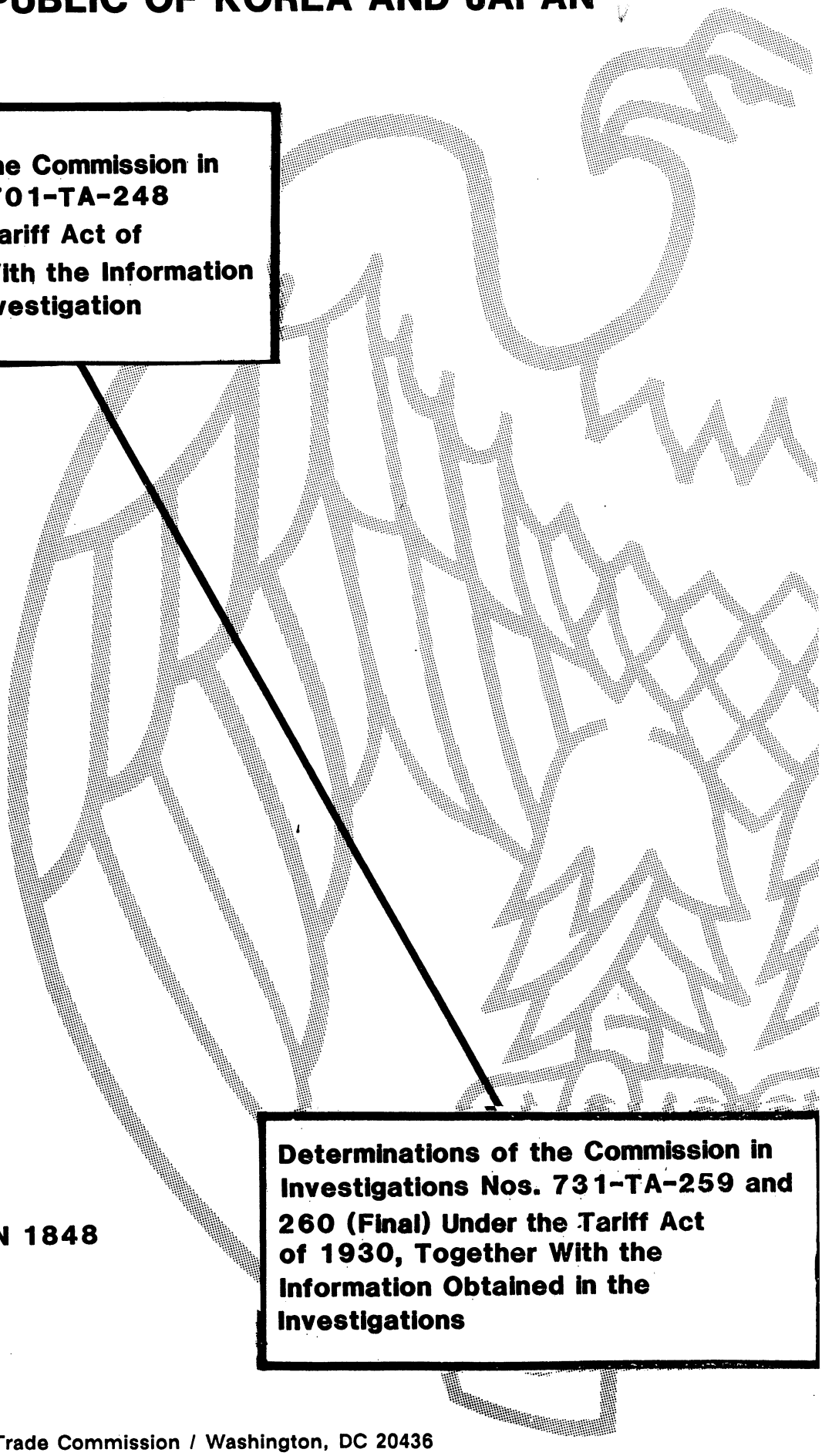
OFFSHORE PLATFORM JACKETS AND PILES FROM THE REPUBLIC OF KOREA AND JAPAN

Determination of the Commission in Investigation No. 701-TA-248 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determinations of the Commission in Investigations Nos. 731-TA-259 and 260 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-248 (Final)
and 731-TA-259-260 (Final)

OFFSHORE PLATFORM JACKETS AND PILES FROM
THE REPUBLIC OF KOREA AND JAPAN

Determinations

On the basis of the record 1/ developed in the subject investigations, 2/ the Commission determines, 3/ pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)), that industries in the United States are materially injured by reason of imports from the Republic of Korea (Korea) of offshore platform jackets and piles, 4/ provided for in item 652.97 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be subsidized by the Government of Korea. 5/

The Commission further determines, pursuant to section 735(b) of the Act (19 U.S.C. 1673d(b)), that industries in the United States are materially injured by reason of such imports from Korea 6/ and Japan, 7/ which have been

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

2/ Chairwoman Stern did not participate in these investigations in order to avoid any possibility or appearance of conflict of interest.

3/ In investigation No. 701-TA-248 (Final) Vice Chairman Liebeler finds that industries in the United States are not materially injured or threatened with material injury, and that the establishment of industries in the United States is not materially retarded, by reason of imports of subsidized offshore platform jackets and piles from Korea.

4/ These products are steel jackets (templates) and/or piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These products constitute the supporting structures which permanently affix offshore drilling and/or production platforms to the ocean floor. Appurtenances include grouting systems, boat landings, preinstalled conductor pipes and similar attachments.

5/ Investigation No. 701-TA-248 (Final).

6/ Investigation No. 731-TA-259 (Final).

7/ Investigation No. 731-TA-260 (Final).

found by the Department of Commerce to be sold in the United States at less than fair value. 1/

Background

The Commission instituted investigation No. 701-TA-248 (Final) effective July 19, 1985, following a preliminary determination by the Department of Commerce that imports of offshore platform jackets and piles from Korea were being subsidized within the meaning of section 701 of the Act (19 U.S.C. 1671). The Commission instituted investigations Nos. 731-TA-259 and 260 (Final) effective November 25, 1985, following preliminary determinations by the Department of Commerce that such imports from Korea and Japan were being sold at less than fair value within the meaning of section 731 of the Act (19 U.S.C. 1673). Notice of the institution of these investigations and of a public hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of August 7, 1985 and December 12, 1985 (50 F.R. 31932, 50854). The hearing was held in Washington, DC, on April 2, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

1/ In investigations Nos. 731-TA-259 and 260 (Final) Vice Chairman Liebeler finds that an industry in the United States is materially injured by reason of dumped imports of jackets from Korea and Japan, but that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of dumped imports of piles from Korea and Japan.

VIEWS OF THE COMMISSION

We determine that two industries in the United States are materially injured by reason of subsidized imports of offshore platform jackets and piles from the Republic of Korea. [1/] We further determine that two industries in the United States are materially injured by reason of less than fair value (LTFV) imports of offshore platform jackets and piles from Korea and Japan. [2/]

In making these determinations, we define the domestic industries to encompass those firms that produce and that submit bids (successfully or unsuccessfully) to produce the two like products, offshore platform jackets and offshore platform piles. We find that there is a West Coast regional industry producing offshore platform jackets and a national industry producing offshore platform piles.

Our affirmative determination on material injury to the domestic piles industry is based on data showing decreased shipments, employment, and profitability during the period of investigation. Our affirmative determination with respect to the West Coast jacket industry rests largely on the fact that domestic firms have not received a single contract since 1982.

1/ Chairwoman Stern did not participate in this investigation. In Inv. No. 701-TA-248 (Final), Vice Chairman Liebeler finds that industries in the United States are not materially injured or threatened with material injury, and that the establishment of industries in the United States is not materially retarded, by reason of subsidized imports of offshore platform jackets and piles from Korea.

2/ Chairwoman Stern did not participate in these investigations. In Invs. Nos. 731-TA-259 and 260 (Final), Vice Chairman Liebeler finds that a regional industry in the United States is materially injured by reason of dumped imports of jackets from Japan and Korea, but that an industry in the United States is not materially injured or threatened with material injury, and that the establishment of an industry in the United States is not materially retarded, by reason of dumped imports of piles from Japan and Korea.

In our opinion, the bids of the West Coast jacket industry have been sufficiently responsive to oil company solicitations. Bids from Korean and Japanese producers have been substantially lower than domestic industry bids, and domestic sales of both jackets and piles have been lost on the basis of price.

The subject imports

Offshore platform jackets are the supporting structures for offshore oil production platforms. Piles, which are long, heavy-walled steel pipes, are driven through the jacket legs or through skirt pile sleeves to permanently affix the structure to the ocean floor. 3/

Because of the complexity of construction of these products, there is an extended time period between contracts for sale and actual delivery dates. Some of the foreign merchandise now under contract is destined for delivery but is not yet fully constructed or physically delivered to a U.S. installation site. The fact that this merchandise has not been "imported" for the purpose of a levy of custom duties 4/ does not preclude its inclusion in the Commission's evaluation. The Trade and Tariff Act of 1984 amended the Tariff Act of 1930 to require that the Commission determine if there is injury

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3/ The products denoted by the Department of Commerce as imports of the class or kind subject to investigation are steel jackets (templates) and/or piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly. Therefore, subassemblies requiring further onshore assembly are not subject to investigation.

4/ For the purpose of a levy of customs duties, the merchandise is considered to be imported at the point in time when it becomes permanently affixed to the ocean bed. The Outer Continental Shelf Lands Act extends U.S. law to installations and other devices attached to the seabed. Customs law makes these jackets and piles dutiable importations. 43 U.S.C. § 1331(a); C.S.D. 79-1, 13 Cust. Bull. 991, 992 (1978).

"[b]y reason of sales (or the likelihood of sales) of that merchandise for importation . . . ." [5/] In this investigation, the contract award is an actual sale, and therefore we have examined the bids and contracts in our causation analysis.

The like product

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." [6/] Section 771(10), in turn, defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." [7/]

In the preliminary investigation, the Commission determined that there was one like product, jacket and pile assemblies, based on the integrated function of the two items. [8/] The Commission also noted that jackets and piles are most often designed, bid upon, contracted for, and manufactured together. Having examined the issue more thoroughly during the final investigation, we now find that there are two like products, offshore platform jackets and offshore platform piles. The domestic products are substantially similar to the imported products.

5/ Tariff Act of 1930, § 701(a), 19 U.S.C. § 1671(a), amended by, Trade and Tariff Act of 1984, § 602 (to be codified at 19 U.S.C. § 1671(a)).

6/ 19 U.S.C. § 1677(4)(A).

7/ 19 U.S.C. § 1677(10).

8/ Commissioner Eckes found two like products in the preliminary investigation.

The issue to be addressed is not whether jackets and piles have the same characteristics and uses as each other; but, rather, whether they are so integrally related as to constitute a single like product, i.e., jacket and pile assemblies. In this regard, it is important to note that the functioning end products purchased by oil companies for oil production are not jacket and pile assemblies, but offshore production platforms. Offshore platforms are made up of three major elements: (1) jackets; (2) piles; and (3) deck assemblies. All three elements are necessary, any one being useless without the other two. The parties did not argue that deck assemblies should be included within a single like product of offshore platforms. The issue is whether the other two major elements should be separate like products.

A jacket is assembled by one producer from parts fabricated by that producer or another firm. Fabrication usually takes place at a site other than the assembly site. Assembly involves significant technical skill and is the key operation in jacket production. The essential characteristics of jackets are established during assembly. On the other hand, fabrication is the key operation in pile production. Relatively little onshore assembly is required for piles after fabrication. Thus, the manufacturing processes for these two elements of an offshore platform are distinctly different.

As for bidding and contracting, piles are sometimes bid separately from the jacket, and sometimes bid together. This appears to be largely a function of the size of the platform in question. 9/ Larger projects tend to have separate bidding and contracting for jackets and piles.

9/ Transcript of the preliminary conference at 153.

The petitioners, who argued during the preliminary investigation that there was a single like product, changed their position during the final investigation and alleged that there was a trend toward separate bidding for jackets and piles. 10/ When dealing with a small number of contracts on items that are greatly varied in size, it is difficult to establish any bidding "trend." However, the most recent contracts have been for larger jackets and piles, and it is for the larger ones that there is apparently a greater tendency to split awards.

Furthermore, there are geographical limitations on the transportation of jackets that do not exist for piles. The large assembled jackets used on the West Coast cannot be transported through the Panama Canal and shipment around South America has not been considered feasible. 11/ Piles have no such restrictions. Thus, there is a commercial distinction resulting from the transportation factor in that domestic bids may be accepted on a national basis for the piles, but must be restricted for jackets to firms proposing assembly in the same region as the offshore project. This is, in fact, what happened on the Eureka project where Kaiser won the jacket award and used its assembly yard in Vallejo, California. McDermott was awarded the piles contract and supplied the piles from its Gulf Coast facilities. 12/

On balance, we find that offshore platform jackets and offshore platform piles are not so integrally related that they should be treated as one like product. There are sufficient distinctions in the contracting process, the manufacturing process, transportability, etc., to indicate that they should be treated as separate like products. Thus, we determine that there are two like

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10/ Petitioners' pre-hearing brief at 12.
11/ Report of the Commission (Report) at A-52.
12/ Id. at A-31, A-47.

products, offshore platform jackets and offshore platform piles, and therefore two domestic industries.

Regional industry

In the final investigation, petitioners argued that the Commission should apply a regional industry analysis when assessing the impact of imports of offshore platform jackets from Korea and Japan. 13/ On the other hand, they argued that the offshore platform piles industry is national in scope.

As for piles, in this investigation there have been no sales of Japanese or Korean piles in the Gulf of Mexico. However, there have been U.S. domestic shipments of piles from the Gulf Coast to the West Coast. 14/ There are no geographical features preventing such shipments in the future, nor are there any limitations on shipments of Japanese or Korean piles to the Gulf Coast. Accordingly, it would be inappropriate in these circumstances to consider the

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13/ Section 771(4)(C) states that "in 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 . . . ." 19 U.S.C. § 1677(4)(C). In making a regional industry determination, the Commission must decide if:

> (i) the producers within such market sell all or almost all of their production of the like product in question in that market, and
> (ii) the demand in the regional market is supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

14/ Report at A-31, A-47.

offshore platform piles industry on a regional basis and therefore we have based our determination on an assessment of a nationwide piles industry.

In contrast to piles, the production of completely assembled offshore platform jackets intended for the West Coast requires a West Coast assembly yard in almost all cases. 15/ This is because the jackets intended for West Coast platforms are almost always too large to fit through the Panama Canal. 16/ Also, it is not generally feasible to ship such jackets around South America because the weather conditions are so unpredictable and harsh that the risk of loss, damage or delay is prohibitive. 17/

Respondents cite the bids for West Coast projects by Gulf Coast producers as evidence of a national industry. 18/ However, what is important is not the headquarters location of a particular firm but, rather, the location of the productive facilities. Also, as noted above, we have determined that assembly is the key operation in establishing the physical characteristics of jackets, 19/ and final assembly for West Coast jackets must take place on the West Coast.

Respondents also urged the Commission to find that appropriate circumstances did not exist for finding a regional industry because there was

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15/ Respondents implicitly acknowledge the crucial aspect of West Coast assembly facilities. In arguing that domestic producers submitted "nonresponsive" bids for West Coast projects, respondents attempted to show that each proposed West Coast assembly site other than those already in operation was not viable. There was no discussion of Gulf Coast assembly facilities.

16/ Report at A-52.

17/ Id.

18/ The Economics Group pre-hearing brief at 7-8; Oil companies' pre-hearing brief at 9-10, 14-15.

19/ We also note that subassemblies are not within the scope of the investigation.

only one small producer, i.e., Kaiser, on the West Coast. [20/] We do not find their arguments persuasive. First, Kaiser's West Coast operations are quite extensive. The facilities used to produce the Eureka jacket, and still available for other production, can hardly be characterized as "small." Second, because the Commission is looking at sales rather than shipments it is not true that there is only one West Coast producer for purposes of this determination. McDermott, Brown & Root and other well-established firms have made legitimate bids premised on West Coast assembly facilities.

All of the sales of fully assembled Korean and Japanese jackets have been for West Coast projects. [21/] There have been no bids, sales, or production of jackets from West Coast production sites for Gulf Coast platforms. In light of these factors, the Commission finds that appropriate circumstances exist to find a regional West Coast offshore platform jacket industry.

Condition of the industries [22/]

With respect to the West Coast jacket industry, material injury clearly exists. When analyzing a regional industry the Commission must determine whether the producers of all or almost all of the production within the regional market are being materially injured or threatened with material injury. [23/] The domestic producers have not obtained a single contract for a West Coast jacket since Kaiser received the award of the Eureka platform

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20/ Oil companies' pre-hearing brief at 7, 17.

21/ There are Japanese subassemblies being used in the production of the Bullwinkle jacket in the Gulf of Mexico, but such subassemblies are not imports of the class or kind subject to this investigation.

22/ Vice Chairman Liebeler does not join this section with respect to the piles industry. See her Additional and Dissenting Views which follow.

23/ 19 U.S.C. § 1677(4)(C).

jacket contract in 1982. Thus, the financial performance of the West Coast producers on West Coast jacket operations declined over the period of investigation, and in 1985 there was no productive activity at all -- no revenue, no shipments, and no employees. The industry is at a total standstill. As a result, we determine that the producers of all or virtually all of the West Coast production of offshore platform jackets are materially injured.

With respect to piles, total shipments of piles by domestic producers showed a significant decrease from 1984 to 1985. 24/ Employment has decreased 25/ and financial performance has been weak. 26/ Most producers have shown losses. 27/ There is a great deal of capacity for producing piles and the capacity utilization rates have been consistently low. 28/ The domestic industry is clearly suffering material injury, especially in 1985.

Material injury by reason of imports of offshore platform jackets from Korea and Japan

We have determined that all or almost all of the producers of offshore platform jackets for the West Coast region are materially injured by reason of

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24/ Report at A-48, Table 7.
25/ Id. at A-33 - A-35.
26/ Id. at A-35 - A-37.
27/ Employment and financial data for piles could not be adequately broken out from other offshore platform production operations. Therefore, the Commission has examined the data in this regard for the narrowest range of products that includes the like product. 19 U.S.C. § 1677(4)(D).
28/ Report at A-28 - A-30.

imports of jackets from Korea and Japan. [29/] [30/] Price is the key factor in winning a bid and the price of the imports have undercut the domestic products in each instance, sometimes substantially. [31/] While the low bidder does not always win the contract, there is seldom a significant difference between the low bids and the winning bids. [32/]

Unlike most investigations, the Commission was able to examine each project in detail, and the evidence as to causation was unmistakable. [33/]

29/ We note that the cumulation provision of the statute (19 U.S.C. § 1677(7)(C)(iv)) is applicable to these investigations because during the bid process the Japanese and Korean producers bid in competition with each other and with the domestic producer. However, since each individual project is of such significance cumulating is not necessary in order to make affirmative determinations. Imports from Japan and Korea have caused material injury on an individual country basis.

30/ Vice Chairman Liebeler finds that an industry in the United States is not materially injured or threatened with material injury by reason of imports of subsidized offshore platform jackets from Korea. See her Additional and Dissenting Views which follow.

31/ Vice Chairman Liebeler believes that evidence of underselling is ordinarily not probative on the issue of causation. She does not find the particular data on underselling gathered by the Commission useful. In this case she does believe that evidence of price undercutting has been presented. See her Additional and Dissenting Views which follow. See also Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. Nos. 701-TA-258-60 and 731-TA-283-85 (Preliminary), USITC Pub. 1771 at 34-36 (1985) (Additional Views of Vice Chairman Liebeler).

32/ Report at A-51.

33/ Commissioner Brunsdale does not find the evidence of causation "unmistakable," but it is the best information available and does suggest a causal link between the dumped and subsidized imports and material injury to the domestic industry. She notes that total dumping and net subsidy margins were actually calculated for only three jacket-and-pile projects--two from Japan subject only to dumping findings and one from Korea subject to both dumping and subsidy calculations. The final dumping margins, figured on a constructed value basis, were 8.88 percent and 9.19 percent respectively for the Japanese projects and 17.34 percent for the Korean project; the final net subsidy for the Korean project was at most 8.73 percent (but since the subsidies are export subsidies the dumping duty would be lowered by an equivalent amount). These margins could have been an important and perhaps determinative factor in reaching a negative decision in these investigations. Unfortunately, there are no final dumping margins or subsidy calculations for the majority of the projects that are within the scope of these investigations. Given the unique nature of each project, extrapolation of the dumping margins and subsidies calculated for the three projects to the remaining projects would be speculative and inappropriate.

This is not to say that all of the sales by Japanese or Korean producers could have been supplied by the domestic industry. In the short run it is unlikely that actual and potential domestic West Coast jacket producers would have had the capacity to fill all of the demand. Furthermore, there is some question as to how viable some of the bids submitted by domestic producers were for some individual projects. Nonetheless, the total capture of the market by the Japanese and Koreans renders these considerations relatively insignificant.

Respondents attempted to show that in none of the instances where the Japanese or Koreans received the contract did any domestic producer submit a responsive bid. Respondents alleged (1) quality problems with domestic producers, 34/ (2) lack of physical development of various proposed West Coast assembly sites, 35/ and (3) lack of needed permits to develop such sites. 36/

With respect to the quality issue, we find respondents' arguments unpersuasive. Bids have been submitted by many domestic producers including such companies as McDermott and Brown & Root which have vast experience and proven capabilities as jacket producers. Furthermore, with respect to Kaiser, at whom most of the quality allegations were aimed, we also view the arguments with skepticism. Kaiser built a jacket for the Eureka platform for Shell during the period of investigation, and the work appears to have been satisfactory. 37/ This is implicitly confirmed by Shell's award of the contract for its huge Bullwinkle jacket in the Gulf of Mexico to Bullwinkle Constructors, a joint venture in which Kaiser is a minority participant. 38/

34/ See, e.g., Oil companies' pre-hearing brief at 24-33.
35/ See The Economics Group pre-hearing brief.
36/ Id.
37/ Office of Investigations memorandum INV-J-078 (Apr. 29, 1986). See also Transcript of the Commission Hearing (Tr.H.) at 208.
38/ Report at A-20.

