipments were to Canada. Export shipments of U.S.-produced rock salt are shown in table 14.

Table 11.—Rock salt: Domestic shipments of rock salt produced within and outside the respondents' region, by destinations and by firms, 1982-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1982	1983	1984	Jan.-Sept.— 1984	Jan.-Sept.— 1985
Produced within the respondents' region and shipped to destinations—					
Within the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	12,552	9,659	12,471	8,533	8,582
Outside the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	***	***	***	***	***
Produced outside the respondents' region and shipped to destinations—					
Within the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	***	***	***	***	***
Outside the region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	***	***	***	***	***

1/ American, Carey, Cargill, Independent, and United.

2/ Redmond and Huck are the only producers outside the respondents' region, and they did not complete the shipment portion of the Commission's questionnaire. They accounted for * * * of total 1984 U.S. production of rock salt.

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

Table 12.—Rock salt: Domestic shipments according to the petitioner's region, by destinations and by sources, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	Jan.-Sept— 1984	Jan.-Sept— 1985
	Quantity (1,000 tons)				
Shipments inside the petitioner's region:					
Produced inside the region	6,971	5,426	7,133	5,020	5,296
Produced outside the region	597	545	702	432	510
Total shipped inside the region	7,568	5,971	7,836	5,452	5,806
Shipments outside the petitioner's region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	4,418	3,209	4,030	2,626	2,534
Total shipped outside the region	***	***	***	***	***
Total shipped in entire United States	***	***	***	***	***
	Percent of total				
Shipments inside the petitioner's region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	***	***	***	***	***
Total shipped inside the region	***	***	***	***	***
Shipments outside the petitioner's region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	***	***	***	***	***
Total shipped outside the region	***	***	***	***	***
Total shipped in entire United States	100	100	100	100	100

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.

Table 13.—Rock salt: Domestic shipments according to the respondents' region, by destinations and by sources, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	Jan.-Sept.— 1984	Jan.-Sept.— 1985
	Quantity (1,000 tons)				
Shipments inside the respondents' region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	***	***	***	***	***
Total shipped inside the region	12,552	9,659	12,471	8,533	8,582
Shipments outside the respondents' region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	***	***	***	***	***
Total shipped outside the region	***	***	***	***	***
Total shipped in entire United States	***	***	***	***	***
	Percent of total				
Shipments inside the respondents' region:					
Produced inside the region	***	***	***	***	***
Produced outside the region	***	***	***	***	***
Total shipped inside the region	***	***	***	***	***
Shipments outside the respondents' region:					
Produced inside the region	1/	1/	1/	1/	1/
Produced outside the region	***	***	***	***	***
Total shipped outside the region	1/	1/	1/	1/	1/
Total shipped in entire United States	100	100	100	100	100

1/ * * *.

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

Note.—* * *.

Table 14.—Rock salt: Exports of U.S. produced merchandise, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

* * * * * * *

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

U.S. producers' inventories

Table 15 shows inventories of U.S.-produced rock salt that are stored within the regions defined by the petitioner and the respondents. The inventories held by Domtar and ISCO within the petitioner's region * * *. Morton's inventory levels within both regions * * *. ISCO's inventory levels within the respondents' region * * *.

Table 15.—Rock salt: End-of-period inventories of U.S.-produced rock salt, by locations of the inventories and by firms, 1981-84, January-September 1984, and January-September 1985

(In thousands of tons)

Item	1981	1982	1983	1984	Jan.-Sept.— 1984	Jan.-Sept.— 1985
Total inventories	***	***	***	***	***	***
Held within the petitioner's region:						
Morton	***	***	***	***	***	***
Domtar	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
ISCO	***	***	***	***	***	***
All other producers 1/	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Total	2,645	2,251	1,859	1,983	2,162	2,396
Held within the respondents' region:						
Morton	***	***	***	***	***	***
Domtar	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
ISCO	***	***	***	***	***	***
All other producers 2/	***	***	***	***	***	***
Subtotal	***	***	***	***	***	***
Total	3,940	3,478	2,791	3,166	3,759	4,083

1/ Cargill.
2/ American, Carey, Cargill, Independent, and United.

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

Employment

Table 16 shows the number of production and related workers producing rock salt in U.S. establishments by regions. Morton's and ISCO's employment in both regions * * *. Domtar's employment * * *. Morton's overall employment * * *.

Table 16.--Rock salt: Average number of production and related workers in U.S. establishments producing rock salt, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	Jan.-Sept.-- 1984	Jan.-Sept.-- 1985
Total number employed	***	***	***	***	***
Within the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	1,150	904	932	916	1,005
Within the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 2/	***	***	***	***	***
Subtotal	***	***	***	***	***
Total	1,770	1,504	1,567	1,550	1,622

1/ Cargill.
2/ American, Carey, Cargill, Independent, and United.

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

Table 17 shows average labor productivity of U.S. producers, calculated by dividing domestic production of rock salt by the number of hours worked by production and related workers producing rock salt in U.S. establishments. Morton's and Domtar's productivity in both regions * * *. ISCO's productivity within the petitioner's region * * *. ISCO's productivity within the respondents' region * * *.

Table 17.—Rock salt: Labor productivity of U.S. producers, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

(In tons per hour)

Item	1982	1983	1984	Jan.-Sept— 1984	Jan.-Sept— 1985
U.S. average	3.23	2.94	3.77	3.76	4.04
Within the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Average	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 1/	***	***	***	***	***
Average	***	***	***	***	***
Average, entire petitioner's region	3.00	2.97	3.91	3.85	4.28
Within the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Average	***	***	***	***	***
ISCO	***	***	***	***	***
All other producers 2/	***	***	***	***	***
Average	***	***	***	***	***
Average, entire respondents' region	3.23	2.94	3.77	3.74	4.01

1/ Cargill.

2/ American, Carey, Cargill, Independent, and United.

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

Financial experience of U.S. producers

Seven U.S. producers, accounting for about 95 percent of U.S. production of rock salt in 1984, furnished usable income-and-loss data concerning both their establishment operations and their operations producing rock salt. 1/

Overall establishment operations.—Net sales of all products produced in U.S. establishments within which rock salt is produced dropped from * * * million to * * * million, or by * * * percent, between 1982 and 1983 (table 18). In 1984, net sales rose * * * percent to * * * million. Net sales were $98.7 million during the interim period ending September 30, 1985, up 8 percent from the $91.2 million in net sales achieved during the corresponding period of 1984. Sales of rock salt accounted for between 90 and 92 percent of total establishment net sales in each year during 1982-84. In the aggregate, these seven producers reported operating incomes in each of the reporting periods. During 1982-84, operating income ranged from a low of * * * million, or * * * percent of net sales, in 1983 to * * * million, or * * * percent of net sales, and * * * million, or * * * percent of net sales, in 1982 and 1984, respectively. Operating income was $11.5 million, or 11.6 percent of net sales, during the interim period ended September 30, 1985, compared with an operating income of $3.8 million, or 4.1 percent of net sales, during the corresponding period of 1984. Because of reduced sales and nonrecurring expenses, the seven producers' aggregate establishment operations sustained a net loss of * * * million, or * * * percent of net sales, in 1983, compared with net incomes equal to * * * percent and * * * percent of net sales in 1982 and 1984, respectively. Net income rose to 10.5 percent of net sales during interim 1985, compared with a net income equal to 1.5 percent of net sales during the corresponding period of 1984. * * * sustained operating and net losses in 1982 and 1984; * * * sustained such losses in 1983 and interim 1984; and * * * sustained operating and net losses in interim 1985.

Rock salt operations within the petitioner's region.—The income-and-loss experience of four U.S. producers on their operations mining and marketing rock salt within the petitioner's region are shown in table 19. Rock salt sales fell from * * * million to * * * million, or by * * * percent, from 1982 to 1983. In 1984, such sales rose * * * percent to * * * million. Net sales continued to climb during interim 1985, rising * * * percent to * * * million, compared with net sales of * * * million during the corresponding period of 1984. The quantity of net sales, in short tons, declined * * * percent in 1983, rose * * * percent in 1984, and then rose another * * * percent during interim 1985, compared with sales in the corresponding period of 1984. The average per ton selling price for rock salt followed a somewhat different trend than that for net sales during 1982-84, dropping annually from * * * to * * * per ton during this period. The average per ton selling price rose to * * * during the 1985 interim period, compared with an average per ton selling price of * * * during the corresponding period of 1984.

1/ * * *.

Table 18.—Income-and-loss experience of 7 U.S. producers 1/ on the overall operations of their establishments within which rock salt is produced, accounting years 1982-84, and interim periods ended September 30, 1984, and September 30, 1985 2/

Item	1982	1983	1984	Interim period ended Sept. 30— 1984	Interim period ended Sept. 30— 1985
Net sales———1,000 dollars—	***	***	***	91,192	98,687
Cost of goods sold———do———	***	***	***	69,268	67,678
Gross income———do———	***	***	***	21,924	31,009
General, selling, and administrative expenses——1,000 dollars—	***	***	***	18,141	19,527
Operating income———do———	***	***	***	3,783	11,482
Other income or (expense), net———do———	***	***	***	(2,404)	(1,133)
Net income or (loss) before income taxes———do———	***	***	***	1,379	10,349
Depreciation and amortization———do———	***	***	***	8,630	8,034
Cash flow from operations——do———	***	***	***	10,009	18,383
Ratio to net sales:					
Gross income———percent—	***	***	***	24.0	31.4
Operating income———do———	***	***	***	4.1	11.6
Net income or (loss) before income taxes———percent—	***	***	***	1.5	10.5
Cost of goods sold———do———	***	***	***	76.0	68.6
General, selling, and administrative expenses——percent—	***	***	***	19.9	19.8
Number of firms reporting:					
Operating losses———	***	***	***	3	2
Net losses———	***	***	***	3	2

1/ * * *.
2/ Interim data are for 6 producers.

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

Table 19.--Income-and-loss experience of 4 U.S. producers 1/ on their operations producing rock salt within the petitioner's region, accounting years 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985 2/

* * * * * * *

1/ * * *.
2/ Interim data are for 3 producers.

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

The four producers sustained operating losses of * * *, or * * * percent of net sales, and * * * million, or * * * percent of net sales, in 1982 and 1983, respectively. In 1984, these producers earned an operating income of * * * million, or * * * percent of net sales. Operating income rose to * * * million, or * * * percent of net sales, during interim 1985, compared with an operating loss of * * * million, or * * * percent of net sales, during the corresponding period of 1984. The four producers sustained net losses in each year during 1982-84, ranging from * * * million, or * * * percent of net sales, in 1982 to * * * million, or * * * percent of net sales, in 1983. The producers earned a net income of * * * million, or * * * percent of net sales, during interim 1985, compared with a net loss of * * * million, or * * * percent of net sales, during the corresponding period of 1984. Operating losses were reported by * * * responding producers in 1982 and 1984, and by * * * responding producers in interim 1984. * * * producers sustained such losses in 1983. Net losses were sustained by * * * producers in 1982 and 1983, and by * * * in 1984 and interim 1984. In the aggregate, the producers reported positive cash flows of * * * million, * * * million, and * * * million in 1982, 1984, and interim 1985, respectively. They reported negative cash flows of * * * million and * * * in 1983 and interim 1984, respectively.

ISCO sold its * * * Detroit mine in 1985. The income-and-loss experience of U.S. producers' operations within the petitioner's region, excluding ISCO's Detroit mine, are shown in the following tabulation.