With respect to the question of the lack of physical development of various proposed West Coast assembly sites, we are also unpersuaded. First, it is important to note that Kaiser bid some projects based on assembly at their developed and permitted yards at Vallejo and Oakland, California. 39/ In cases where Kaiser could not bid based on Vallejo or Oakland (because of the height of nearby bridges under which the completed jacket would have to pass), 40/ Kaiser bid based on a proposed yard at Terminal Island, California. Terminal Island is not blocked from the open sea by low bridges. Respondents have argued that this site and other domestic producers' proposed sites (for example, at Humboldt Bay, California, and Coos Bay, Oregon) could not be sufficiently developed in the time between contract award and the beginning of assembly. They argued that there were development problems of such significance that they could not risk the delay and the consequent significant losses in oil production and revenue.

While the lack of physical development of Terminal Island and other sites might have been a determining factor in an isolated instance when a Japanese or Korean producer won a bid, we are not persuaded that such is the case in most of the instances. For example, we note Exxon's proposed site near Eureka, California. Exxon obtained the lease rights to a jacket assembly site and indicated its intention to assign it to the successful domestic bidder on its Harmony and Heritage jackets (also known as the Santa Ynez Unit or SYU project). Although the site was fully permitted there was no physical development of the location. Nevertheless, Exxon was willing to award the contract and then allow the assembler to begin preparation of the site.

39/ Id. at A-24.
40/ Id. at A-23 - A-24.

Therefore, in at least this case involving the largest of the projects under investigation, a site was admittedly available. Yet, the contract was awarded to a Korean producer. Furthermore, if Exxon was willing to award a contract on the basis of a physically undeveloped site, it casts considerable doubt on other respondents' arguments that lack of a fully developed site made domestic bids unresponsive. We also note that Exxon's willingness to use the Eureka, California, site casts doubt on the respondents' argument [41/] that they were particularly concerned about the availability of sufficient qualified labor at various proposed sites.

The third argument advanced by respondents is that the permitting process required for development of an assembly site would prohibit the award to any of the domestic producers. Such an argument does not account for Exxon's fully permitted proposed assembly site at Eureka, California. It also does not account for Kaiser's functioning and permitted assembly sites at Vallejo and Oakland which were available for some of the projects. Respondents argue that it took Exxon almost two years to obtain the permits for its Eureka, California, site [42/] and that Terminal Island is still not fully permitted. However, this does not take into account the potential for accelerating the permitting process under pressure of a contract award. For instance, another domestic producer was apparently able to obtain permits for a Humboldt Bay site near Exxon's proposed site in a matter of months [43/] instead of the two years it took Exxon.

41/ Tr.H. at 139, 174.
42/ The Economics Group pre-hearing brief at 183-84.
43/ Id. at 159-60.

Respondents cited several Commission determinations to support their arguments alleging nonresponsive bidding. 44/ However, the factual situations underlying those determinations are different from the facts in this investigation. Kaiser and the other domestic producers are well-established companies that submitted bids to produce the product requested at the time requested. The oil companies voiced doubts about whether such offers of timely delivery could be adequately relied upon in light of the financial consequences of delay, but such doubts do not make the bids themselves nonresponsive.

This investigation revealed that Kaiser and other West Coast jacket producers did not present the oil companies with bids that accorded with every element of the oil companies' specifications and terms. However, on balance we do not find that these shortfalls constitute nonresponsiveness. 45/ The total dominance of the market by Japanese and Korean unfairly traded imports caused material injury to the domestic producers of all or almost all of West Coast production.

44/ See Certain Commuter Airplanes from France and Italy, Invs. Nos. 701-TA-174-175 (Preliminary), USITC Pub. 1269 (July 1982), where the single domestic producer was a new company with no production facilities, no real experience, and no proper specifications for the proposed planes; Certain Automated Fare Collection Equipment and Parts Thereof from France, Inv. No. 701-TA-200 (Preliminary), USITC Pub. 1323 (Nov. 1982), where the sole domestic producer submitted an admittedly nonresponsive bid hoping to force a new bidding process based on different product specifications and different time limits; Cell-Site Transceivers and Subassemblies Thereof from Japan, Inv. No. 731-TA-163 (Final), USITC Pub. 1618 (Dec. 1984), where the Commission found that one large contract awarded to the Japanese was not a "lost sale" because the domestic company submitted a bid based on a different type of equipment from that requested by the buyer.

45/ We note our doubts that the winning Korean and Japanese bids were perfect in every regard. The Korean producers in particular were relatively unknown to the oil companies.

Material injury by reason of imports of piles from Japan and Korea

We find that the national offshore platform piles industry is materially injured by imports of piles from Korea and Japan. 46/ 47/ 48/ Based on shipments, import penetration from Japan rose from 4.0 percent in 1982 and zero in 1983-84 to 14.5 percent in 1985. Korea went from zero in 1982-84 to 10.5 percent in 1985. 49/ Also, there have been relatively high levels of sales by Japanese and Korean producers throughout the period. 50/ This occurred at a time when domestic shipments, profits, and employment all fell. Respondents made no arguments and the Commission found no evidence that the domestic piles industry was incapable of making these piles. The domestic producers were simply underbid, 51/ resulting in a sudden and large import penetration from both Korea and Japan. We conclude that the domestic piles industry was materially injured by these unfairly traded imports.

46/ Again we note that cumulation is appropriate in this case due to the fact that in the bid process the Japanese and Korean piles are competitive with each other and with the domestic piles. However, we are able to reach affirmative determinations on an individual country basis.

47/ Vice Chairman Liebeler does not join this section. See her Additional and Dissenting Views which follow.

48/ Commissioner Brunsdale's determination of material injury by reason of imports of piles is based on cumulation.

49/ Report at A-44, Table 18.

50/ Id. at A-18, Table 3.

51/ Id. at A-46 - A-50. Specific bid prices are confidential.

ADDITIONAL AND DISSENTING VIEWS OF VICE CHAIRMAN LIEBELER

Investigation Nos. 701-TA-248 (Final) & 731-TA-259-60 (Final)

I determine that an industry in the United States is materially injured by reason of dumped imports of offshore platform jackets from Japan and the Republic of Korea ("Korea"). I further determine that no industry in the United States is materially injured, or threatened with material injury, or materially retarded, by reason of subsidized offshore platform jackets or piles from Korea or dumped imports of piles from Japan and Korea.[1] I concur in the result reached by the majority with respect to like product, domestic industry, regional industry and condition of the domestic jacket industry. I offer these views to clarify my decision with respect to several of these issues and to discuss causation.

In the present case, the Commission has decided that piles are not like jackets. Although I agree with the majority's conclusion and much of their reasoning, further

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

analysis is appropriate.[2]

Jackets and piles are used together to form offshore drilling platforms. Economists refer to products that are used together as complementary goods. The Commission has decided several cases recently involving complementary goods that were "like products." For example, in Cellular Mobile Telephones and Subassemblies Thereof from Japan,[3] the Commission majority decided that transceivers (a box which usually sits in the trunk and receives and transmits calls) were like control units (handset and cradle resembling and performing functions of the telephone). "Like products" and "complementary goods", however, are not synonymous.

One major distinction between piles and jackets is that piles require little assembly after fabrication while fabricated subcomponents of jackets undergo a long and expensive assembly process before they are recognized as jackets, either visibly or under the tariff schedules. Thus,

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[2] The majority's distinctions between piles and jackets include differences in use, the bidding process, the facilities used for production, and transportation costs.

[3] Inv. No. 731-TA-207 (Final), USITC Pub. 1786 (1985).

assembly provides a jacket with its characteristics and uses. The different effects of fabrication and assembly on the identities of the separate products is one indication that fabrication standing alone is not sufficient to determine what constitutes the like product or the domestic jacket industry. Moreover, fabrication can be done by many different steel manufacturers. Assembly, on the other hand, is very specialized and requires experience particular to the platform business, not just the steel business.[4]

Since piles can be fabricated anywhere and transported relatively easily, the pile industry is a national industry. Conversely, since domestic jacket assembly for the West Coast occurs exclusively on the West Coast, and imports of jackets are wholly concentrated on the West Coast, I find that the regional industry criteria are met for the jacket industry.[5]

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[4] Fabricators of the raw material for jackets may be injured by imports of the finished product, just as fishermen may be injured by processed fish. Where, as here, a fabricator can easily switch to manufacturing a different product, its presence in the industry definition is not warranted.

[5] The requirement that there be little outflow from the region is also met. Jackets are not assembled on the West Coast and transported to the Gulf. 19 U.S.C. 1677(4)(C).

In order for a domestic industry to prevail in a final investigation, the Commission must determine that the dumped imports cause or threaten to cause material injury to the domestic industry producing the like product. First, the Commission must determine whether the domestic industry producing the like product is injured or is threatened with material injury.[6] Second, the Commission must determine whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission answers both questions in the affirmative will it make an affirmative determination in the investigation.

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant." The term harm is undefined. As for the

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[6] I concur with the majority on the condition of the West Coast jacket industry. I do not concur with the majority's assessment of the condition of the domestic piles industry. The financial data on jackets and piles is aggregated. Because the piles industry constitutes a small percentage of this aggregate data, it is difficult to discern any meaningful information about the piles industry. The decline in value of shipments during the period of investigation provides the only indication that the piles industry is suffering harm. For purposes of this opinion, I will assume that the piles industry is materially injured.

causation test, "by reason of" lends itself to no easy interpretation. Therefore, it is proper to look to the legislative history for guidance.

The ambiguity arises in part because it is clear that the presence in the United States of foreign supply will always make the domestic industry worse off than if no competing imports had occurred. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

But the legislative history shows that the mere presence of LTFV imports is not sufficient to establish causation. In the legislative history to the Trade Agreements Act of 1979, Congress stated:

> The ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[7]

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[7] Report on the Trade Agreements Act of 1979, S. Rep. No. 249, 96th Cong. 1st Sess. 75 (1979).

The Senate Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury."[8]

The Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is a matter for the judgment of the ITC."[9] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

In the legislative history to the 1974 Act, the Senate Finance Committee stated:

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8 Id.

9 Id.

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather, it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[10]

Thus, the focus of the analysis must be on what constitutes unfair price discrimination and what harm results therefrom:

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[11]

This "difficult and complex" judgment by the Commission is aided greatly by the use of economic and financial analysis. One of the most important assumptions of traditional microeconomic theory is that firms attempt

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

[11] Id.

to maximize profits.[12] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[13]

An assertion of unfair price discrimination should be accompanied by a factual record which can support such a conclusion. In accord with economic theory and the legislative history, foreign firms should be presumed to behave rationally. Therefore, if the factual setting in which the unfair imports occur does not support any gain to be had by unfair price discrimination, it is reasonable to conclude that any problems the domestic industry is suffering should not be treated as being "by reason of" such imports.

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not

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12 See, e.g., P. Samuelson & W. Nordhaus, Economics 42-45 (12th ed. 1985); W. Nicholson, Intermediate Microeconomics and Its Application 7 (3d ed. 1983).

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

rational to charge a price below that which is necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[14]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[15]

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers

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[14] Id.

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

to entry to other foreign producers (low elasticity of supply of other imports).[16]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[17] The legislative history provides some guidance for applying these criteria. The five factors incorporate both the statutory criteria and the guidance provided by the legislative history. I evaluate each of these factors in turn.

Let us start with import penetration data. A large market share is a necessary condition for a seller to obtain or enhance market power through unfair price discrimination. The statute requires that, under certain conditions, imports of two countries must be cumulated to determine the effect of the imports on price and volume. Cumulation is mandated when imports from two or more countries compete with each other and with like products of the domestic industry and are subject to

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16 Id. at 16.

17 19 U.S.C. 1677(7)(B)-(C) (1980 & cum. supp. 1985).

investigation.[18] The dumped imports of jackets from Japan and Korea meet these criteria. This is also true for the dumped imports of piles from these two countries. The market share for Japan and Korea for jackets on the West Coast based on sales has risen from zero in 1982 to 100 percent in 1983-85. The cumulated import penetration ratio for piles in the national market rose from 4 percent in 1982 to 25 percent in 1985. All of the imports of jackets and piles were to the West Coast.[19]

I do not cross-cumulate dumping and subsidy investigations for several reasons.[20] First, Commission treatment of foreign government subsidization of imports and sales by private firms at LTFV is governed by different sections of Title VII. This raises a presumption that Congress intended to treat the two

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[18] 19 U.S.C. 1677(7)(C)(iv)(1985 cum. supp.).

[19] This ratio is calculated based on actual imports, not sales as was done for jackets. Reliable sales data on the national piles industry are unavailable.

[20] In Bingham and Taylor, Div. Virginia Industries, Inc. v. United States, Slip. Op. 86-14 (Feb. 14, 1986), the Court of International Trade stated that cumulation across statutes is required. Until this issue is resolved by the Federal Circuit I shall not cumulate across statutes.

activities separately. Second, historical Commission practice has been not to cross-cumulate. This practice existed prior to the enactment of the statutory cumulation provisions. Obviously, Congress could have chosen to alter this practice but did not do so. Third, the wording of the operative sections of Title VII precludes cross-cumulation. For example, the language of the countervailing duty section clearly requires that the injury be by reason of subsidized imports, not subsidized and dumped imports.[21] If the Commission was to cross-cumulate, it would be acting outside its statutory mandate. The Commission simply cannot make an affirmative determination in, e.g, a countervailing duty case based on dumped imports.[22] Thus, the import penetration ratio based on sales for subsidized jackets from Korea was zero in 1982, 50.9 percent in 1983, zero in 1984 and 93.7 percent in 1985.

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[21] The Commission is to examine whether an industry in the United States is materially injured or threatened with material injury "by reason of imports of that merchandise * * *" 19 U.S.C. 1671 (a)(2) (1980, 1985 Supp.) (emphasis added).

[22] For a more detailed explanation see Certain Carbon Steel Products from Austria, et al., Nos. 701-TA-225-234 (Preliminary) and 731-TA-213-217, 219, 221-226, and 228-235 (Preliminary), USITC Pub. No. 1642, at 43-48 (Views of Vice Chairman Liebeler).

This ratio is less meaningful than in most cases. Market share in the case of the jacket industry changes by large amounts depending on how many bids there are and who wins. Thus, if there are two bids concerning projects of equal size, and Japan and Korea each get one, Korea's share is 50 percent, while if Korea won both bids, its market share would be 100 percent. Thus, unlike in most investigations, market share data for the jacket industry should be aggregated over a period longer than a calendar year. This provides a more accurate picture by getting rid of the "lumpiness" associated with each individual sale. The data indicate that Korea's market share over the period of investigation is substantially lower than that reported for calendar year 1985.[23]

The second factor is a high margin of dumping or subsidy. The higher the margin of dumping or subsidy, ceteris paribus, the more likely it is that the product is

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[23] Report at Table 17. The exact figure is confidential. Because the sales numbers are cumulated in the dumping case, aggregation is less important.

being sold below the competitive price[24] and the more likely it is that the domestic producers will be adversely affected by the dumping. The margins of dumping and subsidy are determined by the Department of Commerce. In this case, the weighted-average dumping margin was 8.92 percent for Japan and 17.34 percent for Korea.[25] The subsidy margin for Korea was 4.42 percent.[26]

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers. The evidence on this point is mixed. Bids on jackets and piles contracts are based on specifications. The actual physical product should therefore be very similar. One crucial factor in the production of a jacket, however, is on-time delivery. Missing the time

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24 See text accompanying note 11 supra.

25 Report at A-9-10.

26 All of these margins may vary considerably when the merchandise is actually entered but these figures serve as the best information available and represent the amount of the bond to be posted. The dumping margins are considerably higher than the subsidy margin. The probability that the dumping margins are associated with prices below a competitive price are therefore greater than for the subsidy margin.

period when installation is possible can delay installation for a year.[27] One indication that the final product, including delivery, varies from producer to producer is that oil companies selected a firm other than the lowest bidder in 5 of 11 West Coast projects for which the Commission has data.[28]

The fourth factor is declining prices. Evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. Evidence with respect to price trends is not usable in this case because jackets and piles vary substantially from platform to platform. Thus, the fact that one jacket or set of piles may cost more or less than the last one is irrelevant because the specifications are different.

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27 Report at A-51-52. The oil companies argued that the state of readiness of the assembly site is a key predictor of whether a jacket will be ready on time. Because Kaiser's sites were either blocked by bridges, or not fully-permitted, the oil companies contend that Kaiser's bids were non-responsive. Although there is merit to these arguments, they cannot apply to all bids. For example, Exxon had already obtained permits for a site for its Santa Ynez Unit project.

28 Report at A-51.

The fifth factor is barriers to entry. The presence of barriers to entry makes it more likely that a producer can gain market power. The only foreign countries currently assembling jackets for the U.S. market are Japan and Korea. Assembly experience is one of the main factors relied on by oil companies to qualify bidders.[29] Thus, it would probably take some time before capacity from other countries could be a factor in the U.S. market.[30] Because the production of piles is essentially a fabrication process, barriers to entry should be lower for this industry, although there have been no imports of piles from other countries as yet.[31]

These factors must be balanced in each case to reach a sound determination. In the case of dumped jackets, the 100 percent cumulated West Coast market share for Japan

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29 Report at A-46-A-50.

30 Both Japan and Korea have excess capacity. Total Korean and Japanese jacket assembly capacity increased approximately 80 percent during 1982-1985. Report at Tables 14-15.

31 Total Korean and Japanese capacity to produce piles has increased approximately 10 percent during 1982-1985.

and Korea, together with the moderately high margins and the barriers to entry compel the conclusion that the statutory criteria have been met.[32] Corroborating this is some evidence that Kaiser is less likely to win future bids the longer its time between assembling jackets.[33] This may be an added entry barrier that makes unfair price discrimination more attractive. Thus, I determine that an industry in the United States is materially injured by reason of dumped imports of jackets from Japan and Korea.

With respect to subsidized jackets from Korea, market share is not as large, the subsidy margin is very low, and there is no barrier to further entry by Japan. It is also evident that there is little prospect for future imports of jackets given the predicted price of oil in the near future.[34] I conclude, therefore, that an industry in

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[32] As explained earlier, because individual platforms are not comparable in terms of specifications and because there are so few projects, data on pricing and homogeneity are not very useful in this case. See text accompanying notes 24-28, supra.

[33] Report at A-46-A-50. See also Transcript at 94 (Preliminary) (May 13, 1985).

[34] See Certain Ethyl Alcohol from Brazil, Inv. Nos.

(Footnote continued on next page)

the United States is not materially injured, or threatened with material injury, by reason of subsidized imports of jackets by Korea.

The case for piles is more difficult. Most of the jacket and pile data is aggregated. The data indicate however, that despite relatively constant domestic shipments of piles, the value of pile shipments has declined approximately 40 percent.[35] The decrease in value is clearly not due to imports. The drop in the value of piles occurred between 1982 and 1983, a period when imports of piles decreased to zero. Moreover, the per ton value of shipments remained nearly constant during 1982-85, despite the increase in imports in 1985. The reason for the decline in value between 1982 and the subsequent years is the decline in the real price of oil. When the price of oil drops, oil exploration declines. As oil exploration declines, the demand for oil exploration equipment, such as piles, also declines. This would

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(Footnote continued from previous page)
701-TA-239 (Final) & 731-TA-248 (Final), USITC Pub. 1818 (March 1986).

35 Report at Table 7.

account for the decrease in the amount paid for piles.[36] Thus, my analysis of the factors indicates that an industry in the United States is not materially injured or threatened with material injury by reason of LTFV imports of piles from Japan or Korea. The analysis above applies equally to subsidized piles from Korea. I therefore determine that an industry in the United States is not materially injured or threatened with material injury by reason of subsidized imports of piles from Korea.

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[36] This would also account for part of the story with respect to jackets but not enough to warrant a negative determination.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On April 18, 1/ and April 19, 1985, 2/ petitions were filed with the U.S. International Trade Commission and, on April 19, 1985, with the U.S. Department of Commerce by counsel on behalf of Kaiser Steel Corp., Napa, CA, and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, Kansas City, KS. The petitions allege that imports of offshore platform jackets and piles from the Republic of Korea (Korea) are being subsidized by the Government of Korea, that imports of offshore platform jackets and piles from Korea and Japan are being sold in the United States at less than fair value (LTFV), and that an industry in the United States is materially injured and threatened with material injury by reason of such imports.

Accordingly, effective April 18, 1985, the Commission instituted preliminary countervailing duty and antidumping investigations Nos. 701-TA-248 (Preliminary) and 731-TA-259 and 260 (Preliminary) under the applicable provisions of the Tariff Act of 1930 (the "Act") (19 U.S.C. 1671b(a) and 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports of such merchandise into the United States. On June 3, 1985, the Commission determined 3/ that there is a reasonable indication that an industry 4/ in the United States is materially injured by reason of imports from Korea of jackets and piles which are alleged to be subsidized by the Government of Korea, and that there is a reasonable indication that an industry 5/ in the United States is materially injured by reason of imports from Korea and Japan of jackets and piles which are alleged to be sold in the United States at less than fair value (50 F.R. 24716, June 12, 1985). 6/

On July 19, 1985, Commerce published its preliminary determination that certain benefits which constitute subsidies are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles (50 F.R. 29461). As a result of this affirmative preliminary determination, the Commission instituted investigation No. 701-TA-248 (Final)

1/ Countervailing duty and antidumping petitions with respect to imports of offshore platform jackets and piles from the Republic of Korea (Korea).