* * * * * * *

Rock salt operations within the respondents' region.--Net sales of rock salt in the respondents' region followed the same trend as overall establishment net sales during the reporting period, falling from $232 million to $186 million, or by 20 percent, between 1982 and 1983, and then rising 14 percent to $211 million in 1984 (table 20). Net sales were $86.2 million during interim 1985, up 12 percent from the $77.1 million in net sales reported during the corresponding period of 1984. The quantity of net sales of rock salt, in short tons, slipped from 12.9 million tons to 10.9 million tons, or

Table 20. Income-and-loss experience of 7 U.S. producers 1/ on their operations producing rock salt within the respondents' region, accounting years 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985 2/

Item	1982	1983	1984	Interim period ended Sept. 30-- 1984	Interim period ended Sept. 30-- 1985
Net sales:					
Quantity------1,000 short tons---	12,939	10,850	11,859	5,763	5,813
Value----------1,000 dollars---	232,022	185,571	211,484	77,060	86,235
Cost of goods sold---------do----	181,685	156,255	163,163	58,910	58,697
Gross income----------------do----	50,337	29,316	48,321	18,150	27,538
General, selling, and administrative expenses-----1,000 dollars---	30,180	28,556	30,811	15,882	17,480
Operating income------------do----	20,157	760	17,510	2,268	10,058
Other income or (expense), net----------------------do----	(1,075)	(12,580)	(7,819)	(1,658)	(1,085)
Net income or (loss) before income taxes-----1,000 dollars---	19,082	(11,820)	9,691	610	8,973
Depreciation and amortization---------------do----	12,971	14,255	15,044	7,531	6,898
Cash flow from operations----do----	32,053	2,435	24,735	8,141	15,871
Ratio to net sales:					
Gross income-----------percent---	21.7	15.8	22.9	23.6	31.9
Operating income-----------do----	8.7	0.4	8.3	3.0	11.7
Net income or (loss) before income taxes----------percent---	8.2	(6.4)	4.6	0.8	10.4
Cost of goods sold---------do----	78.3	84.2	77.1	76.4	68.1
General, selling, and administrative expenses---percent---	13.0	15.4	14.6	20.6	20.2
Number of firms reporting:					
Operating losses----------------	1	3	1	3	2
Net losses----------------------	1	3	1	3	2
Average selling price-----per ton---	$17.93	$17.10	$17.83	$13.37	$14.83
Average operating income-----do----	$1.56	$0.07	$1.48	$0.39	$1.73
Average net income or (loss) before income taxes----------do----	$1.47	($1.09)	$0.82	$0.11	$1.54

1/ Data include * * *.
2/ Interim data are for 6 producers.

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

by 16 percent, between 1982 and 1983. Net sales rose 9 percent to 11.9 million tons in 1984. About 5.8 million tons of rock salt were sold during each of the 1984 and 1985 interim periods. The average per ton selling price was $17.93 in 1982, $17.10 in 1983, $17.83 in 1984, and $14.83 during interim 1985, compared with $13.37 during the corresponding period of 1984.

Operating income in the respondents' region plunged from $20.2 million, or 8.7 percent of net sales, in 1982 to $760,000, or 0.4 percent of net sales, in 1983. The 1983 decline in operating income resulted from lower sales volume and lower average selling prices. In 1984, operating income rose sharply to $17.5 million, or 8.3 percent of sales. Operating income continued to climb during interim 1985, rising to $10.1 million, or 11.7 percent of net sales, compared with an operating income of $2.3 million, 3.0 percent of net sales, during the corresponding period of 1984. Operating income per ton averaged $1.56 in 1982, $0.07 in 1983, $1.48 in 1984, and $1.73 during interim 1985, compared with $0.39 during the corresponding period of 1984.

U.S. producers in the respondents' region sustained a net loss of $11.8 million, or 6.4 percent of net sales, in 1983. The 1983 net loss reflects nonrecurring expenses. The seven producers reported aggregate net incomes in the other annual periods, ranging downward from $19.1 million, or 8.2 percent of net sales, in 1982, to $9.7 million, or 4.6 percent of net sales, in 1984. Net income was $9.0 million, or 10.4 percent of net sales, during interim 1985, compared with a net income of $610,000, or 0.8 percent of net sales, during the corresponding period of 1984. Net income averaged $1.47 per ton of rock salt sold in 1982, $.82 a ton in 1984, and $1.54 a ton during interim 1985 (compared with $.11 a ton during the corresponding period of 1984). The 1983 net loss was equal to $1.09 a ton. One producer sustained operating and net losses in 1982 and 1984; three producers sustained such losses in 1983 and interim 1984; and two producers sustained operating and net losses in interim 1985. U.S. producers of rock salt reported positive cash flows in each reporting period, ranging during 1982-84 from a high of $32.1 million in 1982 to a low of $2.4 million in 1983. Cash flow was $15.9 million during interim 1985, compared with a cash flow of $8.1 million during the corresponding period of 1984.

<u>International Salt Co</u>.—The income-and-loss experience of ISCO, by mine location, is shown in table 21. ISCO's total net sales of rock salt * * * between 1982 and 1983. Net sales * * * during the corresponding period of 1984. Overall, ISCO * * * percent of net sales in 1983. The company reported operating incomes equal to * * * percent of net sales in 1982, * * * percent in 1984, and * * * percent during January-September 1985, compared with an operating income equal to * * * percent of net sales during the corresponding period of 1984. ISCO's Cleveland rock salt operation * * * in 1982 and 1983. Its Avery Island rock salt operation * * * in each year during 1982-84. ISCO's * * * Detroit operation was sold in 1985. 1/ The company's Retsof rock salt operation * * *.

1/ The income-and-loss data do not reflect * * * in closing and selling the Detroit mine.

Table 21. Income-and-loss experience of International Salt Co. on its operations producing rock salt in the United States, by mine locations, 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

* * * * * * *

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

Cargill, Inc.—This company's net sales of rock salt * * * (table 22). In 1983 and 1984, the company * * *. The average per ton selling price for rock salt shipped from Cargill's Louisiana mine ranged between * * * and * * * per ton during 1982-84. On the other hand, the average selling price for salt shipped from Cargill's New York mine ranged from * * * to * * * per ton during 1982-84.

Table 22. Income-and-loss experience of Cargill, Inc., 1/ on its operations producing rock salt in the United States, by mine locations, 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

* * * * * * *

1/ * * *.

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

Morton Salt.—This company's total net sales of rock salt * * * (table 23). The quantity of net sales * * * during 1982-84, from * * * million short tons to * * * million short tons. Morton's overall rock salt operations * * *. The overall per ton selling price ranged * * * from * * * in 1982 to * * * in 1984.

Table 23. Income-and-loss experience of Morton Salt on its operations producing rock salt in the United States, by mine locations, 1982-84

* * * * * * *

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

Morton's Fairport, Ohio, rock salt operation * * *. In 1982 and 1984, this mine * * *. The Weeks Island, Louisiana, operation * * *. The operating income margins for Morton's Grand Saline, Texas, operations were * * *. This operation packages rock salt in small containers for non-road use.

Domtar Industries.—The income-and-loss experience of Domtar on its operation producing rock salt at Cote Blanche, Louisiana, is shown in table 24. Rock salt net sales * * *. Net sales were * * * million during interim 1985, * * * percent from the * * * million in net sales reported during the corresponding period of 1984. Domtar * * *. The average per ton mine netback (the average per ton sales value, less transportation and depot costs) amounted to * * * in 1982, * * * in 1983, and * * * in 1984. The netback * * * during interim 1985, compared with * * * during the corresponding period of 1984.

Table 24. Income-and-loss experience of Domtar Industries on its operation producing rock salt at Cote Blanche, LA, 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

* * * * * * *

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

Investment in productive facilities.—Seven U.S. producers' investment in productive facilities, valued at cost, rose from $194 million as of yearend 1982 to $207 million as of yearend 1983, and then declined to $199 million as of yearend 1984 (table 25). The book value of such assets was $90.6 million as of yearend 1984. Of these firms, six reported that their investment in such facilities, valued at cost, was $139 million as of September 30, 1985, compared with $155 million as of September 30, 1984. The book value of such assets was $52.9 million as of September 30, 1985.

Capital expenditures.—U.S. producers made capital expenditures of $17.5 million in 1982 for facilities used in the production of rock salt (table 25). Capital expenditures rose to $18.0 million and $25.4 million in 1983 and 1984, respectively. Capital expenditures slipped to $8.5 million during the interim period ended September 30, 1985, compared with capital expenditures of $10.5 million during the corresponding period of 1984.

Research and development expenses.—Only two producers reported that they incurred research and development expenses during the reporting period. Research and development expenditures * * *.

Table 25. Investment in productive facilities, capital expenditures, and research and development expenses related to the production of rock salt, 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

(In thousands of dollars)

Item	1982	1983	1984	Interim period ended Sept. 30-- 1984	Interim period ended Sept. 30-- 1985
Investment in productive facilities: 1/					
Original cost	194,222	206,945	198,611	154,980	138,818
Book value	91,215	93,772	90,554	60,610	52,887
Capital expenditures: 1/					
Land and land improvements	***	***	***	***	***
Building or leasehold improvements	***	***	***	***	***
Machinery and equipment	***	***	***	***	***
Total	17,473	17,953	25,415	10,525	8,497
Research and development expenses 2/	***	***	***	***	***

1/ Data are for 7 firms for 1982-84 and for 6 firms for the 2 interim periods.

2/ Data are for 2 firms.

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

Capital and investment.--U.S. producers were asked to describe any actual or potential negative effects of rock salt from Canada on their firms' growth, investment, and ability to raise capital. Following are excerpts from their replies:

Carey Salt Division.--* * *.

Domtar Industries, Inc.--* * *.

Independent Salt Co.--* * *.

International Salt Co.--* * *.

United Salt Corp.--* * *.

Cargill, Inc.--* * *.

<u>Mine netbacks</u>.—Six U.S. rock salt producers provided data concerning the value of their mine netbacks, that is, the average per ton sales value, less transportation and depot costs, of rock salt sold for use in pavement ice control (table 26). These netbacks are not necessarily an indicator of mine profitability. For example, * * *. Generally, the value of mine netbacks slipped from 1982 to 1983, but rose in 1984. Domtar reported * * *. The netbacks for Morton's Pugwash, Nova Scotia, mine were * * *. On the other hand, Morton's Ojibway, Ontario, mine netbacks * * *.

Table 26.—Rock salt: Mine netback, the average per ton value of net sales, less transportation and depot costs, of bulk rock salt for pavement ice control, by firms, 1982-84, January-September 1984, and January-September 1985

* * * * * * *

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

The Question of the Threat of Material Injury

In its examination of the question of a 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 the 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 Canada 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 the imports sold at LTFV. Information regarding the capacity of the Canadian producers to generate exports is discussed in the section of this report that covers the Canadian industry.

Table 27 shows inventories of Canadian-produced rock salt. The two major importers, Morton and Domtar, reported inventories of Canadian-produced rock salt. These inventories * * * in 1981 to * * * million tons in 1982, and then * * * in 1983 and to * * * million tons in 1984. Other U.S. producers held no inventories of Canadian rock salt in the petitioner's region. No single (nonproducing) importer reported significant inventories of Canadian rock salt.

Table 27.--Rock salt: End-of-period inventories of rock salt imported from Canada, by firms, 1981-84, January-September 1984, and January-September 1985

* * * * * * *

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

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

U.S. imports

Data on aggregate U.S. imports of rock salt from all sources are presented in table 28. The official statistics do not distinguish rock salt from all other salts. However, the composition of imports is generally known among industry and Government experts. Advice from staff of the U.S. Bureau of Mines was used to calculate the share of rock salt in the imports of all salt.

Table 29 shows imports of rock salt from all sources, by regions, on the basis of Commerce Department data on imports by customs districts. Canada was the major source of imports into the petitioner's region; all other countries supplied almost exclusively the areas outside the region. About two thirds of all imported rock salt (73 percent in 1982, 67 percent in 1983, and 67 percent in 1984) entered the petitioner's region. Virtually all imported rock salt entered the respondents' region.

Table 30 shows the percentage distribution of rock salt imported from Canada to the United States by regions and by customs districts. Over 80 percent of Canadian rock salt is entered at customs districts located within the petitioner's region. About 6 percent enters the State of New York and 6 to 12 percent enters New England. Questionnaire data show that approximately * * * percent of imports from Canada into the petitioner's region are by the two major importers, Morton and Domtar.