2/ Antidumping petition with respect to imports of offshore platform jackets and piles from Japan.

3/ Chairwoman Stern did not participate in these investigations.

4/ Commissioner Eckes found, for the preliminary investigations, that there are two like products, jackets and piles, and therefore two domestic industries.

5/ Ibid.

6/ A copy of the Commission's determinations is presented in app. A.

effective July 19, 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 offshore platform jackets and piles from Korea.

On November 25, 1985, Commerce published its preliminary determinations that offshore platform jackets and piles from Korea and Japan are being, or are likely to be, sold in the United States at less than fair value (50 F.R. 48452 and 48454). As a result of these determinations, the Commission instituted investigations Nos. 731-TA-259 and 260 (Final) effective November 25, 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 offshore platform jackets and piles from Korea and Japan.

On April 7, 1986, Commerce published its final determination that certain benefits which constitute subsidies are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles (51 F.R. 11779). At the same time, Commerce published its final determinations that offshore platform jackets and piles from Korea and Japan are being sold in the United States at less than fair value (51 F.R. 11788 and 11795). 1/

Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of August 7, 1985, and December 12, 1985 (50 F.R. 31932 and 50854). 2/ The Commission's hearing was held in Washington, DC, on April 2, 1986. 3/ The Commission voted on these investigations on May 5, 1986, and transmitted its final determinations to Commerce on May 14, 1986.

Offshore platform jackets and piles were included in the Commission's investigation No. 332-181 on the conditions of competition between certain domestic and imported fabricated structural steel products. 4/ Offshore platform jackets and piles have not been the subject of any other investigation conducted by the Commission.

The Product

Description and uses

The products covered by these investigations are steel jackets (templates) and/or piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore

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1/ Copies of Commerce's notices are presented in app. A.

2/ Copies of these notices and notices of postponement of the hearing are presented in app. A.

3/ A list of witnesses appearing at the hearing is presented in app. B.

4/ Conditions of Competition Between Certain Domestic and Imported Fabricated Structural Steel Products (Investigation No. 332-181), USITC Publication 1601, November 1984.

assembly, and appurtenances attached to the jackets and piles. These products constitute the supporting structures which permanently affix offshore drilling and/or production platforms to the ocean floor. Appurtenances include grouting systems, boat landings, preinstalled conductor pipes, and similar attachments. 1/

The most common type of fixed offshore platform that uses the jackets-and-piles design is called a "conventional" platform. This type of platform consists of three major elements: (1) the jacket or template, a tubular steel structure that extends from the ocean floor to above the waterline; (2) the piles, steel pipes driven through the open jacket legs or other guides to provide the platform foundation; and (3) a deck or "topside" section placed on top of the jacket to provide the required operational space. 2/ Figure 1 illustrates the component parts of an offshore platform.

Fixed platforms have applications in oceanographic research and as radar and navigational-aid stations, but they are used principally in drilling for and producing offshore oil and gas. The development of jackets and piles, as well as other components of offshore platforms, was fostered by the oil and gas industry.

History. 3/--In 1887, the first oil well was drilled over water at Summerland in Santa Barbara County, CA. By 1903, the area became the first marine oilfield, using rigs from land-based operations supported by wharves.

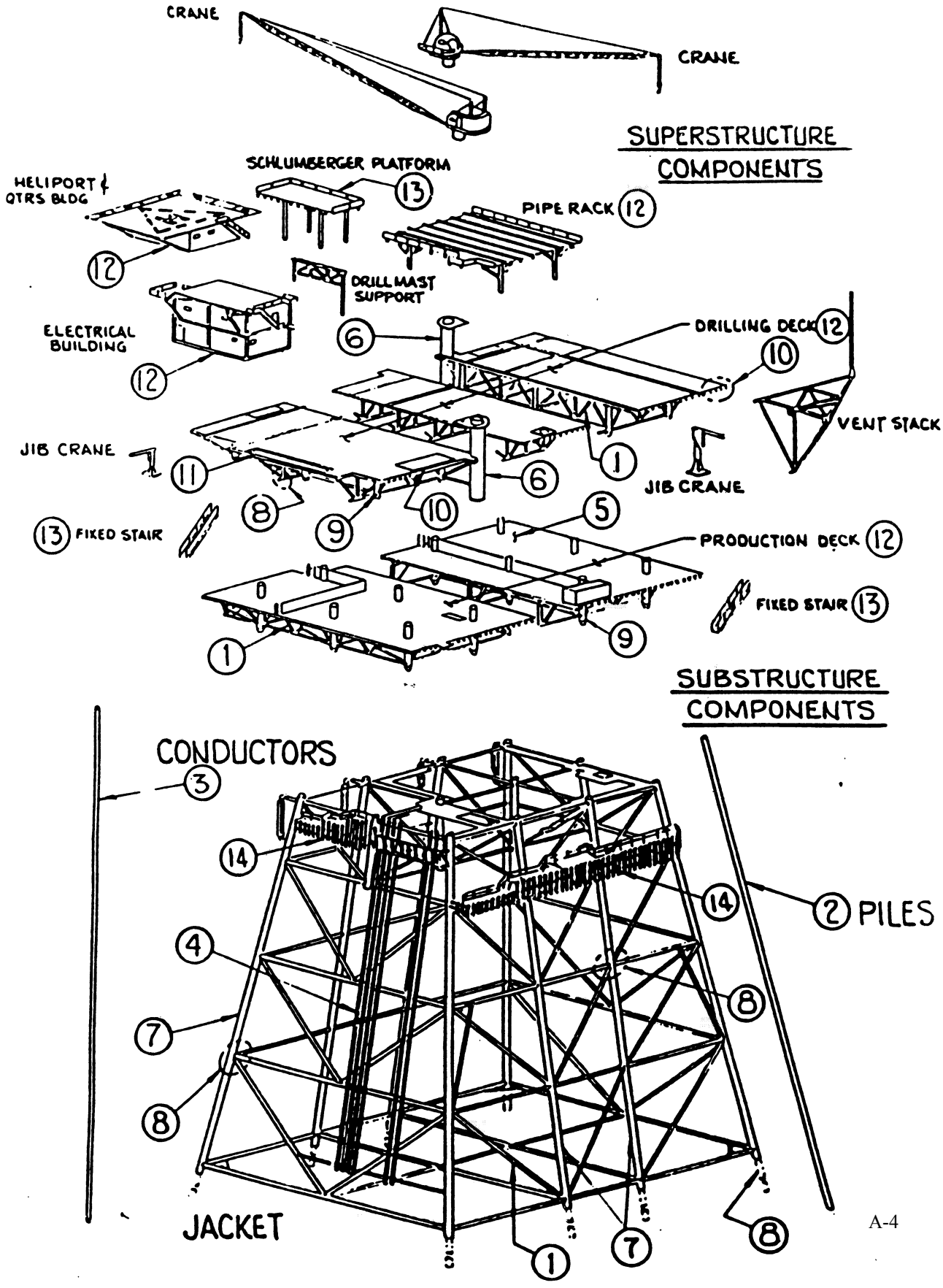
1/ In its preliminary investigations, the Commission determined "that there is a single like product, 'platform jackets and piles,' due to the integrated function of the two items and due to the commercial reality that jackets and piles are most often designed, bid upon, contracted for, and manufactured together." Commissioner Eckes determined that "there are two like products, jackets and piles." Offshore Platform Jackets and Piles From the Republic of Korea and Japan (Investigations Nos. 701-TA-248 (Preliminary) and 731-TA-259-260 (Preliminary)), USITC Publication 1708, June 1985, p. 6.

In the preliminary stage of these investigations, the petitioner stated that "there is one like product. . . consisting of steel template jackets and piles. . ." (transcript of the conference in the preliminary investigations, p. 10). In the final stage, however, the petitioner changed its position, stating that "there are two like products under investigation, jackets and piles." This position reflects a view that commercial practice has changed. The tendency of "oil companies to consider jackets and piles separate products and to split awards appears to be a trend that will continue as the projects move into deeper waters" (transcript of the hearing, pp. 7-8). The respondents in both the preliminary and final stages of the investigations maintained that there is one like product, jackets and piles (transcript of the conference in the preliminary investigations, p. 182; transcript of the hearing, p. 110).

2/ B. McClelland and M. Reifel, Planning and Design of Fixed Offshore Platforms, Van Nostrand Reinhold Co., New York, 1986, p. 3. Topside facilities such as decks, deck modules, drilling and production equipment, and heliports are not included in these investigations.

3/ The information in this section is from McClelland and Reifel, pp. 4-6, and W.J. Graff, Introduction to Offshore Structures, Gulf Publishing Co., Houston, TX, 1981, pp. 4-19. When the sources disagree, Graff is preferred.

Figure 1.--Component parts of an offshore platform.



Source: Kaiser Steel Corp.

In 1909 or 1910, drilling using platforms began in Ferry Lake in Caddo Parish, LA. Wooden platforms were constructed atop cypress-tree pilings. The first well in the Gulf of Mexico was drilled in 1933, in 12 feet of water, from a wooden platform located 3,000 feet off the coast. Development of the California and Gulf oilfields continued, using traditional wooden structures, until the Second World War.

In 1946, using technology developed during the war, the Magnolia Oil Co. (Mobil) constructed a platform supported by 338 steel piles in the Gulf of Mexico. This unit was the first to use steel piles, and also marked the oil industry's farthest venture from shore--5 miles. In 1947, Superior Oil Co. built a platform that supported operations 18 miles offshore in 20 feet of water. This platform made the first use of steel jackets to brace the structure below the water line. The jackets were prefabricated onshore in six substructures and assembled at the installation site using 268 piles. The piles were driven using the jacket legs as a guide or template.

Offshore construction slowed in the early 1950's until the Submerged Lands Act of 1953 settled a controversy over ownership of offshore properties. Then, construction increased rapidly. As a result, jacket and pile designs evolved and improved. Piles became larger in size and fewer in number. Unitized jacket structures were fabricated and assembled onshore and then transported--usually on a barge--to the installation site. The most dramatic advancement was in the structures' ability to function in ever deeper water. In 1955, the first platform in over 100 feet of water was in operation. In 1959, a platform was placed in over 200 feet of water; in 1965, over 300 feet; and in 1976, over 1,000 feet. These events were as much the result of improvements in production, transportation, and installation techniques as in the jackets and piles themselves.

Most of the events outlined above took place in the Gulf of Mexico. Offshore platforms developed off the coast of California as well, but at a slower pace. The jackets and piles built for the West Coast had to accommodate the area's deep waters and threat of earthquakes. In 1969, a blowout and spill from a platform caused the State of California to declare a moratorium on platform development in its waters. Although it directly affected only State waters, the moratorium also caused an almost complete halt in platform installation in Federal waters as well. The moratorium was lifted in 1977, and platform development recommenced.

Design.--Jackets and piles are designed to handle the various loads placed upon the platform structure. Operational loads are carried by the deck. The jacket resists lateral environmental loads, such as water currents, and transmits these, along with the operational and gravity loads, into the foundation. Vertical and overturning loads from the structure are resisted by the piles. Lateral and torsional loads at the base of the jacket are also transmitted into the soil by flexure of the piles. 1/

The largest platform using the jacket-and-piles design will be Shell Oil Co.'s Bullwinkle platform, projected to be installed in 1,350 feet of water in the Gulf of Mexico in 1988. Bullwinkle will be taller than Chicago's Sears

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1/ McClelland and Reifel, p. 3.

Tower and four times heavier than the Brooklyn Bridge. 1/ It is expected that pile-supported platforms will be limited to a maximum water depth of about 1,500 feet, primarily owing to the cost of fabrication and certain installation constraints. 2/

A variation on the design of the conventional platform is the tower-type platform. This platform can use jackets and piles, but differs from the conventional platform in that its jacket has large-diameter legs. These legs permit the structure to float almost entirely above water during transport, reducing the need for launch barges. The legs also provide additional protection for wells in harsh environments such as mudslide areas. Tower-type platforms are comparatively expensive and used for unique projects, so they are fewer in number than conventional platforms. 3/ Jackets and piles used with these platforms do not fall within the scope of the product definition in these investigations. 4/

Other types of fixed offshore platforms do not use the jacket-and-piles design and so are not included in the scope of these investigations. The caisson, for example, is the minimum structure needed for offshore development of a single well. It is a cylindrical or tapered tube enclosing the well conductor. The caisson is usually used in early field development in water less than 75 feet deep. Gravity platforms use the weight of concrete or steel to moor the platform to the seabed. These structures are used in harsh environments in water up to 1,000 feet deep.

Two platforms currently being tested are similar to fixed platforms but are more accurately called compliant platforms. 5/ The guyed tower platform is a steel structure pinned to the ocean floor with buoyant and articulated columns. The tension-leg platform (which may also be classified as a mobile platform) is buoyant with extending legs that are assembled onsite. Tension is placed on the legs to secure the platform to the bottom.

Manufacturing process

A certain amount of preparatory work is necessary for the fabrication and assembly of steel-jacket platforms. These operations include preparation of the assembly yard (e.g., installation of underground utilities, drainage systems, and a skidway for transporting the assembled jacket), construction of a dock and bulwarks, modification of fabrication facilities, and provision for additional materials costs (e.g., for anodes, which are attached to and provide corrosion protection for the submerged part of the jacket).

The production of the jacket and the piles begins with the rolling and welding of steel plate into tubular members, which are then welded end to end into different size sections of stock. In large-tonnage platforms, the plate used to form the tubular members for the jacket can be up to 6 inches thick;

1/ The Wall Street Journal, Nov. 20, 1985.
2/ McClelland and Reifel, p. 5.
3/ Ibid., pp. 19-23.
4/ Conversations with counsel for petitioner, Apr. 24 and 25, 1986; Memorandum INV-J-076, Apr. 28, 1986.
5/ McClelland and Reifel, p. 23.

however, 2-inch-thick steel is more commonplace for most of the jacket components.

Platform jackets are three-dimensional structures that can be examined in planes and stages. The platform jacket shown in figure 2 appears to have five planes and three stages. Three of the planes are the vertical planes formed by the two outside legs and one inside leg, and their counterparts directly behind them (not shown). Two more planes are created by the vertical planes that would appear if the structure in figure 2 were viewed from the side.

Stages are the three horizontal segments depicted in figure 2. The first stage extends from the seabed to the first crosspiece, the second stage extends from the first to the second crosspiece, and the third extends from the second crosspiece to the first deck level.

In assembly, the members of a single plane are laid out and welded together on the ground. The lengths of members may or may not match up with the stages; members of a given plane are welded together until the entire length of that plane is assembled. The same process is carried out for the second plane. The two planes are placed parallel to one another, and the connecting braces and struts are welded onto both planes. The process proceeds until the jacket is assembled.

Piles are steel pipes that are rolled in pipe mills from plate. At McDermott, for example, * * *. 1/

Appurtenances are attached during various stages of assembly. The bottom legs are placed on skid runners, which are flat-bottomed, laminated-wood cradles that displace weight and furnish a skid for loading. Mud mats, perforated-wood mats that leave enough leg free to pin the jacket to the seabed before piles are driven, are attached near the bottom of the jacket. Other appurtenances, such as the grouting system and the boat landings and barge bumpers, are attached to the jacket as necessary.

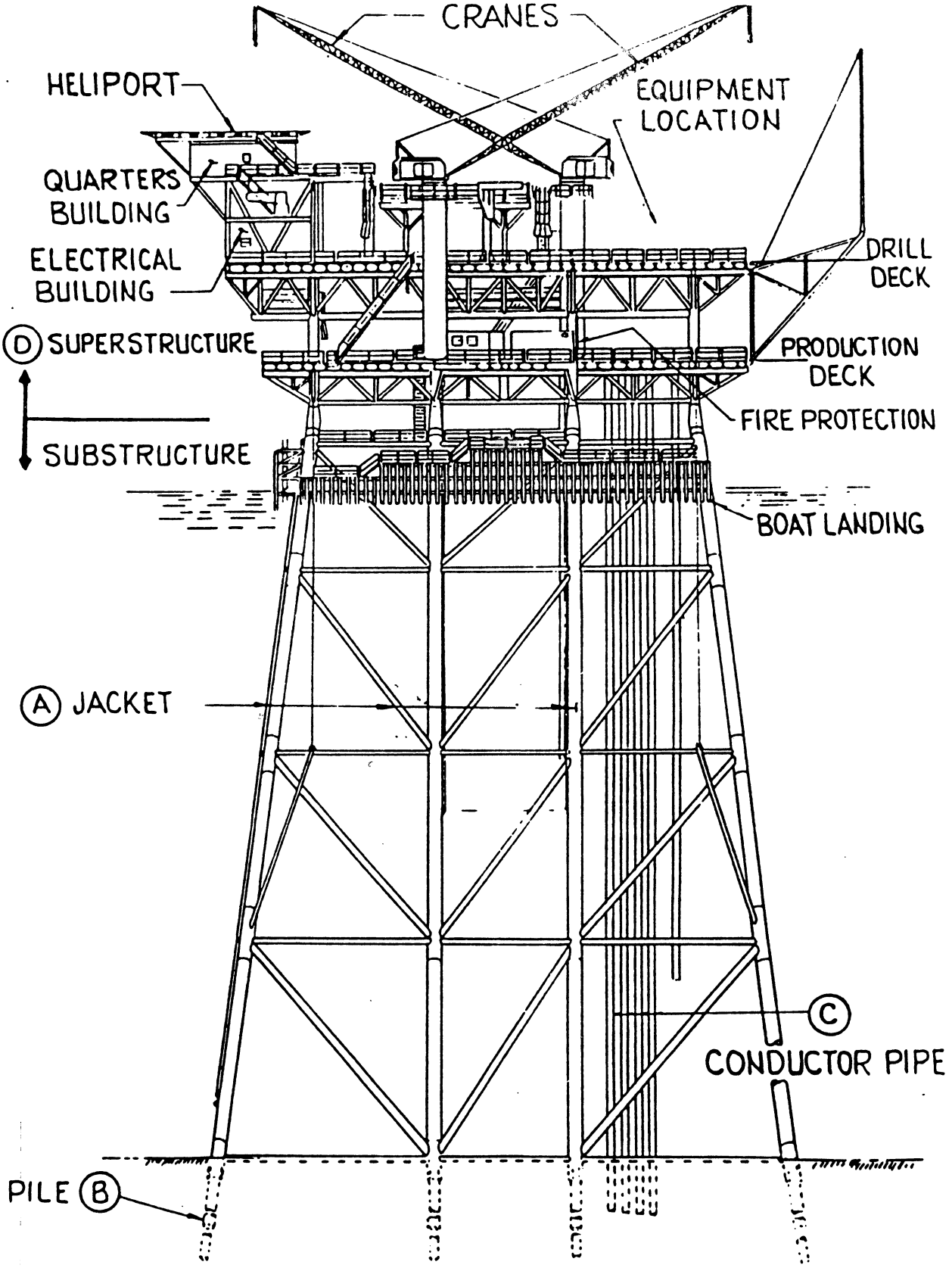
U.S. tariff treatment

Imports of the offshore platform jackets and piles covered by these investigations are classified under TSUS item 652.97, which includes offshore oil and natural gas drilling and production platforms and parts thereof. The column 1 duty rate is 6.2 percent ad valorem and is scheduled to be reduced to 5.7 percent ad valorem effective January 1, 1987. The column 2 rate of duty is 45 percent ad valorem and is applicable to imports from those Communist countries and areas specified in general headnote 3(d) of the TSUS.

The least developed developing countries duty rate is 5.7 percent ad valorem. Imports under item 652.97 are not designated as being eligible for duty-free entry under the Generalized System of Preferences. However, imports under this item are eligible for duty-free entry if the product of Israel or of designated beneficiaries under the Caribbean Basin Economic Recovery Act.

1/ Conversation with * * *, McDermott, Apr. 21, 1986.

Figure 2.--Typical fixed offshore platform.



TYPICAL TEMPLATE TYPE
OFFSHORE DRILLING & PRODUCTION PLATFORM

Source: Kaiser Steel Corp.

The Nature and Extent of Sales at Less Than Fair Value and Subsidies

LTFV sales

Japan.--On April 7, 1986, Commerce made a final determination that offshore platform jackets and piles from Japan are being, or are likely to be, sold in the United States at less than fair value. 1/ In making its final determination, Commerce analyzed sales and cost data of Hitachi Zosen Corp. and Nippon Steel Corp. 2/ Commerce compared the U.S. price based on purchase price with the foreign market value based on the constructed value of the imported merchandise. The weighted-average LTFV margins were calculated to be as follows (in percent):

Firm	Weighted-average margin
Hitachi	8.88
Nippon Steel	9.19
All other companies	8.92

Commerce directed the U.S. Customs Service to continue to suspend liquidation of all entries of offshore platform jackets and piles from Japan entered for consumption on or after November 25, 1985, and to require a cash deposit or bond equal to the weighted-average margins described above.

Korea.--On April 7, 1986, Commerce made a final determination that offshore platform jackets and piles from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value. 3/ In making its final determination, Commerce analyzed sales and cost data of Daewoo Shipbuilding and Heavy Machinery, Ltd. 4/ Commerce compared the U.S. price based on purchase price with the foreign market value based on the constructed value of the imported merchandise. The weighted-average LTFV margin for Daewoo and all other companies was calculated to be 17.34 percent.