Table 31 shows shipments of rock salt imported from Canada by regions and by firms, as reported in response to the Commission's questionnaires.

Table 28.--Rock salt: U.S. imports, by selected sources, 1982-84, January-September 1984, and January-September 1985

Country	1982	1983	1984	January-September--	
				1984	1985
	Quantity (1,000 tons)				
Canada 1/	2,047	2,209	3,115	2,136	1,870
Chile 2/	383	341	479	300	171
Spain 3/	63	65	104	92	95
Brazil 4/	110	100	228	164	52
All other 5/	5/	5/	5/	5/	5/
Total	2,603	2,715	3,926	2,692	2,188
	Value (1,000 dollars)				
Canada 1/	19,802	20,550	26,135	17,697	14,456
Chile 2/	3,350	2,772	4,089	2,625	1,730
Spain 3/	582	496	376	287	741
Brazil 4/	965	935	1,925	1,251	422
All other 5/	5/	5/	5/	5/	5/
Total	24,699	24,753	32,525	21,860	17,349

1/ Rock salt accounts for 95 percent of all salt imported from Canada.
2/ Rock salt accounts for all salt imported from Chile.
3/ Rock salt accounts for 25 percent of all salt imported from Spain.
4/ Rock salt accounts for 75 percent of all salt imported from Brazil.
5/ Rock salt accounts for less than 1 percent of all salt imported from these sources.

Source: Compiled from official import statistics of the U.S. Department of Commerce and information received from the U.S. Department of the Interior, Bureau of Mines.

Table 29.--Rock salt: U.S. imports, by selected sources and by regions, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	January-September-- 1984	January-September-- 1985
	Quantity (1,000 short tons)				
Imports into the petitioner's region 1/ from--					
Canada	1,807	1,756	2,603	1,826	1,795
Chile	108	74	0	0	0
Spain	3/	3/	1	1	0
Brazil	0	0	0	0	0
Total	1,915	1,830	2,604	1,827	1,800
Imports into the respondents' region 3/ from--					
Canada	2,047	2,209	3,115	2,136	1,870
Chile	360	341	476	300	170
Spain	63	65	104	92	95
Brazil	110	100	228	164	50
Total	2,580	2,715	3,923	2,692	2,186
	Share (percent)				
Imports into the petitioner's region 1/ from--					
Canada	88	79	84	85	96
Chile	28	22	0	0	0
Spain	4/	4/	1	1	0
Brazil	0	0	0	0	0
Average	73	67	67	68	82
Imports into the respondents' region 3/ from--					
Canada	100	98	100	100	100
Chile	94	100	99	100	99
Spain	100	100	100	100	100
Brazil	100	100	100	100	100
Average	99	100	100	100	100

1/ Customs districts: Chicago, Cleveland, Detroit, Milwaukee, Duluth, and New Orleans.

2/ Less than 500 short tons.

3/ Customs districts: Chicago, Cleveland, Detroit, Milwaukee, Duluth, New Orleans, Baltimore, Boston, Buffalo, Charleston, Dallas-Fort Worth, Great Falls, Houston, Laredo, New York City, Norfolk, Ogdensburg, Pembina, Philadelphia, Portland, Providence, St. Albans, Savannah, Tampa, Washington, D.C., and Wilmington.

4/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce, as adjusted in table 28.

Table 30. Rock salt: Shares of U.S. imports from Canada, by regions and by customs districts, 1982-84, January-September 1984, and January-September 1985

(In percent)

Item	1982	1983	1984	January-September-- 1984	January-September-- 1985
Petitioner's region:					
Chicago, IL	28	11	24	25	26
Cleveland, OH	1	5	1	1	5
Detroit, MI	38	28	35	38	36
Duluth, MN	5	6	5	6	5
Milwaukee, WI	16	30	19	15	24
New Orleans, LA	1/	0	0	0	0
Total, petitioner's region	88	79	84	85	96
Respondents' region:					
Chicago, IL	28	11	24	25	26
Cleveland, OH	1	5	1	1	5
Detroit, MI	38	28	35	38	36
Duluth, MN	5	6	5	6	5
Milwaukee, WI	16	30	19	15	24
New Orleans, LA	1/	0	0	0	0
Subtotal	88	79	84	85	96
New York:					
Buffalo	5	2	2	3	1/
New York City	0	3	2	2	1
Ogdensburg	1	1	1	1	1/
Subtotal	6	6	5	6	1
New England:					
Boston, MA	0	3	5	4	1
Portland, ME	3	5	3	1	1/
Providence, RI	1/	2	1	0	1/
St. Albans, VT	3	2	2	3	1/
Subtotal	6	12	11	8	1
Other:					
Great Falls, MT	0	1/	1/	1/	1/
Norfolk, VA	0	1/	1/	1/	0
Pembina, ND	1/	1/	1/	1/	1/
Philadelphia, PA	0	0	1/	1/	1/
Subtotal	1/	1/	1/	1/	1/
Total, respondents' region	100	98	100	100	100

1/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce, as adjusted in table 28.

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

Table 31—Rock salt: Shipments of rock salt imported from Canada, by regions and by firms, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	Jan.-Sept.-- 1984	Jan.-Sept.-- 1985
	Quantity (1,000 tons)				
Shipments inside the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other importers	***	***	***	***	***
Subtotal	***	***	***	***	***
Total shipped inside the region	2,039	1,496	2,297	1,548	1,695
Shipments inside the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other importers	***	***	***	***	***
Subtotal	***	***	***	***	***
Total shipped inside the region	2,343	1,884	2,899	1,904	1,955
Total U.S. shipments of Canadian imports	2,343	1,884	2,899	1,904	1,955
	Percent of total				
Shipments inside the petitioner's region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other importers	***	***	***	***	***
Subtotal	***	***	***	***	***
Total shipped inside the region	87	79	79	81	87
Shipments inside the respondents' region:					
Morton	***	***	***	***	***
Domtar	***	***	***	***	***
Subtotal	***	***	***	***	***
ISCO	***	***	***	***	***
All other importers	***	***	***	***	***
Subtotal	***	***	***	***	***
Total shipped inside the region	100	100	100	100	100
Total U.S. shipments of Canadian imports	100	100	100	100	100

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

Market penetration

Table 32 shows market penetration of imports from Canada by regions. Market penetration by imports from Canada into the petitioner's region increased from 19.1 percent in 1982 to 22.5 percent in 1983, and to 24.9 percent in 1984. Imports from all sources, including Canada, represented 20.2 percent, 23.4 percent, and 24.9 percent of the market in 1982, 1983, and 1984, respectively. Within the respondents' region, imports from Canada represented 13.5 percent of consumption in 1982, 17.9 percent in 1983, and 19.0 percent in 1984. In both regions, market penetration dropped during January-September 1985 from that during the corrersponding period of 1984.

Prices

Factors affecting prices.—Rock salt is characterized by a very low value-to-weight ratio and is generally considered a homogeneous product. 1/ Inland transportation costs are decisive in determining the final delivered price to a customer, and prices can differ significantly from location to location, even within a single metropolitan area such as Chicago. Accordingly, rock salt is normally sold on a delivered-price basis.

By far the largest users of rock salt are the States, counties, cities, and municipalities that purchase bulk rock salt for pavement ice-control application. Most government bodies request once a year, 2/ by sealed public bids, delivered prices for the supply of deicing salt, stating required tonnages, the supply period, and the point(s) of delivery. At a public opening the low bidder is announced and in most cases is awarded the contract. 3/ In an unusual case, past performance may affect a decision to purchase from a particular producer, such as instances in which contract specifications were not met. Bids are generally requested between April and September for the following winter. A producer or importer may submit an official "no bid" in order to maintain its status as a prospective supplier. 4/

1/ Solar salt, produced by evaporation, may substitute for rock salt in some applications, for example in chemical industry uses, but is inferior to rock salt for pavement deicing application.

2/ A second request for bids may occur if the respective agency underestimated its rock salt requirements, as in the case of unexpectedly severe winter weather.

3/ Minnesota has a Buy American provision that requires that the rock salt the State purchases be produced in the United States unless the price of imported salt is 10 percent lower than that of the U.S. product. Ohio has a "Buy Ohio" provision that gives a 5-percent price advantage for salt produced within the State vis-a-vis all other rock salt.

4/ Respondents stated that it is common practice to "bid off," i.e., enter a bid thought to be too high to be awarded the contract. The purpose of this would be to remain on the customer's bid list. Transcript of the hearing, pp. 129-133.

Table 32.--Rock salt: Apparent U.S. consumption, imports, and market penetration, by regions, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	Jan.-Sept.-- 1984	Jan.-Sept.-- 1985
Total apparent U.S. consumption: 1,000 tons	***	***	***	***	***
Imports from Canada----do----	2,047	2,209	3,115	2,136	1,870
Imports from all sources 1,000 tons	2,603	2,715	3,926	2,692	2,188
Market penetration by imports from Canada----percent	***	***	***	***	***
Market penetration by imports from all sources----percent	***	***	***	***	***
Within the petitioner's region:					
Apparent U.S. consumption 1,000 tons	9,483	7,803	10,440	7,279	7,606
Imports from Canada----do----	1,807	1,756	2,603	1,826	1,800
Imports from all sources 1,000 tons	1,915	1,830	2,604	1,827	1,800
Market penetration by imports from Canada----percent	19.1	22.5	24.9	25.1	23.7
Market penetration by imports from all sources----percent	20.2	23.4	24.9	25.1	23.7
Within the respondents' region:					
Apparent U.S. consumption 1,000 tons	15,132	12,374	16,394	11,225	10,768
Imports from Canada----do----	2,047	2,209	3,115	2,136	1,870
Imports from all sources 1,000 tons	2,580	2,715	3,923	2,692	2,186
Market penetration by imports from Canada----percent	13.5	17.9	19.0	19.0	17.4
Market penetration by imports from all sources----percent	17.0	21.9	23.9	24.0	20.3

Source: Compiled from official statistics of the U.S. Department of Commerce (imports) and from data obtained in response to questionnaires of the United States International Trade Commission.

Weather conditions are the primary determinant of the quantity of salt required in any given year and consequently play a central role in the market for rock salt. The bid contract generally specifies a minimum quantity that the purchaser must accept and a maximum quantity that the producer is required to deliver at the specified price if requested by the purchaser. Bid contracts may also be open-ended with no tonnage guarantee. A mild winter will normally lead to an inventory overhang in the following year as both purchasers and producers find themselves with significant unused quantities of rock salt; consequently, the quantity sold and prices tend to drop. Severe winter weather normally leads to additional demand for rock salt, resulting in an upward movement in prices in the following bidding season.

Intensifying its effect on prices is the weather's effect on the distribution system. Winter freezing inhibits transportion of rock salt on the Great Lakes and northern routes of the Mississippi River system from mid-December through March. Heavy demand will more directly cause upward pressure on prices because available supply is largely limited to that which has been stockpiled prior to the onset of severe winter weather. Restricted distribution channels due to winter weather give producers and importers a large incentive to stock sufficient quantities to meet demand. This practice will add to the inventory overhang in the case of a mild winter.

In addition to the inventory overhang from the previous winter, a firm must consider its own production and transportation costs and the costs of its competitors (based on market experience) when bidding to supply rock salt to a particular customer and delivery location for the following winter. All major rock salt producers, with the exception of Cargill, 1/ operate both southern and northern mines. Southern mines are located in Texas and Louisiana, whereas the northern mines are located in Ohio, New York, southwestern Ontario, and the Maritime Provinces. A producer will attempt to sell rock salt in the geographic region in which it has the most favorable distribution costs. In general, if a producer can supply salt from two facilities, it will choose the one which allows it to minimize its total distribution costs.

Because transport costs are decisive in determining the delivered cost, a bidding firm's effective competition is from other firms facing similar or lower transport costs. This is typically those competitors with mines located as close or closer to the delivery point, or those having a strategic location near water transport routes. (See transportation section).