Commerce directed the U.S. Customs Service to suspend liquidation of all entries of offshore platform jackets and piles from Korea entered for consumption on or after November 25, 1985, and to require a cash deposit or bond equal to the weighted-average margin described above. Article VI.5 of the General Agreement on Tariffs and Trade (GATT) and section 772(d)(1)(D) of the Act prohibit assessing dumping duties on the portion of the margin attributable to export subsidies. All subsidies found by Commerce in its countervailing duty investigation are export subsidies. Therefore, for purposes of calculating appropriate assessments, the amount of the export subsidies is subtracted from the dumping margins.

1/ 51 F.R. 11788.

2/ Hitachi and Nippon Steel provided actual sales and cost data for jackets and piles projects completed in mid-1985. Information regarding two projects by Nippon Kokan K.K. was not analyzed because it was projected data for platforms scheduled to be completed in mid-1986.

3/ 51 F.R. 11795.

4/ Daewoo provided actual sales and cost data for its jacket and piles project completed in mid-1985. Information provided by Hyundai Heavy Industries Co. was not analyzed because it was projected data for a platform scheduled to be completed in August 1986.

Subsidies

On April 7, 1986, Commerce made a final determination that certain benefits that constitute subsidies are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles. 1/ In arriving at its final determination, Commerce investigated the subsidies conferred on three platforms, Harvest and Esther (produced by Daewoo) and Julius (produced by Hyundai Heavy Industries Co.). The following tabulation lists the subsidies found by Commerce and their magnitude, expressed as a percentage of the contract value of the platforms:

Subsidy	Daewoo		Hyundai
	Harvest	Esther	Julius
Export credit financing from the Export-Import Bank of Korea:			
Pre-delivery loan	0.61	-	0.27
Post-delivery loan	7.97	-	2.72
Accelerated depreciation under article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption"	-	-	.15
Tax incentives for exporters under articles 22, 23, and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption"	.15	0.15	.08
Total subsidy	8.73	.15	3.22

As a result of its preliminary determination, Commerce directed the U.S. Customs Service to suspend liquidation of all entries of offshore platform jackets and piles that were entered for consumption on or after July 19, 1985. Under Article 5, paragraph 3 of the Subsidies Code, suspensions of liquidation cannot be imposed for more than 120 days without final determinations of subsidization and injury. The suspension of liquidation was discontinued for products entered on or after November 15, 1985. Such suspension will be reinstated as a result of the Commission's affirmative final determination. When Commerce issues a final countervailing duty order, it will require a cash deposit of 3.22 percent for platform Julius, and of 4.42 percent for all other entries of the subject merchandise. No deposit will be required for platform Harvest because it has already been entered and liquidated. Esther has been entered but not liquidated, and liquidation will not occur until the final duty is determined. 2/

The U.S. Market

Market factors

In the United States, offshore platform jackets and piles are purchased primarily for use in the construction of oil and gas drilling platforms in the waters of the Gulf of Mexico and California. The purchasers of these items

1/ 51 F.R. 11779.
2/ 51 F.R. 11788 (Apr. 7, 1986).

are oil and gas producers that lease offshore tracts from State Governments or the Federal Government, 1/ explore the area, and extract discovered deposits. As a result, factors affecting the supply and demand for oil and gas--such as the availability of leases, the quality of mineral deposits, energy conservation measures, and (as an indicator of the financial impact of these and other such factors on firms that produce oil and gas) prices--directly affect the market for jackets and piles. These factors vary between regions.

As measured by the number of platforms, the Gulf of Mexico is more densely developed, and thus is the site of a larger market for jackets and piles, than is the West Coast. The U.S. Department of the Interior estimates the number of offshore oil and gas platforms and related structures 2/ in U.S. locations as of January 1, 1986, as shown in the following tabulation:

Location	Number of structures
Alaska	14
Atlantic	0
California	35
Gulf of Mexico	3,650
Total	3,699

The waters of the Gulf oilfields are generally shallower than those off the West Coast. When water depths are below 400 feet, it is usually economically advantageous to build several separate platforms to support drilling equipment, production equipment, crew quarters, and other components of an offshore production system. In deeper water, all such components are combined on a single large platform. 3/ The quality of oil has contributed to the pace of development as well--crude oil from the West Coast tends to be heavier and so less desirable than that from the Gulf. Governmental regulation has also influenced the marketplace: California has been more rigorous than Gulf jurisdictions in its requirements for obtaining permits to conduct offshore operations. 4/

The market for jackets, piles, and other platform components was reportedly "booming" during the 1970's and early 1980's, but dropped precipitously in 1982. Discussions with offshore construction industry members on the Gulf Coast suggested two basic reasons for the decline. 5/ The

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1/ State Governments control territory up to 3 miles offshore (9 miles for Texas and the west coast of Florida). Areas beyond these distances are under the control of the Federal Government, and are administered by the U.S. Department of the Interior, Minerals Management Service, under the Outer Continental Shelf (OCS) Lands Act of 1953.

2/ The term "related structures" includes well guards, caissons, and artificial islands. Conversation with Mr. Price McDonald, Chief, Offshore Rules and Operations Division, Minerals Management Service, U.S. Department of the Interior, Apr. 8, 1986, and U.S. Department of the Interior, Federal Offshore Statistics, MMS 84-0071, September 1984, p. 45.

3/ Graff, p. 21.

4/ Conversation with * * *, Offshore Data Services, Feb. 24, 1986.

5/ Conversations with * * *, Feb. 18, 1986; * * *, Feb. 24, 1986; * * *, Feb. 24, 1986; and * * *, Feb. 24, 1986.

first reason was the boom itself. Both workload and prices increased, causing growth in the industry. The capacity to produce offshore structures grew as new firms entered the market and old firms expanded their facilities. Yet the workload did not keep pace with rising capacity, and prices fell. In the face of this decline, the industry did not contract; although some firms folded, their assets were purchased by new entrants, so that a high level of competition continued. One firm's survey indicated that workload in the Gulf has stayed fairly constant since 1982, but that the region's capacity is four times greater than the workload. 1/

The second reason for the drop in the platform market is that construction activity by oil and gas companies slowed. In the Gulf, oil companies spent about $7.3 billion acquiring leases in 1983. 2/ The offshore construction industry expected this to translate into higher platform sales, but the sales did not materialize. When speculating about the factors affecting demand, some firms noted that energy conservation measures contributed to a declining demand for fossil fuels, especially natural gas from the Gulf region. Recent price decreases in oil 3/ have reportedly been particularly harmful to the offshore construction industry, as oil companies have made "drastic cutbacks" in their construction plans for 1986 and 1987.

Despite the problems encountered by producers of jackets and piles, the outlook for the offshore oil and gas industry--and so the offshore construction industry--may be optimistic. Consider the following assessments by the U.S. Department of the Interior: 4/

Gulf Coast

> In the areawide sales held during 1983 and 1984, a total of 1,999 leases went into effect. . . . The great number of leases . . . presents a challenge to industry, for many of these leases will begin to expire in 1988; each lease that expires prior to being explored represents a significant lost investment to the lessee. . . . While few analysts predict that oil prices will rise significantly in the next several years and greatly alter the economics of offshore exploration, there is a widely held expectation that overall (exploratory) activity in the Gulf will increase.
>
> Even after decades of high production flow from the submerged lands of the Gulf of Mexico, the region retains its preeminent status

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1/ Conversation with * * *, Feb. 24, 1986.

2/ U.S. Department of the Interior, Gulf of Mexico Summary Report, MMS 85-0083, October 1984-June 1985, p. 21.

3/ The real price of domestically produced crude petroleum fell from 1982 to 1985, as shown by the following index (1982=100):

	Index
1982---------	100.0
1983---------	92.9
1984---------	91.3
1985---------	84.4

4/ U.S. Department of the Interior, Gulf of Mexico Summary Report, MMS 85-0083, October 1984-June 1985, pp. 21-24 and 49-50; and Pacific Summary Report, MMS 85-0040, April 1985, p. 42.

as a world leader in offshore production. The numerous, significant discoveries being made along the deepwater Flexure Trend off Louisiana and Texas and in the Norphlet formation off Alabama indicate that Gulf production levels will remain high in the future, even while many fields are being depleted.

West Coast

Oil and gas development activities are increasing off the coast of California. The rapid rate of exploration during the past several years has resulted in a number of significant new hydrocarbon discoveries, particularly the giant Point Arguello find and its smaller satellite discoveries. . . .(A)ccording to Santa Barbara County estimates, production may reach some 500,000 barrels per day by the early 1990s. Development of the Point Arguello field and the Santa Ynez Unit fields is expected to account for the majority of the production increase in the near future.

In a telephone conversation with the Commission staff, one industry official provided his personal assessment that, in 18 months, there will be a "different industry" on the Gulf Coast. As the offshore construction industry matures by contracting, and as oil prices level off, three or four large firms will be left to do the bulk of the work in a relatively stable market. The three or four firms that will likely remain are * * *, * * *, and either * * * or * * *, or both. 1/

With regard to the West Coast, the respondents assert that "no requests for new bids for jacket fabrication for West Coast installation are currently being sought and none are anticipated over the course of the next year or two, given the drop in oil prices." 2/ Moreover, according to the respondents, a May 1985 study by the Office of Technology Assessment (OTA) "reported that reserves of offshore oil have been overstated by as much as 55 percent." 3/ The respondents state that overestimates of oil reserves and the recent drop in the price of oil lead "to the conclusion that the level of activity in offshore platform installation, on the West Coast in particular, will be slowed substantially." 4/

In April 1985, the U.S. Department of the Interior found that "as many as 12 platforms are projected to join the 16 existing (West Coast) OCS fixed platforms by the end of the century." 5/ Currently, contracts for 9 of the 12 projected platforms have been awarded--all for Japanese or Korean production. Two of the 12 were Pescado platforms ("B1" and "B2"), but an Exxon representative stated that, * * *. One of the 12, the Heather platform (formerly called "Sacate"), will not be undertaken until * * *. 6/ The petitioner reported three additional West Coast platforms scheduled to be bid in 1985--Shell's Hercules platform at Molino Point, ARCO's Coal Oil Point project, and Sun Exploration & Development Co.'s Tricia Prospect project. 7/

1/ Conversations with * * *, Mar. 6, 1986, and Mar. 13, 1986.
2/ Respondent oil companies' prehearing brief, p. 51.
3/ Ibid., p. 52.
4/ Ibid.
5/ U.S. Department of the Interior, Pacific Summary Report, MMS 85-0040, April 1985, p. 42.
6/ Conversation with * * *, Exxon, Apr. 16, 1986.
7/ Petition, exhibit 3.

The Hercules platform is currently * * *. 1/ The Coal Oil Point project is scheduled to * * *. 2/ Sun has * * *. 3/ Interior Department staff have identified as many as 10 additional sites for which no plans have yet been filed, but, when oil prices warrant, these locations will be the likely points of future platform construction. 4/

Mr. Wallace J. Sutherland, Acting Director of the Interior Department's Pacific OCS Region, stated that there is "no doubt" that declines in oil prices have reduced oil exploration and current platform development. He noted, however, that oil prices have fluctuated dramatically in recent years, and that if prices returned to about the $20 per barrel range, platform development would be economically viable. Although not responding directly to the OTA study, Mr. Sutherland stood by the Department's analysis of the oil reserves offshore California (quoted above) and the generally optimistic outlook for their eventual development. 5/

This outlook was echoed by * * *, ARCO Exploration and Technology Co. * * * stated that ARCO is * * * with its proposed West Coast platform at Coal Oil Point, believing that * * *. He expects that the offshore California oilfield will be the site of "prolific production and a lot of construction activity" in the late 1980's. He explained that Alaska's Prudhoe Bay and North Slope oilfields are in decline. Residual involvement in these areas will go on past the end of the century, but, in the period 1988-90, offshore California activity will increase to compensate for the Alaskan decline. California's "new" oilfields, with high oil levels and pressure, are those to which the industry looks for "exciting" developments. 6/

Regional industries

The petitioner alleges that there is a national industry producing piles in the United States, but that there are two regional industries producing jackets. One regional industry, located in the Gulf Coast, produces jackets for platforms located in the Gulf of Mexico. The other industry, located on the West Coast, supports platform construction off the coasts of California, Oregon, Washington, Alaska, and Hawaii. 7/ Kaiser and other U.S. producers that have been responsive bidders on West Coast platform projects constitute

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1/ Conversation with * * *, Shell, Apr. 15, 1986.
2/ Conversation with * * *, ARCO Exploration & Technology Co., Apr. 15, 1986.
3/ Conversation with * * *, Sun Exploration & Production Co., Apr. 18, 1986.
4/ Conversation with Mr. Wallace J. Sutherland, Acting Director, Pacific OCS Region, Minerals Management Service, U.S. Department of the Interior, Apr. 15, 1986.
5/ Ibid., Apr. 14, 1986.
6/ Conversation with * * *, ARCO Exploration & Technology Co., Apr. 15, 1986.
7/ Petitioner's prehearing brief, pp. 15 and 26. In the preliminary stage of these investigations, the petitioners alleged that there were two regional industries producing a single like product, jackets and piles (AD petition (Japan), pp. 37-42; AD petition (Korea), pp. 43-47; CVD petition (Korea), pp. 53-57). In changing its position, the petitioner noted the absence of physical barriers to the shipment of piles between regions, and the increasing trend toward splitting the bids for projects between jackets and piles (prehearing brief, pp. 26-27).

the industry producing jackets in that region. 1/ The petitioner makes the following points to support its allegation:

-- Kaiser supplies 100 percent of its output to the West Coast region.
-- Demand in the West Coast market is not supplied to any meaningful degree by producers located outside of the region.
-- One hundred percent of the imported Japanese and Korean platform jackets are sold in the West Coast region.

The petitioner asserts that the West Coast is an isolated market because of transportation barriers between the Gulf Coast and the West Coast and because a regional assembly yard (which is needed to participate in a regional market and defines whether a producer is located in a region) is a substantial portion of the total production process. With regard to the transportation issue, almost all of the jackets sold on the West Coast since 1982 were too large to transport through the Panama Canal. 2/ The only alternative to towing a jacket through the canal is to tow it around South America. No jacket is known to have been so transported, and the petitioner maintains that such an undertaking would be prohibitively costly and risky. With regard to the assembly yard issue, the petitioner maintains that the assembly stage of the production of its jacket, for platform Eureka, accounted for *** percent of the total value added. Thus, the petitioner concludes, "a combination of important factors, including transportation barriers and the critical importance of assembly in the production of jackets, serves to completely isolate the West Coast jacket market from the Gulf Coast jacket market." 3/

The respondents, however, maintain that the West Coast is not an isolated market. They assert that, in a fluid market, producers travel to an assembly site, but that the location of the assembly site is not a "definitive indicator of market participation." The respondents also argue that Kaiser and the producers headquartered on the Gulf Coast are in the same competitive position with regard to bids for West Coast platforms: Kaiser's Vallejo yard cannot be used to assemble larger jackets, and its Terminal Island yard is not a "viable fabrication yard." Thus, no U.S. producer has anything more than a potential West Coast assembly yard. The respondents also note that market participants do not perceive a regional market, since the oil companies "regularly solicit and receive bids from the Gulf Coast firms" for West Coast projects. 4/

In the preliminary investigations, the Commission declined to find regional industries. 5/ Data relevant to this issue, including U.S. production, imports, and apparent consumption, are presented in the

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1/ Petitioner's prehearing brief, app. B, p. 20.

2/ The only known instance of transportation of a platform jacket from the Gulf Coast to the West Coast via the Panama Canal occurred in 1966, when "(f)or economic reasons the platform (Holly) was fabricated at a construction yard in the Gulf of Mexico and the completed components were towed over 4000 miles . . . to the offshore site." Graff, p. 14.

3/ Petitioner's prehearing brief, p. 17.

4/ Respondent oil companies' prehearing brief, pp. 10-14.

5/ Offshore Platform Jackets and Piles from the Republic of Korea and Japan (Investigations Nos. 701-TA-248 (Preliminary) and 731-TA-259-260 (Preliminary)), USITC Publication 1708, June 1985, p. 8.

appropriate sections of this report. A description of the jackets and piles shipped to the West Coast from 1982 to 1985, or contracted for future shipment, is presented in table 1.

Table 1.--Offshore platform jackets and piles: Sales and shipments to the West Coast, 1/ by platforms

Platform name	Purchaser	Producer	Quantity	Value	Year sold 2/	Year shipped
			Short tons	1,000 dollars		
U.S.-produced:						
Eureka:						
Jacket	Shell	Kaiser 3/	***	***	1982	1984
Piles	Shell	McDermott 4/	***	***	***	1984
Imported from Japan:						
Edith:						
Jacket	Chevron	Nippon Steel 5/	***	***	1981	***
Piles	Chevron	Nippon Steel 5/	***	***	1981	***
Hermosa:						
Jacket	Chevron	Hitachi Zosen	***	***	1983	1985
Piles	Chevron	* * * 6/	***	***	1983	1985
Irene:						
Jacket	Union	Nippon Steel	***	***	1984	1985
Piles	Union	Nippon Steel	***	***	1984	1985
Hidalgo:						
Jacket	Chevron	Nippon Kokan	***	***	1984	7/ 1986
Piles	Chevron	Nippon Kokan	***	***	1984	7/ 1986
Gail:						
Jacket	Chevron	Nippon Kokan	***	***	1984	7/ 1986
Piles	Chevron	Nippon Kokan	***	***	1984	7/ 1986
PPU: 8/						
Jacket	Exxon	Nippon Steel	***	***	1985	7/ ***
Piles	Exxon	Nippon Steel	9/	***	1985	7/ ***
Imported from Korea:						
Harvest:						
Jacket	Texaco	Daewoo	***	***	1983	1985
Piles	Texaco	Daewoo	***	***	1983	1985
Esther:						
Jacket	Chevron	Daewoo	400	***	1985	***
Piles	Chevron	Daewoo	***	10/	1985	***
Julius:						
Jacket	Cities Service	Hyundai	***	***	1985	7/ 1986
Piles		Hyundai	***	***	1985	7/ 1986
SYU 11/:						
Jacket	Exxon	Hyundai	***	***	1985	7/ ***
Piles	Exxon	* * *	39,450	12/	***	12/

1/ All platforms are located off the coast of California, except as noted.
2/ Year of contract award.
3/ West Coast producer.
4/ Gulf Coast producer.
5/ The prime contractor on this project was reportedly * * *; it imported the jackets and piles from Japan.
6/ * * *.
7/ Projected.
8/ Point Pedernales Unit (Independence platform).
9/ * * *.
10/ Value of piles is included in that of the jacket.
11/ The Santa Ynez Unit consists of two sets of jackets and piles, known as "Harmony" and "Heritage" (formerly known as "Hondo B" and "Pescado A"). The source for data on the producer of piles is a conversation with * * *, Mar. 19, 1986.
12/ Not available.

Source: Petitioner's prehearing brief, p. 6a (West Coast Platform Recap, 1979-85), and data submitted in response to questionnaires of the U.S. International Trade Commission.

Apparent U.S. consumption

Apparent U.S. consumption of offshore platform jackets and piles declined by 15 percent, from *** tons in 1982 to *** tons in 1983 (table 2). In 1984,

Table 2.--Offshore platform jackets and piles: Apparent U.S. consumption, by regions, 1982-85

(In short tons)

Item	1982	1983	1984	1985
West Coast:				
Jackets:				
U.S.-produced 1/	0	0	***	0
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	0	***	***
Piles:				
U.S.-produced 1/	0	0	***	0
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	0	***	***
Jackets and piles:				
U.S.-produced 1/	0	0	***	0
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	0	***	***
Gulf Coast:				
Jackets 2/	***	***	***	***
Piles 2/	***	***	***	***
Jackets and piles 2/	***	***	***	***
Total, West and Gulf Coast:				
Jackets:				
U.S.-produced 1/	***	***	***	***
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	***	***	***
Piles:				
U.S.-produced 1/	***	***	***	***
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	***	***	***
Jackets and piles:				
U.S.-produced 1/	***	***	***	***
Imported from Japan	***	0	0	***
Imported from Korea	0	0	0	***
Total	***	***	***	***

1/ Domestic shipments by U.S. producers. * * * unable to completely separate data for jackets and piles; data for certain sets of piles are included in that for jackets.

2/ Domestic shipments by U.S. producers; there were no imports into the Gulf Coast during 1982-85.

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

consumption increased by 77 percent, to *** tons, and in 1985 consumption declined by 3 percent, to *** tons. The Gulf Coast market accounted for 95 percent of total consumption in 1982, 100 percent in 1983, 86 percent in 1984, and 68 percent in 1985. Gulf Coast consumption decreased by 19 percent from 1982 to 1983, increased by 52 percent from 1983 to 1984, and then declined by 23 percent from 1984 to 1985. On the West Coast, consumption fell from *** tons in 1982 to zero in 1983, then rose to *** tons in 1984 and to *** tons in 1985.

The production process for jackets and piles is lengthy, and imports of these items often do not occur until a year or more following the contract award. Therefore, consumption statistics that are based upon physical imports may misrepresent the importance in the market of imported products. Table 3 presents apparent U.S. consumption on the West Coast based upon the date of contract award of jackets and piles, rather than the date of shipment (for U.S. production) or the date of import (for foreign production). These data indicate an even sharper increase in 1985 in consumption--and so a sharper increase in imports--than is evident from the information presented in table 2.

Table 3.--Offshore platform jackets and piles: Apparent West Coast consumption based on sales, 1982-85

(In short tons)

Item	1982	1983	1984	1985
Jackets:				
To be U.S.-produced	***	0	0	0
To be imported from Japan	0	***	***	1/ ***
To be imported from Korea	0	***	0	2/ ***
Total	***	***	***	***
Piles:				
To be U.S.-produced	0	***	0	0
To be imported from Japan	0	***	***	1/ 0
To be imported from Korea	0	***	0	2/ ***
Total	0	***	***	***
Jackets and piles:				
To be U.S.-produced	***	***	0	0
To be imported from Japan	0	***	***	***
To be imported from Korea	0	***	0	***
Total	***	***	***	***

1/ * * *.