<u>Competitive bids</u>.—The Commission requested delivered prices for annual bids for 1983, 1984, and 1985 to 34 specific delivery locations. The delivery points, which are in Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin, were chosen to be distinctly inside or near the region in which importers/producers, firms having both Canadian and U.S. mines, (i.e., Morton and/or Domtar) would bid to supply Canadian-produced rock salt rather than rock salt produced at their Louisiana mines. Prices were requested for the period in which the contracts for the following winter were awarded. For example, contracts for the winter of 1985/86 were awarded in

---

1/ Cargill closed its Belle Island, LA, mine in February 1984, but still produces at its Lansing, NY, mine. Since that time, Cargill has * * *.

1985. Because there is generally only one price per year per customer (i.e., the winning bid), and since delivered prices vary significantly within even a few miles, meaningful averages of price data for producers and importers cannot be computed.

Four U.S. producers, accounting for * * * percent of U.S. production of rock salt in 1984, provided usable price data in response to Commission questionnaires. Several other smaller U.S. producers reported that they did not bid to supply rock salt to these delivery locations. Of the U.S. producers that provided price data, three also imported rock salt from Canada. Of the three importer/producers, two, Morton and Domtar, provided price data for imports. The third importer/producer, ISCO, reported that it did not bid to supply Canadian-produced rock salt to these delivery locations. A relatively small importer operating a depot in Duluth, MN, also provided price data. Together, the small importer and the three importer/producers accounted for more than * * * percent of the quantity of rock salt imported from Canada in 1984.

Prices for 1982 were available from the preliminary investigation for 4 of the 34 delivery locations for which prices were requested in the final investigation. All four delivery points are located on the Great Lakes and, with the exception of Chicago, have been supplied by rock salt produced in the bidding firms' northern mines, both U.S. and Canadian. Only scant transportation cost data to these locations were available from the preliminary investigation.

Following the mild winter of 1982 and the resultant inventory overhang, prices for the winning bids decreased in 1983 to three of the four delivery locations for which data were available, Chicago being the exception. Price declines in 1983 to these locations were likely also influenced by decreases in boat freight rates on the Great Lakes of $0.70 to $1.20 per ton for U.S. and Canadian shipments in 1983. Contract prices in 1984 increased to most locations, partially the result of severe weather in the winter of 1983/84. The greatest price increases in 1984 were to areas normally supplied by Louisiana-produced rock salt. This geographic differential with respect to price increases can be attributed to increased barge transport rates ranging from $0.70 to $3.00 per ton, and to the closing of Cargill's Belle Island, Louisiana, mine, both of which occurred in 1984. Prices generally increased again in 1985 following the cold, snowy winter of 1984/85. By far the greatest price increases in 1985 were to locations usually served by Ohio and Canadian rock salt and are directly attributable to worker strikes at Domtar's Goderich, Ontario, mine and ISCO's Cleveland mine during the pavement ice-control bidding season in the summer of 1985. There were contract prices to several delivery locations that deviated from these general trends and are discussed in detail in the State-by-State analysis below.

The Commission collected price data on a total of 100 contracts for pavement ice-control rock salt in 8 states in which Canadian-produced rock salt is marketed. Of the 100 contracts, 30 were won by firms supplying Canadian-produced rock salt. The lowest U.S. bids for these 30 contracts were from 0.2 to 21.0 percent higher than the winning bids for Canadian rock salt. All but one of the remaining contracts were won by firms supplying

U.S.-produced rock salt. 1/ The lowest Canadian bids on these 69 contracts were from 0.5 to 68.7 percent higher than the winning U.S. bids. The remaining contract had not yet been awarded at the time of questionnaire response. Price movements and competitive bids for 1983, 1984, and 1985 of U.S. and Canadian rock salt are discussed below for each of the eight States for which price data were requested in the final investigation. Margins of underbidding or overbidding were calculated based on the lowest U.S. or Canadian bids as a percentage of the winning bid to each delivery location. The States are discussed in alphabetical order as they appear in table 33: Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin.

Illinois.—The market area in northeastern Illinois, which includes the Chicago metropolitan area, is unique when compared with the U.S. market for pavement ice-control rock salt. Calumet Harbor in Chicago has both direct water route access to Lake Michigan and direct water route access to the Illinois River, which provides access to the Mississippi River. Because of this situation, the greater Chicago area can be supplied either by northern rock salt, both Canadian and U.S., or by southern rock salt produced in Louisiana. The remainder of the State is supplied by southern salt. The Commission requested price data to five delivery locations in northeastern Illinois.

The City of Chicago's contract for rock salt delivered to Calumet Harbor was by far the largest of the five delivery locations. Morton won the contract in 1982 by bidding * * * per ton, or * * * percent, lower than the lowest U.S. bid, which was * * *. Morton filled the contract with * * *. Morton again won the contract in 1983 by placing a bid for salt produced at * * * that was * * * percent higher than its 1982 bid; ISCO's bid to supply salt produced at * * * mine was * * * percent higher than Morton's winning bid. ISCO was awarded the Chicago contract in 1984 with a bid * * * percent lower than the 1983 contract price; the lowest Canadian bid was * * * percent higher than ISCO's wining bid. ISCO again won the contract in 1985 by placing a bid * * * percent higher than its 1984 bid but * * * percent lower than Morton's bid to supply * * * salt. In all 4 years, ISCO was bidding for the City of Chicago's contract with salt produced at its * * * mine.

Unlike Chicago, Louisiana and Canadian rock salt were the only salt bid to be supplied to the remaining four delivery locations in Illinois. Also in contrast to the City of Chicago, contract prices increased in 1984 and decreased in 1985 to the remaining four delivery locations in Illinois. Winning bid increases in 1984 ranged from * * * per ton, or * * * percent, to

---

1/ Of the contracts, 24 were not bid to be supplied by Canadian-produced rock salt. This is primarily because the firms that own the Canadian mines chose to supply these locations with rock salt produced at their U.S. mines. In addition, Domtar did not bid in 1985 to supply several locations whose bids it had won in previous years with Canadian-produced salt. The reason was the lengthy strike at its Goderich, Ontario, mine during the 1985 bidding season. U.S.-produced salt was not bid on two contracts, the City of Detroit's contracts in 1984 and 1985.

Table 33.--U.S. and Canadian delivered bids and quantities of pavement ice control rock salt to specific purchasers and delivery locations, by bidding firm and bid year, 1983-85

* * * * * * *

1/ State in which source mine is located. The Canadian source mines utilized to supply the delivery locations included in the table are located in southwestern Ontario.

2/ Winning bid.

3/ "Other" United States is primarily * * *. The exception is Clay County, MN, in 1984 and 1985, which was supplied by * * * with rock salt produced at * * *.

4/ "Other" Canada is * * *, a small importer operating a depot in * * *, and importing rock salt produced at * * *.

5/ Morton delivered * * * short tons from its * * * mine, and * * * short tons from its * * * mine, to * * * at this price in 1982. Morton also reported that because salt bound for * * * was a comingling of salt produced at its * * *, and * * * mines, it couldn't specifically identify discrete tonnages from each source.

6/ Data not reported.

7/ State of New York bids are awarded based on low total bid to large districts which include multiple delivery locations. Therefore, the low bid to the specific delivery locations included in the table will not necessarily have been awarded the contract.

Naperville to * * * per ton, or * * * percent, to Harvey. Price increases in 1984 were likely greatly influenced by a large increase in barge rates up the Mississippi from Louisiana, which ranged from $0.70 to $3.00 per ton in 1984 to northeastern Illinois and averaged approximately $1.50 per ton. Price decreases in 1985 ranged from * * * per ton, or * * * percent, to Joliet to * * * per ton, or * * * percent, to Gardner.

The Illinois Department of Transportation's (DOT) delivery location in Harvey (a Chicago suburb approximately 15 miles southwest of Calumet Harbor) was supplied in all 3 years by Canadian rock salt. Morton was awarded the contract in 1983; ISCO's bid to supply * * * salt was * * * percent greater than Morton's winning bid. Domtar won the contracts in 1984 and 1985; ISCO's bids were * * * percent and * * * percent, respectively, higher than Domtar's bids. Illinois DOT's contracts for its Naperville delivery location (approximately 40 miles west of Calumet Harbor and 20 miles north of Joliet) were awarded in 1983 and 1984 to Domtar, which placed bids to supply * * * salt that were * * * percent and * * * percent lower than ISCO's bid in the respective years. ISCO won the Naperville contract in 1985 with a bid that was * * * percent lower than the lowest Canadian bid. Grundy County's contract for its delivery location in Gardner (located approximately 25 miles south of Joliet) was not bid to be supplied by Canadian-produced rock salt and was supplied in all 3 years by * * * salt. ISCO won the City of Joliet's (located directly on the Illinois River approximately 43 miles southwest of Chicago's Calumet Harbor) contracts in 1983 and 1984, whereas Domtar was awarded the contract in 1985 with a bid to supply * * * salt that was * * * per ton, or * * * percent, lower than ISCO's bid in that year.

<u>Indiana</u>.—The primary competition for contracts to the three delivery locations in the northern half of Indiana for which price data were requested was between rock salt produced in Canada and that produced in Ohio. The southern part of Indiana, which borders the Ohio River, is supplied by Louisiana rock salt. Contract prices to two of the locations increased in both 1984 and 1985, while prices to the remaining location decreased in both years. All bidding firms increased their bids by approximately * * * per ton (* * * percent) in 1984 for the Indiana DOT's Frankfort delivery location (approximately 100 miles directly south of South Bend). This is partially explained by increased transport costs, primarily truck rates, of approximately $1.00 per ton. The contract price to Frankfort increased by * * * per ton, or * * * percent, in 1985. Similarly, the contract price for the City of South Bend (approximately 50 miles east of Lake Michigan near the Michigan border) increased by * * * percent in 1984 and further by * * * percent in 1985. In contrast, the contract price to the City of Fort Wayne (approximately 80 miles southeast of South Bend) decreased by * * * per ton, or * * * percent, from 1983 to 1984. The price to Fort Wayne decreased slightly in 1985, by * * * percent.

ISCO won the Indiana DOT's contracts for its Frankfort delivery location in 1983 and 1985 with salt produced at its * * * mine by bidding * * * percent and * * * percent less than Canadian bids in the respective years. Morton won the contract in 1984 with a bid to supply * * * rock salt that was * * * percent lower than ISCO's bid in that year. The City of Fort Wayne's contract was awarded in all 3 years to firms supplying salt produced in * * *, with * * * salt bid only in 1985 by Domtar, whose bid was * * * percent higher than the lowest U.S. bid. The City of South Bend's contracts were won in 1983 and 1985 by Domtar's bids to supply * * * salt; U.S. bids were * * * percent and * * * percent higher than Domtar's bids in the respective years. ISCO won the contract in 1984; Canadian bids in that year were * * * percent higher than ISCO's winning bid.

Michigan.—The three delivery locations in Michigan for which price data were requested all have direct access to the Great Lakes, which provides inexpensive boat transportation of northern rock salt. Contract prices increased to all three locations in both 1984 and 1985. The contract prices for the State of Michigan's Bay City delivery location (on the Saginaw Bay of Lake Huron, approximately 80 miles north of Detroit) and St. Joseph delivery location (on Lake Michigan directly west of Detroit) both increased by * * * percent in 1984. Contract prices to both delivery locations increased markedly in 1985, by * * * per ton, or * * * percent, to Bay City and by * * * per ton, or * * * percent, to St. Joseph. Because the price increases to these locations in 1985 cannot be attributed to an increase in transport costs, the principal cause of the large increases was most likely the 1985 strike at Domtar's Goderich, Ontario, mine. The Goderich mine is located on Lake Huron directly east of Bay City, and it has a substantial transport cost advantage to many locations in Michigan, notably Bay City. Contract prices to the City of Detroit increased by * * * percent in 1984 and by * * * percent in 1985. The effect of the Goderich mine strike on the 1985 price change to the City of Detroit was probably mitigated by the fact that Morton's Ojibway, Ontario, mine is located directly across the Detroit River near Windsor, Ontario.