2/ The contract to produce the jackets on the Santa Ynez Unit was awarded in 1985. The jackets will weigh *** tons.

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

The U.S. Industry

U.S. producers

Seven firms produced nearly all of the offshore platform jackets and piles made in the United States during the period of investigation. In addition, one firm entered the industry in 1985. These firms, their locations, and their current business status are listed below: 1/

Name	Location	Status
Avondale Industries, Inc., Shipyards Division	Morgan City, LA	* * *
Brown & Root Marine, Division of Brown & Root USA, Inc	Houston, TX	* * *
CBI Industries, Inc	Oak Brook, IL	* * *
Gulf Marine Fabricators	Aransas Pass, TX	* * *
Kaiser Steel Corp	Fontana, CA	* * *
McDermott, Inc	New Orleans, LA	* * *
Raymond Fabricators, Inc	Houma, LA	* * *
Service Machine Group, Inc	Morgan City, LA	* * *

Avondale.--Avondale Industries, Inc., Shipyards Division, was * * *. The firm's * * * are located on the Gulf Coast, and its production * * * jackets and piles used in the Gulf of Mexico. In 1982 and 1983, Avondale bid on * * * projects, and in 1985 it bid for * * *. All of these bids were * * *. * * *. Avondale * * * the petition in these investigations.

Brown & Root.--Brown & Root Marine, a division of Brown & Root U.S.A., Inc., has a long history in the offshore oil industry: in 1937, it built the first Gulf platform to be constructed in an area remote from the shore. 2/ The firm has domestic fabrication and assembly yards located at * * *, TX; * * *; though only the * * * yards handle jackets and piles. The * * * yard is projected to * * *. 3/ The firm also has * * * in Bahrain, * * *, and Scotland, all of which produce offshore platforms.

In 1982, Brown & Root bid on * * *. In 1983 it bid on * * *. * * *. In 1984 it bid on * * *. Also in 1984, it bid on * * *. * * *. In 1985, the firm bid on * * *. * * *. Brown & Root * * * the petition in these investigations.

CBI.--CBI Industries, Inc., is the parent company of two firms that were involved in the production of jackets and piles. One of these, Chicago Bridge

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1/ Twenty-eight firms were described by purchasers as being producers of jackets and piles. The eight firms described in this section accounted for 98 percent of 1985 shipments of jackets and piles as reported by both producers and purchasers. Two firms that were described by purchasers as being producers are known to have ceased producing jackets and piles before the period of investigation. Two other firms described as producers cannot be located and are believed to be out of business. The status of the remaining firms, described as being small producers, is uncertain.

2/ Graff, p. 5.

3/ Conversation with * * *, Brown & Root, Apr. 9, 1986.

& Iron Co., * * *. CBI Offshore, Inc., and its facility at Pascagoula, MS, ceased operations * * * in * * * 1984, and * * *. * * *. During the period of investigation, CBI produced * * *. In 1981, CBI bid on * * *. In 1983, it bid on * * *. The firm reported * * *. * * *. * * *, CBI * * * the petition in these investigations.

Gulf Marine.--Gulf Marine Fabricators is a * * *. * * *. 1/ The * * * partners in Gulf Marine are former McDermott executives. 2/ The firm * * * in 1985, either * * * or * * *. * * * to bid on Shell Oil Co.'s Bullwinkle platform. 3/ Bullwinkle, to be located in the Gulf of Mexico, will be the world's largest platform. * * *. The venture won the award for the Bullwinkle jacket in June 1985. * * *. Gulf Marine * * * the petition in these investigations.

Kaiser.--Kaiser Steel Corp. has fabrication facilities in Fontana, CA, and Napa, CA; and assembly yards at Terminal Island, CA, and Vallejo, CA. Through a subsidiary called BOS-KAISER Offshore, Inc., Kaiser has a 49 percent interest in a joint venture with Bouygues Offshore, a French firm, called BOS-PACIFIC S.A. de C.V., a Mexican company. BOS-PACIFIC owns an assembly yard in Ensenada, Mexico. 4/ Kaiser * * *. 5/ Kaiser also has a minority interest in Bullwinkle Constructors, a joint venture established in 1984 with a Peter Kiewit subsidiary (see discussion above). 6/

Kaiser began an expansion program in mid-1982, * * *. It increased the size of the Napa fabrication facility in 1982, obtained the Terminal Island assembly yard in October 1983, and purchased a launch barge to provide transportation for large, deepwater jackets in * * *. In 1984, after losing bids on the West Coast, Kaiser began cutting back. It closed its Oakland * * * assembly yards in early 1985, and * * *. A limited amount of development work has been done at the Terminal Island assembly yard, and no assembly projects have been undertaken there. In December 1985, Kaiser * * *. * * *. On * * *, Kaiser temporarily suspended operations in its general fabrication facility at Napa, CA. 7/

Kaiser has produced only one offshore platform jacket since 1982; it has produced no piles. With the exception of its role in Bullwinkle Constructors, it has not bid on jackets and piles for Gulf Coast platforms.

McDermott.--McDermott International has fabrication and assembly facilities in Morgan City, LA. * * *. McDermott has subsidiaries in * * *. McDermott bid on the following * * * projects:

* * * * * * *

* * *. McDermott takes no position on the petition in these investigations.

1/ Conversation with * * *, Gulf Marine, Feb. 10, 1986.
2/ The Wall Street Journal, Nov. 20, 1985.
3/ Conversation with * * *, Feb. 4, 1986.
4/ Prehearing brief of the Korea Iron & Steel Association, exhibit A.
5/ Conversation with * * *, Kaiser Steel, Mar. 18, 1986.
6/ Transcript of the hearing, pp. 16 and 20.
7/ Transcript of the hearing, p. 20.

Raymond.--Raymond Fabricators, Inc., is * * *. * * *. * * *. Raymond has production facilities at its Houma, LA, location; * * *. Raymond bid on * * *. It also bid on * * *. * * *. * * *. 1/

Service Machine.--Service Machine Group, Inc., is a wholly owned subsidiary of Terramar Corp., Dallas, TX. Its facilities for producing offshore platform jackets and pilings are * * *. In 1982, Service Machine bid on * * * and in 1985 it bid on * * *. In both bids, assembly was to be done at * * *. * * *. 2/ Service Machine supports the petition in these investigations.

U.S. assembly capacity.--Domestic assembly capacity to produce offshore jackets and piles in 1985 is presented in the following tabulation, compiled from questionnaire data:

Producer of--	Location	Annual capacity (short tons)
Offshore platform jackets:		
* * * * * * *		
Total, jackets----------		280,512
Offshore platform piles:		
* * * * * * *		
Total, piles----------		154,900
Offshore platform jackets and piles:		
* * * * * * *		
Total, jackets and piles--		435,412

U.S. importers

Importers of jackets and piles to the United States are generally oil companies that purchase the items for specific offshore platforms. In a few instances, the importer of record is the prime contractor hired by the purchaser to arrange for fabrication, transportation, and installation of the platform. Ultimately, the importers or purchasers of imports are, then, the oil companies with offshore platform projects. The following firms have imported or contracted to import the indicated products (imports for the indicated platforms include both jackets and piles except as noted; imports are for use on the West Coast except as noted; import dates after 1985 are projected):

1/ Conversation with * * *, Raymond Fabricators, Inc., Feb. 24, 1986.
2/ Conversations with * * *, Service Machine Group, Inc., Feb. 18, 1986.

Firm	Platform name	Date of import	Country of origin
Chevron U.S.A., Inc----------	Edith	***	Japan
	Hermosa 1/	1985	Japan
	Esther	***	Korea
	Hidalgo 1/	1986	Japan
	Gail	1986	Japan
Cities Service Oil & Gas Corp--	Julius 2/	1986	Korea
Exxon Company, U.S.A.----------	PPU 3/	***	Japan
	SYU 4/	***	Korea
Shell Oil Co----------	Bullwinkle 5/	***	Japan
Texaco, Inc----------	Harvest 2/	1985	Korea
Union Oil Co----------	Irene	1985	Japan

1/ Imported in partnership with * * *.
2/ Imported in partnership with * * *.
3/ Point Pedernales Unit (Independence platform).
4/ Santa Ynez Unit (platforms Harmony and Heritage). Information presented is for jackets; * * *.
5/ Imports for the Bullwinkle platform include, at this time, * * *. Bullwinkle will be located in the Gulf of Mexico.

In addition to the firms discussed above, six firms responded to Commission questionnaires. One of these is Marathon Oil Co. that contracted for Steelhead, a tower-type platform to be installed in Cook Inlet, AK, in ***. Steelhead is reportedly not included in the scope of the petition in these investigations. 1/ Two firms are partners in imported platforms: Phillips Petroleum Co. and * * *. Three firms have platforms * * *: ARCO Exploration & Technology Co., Mobil Exploration & Producing Services, Inc., and Sohio Petroleum Co.

Channels of distribution

Transportation and installation.--Offshore platform jackets have tubular steel substructures supported and anchored to the ocean floor by steel pipe piling. The jackets and pile lengths are fabricated and assembled onshore and transported to the offshore site, where the jacket is launched. After securing the jacket and piles, the platform deck modules and other topside facilities are installed.

According to the petitioner, there are perhaps as few as five launch barges in the world capable of conveying very large platform jackets, and the oil company or contractor must schedule a launch barge long in advance of completion of assembly. Kaiser entered the transportation business when it purchased a launch barge * * *.

Upon completion of a jacket assembly, a launch barge is docked at the assembly site and the jacket is pulled by winches or pushed by a hydraulic

1/ Conversations with counsel for petitioner, Apr. 24 and 25, 1986; Memorandum INV-J-076, Apr. 28, 1986.

jack system along a skidway onto the barge. The jacket is secured to the barge, and then the barge is towed to the installation site by two or three tug boats. At the installation site, the ties that secure the jacket to the barge are cut, and the jacket slides from the launch barge, top side first, into the ocean. When first assembled and launched the jacket is buoyant. Upon launch, the jacket is positioned while it floats. The lower sections are flooded, and the jacket settles, base down, until it rests on its legs which sit on mud mats on the ocean floor.

Installation is generally performed by contractors who specialize in that type of operation. Once the jacket is positioned on the ocean floor, its structure forms a guide either at the surface or subsea for pile installation; it thus acts as a template to properly space and align the piling to match the deck framing. 1/ Piles are positioned and, using a special pile driving crane, driven into the seabed, usually 200 to 300 feet, through the jacket legs, skirt pile sleeves, or both.

After the piles are driven, a grouting material such as concrete is pumped through the grouting system into the bottom of the legs or skirt-pile sleeves. The grout fills the interstices between the piles and the surrounding legs or sleeves. Then conductor tubes are driven through slots in the jacket about 100 feet into the seabed. The conductor tubes serve as guides for drilling operations and provide a seal against blowouts and back pressure.

Decks, living quarters, and other modules are also attached to the jacket. Equipment, such as cranes and drilling equipment, must also be transported and installed before drilling and production operations may commence.

Because of the magnitude of the platform projects, it is not unusual to have contractors that had competed for various segments of the project to be working with their competitors who obtained the award for a different segment of the same project. Chevron, for example, did not solicit foreign bids on its deck modules, and Kaiser produced deck modules for one or more of the Chevron platforms for which the jackets and piles were awarded to Japanese contractors.

Bridge lock.--One of the issues affecting Kaiser's ability to transport jackets has to do with the location of its assembly yards. Two of the yards operated by Kaiser during the period of investigation--at Vallejo, CA, and Oakland, CA--are separated from the open sea by channels of water spanned by bridges. The height of those bridges limits the size of jackets that can pass under them. There are no bridges between the launch site and the open sea at Kaiser's third yard, at Terminal Island, CA. The bridges impeding egress from the Vallejo yard are the Richmond-San Rafael Bridge and the Golden Gate Bridge; the Oakland yard is within the San Francisco-Oakland and Golden Gate Bridges. Table 4 compares the jackets that Kaiser competed for and the relevant bridge heights at Kaiser's proposed assembly yards.

1/ McClelland and Reifel, pp. 18-19.

Table 4.--Offshore platform jackets on which Kaiser bid during the period of investigation, the estimated height of each jacket, 1/ Kaiser's proposed assembly location for the jacket, and the vertical clearance of the lowest bridge 2/ under which the jacket would have to pass when leaving the proposed yard 3/

Platform name	Base height	Proposed yard	Bridge name	Bridge height
Eureka	184' 0"	Vallejo	Richmond-San Rafael	190 feet
Harvest	228' 6"	Terminal Isl.	None	-
Hermosa	213' 10"	Oakland	Oakland-San Francisco	227 feet
Irene	155' 0"	Vallejo	Richmond-San Rafael	190 feet
Hidalgo	189' 10"	Vallejo	Richmond-San Rafael	190 feet
Gail	210' 1"	Terminal Isl.	None	-
Esther	34' 0"	Vallejo	Richmond-San Rafael	190 feet
Julius 4/	240' 0"	Terminal Isl.	None	-
PPU Independence	5/	Vallejo	Richmond-San Rafael	190 feet
SYU Harmony:				
Section 1	213' 8"	Terminal Isl.	None	-
Section 2	227' 9"	Terminal Isl.	None	-
SYU Heritage:				
Section 1	290' 9"	Terminal Isl.	None	-
Section 2	206' 7"	Terminal Isl.	None	-

1/ Measured at the base as the jacket rests on its side on the transportation barge.

2/ The vertical clearance of the Golden Gate Bridge is 238 feet, higher than either the Richmond-San Rafael Bridge (190 feet) or the San Francisco-Oakland Bridge (227 feet).

3/ Measured at low water and at the center or highest point of the span.

4/ Kaiser did not submit a bid on Julius (postconference brief, p. 33).

5/ Not available.

Source: Postconference briefs in the preliminary investigations of respondent oil companies, table 1, and Chevron U.S.A., Inc., table 1; Economic Report of the respondent oil companies, p. 8; petitioner's prehearing brief, app. F, exhibit F-6; and U.S. Department of Transportation, Bridges Over the Navigable Waters of the United States, Pacific Coast, COMDTPUB P16590.4, Aug. 20, 1984.

Consideration of Material Injury to an Industry in the United States

U.S. production

Aggregate data on the production of jackets and piles were compiled from responses to Commission questionnaires by eight U.S. producers. 1/ The

1/ The eight producers accounted for 98 percent of total domestic shipments of jackets and piles in 1985.

production process for jackets and piles, particularly for large projects, takes a number of months. In order to report information by year, producers were requested to prorate data for projects that spanned more than one year. In the responses, the methods of reporting production data ranged from including all data for the project in the year of completion (* * *), to allocating data between years based on the amount of work completed on a project (* * *), to estimating data based on employment and productivity during a period (* * *). As a result, aggregate production data are imprecise.

U.S. producers reported that production of jackets and piles, measured in short tons, increased by 7 percent between 1982 and 1983, and increased again by 4 percent from 1983 to 1984 (table 5). In 1985, production declined by 10 percent from that in 1984. On the basis of units, domestic production of jackets was relatively constant during 1982-85. Production of units of piles (one set of piles for one platform) declined from 1982 to 1983, but then

Table 5.--Offshore platform jackets and piles: U.S. production, by region, 1982-85 1/

Source	1982	1983	1984	1985
West Coast:				
Jackets--------short tons--	0	***	***	0
Piles----------do----	0	0	0	0
Total----------do----	0	***	***	0
Jackets----------units 2/--	0	0	***	0
Piles----------do----	0	0	0	0
Gulf Coast:				
Jackets--------short tons--	79,291	***	***	76,701
Piles----------do----	58,697	55,452	56,628	61,836
Total----------do----	137,988	***	***	138,537
Jackets----------units 2/--	66	61	***	70
Piles----------do----	72	56	75	76
Total:				
Jackets--------short tons--	79,291	91,896	96,563	76,701
Piles----------do----	58,697	55,452	56,628	61,836
Total----------do----	137,988	147,348	153,191	138,537
Jackets----------units 2/--	66	61	65	70
Piles----------do----	72	56	75	76

1/ Data on the tonnage of production of jackets also include piles as produced by * * *. Data on units of production do not include units produced by * * *.

2/ 1 unit is 1 platform jacket and 1 set of piles for 1 platform.

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

returned to 1982 levels in 1984 and 1985. One jacket was produced on the West Coast during the period--Kaiser's production for platform Eureka. The balance of U.S. production took place on the Gulf Coast and, if analyzed separately, production in the Gulf followed a slightly different trend than that noted above for total U.S. production. Gulf production fell in 1983 while total U.S. production increased. 1/

The process for producing jackets and piles can be divided into two phases: fabrication, the forming of tubes from steel plate, and assembly, the welding of tubes to form the finished structure. The following tabulation describes the cost of each phase of production, and the share of total cost accounted for by each phase, for the average jacket and set of piles installed or contracted for installation during the period of investigation: 2/

	Value			Share of total		
	Jackets	Piles	Total 1/	Jackets	Piles	Average
	(1,000 dollars)			(percent)		
Fabrication:						
Materials	1,423	496	1,919	83.9	93.8	86.2
Labor	665	86	751	40.7	58.5	42.2
Other	599	0	599	48.8	-	48.8
Total or average	2,687	582	3,269	59.0	86.1	62.5
Assembly:						
Materials	273	33	306	16.1	6.2	13.8
Labor	967	61	1,028	59.3	41.5	57.8
Other	630	0	630	51.2	-	51.2
Total or average	1,870	94	1,964	41.0	13.9	37.5
Total: 1/						
Materials	1,696	529	2,225	100.0	100.0	100.0
Labor	1,632	147	1,779	100.0	100.0	100.0
Other	1,229	0	1,229	100.0	-	100.0
Total or average	4,557	676	5,233	100.0	100.0	100.0

1/ Because of rounding, figures may not add to the totals shown.

The above data on average cost of production are for a jacket of average size, about 1,900 tons. If data on larger jackets are analyzed separately, the average cost of production, predictably, becomes greater. In addition, the cost of the assembly phase of production becomes a somewhat larger share of the total cost. The following tabulation presents the average cost of each phase of production, and the share of total cost accounted for by each phase, for jackets larger than 5,000 tons installed or contracted for installation

---

1/ * * * was unable to separate data on production of piles from that of jackets. The following figures on total production by * * * are included in industry data on production of jackets: 1982, *** tons; 1983, *** tons; 1984, *** tons; and 1985, *** tons.

2/ Average data are based on fabrication and assembly data for 43 jackets and sets of piles. The average weight of a jacket covered by these data is approximately 1,900 tons.

during the period of investigation, 1/ and also for Kaiser's *** ton Eureka jacket:

	Jackets over 5,000 tons		Eureka jacket	
	Average value (1,000 dollars)	Share of total (percent)	Value (1,000 dollars)	Share of total (percent)
Fabrication:				
Materials----	***	90.7	***	***
Labor--------	***	37.1	***	***
Other--------	***	42.4	***	***
Total or average--	***	55.5	***	***
Assembly:				
Materials----	***	9.3	***	***
Labor--------	***	62.9	***	***
Other--------	***	57.6	***	***
Total or average--	***	44.5	***	***
Total: 1/				
Materials----	***	100.0	***	100.0
Labor--------	***	100.0	***	100.0
Other--------	***	100.0	***	100.0
Total or average--	***	100.0	***	100.0

1/ Because of rounding, figures may not add to the totals shown.

The petitioner states that "the proper approach to determining the relative importance of the fabrication stage and the assembly stage of jacket production requires a determination of the value added by each stage to the final product." Data on cost of production include raw material costs for steel plate in the fabrication stage, but, when analyzing the value added by the fabrication and assembly stages, "the cost of the steel is a material cost for both fabrication and assembly. . . ." Based on an analysis of its Eureka jacket, the petitioner concludes that "fabrication is roughly *** percent of the total value added, while the value added in assembly is *** percent of the total value added." 2/

Data gathered by Commission questionnaires do not include raw material costs, but such costs can be estimated by using the material costs reported for the fabrication stage of the production process. In this estimation, 95 percent of material costs represent the cost of raw materials, and 5 percent represent the small amount of other materials used in the fabrication process (such as welding metal and flux). In order to allocate raw material costs to the assembly stage of the production process as well as to the fabrication stage, 95 percent of fabrication materials costs are added to assembly materials costs. This serves to set raw material costs approximately equal for the two production stages. The remaining costs of each stage represent

1/ Average data are based on fabrication data for five jackets and assembly data for four jackets.

2/ Petitioner's prehearing brief, pp. 19-20.

value added by each stage. Using this methodology, the following tabulation presents the share of total costs, or total value added, accounted for by each stage of the production process, for an average jacket (of about 1,900 tons) and for jackets larger than 5,000 tons (in percent):

	Average jacket	Jackets larger than 5,000 tons
Fabrication:		
Materials	46.7	48.7
Labor	40.7	37.1
Other	48.7	42.4
Total or average	45.5	43.8
Assembly:		
Materials	53.3	51.3
Labor	59.3	62.9
Other	51.3	57.6
Total or average	54.5	56.2
Total:		
Materials	100.0	100.0
Labor	100.0	100.0
Other	100.0	100.0
Total or average	100.0	100.0

U.S. practical capacity and capacity utilization

The U.S. industry.--Total fabrication capacity varied from being 5.7 percent greater than assembly capacity during 1983 to being about the same as assembly capacity during 1982 (table 6). Capacity to produce jackets was roughly two-thirds and capacity to produce piles roughly one-third of both fabrication and assembly capacity during 1982-85. Capacity utilization rates (based on assembly capacity) increased from 34 percent in 1982 to 38 percent in 1983, and then declined to 37 percent in 1984 and 33 percent in 1985. 1/ In 1985, each producer's share of domestic assembly capacity to produce jackets and piles (measured in short tons) was as follows: Avondale, *** percent; Brown & Root, *** percent; Gulf Marine, *** percent; Kaiser, *** percent; McDermott, *** percent; Raymond, *** percent; and Service Machine, *** percent.

As presented in this section, data on capacity are estimates provided by producers which, like the data on production, have a variety of bases. For example, producers estimated capacity by using historical production data

1/ Data for jackets are understated and that for piles are overstated because * * * included both jackets and piles in figures describing production of jackets. If * * * data are subtracted from the aggregate, capacity utilization rates appear as follows (in percent):

	1982	1983	1984	1985

Table 6.--Offshore platform jackets and piles: U.S. practical capacity 1/ for fabrication and assembly, and capacity utilization, 1982-85

Source	1982	1983	1984	1985
Practical fabrication capacity:				
Jackets--------short tons--	262,776	262,776	255,776	276,276
Piles----------do----	148,890	148,890	142,890	157,890
Total----------do----	411,666	411,666	398,666	434,166
Practical assembly capacity:				
Jackets--------short tons--	266,926	254,321	284,212	280,512
Piles----------do----	139,834	135,286	131,150	134,900
Total----------do----	406,760	389,607	415,362	415,412
Ratio of production to assembly capacity: 2/				
Jackets----------percent--	30.0	36.1	34.0	27.3
Piles----------do----	42.0	41.0	43.2	45.8
Average----------do----	33.9	37.8	36.9	33.3

1/ Practical capacity is defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations.

2/ Data for jackets are understated and data for piles are overstated because * * * included both jackets and piles in figures describing production of jackets.

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

(* * *), personnel and productivity data (* * *), and data on the firm's maximum productivity during its busiest years (* * *).

A producer's capacity to produce jackets and piles, and its capacity utilization rate, may be affected by the availability of its facilities to undertake such production. Although a producer might theoretically be able to produce jackets and piles with the fabrication mills and assembly yards to which it has access, it may be unable to do so if these facilities are occupied by other projects. The size and relative infrequency of jackets and piles projects, particularly those for the West Coast, make a producer's capacity a function of both physical resources and scheduling. * * * indicated that items other than jackets and piles (including * * *) occupied that part of its assembly facilities that were not taken up by jackets and piles. * * * noted that projects other than jackets and piles generally occupy *** percent of its facilities. * * * described * * * as occupying part of its facilities in 1985, and projected that they would account for *** percent of the firm's yard space in 1986.

Kaiser's figures for assembly capacity are based on * * *. The tonnage capacity is then derived from * * *. Kaiser's * * * yard is * * * that has been used for projects other than jackets and piles. These projects, and the portion of the yard that they have used, are as follows (in percent):

* * * * * * *

In addition, Kaiser has * * *. * * *:

* * * * * * *

The West Coast region.--Although Kaiser is the only U.S. firm that has produced products under investigation on the West Coast, a number of other domestic firms have bid on West Coast projects. In evaluating West Coast capacity to produce jackets and piles, one would likely include Kaiser's capacity. One might also include the capacity of the facilities proposed for use by other U.S. bidders on West Coast platforms. One would probably not, however, include the capacity of facilities that could not be brought into service under the constraints of a project contract. Most proposed West Coast facilities have not been used to produce jackets in the past, and so are untested under the rigors of a construction contract; such facilities include Kaiser's Terminal Island yard as well as the Exxon-prepared yard at Eureka, CA, * * * Coos Bay, OR, facility, * * *'s Humboldt Bay site, and * * *'s Hunter's Point site.

The respondents argue that no site on the West Coast produced responsive bids to the oil companies, not even Exxon's Eureka site. 1/ The key issues determining whether Kaiser's Terminal Island site was a viable assembly yard are the status of governmental permits required to operate the yard and the progress of the physical development of the yard. The respondents urge that the yard lacks governmental approval and cannot be developed in time to eliminate the risk that a jacket project might be delayed. 2/ The petitioner argues that Terminal Island could have been approved and developed in time to assemble any of the jackets for which it was bid. 3/ The following tabulation presents data on West Coast capacity and capacity utilization; the data are for Kaiser alone, and include Kaiser's Terminal Island facility.

* * * * * * *

U.S. producers' shipments

Total domestic shipments of offshore platform jackets and piles, in short tons, declined by 11 percent from 1982 to 1983, increased by 72 percent from 1983 to 1984, and then fell by 32 percent from 1984 to 1985 (table 7). The number of jackets and piles shipped also declined from 1982 to 1983, increased from 1983 to 1984, and fell in 1985.

1/ Respondents' Economic Report, pp. 55-66.
2/ Ibid, p. 66.
3/ Petitioner's prehearing brief, app. F, pp. 21-26.

Table 7.--Offshore platform jackets and piles: U.S. producers' domestic shipments and exports, 1982-85 1/

Source	1982	1983	1984	1985
	Quantity (short tons)			
Domestic shipments:				
To the West Coast:				
Jackets 2/	0	0	***	0
Piles 3/	0	0	***	0
Total	0	0	***	0
To the Gulf Coast:				
Jackets	***	***	***	***
Piles	***	***	***	***
Total	***	***	***	***
Grand total, domestic	***	***	***	***
Export shipments	***	0	***	***
Grand total, domestic and exports	***	***	***	***
	Quantity (units)			
Domestic shipments:				
To the West Coast:				
Jackets 2/	0	0	***	0
Piles 3/	0	0	***	0
To the Gulf Coast:				
Jackets	70	68	83	80
Piles	75	62	89	82
Export shipments	***	0	***	***
	Value (1,000 dollars)			
Domestic shipments:				
To the West Coast:				
Jackets 2/	-	-	***	-
Piles 3/	-	-	***	-
Total	-	-	***	-
To the Gulf Coast:				
Jackets	84,329	54,396	111,872	67,574
Piles	44,206	24,818	24,601	27,406
Total	128,535	79,214	136,473	94,980
Grand total, domestic	128,535	79,214	***	94,980
Export shipments	***	-	***	***
Grand total, domestic and exports	***	79,214	***	***

1/ Data on quantity and units shipped are for 13 producers accounting for 100 percent of 1985 shipments, including the 8 major producers discussed in the section entitled "The U.S. industry," accounting for 98 percent of 1985 shipments. Data on value include 7 of the 8 major producers accounting for *** percent of 1985 shipments.

2/ Shipment of jacket for project Eureka by Kaiser.

3/ Shipment, via Panama Canal, of piles for project Eureka by McDermott.

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

The statistics presented in table 7 portray a trend that is also found in other data. One firm reports that the numbers of fixed-leg platforms installed in the Gulf of Mexico were as follows: 1/

	Number
1982---------	***
1983---------	***
1984---------	***
1985---------	***

Another series of data shows a trend dissimilar to that noted above. Data gathered by the U.S. Department of the Interior on the total number of fixed-leg platforms in the Gulf of Mexico at the end of each year are as follows: 2/

Year	Number of existing platforms	Yearly change
1981----------	2,744	-
1982----------	2,851	+107
1983----------	3,006	+155
1984----------	3,155	+149
1985----------	3,360	+205

Although jackets and piles installed on the West Coast serve the same functions as those on the Gulf, characteristics of projects shipped to the two regions differ. Jackets and piles shipped to the West Coast tend to be much larger than those installed in the Gulf. The following tabulation presents data on the average size of West Coast and Gulf Coast platforms, based on information presented to the Commission on 222 platforms installed or contracted for installation during 1982-85:

	Average quantity (short tons)	Average value (1,000 dollars)
U.S. production for--		
West Coast:		
Jackets 1/----------	***	***
Piles 1/----------	***	***
Gulf Coast:		
Jackets----------	1,285	2,538
Piles----------	968	637
U.S. imports for--		
West Coast:		
Jackets----------	15,971	28,202
Piles----------	5,328	4,263

1/ One jacket and set of piles--the Eureka platform.

1/ Conversation with * * *, Offshore Data Services, Feb. 28, 1986. Data cover platforms in Federal waters and certain platforms in State waters. The year of installation is considered to be the year that the deck was attached.

2/ Conversation with * * *, U.S. Department of the Interior, Minerals Management Service, Gulf of Mexico OCS Region, Feb. 28, 1986. Data cover platforms in Federal waters present at the end of December of each year.

Of 210 jackets installed or contracted for installation in the Gulf of Mexico during 1982-85, only 4 are larger than 15,000 tons. One of these is the Bullwinkle project, * * *.

U.S. employment, wages, and productivity

The average number of U.S. production and related workers producing offshore platform jackets and piles declined by 24 percent, from 3,874 workers in 1982 to 2,959 in 1983. Employment increased by 1 percent from 1983 to 1984, and then fell by 15 percent, to reach 2,532 workers in 1985 (table 8). Hours worked by employees producing jackets and piles dropped sharply between 1982 and 1983, by 36 percent; hours worked then held steady from 1983 to 1984 before falling again, by 15 percent, in 1985.

Total compensation paid to workers producing jackets and piles fell by 28 percent from 1982 to 1983, by 6 percent from 1983 to 1984, and by 21 percent from 1984 to 1985. The average hourly wage of $11.83 paid to such workers in 1982 increased to $13.24 in 1983, declined to $12.50 in 1984, and declined again, to $11.70, in 1985.

If data for Kaiser are subtracted from that of the U.S. industry, to analyze information on the West Coast and Gulf Coast regions, the trends change slightly from that of the overall industry, as the following tabulation demonstrates:

* * * * * * *

Productivity in firms manufacturing jackets and piles improved from 1982 to 1983, as the number of tons produced per hour increased from 13 to 22 and the average labor cost per ton declined from $889 to $596. These measures of productivity held relatively steady from 1983 to 1985.

Five producers, accounting for 85 percent of 1985 shipments, reported a large number of layoffs due to production declines at their plants. They also reported their hiring activity. From these data emerge a picture of significant declines in employment in the Gulf Coast industry 1/ in 1982 and 1983, with moderate increases in 1984 and 1985, as shown in the following tabulation: 2/

Item	1982	1983	1984	1985
Employees laid off as a result of production decreases	2,414	886	147	588
Total number of employees separated (including layoffs reported above)	3,108	1,340	820	1,269
Total number of employees newly hired and all other accessions	1,033	687	1,270	1,763
Layoffs as a share of total separations--percent	78	66	18	46
Net gain or (loss) of employees	(2,075)	(653)	450	494

1/ Kaiser did not provide these data; they are therefore representative only of the Gulf Coast region.

2/ These data cannot be compared with data in table 8. These data are based on employment at yearend, whereas table 8 reflects average yearly employment.

Table 8.--Average number of U.S. employees, total and production and related workers producing all products and those producing offshore platform jackets and piles; hours worked by, total compensation paid to, and average hourly compensation paid to such workers; output per hour worked; and unit labor cost in producing offshore platform jackets and piles; 1982-85 1/

Item	1982	1983	1984	1985
Average employment:				
All persons 2/	8,865	5,002	4,577	5,264
Production and related workers producing--				
All products	7,932	4,358	4,007	4,187
Offshore platform jackets and piles	3,874	2,959	2,995	2,532
Hours worked by production and related workers producing--				
All products--1,000 hours	16,890	9,323	8,567	9,330
Offshore platform jackets and piles--do	10,373	6,635	6,628	5,619
Total compensation paid to production and related workers producing--				
All products 1,000 dollars	231,458	130,179	118,259	126,933
Offshore platform jackets and piles--do	122,668	87,839	82,879	65,737
Average hourly compensation paid to production and related workers producing--				
All products	$13.70	$13.96	$13.80	$13.60
Offshore platform jackets and piles	$11.83	$13.24	$12.50	$11.70
Output of offshore platform jackets and piles per hour worked----short tons	13.3	22.2	23.1	24.7
Unit labor cost of producing offshore platform jackets and piles---per short ton	$888.98	$596.13	$541.02	$474.51

1/ Data are for 7 firms accounting for *** percent of 1985 shipments, except as noted. Data for * * * are estimated for 1985. Data on * * *'s workers producing jackets and piles are estimated based on the number of workers producing all products.

2/ Data are for 8 firms accounting for 98 percent of 1985 shipments.

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

Not included in the above information are data provided by Raymond for 1985. Raymond reported * * * in 1985, accounting for * * *. The firm had * * *, for a net * * * of *** employees during the year. The above data also do not reflect layoffs to be caused by * * *.

Workers at Kaiser and * * * are represented by The International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers. Workers of other domestic producers are not represented by a union.

Financial performance of U.S. producers

The financial performance of the U.S. industry producing offshore platform jackets and piles is characterized by declining sales and profits. In bidding for contracts with the offshore oil and gas industry, competition is keen; the Wall Street Journal reports that "some fabricators stay out of bankruptcy court simply by bidding for work at a loss to generate cash flow." 1/

Contracts are awarded on a lump-sum basis and companies in this industry generally use the percentage of completion accounting method. One should exercise caution in comparing the financial results for each year because yearly revenues and expenses consist of contracts with unique specifications, the performance of which may span two or more accounting periods.

Overall establishment operations.--The income-and-loss experience of seven U.S. producers on their overall establishment operations is shown in table 9. 2/ Of the seven reporting firms, * * *. Net sales declined 57.6 percent from *** in 1982 to *** in 1985. The producers earned operating income of ***, or *** percent of net sales, in 1982. After income plunged to *** in 1983, losses were sustained in the subsequent periods. The losses were *** in 1984, and *** in 1985.

Operations producing offshore platform jackets and piles.--Four companies supplied usable income-and-loss data on their operations producing offshore platform jackets and piles. 3/ These data are presented in table 10. Net sales declined by 54.2 percent over the period of investigation, from *** in 1982 to *** in 1985. In the aggregate, the producers were profitable in 1982 but they incurred operating losses for the 1983-85 period. The producers earned operating income of *** in 1982. The losses were $644,000 (0.5

Table 9.--Income-and-loss experience of 7 U.S. producers on the overall operations of their establishments within which offshore platform jackets and piles are produced, accounting years 1982-85

* * * * * * *

1/ The Wall Street Journal, Nov. 20, 1985.

2/ The seven producers, * * *, accounted for *** percent of the quantity of shipments in 1985.

3/ Data describing operations producing jackets separately from those producing piles are not available.

Table 10.--Income-and-loss experience of 4 U.S. producers on their operations producing offshore platform jackets and piles, accounting years 1982-85 1/

Item	1982	1983	1984	1985 2/
Net sales-----1,000 dollars--	***	128,422	92,406	***
Cost of goods sold-----do----	***	118,539	102,197	***
Gross profit or (loss)-do----	***	9,883	(9,791)	***
General, selling, and administrative expenses 1,000 dollars--	***	10,527	7,475	***
Operating profit or (loss) 1,000 dollars--	***	(644)	(17,266)	***
Depreciation and amortization---------do----	***	5,054	4,444	***
Ratio to net sales of--				
Cost of goods sold percent--	***	92.3	110.6	***
Gross profit or (loss) percent--	***	7.7	(10.6)	***
General, selling, and administrative expenses percent--	***	8.2	8.1	***
Operating profit or (loss) percent--	***	(.5)	(18.7)	***
Number of firms reporting operating losses----------	0	2	4	3

1/ The 4 producers, * * *, accounted for *** percent of the quantity of shipments in 1985 and *** percent of total establishment net sales for 1985.
2/ * * *. * * *.

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

percent of net sales) in 1983, $17.3 million (18.7 percent of net sales) in 1984, and *** in 1985. Estimated ratios of net sales from operations producing jackets and piles to net sales from overall establishment operations for the seven reporting firms are as follows (in percent):

* * * * * * *

Kaiser Steel Corp.--The income-and-loss experience of Kaiser on the overall operations of its establishments within which offshore platform jackets and piles are produced is shown in table 11. Net sales * * * during 1982-84. Net sales * * * in 1985. Kaiser's establishment operations earned * * * in 1982 and 1983, respectively. The 1984 * * *, and the 1985 * * *.

The income-and-loss experience of Kaiser on its operations producing offshore platform jackets and piles is shown in table 12. These data reflect Kaiser's experience with its platform Eureka project that was completed in 1984. On a project basis, rather than a yearly basis, Kaiser's Eureka operations appear as follows:

* * * * * * *

Kaiser's investment in productive facilities employed in the production of offshore platform jackets and piles, valued at cost, was *** as of the end of 1982 and *** as of December 31, 1985 (table 13). The book value of such assets was *** as of the end of 1982 and *** as of December 31, 1985. Kaiser made capital expenditures related to offshore platform jackets and piles of *** in 1982, *** in 1983, *** in 1984, and *** in 1985.

Capital and investment.--Pursuant to section 771(7)(C)(iii)(III) of the Act, the Commission asked each U.S. producer to describe and explain the actual and potential negative effects, if any, of imports of offshore platform jackets and piles from Japan and Korea on its growth, investment, and ability to raise capital. Three firms, * * * (accounting for *** percent of 1985 domestic shipments), stated that imports have had no such negative effects. Four firms, * * * (accounting for *** percent of 1985 domestic shipments), made general statements that imports have had such negative effects. The narratives by * * * are the only statements by nonparty U.S. producers in these investigations; these firms did not provide detailed evidence supporting their statements. The four statements as to the negative effects of imports are quoted below:

* * * * * * *

Table 11.--Income-and-loss experience of Kaiser Steel Corp. on the overall operations of its establishments within which offshore platform jackets and piles are produced, accounting years 1982-85

* * * * * * *

Table 12.--Income-and-loss experience of Kaiser Steel Corp. on its operations producing offshore platform jackets and piles, accounting years 1982-85

* * * * * * *

Table 13.--Investment by Kaiser Steel Corp. in productive facilities and capital expenditures related to offshore platform jackets and piles, accounting years 1982-85

* * * * * * *

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

In its examination of the question of threat of material injury to an industry in the United States the Commission may take into consideration such factors as the nature of the subsidy, the rate of increase of the subject imports, the rate of increase in U.S. market penetration by such imports, the rate of increase of imports held in inventory in the United States, the capacity of producers in the exporting country to generate exports (including the existence of underutilized capacity and the availability of export markets other than the United States), and the price depressing or suppressing effect of the subject imports on domestic prices.

Information on the nature of the subsidy is presented in the section of the report entitled "The nature and extent of less than fair value sales and subsidies" and discussions of rates of increase in imports and their U.S. market penetration, as well as available information on their prices, are presented in the section of the report entitled "Consideration of the causal relationship between imports of the subject products and the alleged injury." Because each platform jacket and set of piles is unique and built to customer specifications, importers do not maintain inventories of this product.

Ability of foreign producers to generate exports and availability of export markets other than the United States

Japan.--Four companies produce offshore platform jackets and piles in Japan: Hitachi Zosen Corp., * * *, Nippon Kokan K.K., and Nippon Steel Corp. Of these four, Hitachi, Nippon Kokan, and Nippon Steel were investigated by the Commerce Department. In its final determination, Commerce found that Hitachi and Nippon Steel had sold products at less than fair value. Nippon Kokan did not have a shipment during the period of investigation, and so was not analyzed in Commerce's investigation.

The three firms investigated by Commerce also provided information to the Commission. Capacity to produce jackets and piles in Japan remained steady from 1982 to 1983, and then increased by 28 percent in 1984 (table 14). Capacity also remained steady from January-September 1984 to the corresponding period in 1985. Production of jackets and piles fell from *** tons in 1982 to *** tons in 1983, or by 48 percent, and then increased by 124 percent to *** tons in 1984. Production also increased sharply between January-September 1984 and the corresponding period of 1985. Capacity utilization dropped from 44 percent in 1982 to 23 percent in 1983, then rose to 40 percent in 1984 and 55 percent during January-September 1985. The United States was a relatively small market for the industry's products prior to 1985. In 1982, *** percent of shipments were to the United States, and in 1983 and 1984 there were * * * U.S.-bound exports. During January-September 1985 exports to the United States increased to *** percent of total shipments.

As noted in the section entitled "U.S. practical capacity and capacity utilization," a producer's capacity to produce jackets and piles is a function of both physical resources and scheduling. Hitachi based its capacity to produce jackets on * * *. Nippon Kokan based its capacity on * * *. Nippon Steel also calculated its capacity based on * * *. Hitachi and Nippon Kokan

Table 14.--Offshore platform jackets and piles: Japanese capacity, production, and shipments, 1982-84, January-September 1984, and January-September 1985

Item	1982	1983	1984	January-September--	
				1984	1985
Assembly capacity: 1/					
Jackets--------short tons--	***	***	***	***	***
Piles----------------do----	***	***	***	***	***
Total--------------do----	***	***	***	***	***
Production-------------do----	***	***	***	***	***
Production as a share of assembly capacity-percent--	43.5	22.6	39.6	14.6	54.7
Shipments--					
Home market----short tons--	***	***	***	***	***
Export:					
To United States---do----	***	***	***	***	***
To other countries-do----	***	***	***	***	***
Total shipments--do----	***	***	***	***	***

1/ * * *.

Source: Report from U.S. Embassy, Tokyo, 1986.

provided information to the Commission on projects occupying their facilities in addition to jackets and piles. Both firms have * * *. The Japanese producers state that, "it is practically unavoidable in this industry for some capacity to remain unused. We urge the Commission to recognize that capacity utilization percentages do not convey any useful information in the context of this industry." 1/

Korea.--Four companies produce offshore platform jackets and piles in Korea: Daewoo Shipbuilding and Heavy Machinery, Ltd.; Hyundai Heavy Industries Co., Ltd.; Samsung Co., Ltd.; and Korea Heavy Industries and Construction Co., Ltd. Of these four, only Daewoo and Hyundai were investigated by the Commerce Department. In its final determinations, Commerce found that both Daewoo and Hyundai benefit from export subsidies, and that one of Daewoo's products was sold at less than fair value. Hyundai did not have a shipment during the period of investigation, and so was not analyzed in Commerce's antidumping investigation.