The State of Michigan's contract for its Bay City delivery location was won in 1983 by ISCO's bid to supply * * * salt at * * * percent less than Domtar's bid to supply * * * salt in that year. Domtar won the contract in 1984 by bidding to supply * * * salt; ISCO's bid was * * * percent higher than Domtar's. The 1985 contract to Bay City was awarded to Morton, which supplied * * * salt; ISCO's bid was * * * percent greater than Morton's winning bid. Domtar won the contracts for the delivery location at St. Joseph in both 1983 and 1984; the lowest U.S. bids were * * * percent and * * * percent higher than Domtar's winning bids in the respective years. Domtar did not bid on either of the sizeable State of Michigan contracts to either Bay City or St. Joseph in 1985 as a result of the 1985 strike at its Goderich mine. Morton won the 1985 St. Joseph contract with rock salt produced at its * * * mine.

The City of Detroit's 1982 contract was won by ISCO with a bid that was * * * percent lower than Morton's, the * * * bid in 1982. ISCO filled the 1982 Detroit contract and bid for the 1983 contract with rock salt produced at its * * * mine. The 1983 City of Detroit contract was awarded to Morton, with a bid to supply salt from its * * * mine; ISCO's bid was * * * percent higher than Morton's winning bid. There were no * * * bids to supply the very large City of Detroit contracts in 1984 and 1985, which were accordingly won by firms supplying * * * salt.

Minnesota.—Minnesota has direct water access to Louisiana-produced rock salt by way of the Mississippi River in the southern part of the State and direct water access to northern rock salt by way of the Great Lakes in the northern part of the State. Consequently, roughly the southern half of

Minnesota is supplied by Louisiana salt and roughly the northern half is supplied by northern rock salt, both U.S. and Canadian. The Commission requested price data to four delivery locations in the mid region of Minnesota. Three of the delivery locations were bid to be supplied by both northern and southern rock salt, while the remaining location, Duluth (on Lake Superior at the Wisconsin border), was the only location with direct access to the Great Lakes and was bid to be supplied exclusively by northern rock salt, both U.S. and Canadian. 1/

Contract prices to Duluth decreased by * * * per ton, or * * * percent, in 1983, which was likely caused in part by a decrease in lake boat transport rates, which ranged from $0.70 to $1.20 per ton for U.S. and Canadian shipments in 1983. The per ton contract price then increased by * * *, or * * * percent, in 1984 and further by * * * per ton, or * * * percent, in 1985. Neither the 1984 nor the 1985 price increase can be attributed to any substantial increase in freight costs. Contract prices for the Minnesota DOT's delivery location in Clay County (on the North Dakota border at Fargo, ND) were virtually unchanged from 1983 to 1985. It is noteworthy that the Clay County contracts in 1984 and 1985 were awarded to * * *, which filled them with rock salt produced at * * *. Prices for the Minnesota DOT's delivery locations in Wadena County (approximately 50 miles east of Clay County) and in Pine County (at the Wisconsin border, approximately 35 miles south of Duluth) increased by * * * percent and by * * * percent, respectively, in 1984. The Pine County contract price increased in 1985 by * * * percent, while the price to Wadena County was unchanged.

The City of Duluth's contracts were awarded in 1982, 1983, and 1984 to companies supplying Ohio-produced rock salt; the lowest Canadian bids in the respective years were * * * percent, * * * percent, and * * * percent greater. The contract for 1985 was won by a relatively small importer of salt produced at * * *; the lowest U.S. bid in that year was * * * per ton, or * * * percent, greater. The Minnesota DOT's contracts for Clay County were won in all 3 years, and for Wadena County in 2 of the 3 years, by Louisiana and Kansas rock salt; the lowest bids for Canadian-produced rock salt in those years were from * * * to * * * percent greater than the winning U.S. bids. The Minnesota DOT's contract for Pine County was won by Louisiana salt in 1983; Canadian bids in that year were * * * percent greater. The contracts for Pine County in 1984 and 1985 were won by Canadian salt; the lowest U.S. bids in those years were * * * and * * * percent, respectively, higher than the winning Canadian bids.

<u>New York</u>.—There are two land-locked rock salt mines located in the western part of New York: ISCO's Retsof mine near Batavia, between Rochester and Buffalo, and Cargill's Lansing mine near Ithaca. Because of the advantageous location of these mines, most of New York is supplied by salt produced within the State. Canadian and Ohio rock salt, however, does compete for bids in the westernmost part of the State, especially to those points on the shores of Lake Erie and to points in the northeastern part of New York .

1/ As noted previously, Minnesota has a Buy American policy giving a 10 percent price advantage to U.S.-produced products.

that have direct access to Lake Ontario and the St. Lawrence Seaway. The Commission requested price data to three delivery locations near Lake Erie and to one location in the northeastern corner of New York.

Contract prices to all four delivery locations increased in 1984. Price increases ranged from * * * per ton to the State of New York's delivery location in Essex County (at the Vermont border in the northeastern corner of the State) to * * * per ton to the State's Erie County delivery location. The price increase to Essex County can be attributed to a * * * per ton increase in truck transport costs from * * * mine, whereas transport costs to the remaining locations were substantially unchanged. If the transport cost change is netted out, prices increased by roughly the same amount to all four locations in 1984. Contract prices to three of the four delivery locations increased further in 1985, with per ton increases of * * * to the City of Buffalo and Erie County and an increase of * * * to Essex County. The 1985 contract price to Niagara County was unchanged. Price movements in 1985 cannot be attributed to changes in transport costs, since * * * transport costs to the three locations in the western corner of New York were unchanged, while the cost to Essex County increased by * * * per ton.

ISCO won the contracts to all four New York delivery locations in all 3 years with rock salt produced at its * * * mine. The margins by which the lowest Canadian bids in those years exceeded ISCO's winning bids ranged from * * * per ton, or * * * percent, to Erie County in 1984 to * * * per ton, or * * * percent, to Essex County in 1983. State of New York bids are awarded on the basis of the low total bid to large districts, which include multiple delivery locations. Therefore, the low bid to the specific delivery locations included in the table will not necessarily have been awarded the contract. For example, Domtar, although it was not awarded the contract, placed a bid for the State of New York's Niagara County contract in 1983 that was * * * percent lower than ISCO's bid.

Ohio.—As in the case of New York, there are two rock salt mines located in Ohio: Morton's Fairport mine, which is on Lake Erie approximately 20 miles east of Cleveland and ISCO's Cleveland mine. Both mines have direct access to Lake Erie and to low transport rates by boat on the Great Lakes. Furthermore, Ohio has direct water access to Louisiana rock salt via the Ohio River. Accordingly, the majority of the State, roughly the northern two-thirds, is supplied by Ohio-produced rock salt, while roughly the southern one-third is supplied by Louisiana-produced rock salt. However, Domtar does compete for contracts to delivery locations in the northern portion of the State with Canadian-produced rock salt. The Commission requested price data to five delivery locations in the northern half of Ohio.

Contract prices in 1984 increased to four of the five delivery locations, with increases ranging from * * * per ton, or * * * percent, to Coshocton County (approximately 60 miles directly south of Cleveland) to * * * per ton, or * * * percent, to Delaware County (approximately 70 miles south of Sandusky). Price increases in 1984 to these four locations can be attributed in part to increased truck transport rates, which ranged from * * * per ton to Delaware County to * * * per ton to the City of Lima (approximately 60 miles south of Toledo). The contract price to the remaining location, the City of Toledo, dropped sharply in 1984 by * * * per ton, or * * * percent. Domtar was the only bidder for the City of Toledo contract in 1983, and the 1984 contract was won by ISCO's much lower bid to supply * * * rock salt. Contract prices for 1985 were virtually unchanged to three of the five locations, while the price to Toledo increased by * * * per ton, or by * * * percent.

All contracts to delivery locations in Ohio, with the exception of Toledo in 1983, for which data were available were awarded to firms supplying Ohio-produced rock salt. Bids for U.S.-produced salt were lower than bids for Canadian-produced salt by from * * * per ton for the City of Toledo's 1984 contract to * * * per ton for the State of Ohio's Huron County contract in 1984.

Pennsylvania.—Pennsylvania can be supplied by truck and rail shipments of rock salt produced in New York, by shipments of Ohio-produced salt by land transportation or by boat on Lake Erie, by shipments of Louisiana-produced rock salt by barge via the Ohio river, by Great Lakes transport of rock salt from Ontario, or by ocean transport of rock salt produced in the maritime provinces. The Commission requested price data to three delivery locations in western Pennsylvania. Contract prices to all three locations increased markedly in 1984. Per ton price increases in 1984 were * * *, or * * * percent, to Allegheny County (borders Pittsburg to the north); * * *, or * * * percent, to the City of Erie (on Lake Erie); and * * *, or * * * percent, to Venago County (approximately 60 miles north of Pittsburgh). Price increases to Venago County and Allegheny County in 1984 can be attributed in part to increased truck transport costs from Ohio of * * * per ton to Allegheny County and * * * per ton to Venago County. Boat rates to the City of Erie were unchanged in 1984. Prices to the three locations then declined slightly in 1985 as did transportation costs to these locations.

* * * was the only importer bidding to supply the three Pennsylvania delivery locations with Canadian rock salt. Of the nine contracts for which price data were requested, eight were won by * * * and * * *, which supplied * * * rock salt to these locations. Margins by which bids for Canadian-produced salt exceeded winning bids for U.S.-produced salt ranged from * * * per ton, or * * * percent, for the 1983 City of Erie contract to * * * per ton, or * * * percent, for the 1984 Venago County contract. Domtar won the Commonwealth of Pennsylvania's Venago County contract in 1983 by placing a bid that was * * * percent lower than the lowest * * * bid in that year.

Wisconsin.—The competitive situation for rock salt contracts in Wisconsin is similar to that in Minnesota. Wisconsin has direct water access to Louisiana-produced rock salt by way of the Mississippi River in the western part of the State and direct water access to northern rock salt by way of the Great Lakes in the northern and eastern portions of the State. Consequently, roughly the southwestern one-third of Wisconsin is supplied by Louisiana salt while the remainder of the State is supplied by northern rock salt, both U.S. and Canadian. The Commission requested price data for three delivery locations in the western portion of the State and two delivery points located contiguous to Lake Michigan. Two of the western Wisconsin delivery locations were bid to be supplied by both northern and southern rock salt, while the contract for the third location in the western portion of the State was supplied exclusively by Louisiana-produced rock salt. The contracts for the two locations on Lake Michigan were supplied exclusively by northern rock salt, both U.S. and Canadian. It is remarkable that ISCO bid to supply rock salt produced at its Retsof, NY, mine to one of these locations in 1985 and, in fact, won the contract as the only bidder.

Contract prices to Sheboygan (on Lake Michigan appoximately 50 miles north of Milwaukee) decreased by * * * per ton, or * * * percent, in 1983, which was likely caused in part by a decrease in lake boat transport rates, similar to the price decrease in 1983 to Duluth, MN. Prices increased considerably to all five delivery locations in 1984 and increased again in 1985, but not as markedly as in 1984. Price increases in 1984 ranged from * * *, or * * * percent, to Iowa County (in the southwestern corner of the State, approximately 30 miles west of Madison) to * * * per ton, or * * * percent, to Milwaukee. Price increases in 1984 to delivery locations in the western portion of the state, which were greater than those on the shores of Lake Michigan, were likely caused to some degree by a change in barge transport rates, which increased by approximately $1.15 per ton from Louisiana. This is similar to price increases in areas in Illinois and southern Minnesota that are also supplied by Louisiana-produced rock salt. The same probably holds true for southern Indiana and southern Ohio, which are similarly supplied by Louisiana rock salt via the Mississippi and Ohio rivers. Boat transport rates to delivery locations contiguous to Lake Michigan decreased slightly in 1984.