Capacity to produce jackets and piles in Korea increased from 1982 to 1985. Fabrication capacity increased by 57 percent over the 3-year period, while at the same time assembly capacity increased by 74 percent (table 15). Production of jackets and piles increased from *** tons in 1982 to *** tons in

1/ Letter from counsel for Hitachi, Nippon Kokan, and Nippon Steel, Mar. 26, 1986.

Table 15.--Offshore platform jackets and piles: Korean capacity, production, and shipments, 1982-85

Source	1982	1983	1984	1985
Fabrication capacity:				
Jackets--------short tons--	***	***	***	***
Piles----------do----	***	***	***	***
Total----------do----	116,503	133,101	133,571	182,368
Assembly capacity:				
Jackets--------short tons--	***	***	***	***
Piles----------do----	***	***	***	***
Total----------do----	***	***	***	***
Production----------do----	***	***	***	***
Production as a share of assembly capacity-percent--	36.6	44.9	65.7	39.1
Shipments--				
Home market----short tons--	***	***	***	***
Export:				
To United States---do----	***	***	***	***
To other countries-do----	***	***	***	***
Total shipments--do----	***	***	***	***

Source: Report from U.S. Embassy, Seoul, 1986.

1984, growth of 114 percent; in 1985, however, production declined by 13 percent to *** tons. As a result, capacity utilization, which grew from 37 percent in 1982 to 66 percent in 1984, fell to 39 percent in 1985. In 1982 and 1983, exports to the United States were negligible; in 1984, exports with a U.S. destination accounted for *** percent of total shipments; and in 1985 the share of such exports was *** percent.

Two producers, Daewoo and Hyundai, accounting for *** percent of 1985 Korean production, reported that their calculation of assembly capacity is based upon * * *.

* * * * * * *

Daewoo and Hyundai also provided the Commission with information on capital expenditures. Daewoo explained that * * *. Hyundai, on the other hand, * * *. Total capital expenditures for all products * * * as shown in the following tabulation:

* * * * * * *

Daewoo and Hyundai also described their employment history to the Commission. The number of production and related workers producing jackets and piles at these firms * * * from 1982 to 1984, and then * * * from 1984 to 1985. Related employment data followed the same general trend, as shown in the following tabulation:

* * * * * * *

Consideration of the Causal Relationship Between Imports of the Subject Products and the Alleged Injury

U.S. imports

In its preliminary investigations, the Commission determined that the award of contracts to Japanese and Korean producers during the period of investigation "demonstrates a substantial volume of imports." 1/ The production process for offshore platform jackets and piles is lengthy, and imports of these items often do not occur until a year or more after the contract award. Using the award of contracts as a measure of imports causes the volume and value of imports to appear greater than if a measure based on the arrival of the structures in the United States is used.

Information on imports (as opposed to contracts for importation) is available from two sources: official statistics of the U.S. Department of Commerce and Commission questionnaires. Table 16 compares official statistics on imports and corresponding questionnaire data. Official statistics indicate that one platform was imported from Japan in 1983, while questionnaire data * * *. This was * * *. In 1985, official statistics show 13,000 tons imported from Japan--a figure that does not resemble questionnaire data for * * * platforms * * * in 1985 (* * *). Also in 1985, official statistics show 21,000 tons imported from Korea. This figure is only slightly more comparable to questionnaire data, which show * * * from Korea (* * *).

Information on jackets and piles for which contracts for importation have been awarded is presented in table 17. 2/ There were no sales for importation in 1982. In 1983, Japan and Korea had * * * of the quantity and value of *** worth of sales for * * *. In 1984, the tonnage of jackets and piles awarded was * * *. In 1985, the total tonnage awarded * * *, and Korean manufacturers took *** percent of the total. The 1985 increase was principally the result of * * *. One large platform jacket for which a contract was let in 1985 is not included in these import statistics. The Bullwinkle jacket will be * * *. It is the only known Gulf Coast project to be, in part, imported. However, Bullwinkle may not be an import for purposes of these investigations, since the product under investigation is defined to exclude subassemblies of jackets that require removal from a transportation vessel and further U.S. onshore assembly. The imported quantity of Bullwinkle's components will be ***. If Bullwinkle were counted as an import, it would represent *** percent of the tonnage awarded to Japan in 1985, and *** percent of the total tonnage awarded to foreign producers in 1985.

1/ Offshore Platform Jackets and Piles from the Republic of Korea and Japan, Investigations Nos. 701-TA-248 (Preliminary) and 731-TA-259-260 (Preliminary), USITC Publication 1708, June 1985, pp. 11-12.

2/ In 1985, a contract for Steelhead, a tower-type platform to be installed in Cook Inlet, AK, was awarded by Marathon Oil Co. to Nippon Kokan. In conversations of Apr. 24 and 25, 1986, counsel for the petitioner stated that Steelhead is not included in the scope of the petition. Data on Steelhead are therefore not included in aggregate data describing sales for importation. Memorandum INV-J-076, Apr. 28, 1986.

Table 16.--Offshore platform jackets and piles: U.S. imports for consumption, 1/ by principal sources, 1982-85

Source	1982	1983	1984	1985
	Quantity (short tons)			
Official statistics:				
Japan	0	5,607	0	12,688
Republic of Korea	0	0	0	20,928
Total	0	5,607	0	33,616
Questionnaire data:				
Japan	***	0	0	***
Republic of Korea	0	0	0	***
Total	***	0	0	***
	Percent of total quantity			
Official statistics:				
Japan	-	100.0	-	37.7
Republic of Korea	-	-	-	62.3
Total	-	100.0	-	100.0
Questionnaire data:				
Japan	***	-	-	***
Republic of Korea	-	-	-	***
Total	***	-	-	***
	Value (1,000 dollars)			
Official statistics:				
Japan	-	10,880	-	34,729
Republic of Korea	-	-	-	75,595
Total	-	10,880	-	110,324
Questionnaire data:				
Japan	***	-	-	***
Republic of Korea	-	-	-	***
Total	***	-	-	***

1/ All data are for imports installed on the West Coast.

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

U.S. market penetration by imports

U.S.-produced jackets and piles accounted for 95 percent of the quantity (in short tons) of apparent U.S. consumption in 1982 (table 18). In 1983 and 1984, 100 percent of consumption was United States produced. In 1985, U.S.-produced products held a 68 percent share of consumption. The 1985 decline in market share held by domestic producers resulted from a sharp increase in imports on the West Coast, where imports from Japan and Korea took 100 percent of the market. U.S. producers were the sole suppliers of the Gulf Coast market.

Table 17.--Offshore platform jackets and piles: Sales for importation into the United States, 1/ by principal sources, 1982-85

Source	1982	1983	1984	1985
	Quantity (short tons)			
Japan	0	***	***	***
Republic of Korea	0	***	0	2/ ***
Total	0	***	***	***
	Percent of total quantity			
Japan	-	***	***	***
Republic of Korea	-	***	-	***
Total	-	***	***	***
	Value (1,000 dollars)			
Japan	-	***	***	***
Republic of Korea	-	***	-	2/ ***
Total	-	***	***	***

1/ All data are for sales of platforms to be located on the West Coast.
2/ Includes the jackets for Exxon's Santa Ynez Unit, at *** tons and ***.

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

Imports of jackets and piles from Japan had a 5.0 percent share of apparent U.S. consumption in 1982, then did not appear again in the market until 1985, when they accounted for 18 percent of consumption. Imports from Korea first appeared in the U.S. market in 1985, when they accounted for 15 percent of consumption. Together, imports from Japan and Korea accounted for 32 percent of consumption in 1985. All imports were to the West Coast, and, in 1985, Japan and Korea evenly divided their 100-percent share of that market, with 54 percent for Japanese imports and 46 percent for Korean imports.

Table 19 presents the ratios of U.S. producers' domestic shipments and imports to apparent U.S. consumption on the West Coast based upon the date of contract award of jackets and piles, rather than the date of shipment (for U.S. production) or the date of import (for foreign production). These data show more significant penetration of the West Coast market by imports than do the data in table 18: the share of the market held by U.S. producers fell from 100 percent in 1982 to 9 percent in 1983 and zero thereafter. At the same time, the market share held by imports from Japan and Korea grew from 91 percent in 1983 to 100 percent in 1984 and 1985. Imports' share of the West Coast market was evenly divided between Japanese and Korean products in 1983. In 1984, Japan took 100 percent of the market, and in 1985, Korea took 94 percent of the market.

Table 18.--Offshore platform jackets and piles: Ratio of U.S. producer's domestic shipments and imports to apparent U.S. consumption, by regions, 1982-85

(In percent)

Item	1982	1983	1984	1985
West Coast:				
Jackets:				
U.S.-produced 1/	0.0	-	100.0	0.0
Imported from Japan	100.0	-	0.0	52.6
Imported from Korea	0.0	-	0.0	47.4
Imported from Japan and Korea	100.0	-	0.0	100.0
Piles:				
U.S.-produced 1/	0.0	-	100.0	0.0
Imported from Japan	100.0	-	0.0	58.1
Imported from Korea	0.0	-	0.0	41.9
Imported from Japan and Korea	100.0	-	0.0	100.0
Jackets and piles:				
U.S.-produced 1/	0.0	-	100.0	0.0
Imported from Japan	100.0	-	0.0	54.4
Imported from Korea	0.0	-	0.0	45.6
Imported from Japan and Korea	100.0	-	0.0	100.0
Gulf Coast:				
Jackets, U.S.-produced 2/	100.0	100.0	100.0	100.0
Piles, U.S.-produced 2/	100.0	100.0	100.0	100.0
Jackets and piles, U.S.-produced 2/	100.0	100.0	100.0	100.0
Total, West and Gulf Coast:				
Jackets:				
U.S.-produced 1/	93.9	100.0	100.0	61.8
Imported from Japan	6.1	0.0	0.0	20.1
Imported from Korea	0.0	0.0	0.0	18.1
Imported from Japan and Korea	6.1	0.0	0.0	38.2
Piles:				
U.S.-produced 1/	96.0	100.0	100.0	75.0
Imported from Japan	4.0	0.0	0.0	14.5
Imported from Korea	0.0	0.0	0.0	10.5
Imported from Japan and Korea	4.0	0.0	0.0	25.0
Jackets and piles:				
U.S.-produced 1/	95.0	100.0	100.0	67.6
Imported from Japan	5.0	0.0	0.0	17.7
Imported from Korea	0.0	0.0	0.0	14.8
Imported from Japan and Korea	5.0	0.0	0.0	32.4

1/ Domestic shipments by U.S. producers.

2/ Domestic shipments by U.S. producers; there were no imports into the Gulf Coast during 1982-85.

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

Table 19.--Offshore platform jackets and piles: Ratio of U.S. producer's domestic shipments and imports to apparent West Coast consumption based on sales, 1982-85

(In percent)

Item	1982	1983	1984	1985
Jackets:				
To be U.S.-produced 1/	100.0	0.0	0.0	0.0
To be imported from Japan	0.0	49.1	100.0	6.3
To be imported from Korea	0.0	50.9	0.0	93.7
To be imported from Korea and Japan	0.0	100.0	100.0	100.0
Piles:				
To be U.S.-produced 1/	-	24.1	0.0	0.0
To be imported from Japan	-	41.5	100.0	0.0
To be imported from Korea	-	34.5	0.0	100.0
To be imported from Korea and Japan	-	75.9	100.0	100.0
Jackets and piles:				
To be U.S.-produced 1/	100.0	9.0	0.0	0.
To be imported from Japan	0.0	46.3	100.0	6.
To be imported from Korea	0.0	44.7	0.0	94.
To be imported from Korea and Japan	0.0	91.0	100.0	100.

1/ Domestic shipments of U.S. production.

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

Prices

The Commission requested information from eight domestic producers of jackets and piles regarding bids tendered for sales in the western region. Questionnaires indicated that there were 12 large contracts awarded between January 1982 and January 1986. The total magnitude of these contracts was *** tons with a total value of ***.

*** of these projects have already been installed and are operating. *** jackets are scheduled for installation during * * * and the final *** contracts stipulate delivery during * * *.

The Commission also requested information from nine purchasers of offshore oil platforms. The purchasers are major oil companies that have developed oilfield leases off the coast of southern California. The petition defines the West Coast region to include the Alaskan offshore oilfields; during the period of investigation, only Marathon Oil purchased a platform project for Alaskan oilfields, in June 1985. This project, named Steelhead,

will be delivered in * * * and installed in the Upper Cook Inlet, AK. 1/ Six purchasers indicated that they had either purchased or requested bids on jackets and piles for the West Coast during the subject period. All six of these purchasers have their own method of requesting bids, evaluating responses, and awarding contracts.

Bid process.--There are contractual elements that exist for all purchasers of offshore drilling rigs that use the conventional fixed platform design. The five components of the total project are engineering design, fabrication and assembly of the jacket, fabrication and assembly of the piles, transportation of the structure, and installation. Each firm has its own procedures for using in-house personnel, contractors, and subcontractors to accomplish the overall task.

Questionnaire responses indicate that * * * complete the engineering design portion of the project with engineers employed within the firm. This allows the companies to request detailed bids on the remaining areas of the project. This method also facilitates the evaluation of competing bids since the engineering design is unique. Union, however, contracts for * * *, and all other aspects of the project are subcontracted through the winning bidder (* * *). 2/ * * *, of Union, explained that Union considers this method to be * * *.

* * * * * * *

* * * will develop their bids with alternative fabrication sites to present Union with a choice of fabricators if their engineering design is accepted.

All other purchasers that design the structure themselves will directly contract for the fabrication, assembly, transportation, and installation. Fabrication of the jacket and fabrication of the piles may be separate items in a request for quotation (RFQ). This allows the purchasers to evaluate bids for jackets and piles separately. Occasionally, for various reasons, domestic fabrication yards will only bid on the pile portion of an RFQ. The firm may not have the facilities to bid the entire contract, for example, or there may be transportation problems associated with the location of the firm's facilities. In all but a few instances, however, contracts have been awarded giving both the jacket and pile fabrication to a single firm.

Transportation and installation are generally contracted for separately; occasionally the firms providing these services will not be selected until after the contract for fabrication has already been awarded. Union is again the major exception to this procedure. They contract with the * * * prime contractor, that, in turn, subcontracts the transportation. * * *.

The following sections summarize four major projects undertaken and completed during the period of investigation, and two other projects for which contracts were awarded but which were not completed.

1/ Steelhead is reportedly not included in the scope of the petition in these investigations. Conversations with counsel for petitioner, Apr. 24 and 25, 1986; Memorandum INV-J-076, Apr. 28, 1986.

2/ Petitioner's prehearing brief, app. A., p. 11.

Eureka.--Shell's Eureka project consists of a ***-foot-high jacket with base dimensions of *** feet by *** feet. The jacket has *** legs and has a total weight of *** tons. Eureka's ***-well capacity jacket was placed offshore from Long Beach, CA, in *** feet of water. The jacket is secured to the ocean floor by * * * piles that have a total load-out weight of *** tons.

Shell advertised for bids for the Eureka project jacket in * * *. In * * *, *** firms responded with bids. Shell evaluated the bids based on * * *. * * * are summarized in the following tabulation:

* * * * * * *

Shell evaluated the * * * bid based on * * *. Kaiser was selected as the winning bidder and awarded a contract * * *. Kaiser assembled the Eureka jacket at its Vallejo, CA, facility and * * *. The fabrication work took * * * to complete, and the jacket was delivered in * * * 1984.

Shell requested bids on the piles for the Eureka project separately. Shell advertised for bids on the piles in * * *, and * * * firms responded with bids. * * * was the only nondomestic firm to bid on the Eureka pile fabrication. Bids are summarized in the following tabulation:

* * * * * * *

Shell evaluated the bids on the basis of * * * and awarded the contract to McDermott * * *. McDermott fabricated the piles * * *. * * * then transported the piles by barge through the Panama Canal to the installation site. Transportation took approximately * * *, and there was a * * *. Finance terms for the Eureka project were * * *. * * * was selected as the installer, and the Eureka project was completed during * * * 1984.

Hermosa.--Chevron's Hermosa project consists of a ***-foot-high jacket with base dimensions of *** feet by *** feet. The jacket has *** legs and a total weight of *** tons. Hermosa was placed at the Point Arguello field in *** feet of water offshore of California. The jacket is secured by * * * piles with a total load-out weight of *** tons.

Chevron advertised for bids for the Hermosa project * * *. The RFQ included * * *. The transportation and installation contract was * * *. In * * *, *** firms submitted bid proposals for the Hermosa project. These bids are summarized below.

* * * * * * *

Chevron evaluated these bids * * *. They took into account * * *. After evaluating all of these factors, Hitachi was awarded the Hermosa project contract in * * * 1983. Hitachi's assembly location was * * *, Japan. The fabrication work took approximately * * * before the structure was delivered in * * * 1985. * * * was chosen as the transporter and installer; installation was completed in * * *. Transportation from Japan took approximately * * *.

Harvest.--Texaco's Harvest project consists of a ***-foot-high jacket, with base dimensions of *** feet by *** feet. The jacket has *** legs and a

total weight of *** tons. Harvest was placed in *** feet of water in the Santa Barbara channel off the coast of California. The jacket is secured by *** piles with a total load-out weight of *** tons.

Texaco advertised for bids on * * *; firms were permitted to bid on * * *. In * * *, *** firms responded with bids * * *. These bids are summarized in the following tabulation.

* * * * * * *

Texaco indicated that bids are usually received with * * *. Texaco * * *. Texaco evaluates * * *. * * * for Daewoo, which was awarded a contract for both the jacket and pile fabrication on * * *, 1983. Daewoo fabricated the structure in its * * * facility in Korea. The fabrication lasted approximately *** months, and Harvest's delivery date was * * *, 1985. * * *. Transportation of the jacket and piles lasted * * * days, respectively.

Financing was * * *.

* * * * * * *

Texaco informed the staff that * * *.

* * * * * * *

* * * was chosen as the installer.

Irene.--Union's Irene project consists of a ***-foot-high jacket with base dimensions of *** feet by *** feet. The jacket has *** legs and a total weight of *** tons. Irene was placed offshore of California in the Santa Barbara channel in *** feet of water. The jacket is secured by * * * piles that are * * * feet long. The total weight of the piles is *** tons. Union advertised for bids on * * *, 1983, for the engineering design, fabrication, transportation, and installation of the Irene project. On * * *, firms responded with *** separate bids to Union's request.

Some contractors submitted multiple bids using different fabrication yards. Such multiple bidding often occurs as a result of Union's method of using * * * prime contractor. Contractors will bid using a variety of yards to formulate the best price quote. Union reserves the right of * * *. * * *. The 15 bids are summarized in the following tabulation:

* * * * * * *

Since the engineering designs are * * *, Union must carefully evaluate all bids before selecting a prime contractor. * * *. Other factors evaluated by Union are * * *.

Bids were evaluated and * * * was selected on * * *, 1984, as prime contractor, with the fabrication work going to Nippon Steel. Fabrication in * * *, Japan, lasted approximately * * *. Nippon Steel * * * and * * * was the installer. Finance terms were * * *.

The following sections summarize two major projects undertaken during the period of investigation but not yet completed.

Bullwinkle.--Shell Oil Co.'s Bullwinkle project, to be installed in ***, will be the largest offshore platform in the world. It will consist of a *** foot jacket with a load-out weight of *** tons including piles.

Shell bid the Bullwinkle project * * *. *** firms responded to Shell's request for bids in * * *. Shell evaluated these bids on the basis of * * *. Shell intentionally planned a * * *. * * *. The *** initial bids received by Shell are summarized below:

* * * * * * *

In * * *, * * * were given an opportunity to * * *. * * *. Bullwinkle Constructors * * * was awarded the contract.

* * *, possibly because of transportation problems associated with towing a jacket around South America. Bullwinkle Constructors, however, subcontracted * * * to * * * of Japan. Delivery of *** tons of * * * will take place from * * *. This purchase represents nearly *** percent of the steel used in the jacket assembly. The value of this purchase from * * * is * * *. Fabrication and assembly work by Bullwinkle Constructors will provide the remaining value of the contract. Terms of payment are * * *. Assembly will take place in * * *, TX, and will last over * * *.

* * * was selected as the installer and transporter; installation is scheduled for * * *. The transportation costs for Bullwinkle are unknown at this time.

Santa Ynez Unit.--Exxon's Santa Ynez Unit will consist of two large platforms named Harmony and Heritage. The jacket for Harmony will be *** feet tall and have a base dimension of *** feet by *** feet. The Heritage jacket will be *** feet tall and have a base dimension of *** feet by *** feet. Each jacket will have *** legs and the total weight of both SYU jackets will be *** tons. The two platforms will be placed in the Santa Barbara channel off the coast of California. The Harmony and Heritage jackets will be secured by * * * piles, respectively, the total load-out weight of which will be *** tons

Exxon bid the Santa Ynez unit in much the same way as * * *. This method includes * * *. Using * * *, Exxon evaluated each potential bidder on the basis of * * *.

Exxon's prequalification process * * *. On * * *, Exxon solicited bids from * * * firms for * * *. These bids were * * *. In * * *, *** firms responded with bids on the two jackets, as summarized below.