Prices in 1985 increased moderately to four of the five locations, but increased markedly to the Sheboygan delivery location. The lesser price increases ranged from * * * per ton, or * * * percent, to Milwaukee to * * * per ton, or * * * percent, to Juneau County (approximately 50 miles west of the Mississippi River at La Crosse, WI). The price increase in 1985 to Sheboygan was * * * per ton, or * * * percent, and is noteworthy in that it was directly caused by the 1985 strikes at Domtar's Goderich, Ontario, mine and ISCO's Cleveland mine. Domtar won the sizeable Sheboygan contract in 1982, 1983, and 1984 with * * * rock salt, but did not bid on the 1985 contract. ISCO was the only bidder for the 1985 Sheboygan contract and accordingly won the contract. ISCO is supplying the location in 1985 with salt produced at its Retsof, NY, mine and a large part of the price increase can be attributed to the resultantly large transport costs, which were * * * per ton greater than Domtar's 1984 costs, required to deliver the rock salt from the land-locked mine. The price increase to Milwaukee in 1985, which was the largest to the remaining Wisconsin delivery locations, can also be attributed in part to the 1985 mine strikes.

Of the nine contracts to locations in the western part of Wisconsin, eight were supplied by Louisiana-produced rock salt; the lowest Canadian bids on these contracts were from * * * to * * * percent greater than the winning U.S. bids. The 1984 Iowa County contract was awarded to Domtar's bid to supply * * * rock salt, which was * * * percent lower than the lowest * * * bid. Of the seven contracts to delivery locations on Lake Michigan, five were won by Domtar's * * * rock salt; bids by ISCO, the only firm attempting to supply * * * rock salt, were from * * * to * * * percent higher than Domtar's winning bids. Both 1985 contracts to the Lake Michigan locations were awarded to ISCO, whose bid was * * * percent lower than Domtar's bid for the Milwaukee contract.

Transportation

Rock salt is sold throughout the eastern two-thirds of the United States. U.S. mines that currently produce rock salt are located in southern Louisiana near the gulf coast, southeastern Texas, midstate Kansas, northeastern Ohio on Lake Erie, and midstate New York. 1/ Canadian rock salt mines are located in southwestern Ontario, New Brunswick, Nova Scotia, and Quebec on the Magdalen Islands in the Gulf of St. Lawrence (see map on p. A-6). Within the region defined by the petitioner, Canadian-produced rock salt is sold only in those States that directly border the Great Lakes. Rock salt from Canada is also imported from mines in New Brunswick and Nova Scotia for marketing along the eastern seaboard of the United States.

Distribution network.—Major producers and importers of rock salt maintain numerous depots or distribution facilities strategically located throughout the areas in which they market their product. 2/ Depots are often located near navigable waterways. Typically, transportation of rock salt from the mine to the purchaser consists of two stages. The salt is initially shipped from the mine by boat or barge to one of the producer's depots, from which it is further transported by truck or rail to the purchaser's stockpiling facilities. However, a substantial proportion of rock salt sales are made directly to the purchaser, never entering the producers' depot facilities. 3/

The purpose of maintaining numerous depots is twofold. First, the depots perform a general inventory function that is essential because of the seasonality of rock salt shipments for pavement ice control. Optimally, rock salt mines would operate year-round, although the product is delivered to purchasers in a 2- or 3-month period. Secondly, the depots serve to meet demand in the winter season in areas that are inaccessible by waterway.

Generally, rock salt can be competitively transported by truck only within about a 100-mile radius of the mine or by rail only within about a 400-mile radius. Boat and barge shipments can be made at a substantially lower cost per ton-mile and are therefore used whenever possible, particularly over longer distances. Rock salt is regularly shipped on the Great Lakes, the Mississippi River system, and the Gulf Intercoastal Waterway. Approximately 8 percent of rock salt is sold packaged, part of which is marketed through wholesale and retail outlets.

In contrast to most other mines located nearer to water transportation routes, the rock salt mines in mid-state Kansas are concentrated approximately 230 miles from the nearest navigable waterway, i.e., the Missouri River at Kansas City. Although it competes in areas with salt which is transported along the Mississippi River system, salt produced at the Kansas mines is transported by rail and/or truck.

1/ ISCO closed its Detroit, MI, mine in 1983, and Cargill closed its Belle Island, LA, mine in 1984.

2/ ISCO operates * * * depots in the United States, Domtar operates * * *, and Morton operates * * *.

3/ Respondents estimate that approximately 60 percent of rock salt sales are temporarily deposited at the producers' depots and that approximately 40 percent are sent directly to the purchasers.

Factors affecting transportation costs.—Transportation costs are a significant part of the delivered price in all shipments of rock salt. As noted above, rock salt is generally delivered in two stages but may also be delivered directly from the mine to the purchaser. An important factor in the determination of barge transport costs within the region defined by the petitioner is the "backhaul system" up the Mississippi River. That system is characterized by higher rates on barges travelling south on the river than those travelling north because of the greater southward traffic relative to that going north. Therefore, rock salt produced in the southern mines can be economically shipped up the Mississippi and its tributaries, even into Minneapolis/St.Paul, Minnesota. Conversely, rock salt produced in the northern mines, more specifically in the Canadian mines, is confronted with relatively high costs for transport from the Great Lakes southward on the Mississippi River system.

Intrastate regulation of transportation in Illinois amplifies the effect of the backhaul system. Rock salt produced in Canada entering the United States through Chicago to be shipped southward on the Illinois River to points within the State faces high transport costs relative to salt shipped interstate from the southern mines for delivery to locations in Illinois. Interstate transportation is not regulated.

Largely because of the backhaul system and regulation in Illinois, rock salt produced in Canada is not shipped on the Illinois River much beyond the Chicago metropolitan area. The same producers that transport their Canadian product on the Great Lakes reportedly find it more cost effective to use their southern mines to supply the Mississippi River basin beyond Chicago.

An additional factor affecting the cost of transporting U.S. rock salt relative to that of the Canadian product is the U.S. shipping law known as the Jones Act. The Jones Act requires domestic producers to use U.S. vessels for all shipments between locations within the United States. Domtar Industries, one of the respondents, estimates that transport rates charged by U.S.-flag vessels have historically been 15 to 30 percent higher than rates charged by non-U.S. carriers. This freight rate differential lowers the transport costs from Canadian mines to a U.S. destination relative to that from U.S. mines, particularly on the Great Lakes.

Transportation costs.—The Commission collected transportation costs for annual bids for 1983, 1984, and 1985 to the 34 specific delivery locations for which price data were also requested (table 34). The delivery locations, which were in Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin, were chosen to make it likely that firms that own mines in both the United States and Canada would bid to supply Canadian-produced rock salt. The transport cost disadvantage (advantage) of U.S.-produced rock salt vis-a-vis Canadian-produced rock salt to each delivery location was calculated both in absolute dollar terms and as a percentage of the winning bid. The final column of table 34 is the percentage margin of underselling (final column of table 33) minus the percentage U.S. transportation cost disadvantage. 1/

1/The final column of table 34 was calculated according to the formulation:

$$\frac{\text{Low U.S. bid} - \text{Low Canadian bid}}{\text{winning bid}} - \frac{\text{U.S. transport} - \text{Canadian transport}}{\text{winning bid}}$$

Table 34.—Rock salt: U.S. and Canadian transportation costs, delivered bids, mine locations, and quantities to specific purchasers and delivery locations, by bid year, 1983-85

* * * * * * *

1/ Winning bid.
2/ Data not reported.
3/ Rock salt from this source was not bid to be supplied to the delivery location in the specified year.
4/ State of New York bids are awarded based on low total bid to large districts which include multiple delivery locations. Therefore, the low bid to the specific delivery locations included in the table will not necessarily have been awarded the contract.

Comparable transportation cost data were collected for 67 of the 100 contracts for which price data were requested. Imports of Canadian rock salt had a transportation cost advantage to most locations in northeastern Illinois, the entire State of Michigan, northern Minnesota, and eastern Wisconsin. The critical similarity of these locations is their access to the Great Lakes. The data show U.S. rock salt having a transportation cost advantage to most locations in Indiana, Ohio, New York, and western Wisconsin. These areas either have direct water access to the Mississippi River system, as with western Wisconsin, or can be supplied by land transport of rock salt from advantageously located mines, as with New York and Ohio.

When the transportation cost differential between U.S. and Canadian salt is netted out, the result reveals that Canadian rock salt was bid lower, on a mine netback basis, than U.S. rock salt for 20 of the 67 contracts for which comparisons could be calculated. These percentages ranged from 14.6 percent to 0.2 percent. The remaining 47 net-transportation-cost comparisons showed U.S.-produced rock salt being bid lower than Canadian-produced rock salt. These percentages ranged from 50.2 percent to 0.1 percent.

Exchange rates

Indexes of the nominal and real exchange rate of the Canadian dollar to the U.S. dollar are shown in table 35. The indexes are based on rates of exchange expressed in U.S. dollars per Canadian dollar. The real exchange rate is determined by adjusting the nominal exchange rate for differences in the rate of inflation in Canada relative to that in the United States.

Table 35.—Nominal and real exchange rate indexes between the U.S. dollar and the Canadian dollar, by quarters, January 1982–September 1985

(January–March 1982=100)

Period	Nominal	Real
1982:		
January–March	100.0	100.0
April–June	97.1	98.9
July–September	96.7	98.8
October–December	98.2	100.5
1983:		
January–March	98.5	101.5
April–June	98.2	102.4
July–September	98.1	102.1
October–December	97.6	101.5
1984:		
January–March	96.3	100.7
April–June	93.5	98.3
July–September	92.0	97.4
October–December	91.7	97.8
1985:		
January–March	89.3	96.3
April–June	88.3	95.8
July–September	88.9	97.2

1/ Not available.

Source: International Monetary Fund, International Financial Statistics.

In nominal terms, the Canadian dollar decreased by 11 percent during the period January–March 1982 to July–September 1985. The real value of the Canadian dollar depreciated by 3 percent during the period January–March 1982 to July–September 1985.

Lost sales

The Commission received lost sales allegations from two domestic producers. ISCO, the petitioner, submitted a lengthy list of bids that it had allegedly lost to imports from Canada; these allegations totaled * * * tons over the period 1982–84. The list included State, county and municipal bids in Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin. The allegations were with respect to the company awarded the bid, in most cases Morton or Domtar. * * * also submitted a list of bids to locations in * * *, which it had allegedly lost to competition from Canadian imports.

The company to which the sale was awarded is specified on the contract. However, since importers of Canadian rock salt also produce in the United States, it is impossible for most purchasers to confirm most lost sales allegations, because the country of origin for the delivered rock salt is not specified in the contract. Only in rare cases do the purchasers explicitly know the country of origin of the rock salt delivered. Exceptions to this rule are bids in which States request country-of-origin information. The Commission contacted five of the six States alleged by ISCO to have purchased Canadian rock salt in lieu of the domestic product.

The State of Illinois * * *.

The State of Indiana * * *.

The State of Michigan * * *.

The State of Minnesota * * *.

The State of Ohio * * *.

The State of Wisconsin * * *.

Two purchasers, Vulcan Chemicals of Wisconsin, and the City of Grand Rapids, MI, sent comments to the Commission on the investigation opposing the possible antidumping duties. These comments are attached as appendix C.

APPENDIX A

COMMERCE'S FEDERAL REGISTER NOTICE

[A-122-501]

Rock Salt From Canada; Final Determination of Sales at Less Than Fair Value

ACTION: Notice.

SUMMARY: We have determined that rock salt from Canada is being, or is likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to continue to suspend the liquidation of all entries of subject merchandise as described in the "Suspension of Liquidation" section of this notice. Those companies which are subject to the suspension of liquidation are indicated in the "Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: December 4, 1985.

FOR FURTHER INFORMATION CONTACT: Mary J. Jenkins (202) 377-1756 or John Brinkmann (202) 377-3965, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Final determination

Based upon our investigation, we have determined that rock salt from Canada is being, or is likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act). The margins found for all companies investigated are listed in the "Suspension of Liquidation" section of this notice.

Case History

On January 28, 1985, we received a petition from International Salt Company (ISCO) on behalf of the U.S. industry producing rock salt. In accordance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of rock salt from Canada 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, and that these imports are causing material injury, or threaten material injury, to a United States industry.

After reviewing the petition, we determined it contained sufficient grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on February 19, 1985 (50 FR 7808). On March 20, 1985, the ITC determined that there is a reasonable indication that imports of rock salt from Canada are materially injuring, or threatening material injury, to a United States industry.

The petition alleged that several Canadian companies produced rock salt for export to the United States. We found that Domtar, Inc. (Domtar) and Morton Thiokol, Inc. (Morton) accounted for at least 60 percent of the imports into the United States. Questionnaires were presented to counsel representing both companies on March 12, 1985. We received responses from Domtar and Morton on April 30, 1985, and supplemental responses on various dates thereafter. On May 15, 1985, we received a voluntary response from the Potash Company of America, Inc. (PCA).

On July 8, 1985, we made an affirmative preliminary determination (50 FR 28602). On July 18, 1985, Morton and Domtar requested that we extend the period for the final determination until the 135th day after publication of our preliminary determination. On July 23, 1985, we granted the request and extended our final determination to not later than November 27, 1985 (50 FR 31213).

We verified the questionnaire responses in August and September. A hearing was held on October 16, 1985.

Scope of Investigation

The product covered by this investigation is rock salt, in bulk and packaged form, as currently classified in the *Tariff Schedules of the United States, Annotated* (TSUSA), under items 420.9400 and 420.9600, respectively.

In our preliminary determination we used invoice dates to identify sales of rock salt to the United States during the period August 1, 1984, through January 31, 1985. Based on information we subsequently received at verification, we learned that the majority of the invoices issued during this period by Morton and Domtar were pursuant to requirements contracts executed between April and July, 1984. In order to include deliveries pursuant to these contracts in our calculations, we have expanded our period of investigation to April 1, 1984 through January 31, 1985.

In our preliminary determination, we accepted a voluntary response from PCA, which reported as United States sales of rock salt, sales from PCA to ISCO, the purchaser and exporter to the United States of PCA rock salt. Based on this information, in the preliminary determination we found that the company had no sales at less than fair value. After the preliminary determination significant issues were raised as to whether PCA or ISCO should be treated as the exporter in these transactions. However, based on our findings during verification we have determined that the deliveries made during the period of investigation were pursuant to a contract entered into over a year prior to the period. Hence, based on the sales data reported by PCA, PCA had no sales during the period of investigation. Therefore, for purposes of our final determination we have not considered the PCA response and since no sales data were presented concerning sales made by ISCO, the Department did not have to determine whether ISCO or PCA should be treated as the exporter.

Finally, as noted above, Morton and Domtar account for at least 60 percent of the imports into the United States.

For Morton, we are only looking at highway sales of rock salt during our period of investigation. Most of their sales of industrial rock salt were made prior to our new period of invesigation; therefore, they have been excluded.

Fair Value Comparisons

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. Although it is our policy to use contract dates as date of sale when all significant terms have been fixed in the contract (see Cellular Mobile Telephones from Japan; Final Determination of Sales At Less Than Fair Value (50 FR 45447)), we only learned at verification that the contract dates, not the invoice dates, were the appropriate dates of sale. We adjusted our period of investigation accordingly. Because the time remaining after verification for completion of this investigtion did not permit us to use the hundreds of contract dates we discovered, we have used as best information available for dates of purchase the dates of invoices whose prices are those fixed in the contracts covered by the new investigative period.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales made by both Morton and Domtar. Most sales by these companies were made to unrelated purchasers prior to importation into the United States. Each, however, had some spot sales where importation may have preceded the sale. While we would have preferred to calculate United States price for these spot sales on the basis of exporter's sales price, it was not until late in the course of this investigation that we requested and received the necessary information. Therefore, we did not have sufficient time to identify or segregate data necessary to calculate United States Price for those spot sales on the basis of exporter's sales price.

For Morton and Domtar, we calculated purchase price based on f.o.b. mine and f.o.b. stockpile delivered prices. We made deductions, where appropriate, for foreign inland freight, United States freight and customs duties.

Foreign Market Value

In accordance with section 773(a) of the Act, we calculated foreign market value based on home market prices. We used f.o.g. stockpile, f.o.b. mine and f.o.b. delivered prices to unrelated home market purchasers to determine the foreign market value. We made deductions, where appropriate, for freight charges. In accordance with §353.15 of the Commerce Regulations we made a circumstance of sale adjustment for differences in credit terms in the two markets.

Both companies claimed direct selling expenses for freight and handling of merchandise from the mine to their depots or stockpiles and for maintenance expenses of rock salt at their stockpile locations. We determined that the stockpiles were maintained for the purpose of ensuring that sufficient quantities of rock salt would be available to satisfy the anticipated demand. Therefore, we did not find the adjustments claimed for the depots or stockpiles to be directly related to the sales under consideration. Freight expenses from the mine to the depots have been deducted as normal freight charges associated with individual sales.

In calculating foreign market value, we made currency conversions from Canadian dollars to United States dollars using the weighted-average of the certified daily exchange rates during the period of investigation since we were not able to tie specific sale dates to each shipment.

Verification

In accordance with section 776(a) of the Act, we verified the information provided by respondents by using standard verification procedures, including examination of relevant sales and accounting records of the companies.

Petitioner's Comments

Comment 1: Petitioner argues that the Department should not exclude from its calculation of foreign market value certain bulk trade rock salt products sold exclusively in Canada, despite the claim that these sales are of a different grade and quality of salt.

DOC Response: These products are similar but not identical to certain merchandise sold to the United States. Since the United States sales have been compared to home market sales of identical merchandise, we have disregarded these sales.

Comment 2: Petitioner argues that the Department should not use weighted averages of invoiced transactions for United States price. Petitioner argues that the legislative history of section 777A of the Act, as added by section 620 of the Trade and Tariff Act of 1984, shows that Congress did not intend a major overhaul of the Department's methodology for calculating dumping margins, but instead intended to facilitate administrative efficiency. Petitioner states that because there are only two Canadian producers with a significant number of sales, and the product is a homogeneous commodity, the criteria of section 777A(a) are not met. Petitioner further states that the United States rock salt market is highly vulnerable to low-priced imports targeted at specific customers and market sectors and alleges that respondents have exploited this vulnerability by selectively pricing to particular customers. The methodology respondents propose will, petitioner argues, allow sales at less than fair value to escape the Department's scrutiny.

DOC Response: We agree that a weighted-average United States price methodology is inappropriate in this case, for the reasons stated in our response to Respondents' Comment 2.

Comment 3: Petitioner argues that the Department correctly based United States price for PCA on purchase price, since PCA sold its salt to ISCO, an unrelated company, and knew at the time of the sale that the United States was the ultimate destination of the rock salt.

DOC Response: As noted in the "scope of investigation" section of this notice, for the final determination we did not use the voluntary response of PCA.

Comment 4: Petitioner argues that because sales of rock salt from Morton's Pugwash mine are substantial, they should be used in making our fair value comparisons.

DOC Response: We agree and have included the Pugwash mine sales.

Comment 5: Petitioner argues that the Department, in determining the foreign market value, should not deduct freight and handling charges for rock salt shipped from the respondents' mines to depots or stockpiles, nor should the Department deduct associated maintenance expenses where the charges were incurred prior to sale of the rock salt. Instead these costs should be treated as indirect selling expenses.

DOC Response: We have determined that the majority of repondents' sales were made prior to delivery from the mine to the stockpiles. Therefore, we have deducted the freight charges between the mine and the stockpiles as normal transportation charges. Since the stockpiles are maintained at the discretion of the seller to serve multiple customers, handling and other stockpile costs could not be tied to specific sales. We consider such costs to be as indirect selling expenses.

Comment 6: Petitioner argues that, in calculating United States price, the freight, handling and stockpiling costs incurred by respondents in bringing the salt from their mines to U.S. delivery points must be deducted as expense.

DOC Response: We have treated these expenses in the same manner as the similar home market expenses (see the preceding comment).

Comment 7: Petitioner argues that sales to customers who were not classified as industrial, food processing, chemical or highway users or distributors on Morton's printout should not be excluded from our fair value comparison because they represent a substantial number of sales of the product under investigation.

DOC Response: We agree. These sales have been included in our fair value comparisons.

Comment 8: Petitioner argues that fair market value comparisons should be made by product for all of Morton's customers. If industrial sales are compared to highway sales the margin will not be accurately stated.

DOC Response: We have not reclassified any of Morton's sales. Comparisons are made by product in each market.

Respondents' Comments

Comment 1: Morton argues that United States indirect selling expenses should be allocated on a per-revenue-dollar basis and not a per ton basis because salt sold to industrial users requires a much greater sales effort.

DOC Response: We are making our fair value comparisons based on purchase price sales. Therefore, the argument is moot.

Comment 2: Respondents argues that the Department should determine United States price as a weighted average rather than on a transaction-by-transaction basis under the authority of Section 777A(a) of the Act, as amended by section 620(c) of the Trade and Tariff Act of 1984 (1984 Act). Respondents allege that the criteria of section 777A are met in this case since it involves both an extraordinarily large number of individual sales and, due to the varied circumstances surrounding each transaction, a significant number of complex adjustments. Respondents argue that section 777A(a) was designed to equalize the Department's treatment of foreign market value, for which averaging was permitted under section 773(f), and United States price, for which there was no explicit statutory authority to use weighted-averages prior to the 1984 Act. Respondents conclude that the Department will abuse its discretion if it weight-averages foreign market value and uses individual transactions to determine United States price.

In support of their argument respondents offer an economist's report which concludes that certain unique aspects of the rock salt industry justify use of weighted-averages for both United States price and foreign market value. These unique aspects are: (1) The high degree of uncertainty at the time bids are submitted as to the ultimate distribution costs to be incurred; (2) the requirement that suppliers submit a single bid price covering multiple delivery points with varying transportation costs; and (3) the numerous complex adjustments necessary for economically meaningful comparisons of indivdual transactions. The report states that the Canadian sellers' net revenues are outside their control since the purchasers control all terms except price and the weather, which can directly affect the amounts demanded and transportation costs. The report concludes that the Department must use a non-traditional methodology for United States price to avoid creating dumping margins where there has been no unfair trade practiced.

DOC Response: We disagree with the first portion of respondents' argument. There is no indication that Congress intended Section 777A to be a radical departure from our normal methodology of calculating United States prices on a transaction-by-transaction basis. It has always been our practice to ascertain the price of each individual U.S. transaction. Prior to the amendment, the statute gave us explicit authority to use averaging techniques only in computing foreign market value 19 U.S.C. 1677b(f). *See also* 19 CFR 353.23. There is no evidence either in the language of the 1984 Act or its legislative history that Congress intended to alter that basic methodology. Contrary to respondents' argument, the legislative history does not suggest that Section 777A requires us to weight-average U.S. price whenever we weight-average foreign market value. Rather, Congress intended to expand the instances in which the administering authority may use sampling and averaging techniques to include "United States price or foreign market value." H. Rep. No. 98-1156, 98th Cong., 2d Sess. 186 (1984)

Congress gave us the authority to select appropriate averaging techniques, representative of the transactions under investigation. As the legislative history of the 1984 act plainly indicates, Section 777A was enacted to reduce the Department's costs and administrative burden in cases involving a large number of sales or adjustments by permitting us to use averaging techniques in computing U.S. price or foreign market value. H. Rep. No. 98-725, 98th Cong., 2d Sess. 45-46 (1984). In this proceeding we do not find that the number of sales or the number of adjustments to be so large as to make a transaction-by-transaction analysis of United States sales an onerous burden. Moreover, respondents' arguments focusing on the unique characteristics of the rock salt industry are not persuasive.

Weather, transportation and other cost factors described in respondents' economic report are presumably the types of historical data the parties considered when they settled on their price and quantity terms. These considerations are not relevant in establishing United States prices, since those prices were fixed at time of sale. Had the parties wished their prices to be less influenced by factors outside their control they could have arranged their business accordingly. Clearly they intended no such result in this case. Compare the situation in the case of fresh winter vegetables from Mexico, where the nature of the fresh vegetable market required Mexican sellers to sell on consignment in an auction-type market; as a result, the sellers had no control over the prices at which their vegetables were sold in the United States. *Final Determination of Sales at Not Less Than Fair Value; Certain Fresh Winter Vegetables from Mexico,* 45 FR 20512 (1980). Also in *Final Determination of Sales at Less Than Fair Value; Fresh-Cut Roses from Colombia,* Colombian rose growers sold roses in the U.S. on a consignment, fixed-price, or consignment-with-minimum-price basis, depending on market conditions on a given day. We found that, while roses are perishable and their freshness influences their selling price, the rose growers could and often did fix their prices. At other times, they chose consignment when it was to their advantage to risk a few sales at less than cost of production in order to reap the benefits of a volatile market. Because the rose growers could control their United States selling prices, we did not calculate weighted-average United States prices. In this investigation the case is even stronger for use of U.S. sales prices rather than averages, since the prices and other terms are fixed by binding contract.

Comment 3: Respondents argue that freight-in and handling charges from the companies' mines to their stockpiles and other stockpile costs are incurred after the companies have entered into binding contracts with specific customers and should be deducted as a selling expense. Because of the unique nature of the rock salt industry, the companies must transport and stockpile the salt prior to actual delivery of the product.

DOC Response: See our responses to petitioner's comments 5 and 6.

Comment 4: Respondents argue that a different interest rate should be used for rock salt from each of Morton's mines as the credit calculations were calculated separately for each submission.

DOC Response: We agree, and we have weight-averaged the two interest rates in each market for all of Morton's sales used in our fair value comparisons.

Suspension of Liquidation

In accordance with section 733(d)2 of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of bulk rock salt from Canada that are entered, or withdrawn from warehouse, for consumption, on or after July 15, 1985. The United States Customs Service shall require a cash deposit or bond equal to the weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturers/producers/exporters	Weighted-average margin percentage
Domtar, Inc.	8.15
Morton Thiokol, Inc.	4.39
All other manufacturers/producers/exporters	6.35

ITC Notification

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

The ITC will will determine whether these imports are materially injurying, or a threatening material injury to, 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 securites 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 rock salt from Canada 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 published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d).

William T. Archey,

Acting Assistant Secretary for Trade Administration.

November 27, 1985.

[FR Doc. 85-28828 Filed 12-3-85; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

THE COMMISSION'S FEDERAL REGISTER NOTICE, AND LIST OF WITNESSES APPEARING AT THE HEARING

1985. The views of the Commission are contained in USITC Publication 1656 (March 1985). entitled "Potassium Chloride From the U.S.S.R.: Determination of the Commission in Investigation No. 731-TA-187 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation."

Issued: March 11, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-6682 Filed 3-19-85; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 731-TA-239 (Preliminary)]

Rock Salt From Canada

Determination

On the basis of the record [1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports from Canada of rock salt, provided for in items 420.94 and 420.96 of the Tariff Schedules of the United States, which are alleged to be sold in the United States at less than fair value (LTFV).[2]

Background

On January 28, 1985, counsel for the International Salt Co. filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that imports of rock salt from Canada are being sold in the United States at LTFV and that such imports are causing material injury, or threatening to cause material injury, to the domestic industry producing such merchandise. Accordingly, effective January 28, 1985, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 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.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of February 6, 1985 (50 FR 5138). The conference was held in Washington, DC on February 19, 1985, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its report on the investigation to the Secretary of Commerce on March 14, 1985. A public version of the Commission's report, *Rock Salt from Canada* (investigation No. 731-TA-239 (Preliminary), USITC Publication 1658, 1985), contains the views of the Commission and information developed during the investigation.

Issued: March 14, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-6679 Filed 3-19-85; 8:45 am]

BILLING CODE 7020-02-M

---

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

[2] Vice Chairman Liebeler determines that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Canada of rock salt, provided for in items 420.94 and 420.96 of the Tariff Schedules of

[Investigation No. 731-TA-239 (Final)]

Rock Salt From Canada

AGENCY: United States 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 a final antidumping investigation No. 731-TA-239 (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 Canada of rock salt, provided for in items 420.94 and 420.96 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). Commerce will make its final LTFV determination on or before November 27, 1985, and the Commission will make its final injury determination by January 10, 1986 (see Sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(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: July 15, 1985.

FOR FURTHER INFORMATION CONTACT: Brian Walters (202-523-0104), 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 rock salt from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on January 28, 1985, by the International Salt Co., Clark Summit, 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 industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 11257, March 20, 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 of Practice and Procedure (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) of the rules (19 CFR 201.16(c)), each document filed by a party to the investigation must be served on all other parties to 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 5, 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 25, 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 December 2, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 29, 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 CFR 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 rules (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 12, 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 12, 1985.

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 labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 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).

Issued: July 31, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-18748 Filed 8-6-85; 8:45 am]

BILLING CODE [illegible]

CALENDAR OF PUBLIC HEARING

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

Subject : Rock Salt from Canada

Inv. No. : 731-TA-239 (Final)

Date and time: December 5, 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:

Gibson, Dunn & Crutcher--Counsel
Washington, D.C.
on behalf of

International Salt Company

Donald L. Allen, Jr., Vice President and General Manager, Highway and Chemical Division, International Salt Company

Harry A. Burns, III, Assistant Vice President and Assistant General Manager, Highway and Chemical Division, International Salt Company

Harvey Poloni, formerly the Manager of International Salt Company's Detroit, Michigan mine and now employed by Crystal Mines

Joseph H. Price)
Robert M. Kruger)--OF COUNSEL

- more -

IN OPPOSITION TO THE IMPOSITION OF
ANTIDUMPING DUTIES:

Covington & Burling--Counsel
Washington, D.C.
on behalf of

Domtar, Inc., Domtar Industries, Inc.,
Morton Thiokol, Inc., and The Canadian
Salt producers of rock salt

Harold J. Miller, Vice President - Marketing,
Sifto Salt Division, Domtar Industries, Inc.

David B. Nilson, Industrial Marketing Director,
Industrial Marketing Director, Morton
Thiokol, Inc.

Stanley Nehmer, Prsident, Economic Consulting
Services Inc.

Bruce Malashevich, Vice President, Economic
Consulting Services Inc.

Julie Solomon, Senior Economist, Economic
Consulting Services Inc.

Don S. McCreesh, Divisional Distribution Manager,
Sifto Salt Division, Domtar Inc.

Pierre Messier, Assistant General Counsel, Domtar Inc.

Pierre M. Vincent, Manager- Sales Tax and Customs,
Domtar Inc.

Walter W. Becky, II, Vice President - Finance and
Comptroller, Morton Salt Division, Morton
Thiokol, Inc.

Raymond P. Buschmann, Vice President and Counsel,
Morton Salt Division, Morton Thiokol, Inc.

Ralph J. Graffis, Director, Transportation, Morton
Salt Division, Morton Thiokol, Inc.

Harvey M. Applebaum)
David R. Grace)--OF COUNSEL
Stephen G. Rademaker)

APPENDIX C

PURCHASERS' STATEMENTS

Charles E. Sturgeon
President

February 15, 1985

VIA FEDERAL EXPRESS

Mr. Stephen Vastagh
U. S. International Trade Commission
701 E. Street N.W.
Washington, D.C. 20436

Re: Federal Register Volume 50 Number 25,
Dated February 6, 1985
Investigation Number 731-TA-239 (Preliminary)
Rock Salt from Canada - Institution of
Preliminary Antidumping Investigation

Dear Mr. Vastagh:

Vulcan Chemicals, a division of Vulcan Materials Company, operates a facility that produces chlorine, caustic soda and hydrochloric acid at Port Edwards, Wisconsin. The facility consumes about 130,000 tons per year of high purity salt. Vulcan purchased the facility in early 1980 from BASF Wyandotte Corporation. At that time, salt was supplied exclusively by International Salt Co. from its mine in Detroit, Michigan.

Salt is an essential raw material for Vulcan's Port Edwards facility and delivered cost of the salt is critical to the competitive viability of Vulcan's products. The facility serves a regional market dominated by the paper industry. The advantage of being close to the market is offset by the cost of salt and electricity.

When Vulcan acquired the facility in 1980, it immediately began seeking a secondary supplier of salt to protect its source of supply and to provide competitive leverage on price. The transportation cost amounts to about 65% of the total delivered cost, thus limiting potential supply locations for Port Edwards. High quality requirements also limit potential supply locations. In July of 1981, it was determined that Domtar Industries, Inc. could be competitive out of their mine in Goodrich, Ontario, and they became a secondary supplier for Port Edwards supplying 30,000 tons of salt through the end of 1981. In March 1982, International Salt informed Vulcan that for economic reasons they anticipated closing their Detroit mine by year end. Shipments from Detroit to Port Edwards did not stop until April of 1984, but from 1982 to 1984 Vulcan had made Domtar a 50% supplier to best insure long term supply. When the Detroit mine closed, International began shipping salt from their Cleveland mine, but this salt proved to be of unacceptable quality.

P.O. Box 7689 · Birmingham, AL 35253 · Telephone 205-877-3497
A Division of Vulcan Materials Company

February 15, 1985
Mr. Stephen Vastagh
Page Two

International Salt then began shipping salt of acceptable quality from Retsof, New York, but the transportation costs made the price of salt uncompetitive, so that International had to cancel the supply contract in mid-1984. Since that time, Port Edwards has been supplied 100% by Domtar out of Goodrich, and Vulcan is once again seeking a secondary supplier which meets quality and economic requirements.

From Vulcan's experience in matters affecting the petition submitted by International Salt seeking tariff protection from the Canadian rock salt producers, Vulcan believes that Domtar's supply position at Port Edwards was attained by solving transportation problems which allowed them to provide an economically competitive salt, and by filling Vulcan's need for a secondary quality supplier. A tariff on Canadian rock salt would not necessarily result in any other U. S. supply location becoming economically viable and would only result in higher salt cost at Port Edwards. It is Vulcan's position that tariff protection is not justified in this case and if granted would strain Vulcan's ability to compete from its Port Edwards facility in the chlorine, caustic soda and hydrochloric acid markets.

Very truly yours,

Charles E. Sturgeon

Charles E. Sturgeon

CES/rs

CITY OF GRAND RAPIDS
300 MONROE AVE NW
GRAND RAPIDS MI 49503 18AM

Western Union Mailgram

4-0139868045 02/14/85 ICS IPMBNGZ CSP WHSB
6164563173 MGMB TDBN GRAND RAPIDS MI 92 02-14 1113A EST

MR KENNETH R MASON SECRETARY
UNITED STATES INTL TRADE COMMISSION
701 EAST E ST NW
WASHINGTON DC 20436

RE: INVESTIGATION 731-TA

THE CITY OF GRAND RAPIDS MICHIGAN IS OPPOSED TO THE PETITION TO RESTRICT THE USE OF ROCK SALT FROM CANADA SINCE WE ARE A MAJOR USER OF SALT FROM THAT COUNTRY AND ANY ACTION WHICH WOULD JEOPARDIZE OUR ABILITY TO RECEIVE SALT FROM ANY SOURCE WOULD BE DETRIMENTAL TO THE CITIZENS OF THE CITY OF GRAND RAPIDS MICHIGAN,

VINCENT F. OCCHIPINTI PURCHASING AGENT CITY OF GRAND RAPIDS GRAND RAPIDS MI 49503

1115 EST

MGMCOMP

688102

TO REPLY BY MAILGRAM MESSAGE, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

OFFICIAL BUSINESS

ADDRESS CORRECTION REQUESTED

Postage And Fees Paid
U.S. International Trade Commission
Permit No. G-253

U.S.MAIL

ADDRESS CHANGE
- ☐ Remove from List
- ☐ Change as Shown
  Please detach address label and mail to address