* * * * * * *

Exxon stated that all of the domestic bids were * * *. Exxon offered U.S. bidders an assembly site at Eureka, CA, that was undeveloped but for which it had obtained all necessary operating permits. Exxon further contended that, under its qualification criteria, no U.S. facility had adequate capabilities to fabricate two large jackets. Kaiser indicated that its Terminal Island facility could have handled the two jackets.

Exxon evaluated the bids on the basis of * * *. Exxon defines this to be * * *. On * * *, 1985, Exxon chose Hyundai as the winning bidder. Hyundai will fabricate the structures in * * *, Korea, and will * * *.

* * * was selected as the transporter and installer. Exxon's cost for these services will be * * *. Payment terms for the entire project will be * * *.

U.S. producers' competitive position.--Kaiser and a number of Gulf Coast producers have competed for contracts in all of the West Coast projects awarded since 1981 (except Steelhead). Of the seven projects detailed above, jacket fabrication was awarded to a domestic producer only once (to Kaiser, for the Eureka project).

* * * fabricators submitted a final bid for Shell's Eureka project. Kaiser was awarded a contract * * *.

* * * * * * *

The piles for the Eureka project were also awarded to a U.S. producer, McDermott. * * *.

* * * * * * *

Chevron awarded * * * its Hermosa project * * *.

* * * * * * *

Korean fabricators were not invited by Chevron to bid on the Hermosa project. According to Mr. John T. Cameron of Chevron, the Korean fabricators were thought not to have the proper experience to fabricate a project of this magnitude at the time. 1/

Texaco awarded * * * its Harvest project to one firm, Daewoo.

* * * * * * *

Union Oil received * * * on the entire Irene project, * * *. * * *.

Factors considered in evaluating bids.--As seen in the discussions above, each oil company considers a variety of factors when evaluating bids for construction of jackets and piles. Representatives of Chevron, for example, explained that they analyze 12 criteria during the bid process:

* * * * * * *

These criteria are then graded * * *. When possible, costs or benefits * * *. 2/

1/ Transcript of the conference in the preliminary investigations, p. 113.
2/ Conversation with * * *, Chevron, and counsel for Chevron, Mar. 20, 1986.

Evidence submitted to the Commission by Texaco indicated that the firm looked closely at its contractors' proposed assembly sites when evaluating bids. Texaco * * *. 1/ * * *. * * *, 2/ * * *. 3/

* * *. Exxon noted the following problems:

* * * * * * *

In its Bid Analysis Plan and Evaluation Procedures document for the Santa Ynez Unit project, Exxon describes * * * management and technical reviews with which Exxon personnel must scrutinize bids. 4/

Foreign producers reportedly do well under such scrutiny. Chevron noted that * * *. 5/ In 5 out of 11 projects that were installed or contracted for installation on the West Coast during the period of investigation, oil companies selected a firm other than the lowest bidder, as the following tabulation of data from Commission questionnaires demonstrates (bids are for jackets and piles (except for the Eureka jacket), in thousands of dollars): 6/

Platform	(Purchaser)	Winning bid	(Bidder)	Lowest bid	(Bidder)
Eureka	(Shell)----------	***	(Kaiser)	***	* * *
Hermosa	(Chevron)---------	***	(Hitachi)	***	* * *
Hidalgo	(Chevron)---------	***	(Nippon Kokan)	***	* * *
Gail	(Chevron)---------	***	(Nippon Kokan)	***	* * *
Esther	(Chevron)---------	***	(Daewoo)	***	* * *
SYU	(Exxon)----------	***	(Hyundai)	***	* * *
PPU	(Exxon)----------	***	(Nippon Steel)	***	* * *
Harvest	(Texaco)----------	***	(Daewoo)	***	* * *
Julius	(Cities Service)--	***	(Hyundai)	***	* * *
Irene	(Union)----------	***	(Nippon Steel)	***	* * *

Transportation

Transportation factors are a large part of any contract awarded for jackets and piles. According to industry sources, timely delivery of a jacket is one of the most important factors for completion of a project, and the weather plays a crucial part in the delivery schedule of a project. The jackets are usually installed during May-July in West Coast waters. These

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1/ Letter from * * *, app. 1 to Texaco's posthearing brief.
2/ Letter to * * *, app. 1 to Texaco's posthearing brief.
3/ Telex from * * *, app. 2 to Texaco's posthearing brief.
4/ Proposed Kaiser Debriefing Outline, Aug. 26, 1985, and Bid Analysis Plan and Evaluation Procedures, in letter from counsel for Exxon, Apr. 9, 1986.
5/ Questionnaire response from Chevron.
6/ Comparative bid data can also be found in Table VI.2 (Revised) of the respondents' Economic Report, Response of Stephen J. DeCanio, Ph.D., to questions concerning the methodology of the adjusted delivered price comparison contained in the Economic Report, Apr. 9, 1986.

months have the most favorable weather conditions for putting a platform in place. If the project is delayed by as little as 30 days, favorable weather could be missed and the project delayed up to 1 year.

Another factor affecting transportation is the size of the jacket. If large jackets are fabricated for West Coast installation in Gulf Coast yards, they face a base dimension size constraint of 100 feet for use of the Panama Canal. Jackets with base dimensions larger than 100 feet must be transported around the tip of South America, a route that has disadvantages not only of distance but also of timing. The summer months are the optimal time for West Coast installation. To arrive in summer, the jacket should pass through the Strait of Magellan during late spring, when harsh weather is common. Risks of losing the structure or placing extraordinary strain on it thus make this transportation route undesirable. "Bridge lock" is another problem generated by the structure's size. The flexibility to assemble large jackets in a number of existing and potential West Coast yards is limited by the height of bridges that span the waterways running from the yards to the open sea (see the related discussion in the section entitled "Channels of distribution").

The availability of adequate launch barges is another transportation problem. Occasionally, RFQ's stipulate that transportation be arranged by the bidders. Bids must list the barges that are planned to be used for the transportation of the structure. This creates a complex logistics problem for the bidder when the jacket is large. Only a few barges exist worldwide that are capable of handling jackets of the size used in some of the current West Coast platforms. If a firm that is bidding on fabrication of a jacket cannot schedule one of the large launch barges for the anticipated transportation date, it must either subcontract the transportation or lose the bid. * * *. 1/

* * * * * * *

The most important factor affecting transportation is its enormous cost. Such costs can vary widely for jackets and piles depending on the distance of the tow, the weight of the structure, and the size of the launch barge. Table 20 demonstrates the wide variations in transportation costs.

Transportation costs for jackets alone, or jackets and piles together, transported from Korea ranged from *** to *** per ton, which represented *** to *** percent of the purchase price. Piles from Korea ranged from *** to *** per ton to transport; this equaled *** to *** percent of the purchase price.

Transportation costs for imports from Japan * * *. * * * the size and transportation factors varied considerably with each project. Transportation costs for jackets from Japan ranged from *** to *** per ton. Costs of transportation were *** to *** percent of the jackets' total cost. Transportation costs for piles from Japan were *** to *** per ton; this equaled *** to *** percent of the piles' total delivered costs.

In the one project awarded to U.S. producers, transportation costs were * * * for the jacket--*** per ton. However, this represented * * * percent of the purchase price. The cost of transporting piles from McDermott's Gulf

1/ Conversation with * * *, May 3, 1985.

Table 20.--Offshore platform jackets and piles: Transportation costs for selected projects

Project	Item	Transport cost	Percent of purchase price 1/	Cost per ton	Assembly location
Edith	Jacket	$***	***	$***	Japan
	Piles	***	***	***	Japan
Hermosa	Jacket	***	***	***	Japan
	Piles	***	***	***	Japan
Hidalgo 2/	Jacket & Piles.	***	***	***	Japan
Gail	Jacket	***	***	***	Japan
	Piles	***	***	***	Japan
Esther 2/	Jacket & Piles.	***	***	***	Korea
Eureka	Jacket	***	***	***	Vallejo, CA
	Piles	***	***	***	***, LA
Irene 2/	Jacket & Piles.	***	***	***	Japan
Julius	Jacket	***	***	***	Korea
	Piles	***	***	***	Korea
Harvest	Jacket	***	***	***	Korea
	Piles	***	***	***	Korea

1/ Calculated comparing transportation costs to amount bid.
2/ Transportation includes both jackets and piles.

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

Coast facility was *** per ton and *** percent of the purchase price. Although these costs seem * * * they include a * * *.

A portion of transportation costs may include insurance costs. According to a Union Oil Co. representative, ". . . what we ask for is a cost for the transportation including insurance with, as a separate item, how much that cost will be reduced if we choose to go self-insured, and I think that many of the companies do the same thing. Then a management decision is made whether or not we will buy the insurance ourselves, go self-insured, or let the transportation bid stand." 1/

Both the petitioner and the respondents report that there is a relatively small difference in insurance costs between a jacket transported from the Orient to a West Coast installation site and one transported from a West Coast assembly yard to a West Coast installation site. A Chevron representative testified that such a cost differential would be $68,850 for the $23 million

1/ Transcript of the hearing, p. 193.

Hidalgo platform components, and $84,150 for the $35 million Gail platform. 1/ The petitioner provided an insurance company's estimate of such a cost differential amounting to *** for cargo of ***. 2/ * * * the respondents' figures represent less than 0.5 percent of the value of the transported items.

Exchange rates

The nominal value of the Japanese yen in terms of dollars declined by 5 percent from January-March 1982 to October-December 1984 after fluctuating irregularly throughout the period. When these figures are adjusted for inflation by Producer Price Indexes, the real value of the yen declined even further. The real exchange rate declined by 10 percent over the subject period, because of the relatively low inflation rate in Japan.

The nominal value of the Korean won declined steadily, and by 13 percent in terms of the U.S. dollar, from January-March 1982 to October-December 1984. The real value of the won declined by 15 percent relative to the dollar during the same period. The reason for the larger decline in the real value was a slightly lower inflation rate in Korea than in the United States, as shown in the following tabulation (January-March 1982 = 100):

Period	Exchange rate index			
	Dollars per Japanese yen		Dollars per Korean won	
	Nominal rate	Real rate	Nominal rate	Real rate
1982:				
January-March	100	100	100	100
April-June	96	96	98	98
July-September	90	91	96	96
October-December	90	90	95	96
1983:				
January-March	99	98	94	95
April-June	98	96	92	92
July-September	96	93	90	89
October-December	100	95	89	87
1984:				
January-March	101	96	89	87
April-June	102	96	89	86
July-September	96	91	88	86
October-December	95	90	87	85

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

1/ Transcript of the hearing, p. 194.
2/ Petitioner's posthearing brief, exhibit B-1.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigation No. 701-TA-248 (Preliminary) and Investigations Nos. 731-TA-259 and 260 (Preliminary)]

Offshore Platform Jackets and Piles From the Republic of Korea and Japan

Determinations

On the basis of the record [1] developed in the subject investigations, the Commission determines,[2] pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that there is a reasonable indication that an industry[3] in the United States is materially injured by reason of imports from the Republic of Korea (Korea) of offshore jackets and piles,[4] provided for in item 652.97 of the Tariff Schedules of the United States, which are alleged to be subsidized by the Government of Korea (investigation No. 701-TA-248 (Preliminary)). We further determine,[2] 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 [3] in the United States is materially injured by reason of such imports from Korea and Japan, which are alleged to be sold in the United States at less than fair value (LTFV) (investigations Nos. 731-TA-259 and 260 (Preliminary)).

Background

On April 18, 1985,[5] and April 19, 1985,[6] petitions were filed with the Commission and, on April 19, 1985, with the Department of Commerce by counsel on behald of Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of offshore platform jackets and piles from Korea and LTFV imports of offshore platform jackets and piles from Korea and Japan. Accordingly, effective April 18, 1985, the Commission instituted preliminary countervailing duty investigation No. 701-TA-248 (Preliminary) and preliminary antidumping investigations Nos. 731-TA-259 and 260 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of May 1, 1985 (50 FR 18582). The conference was held in Washington, DC, on May 13, 1985, and all persons who requested the opportunity were permit to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on June 3, 1985. The views of the Commission are contained in USITC Publication 1708 (June 1985), entitled "Offshore Platform Jackets and Piles from the Republic of Korea and Japan: Determinations of the Commission in Investigation No. 701-TA-248 (Preliminary) and Investigations Nos. 731-TA-259 and 260 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations.

Issued: June 3, 1985.

By order of the Commission:

Kenneth R. Mason,

Secretary.

[FR Doc. 85-14145 Filed 6-11-85; 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] Chairwoman Stern did not participate in the(se) investigation(s).

[3] Commissioner Eckes finds for the(se) preliminary investigation(s) that there are two like products and therefore two domestic industries.

[4] Offshore platform jackets, piles, appurtenances thereto, and subassemblies thereof that do not require removal from a transportation vessel and further U.S.-onshore assembly are included in these investigations.

[5] Countervailing duty and antidumping petitions with respect to imports of offshore platform jackets and piles from Korea.

[6] Antidumping petition with respect to imports of offshore platform jackets and piles from Japan.

[Docket No. C580-504]

Preliminary Affirmative Countervailing Duty Determination; Offshore Platform Jackets and Piles From Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We preliminarily determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles. The estimated net subsidy is 9.58 percent *ad valorem* for Daewoo Shipbuilding and Heavy Machinery, Ltd./Daewoo Corporation and 4.14 percent *ad valorem* for Hyundai Heavy Industries Co., Ltd/Hyundai Corporation.

We have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to suspend liquidation of all entries of offshore platform jackets and piles from Korea that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice, and to require a cash deposit or bond on entries of these products in the amount equal to the estimated net subsidy.

If this investigation proceeds normally, we will make our final determination by September 30, 1985.

EFFECTIVE DATE: July 19, 1985.

FOR FURTHER INFORMATION CONTACT: Mary Martin or Rick Herring, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230; telephone: (202) 377-3464 or 377-0187.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based upon our investigation, we preliminarily determine that there is reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles. For purposes of this investigation, the following programs are found to confer subsidies:

- Export Credit Financing from the Korea Export-Import Bank;
- Accelerated Depreciation under Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption"; and
- Tax Incentives for Exporters under Articles 22, 23, and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption."

We determine the estimated net subsidy to be 9.58 percent *ad valorem* for Daewoo Shipbuilding and Heavy Machinery Ltd./Daewoo Corporation and 4.14 percent *ad valorem* for Hyundai Heavy Industries Co., Ltd./Hyundai Corporation.

Case History

On April 19, 1985, we received a petition in proper form from the Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Ironship Builders, Blacksmiths, Forgers and Helpers, filed on behalf of the U.S. industry producing offshore platform jackets and piles. In compliance with the filing requirements of section 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleged that manufacturers, producers, or exporters in Korea of offshore platform jackets and piles directly or indirectly receive benefits which constitute subsidies within the meaning of section 701 of the Act, and that these imports materially injure, or threaten material injury to, a U.S. industry.

We found that the petition contained sufficient grounds upon which to initiate a countervailing duty investigation, and on May 9, 1985, we initiated this investigation (50 FR 20253). We stated that we expected to issue a preliminary determination by July 15, 1985.

Since Korea is a "country under the Agreement" within the meaning of section 701(b) of the Act, an injury determination is required for this investigation. Therefore, we notified the ITC of our initiation. On June 3, 1985, the ITC determined that there is a reasonable indication that these imports materially injure, or threaten material injury to, a U.S. industry.

We presented a questionnaire concerning the allegations to the government of Korea in Washington, D.C. on May 20, 1985.

On June 24, 1985, we received responses to our questionnaire from the government of Korea, Daewoo Shipbuilding and Heavy Machinery Ltd., and Daewoo Corporation (the manufacturer and exporter of Platform Harvest), and Hyundai Heavy Industries Co. Ltd., and Hyundai Corporation (the manufacturer and exporter of Platform Julius).

The Department has received letters and comments from several U.S. importers of platform jackets and piles from Korea claiming that the petition was not filed on behalf of the U.S. industry producing platform jackets and piles. However, we have not received any opposition from any members of the domestic industry.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These platforms are also known as conventional fixed platforms and are permanently affixed by the piles to the seabed. The platforms are not mobile. These jackets and piles are currently provided for in item 652.97 of the 1985 *Tariff Schedules of the United States* (TSUS).

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of the current investigation. These principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order," which was published in the April 26, 1984, issue of the Federal Register (49 FR 18006).

Consistent with our practice in preliminary determinations, where a response to an allegation denies the existence of a program, receipt of benefits under a program, or eligibility of a company or industry under a program, and the Department has no persuasive evidence showing that the response is incorrect, we accept the response for purposes of the preliminary determination. All such responses are subject to verification. If the response cannot be supported at verification, and the program is otherwise countervailable, the program will be considered a subsidy in the final determination.

During the period 1983 through the first quarter of 1985, two Korean firms were awarded contracts for construction of platform jackets and piles for the United States. Daewoo Shipbuilding and Heavy Industries and Hyundai Heavy Industries. The two platforms are Platform Harvest and Platform Julius. Very recently we have learned that a third contract was awarded to Daewoo in April, 1985 for Platform Esther.

For purposes of this preliminary determination, we investigated only the manufacturers of these platforms and we calculated the subsidy conferred upon the two platforms, Harvest and Julius. This is a departure from our normal practice, where we choose for purposes of the investigation an historical period and calculate subsidies bestowed on the total output or exports during that period.

In this case, the normal practice does not apply. Once a contract for a platform is awarded, it can take fourteen months to construct and then, after it is entered into the United States, payment terms are extended for up to ten years. Also, as noted above, there have been only three contracts awarded to Korean firms in over two years. Therefore, were we to choose 1984, for example, as the period for which we are measuring subsidization, there would be no exports of the subject merchandise.

Because of the lack of a period which is representative of total subsidies bestowed on total exports of the subject merchandise and because of the small number of contracts and their dollar value, we have calculated the subsidy conferred on each of the two platforms, Harvest and Julius. We have chosen these particular sales because they constitute entries of the merchandise that are potentially liable for countervailable duties. We would have included Platform Esther, but information on this contract was received too late.

Based upon our analysis of the petition, information submitted by petitioners, and the responses to our questionnaires submitted by the government of Korea, Daewoo Shipbuilding and Heavy Machinery, Daewoo Corporation, Hyundai Heavy Industries, and Hyundai Corporation, we preliminarily determine the following:

I. Programs Determined To Confer Subsidies

We preliminarily determine that subsidies are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles under the following programs:

A. *Export Credit Financing from the Export-Import Bank of Korea.*

Petitioners allege that the U.S. purchasers of the subject merchandise receive preferential buyer's credit from the Export-Import Bank of Korea.

The Export-Import Bank of Korea (KXMB) was inaugurated on July 1, 1976, under the authority of the Export-Import Bank of Korea Act (Law No. 2122; July 28, 1969). The purpose of this Act is to promote the sound development of the national economy and economic cooperation with foreign countries by extending financing for export and import transactions, overseas investments and development of natural resources abroad.

The KXMB has provided two types of export credit: (1) a pre-delivery loan to cover the period of construction of the project, and (2) a deferred export credit in the form of a post-delivery loan for ten years including a two-year grace period. To be eligible for deferred export credit, the following criteria must be met by the exporter: (1) The contract on the sale must require a minimum 15 percent cash payment by the foreign purchaser; (2) the requested financing cannot exceed a 10-year period for loans greater than U.S. $1,000,000; and (3) the requested financing cannot be at interest rates below the KXMB's lending rates.

For pre-delivery financing, interest is pre-paid quarterly beginning at the time each principal installment is drawn down and extending throughout the life of the loan. Interest on the post-delivery loan is paid semi-annually on a retroactive basis. The principal of the pre-delivery loan is repaid in one lump sum at the time of acceptance of delivery. Post-delivery financing is repaid semi-annually over an eight-year period beginning two years after disbursement of the loan. The KXMB requires that the borrower obtain Medium- and Long-Term Credit Risk Insurance for post-delivery financing. For our determination on the Export Credit Insurance program, see the section "Program Determination Not to Confer a Subsidy."

Daewoo Corporation and Hyundai Corporation have both received pre- and post-delivery financing for Platform Julius and Platform Harvest, respectively, from the KXMB. The financing is in the form of seller's credits, rather than buyer's credits as alleged by petitioners; i.e., the lending is direct to the manufacturer/exporter. Daewoo received all of its financing at a fixed interest rate of 9 percent, while Hyyundai received its pre-delivery loan at a fixed interest rate of 9 percent and

its post-delivery loan at a fixed interest rate of 10 percent. These are dollar-denominated loans.

In order to determine if the KXMB financing is preferential, we sought the cost to Daewoo and Hyundai of comparable alternative fixed-interest dollar-denominated commercial financing. Since these are long-term loans, we first reviewed the credit histories of both of the companies. We found that both have received commercial long-term dollar-denominated loans, but all were at variable interest rates. We also learned that there are no commercial fixed-rate dollar loans available in Korea. However, we discovered that there is a well-established international market available to companies that wish to swap variable-rate dollar obligations for fixed-rate dollar obligations, and that Daewoo has participated in this market. Based on the fact that one of the producers under investigation has used the swap market on a number of occasions, and on a careful review of information we obtained regarding all alternative sources of long-term fixed-interest dollar-denominated commercial financing, we preliminarily determine that, absent the availability of the KXMB financing, both Daewoo and Hyundai would have most likely obtained long-term fixed-interest dollar-denominated commercial financing for the projects under investigation in the swap market. Furthermore, based on company-specific information regarding the terms Hyundai received on commercial long-term variable-rate dollar loans actually used in the financing of Platform Julius, and technical analysis of the structure of swap arrangements during the relevant time periods, we were able to determine the fixed-interest financing costs which each company would have had to bear after a swap. A comparison of these rates with those of the companies' KXMB loans indicates that, in the case of both loans to both companies, the KXMB export financing rates are less. Because this financing is contingent upon export and the rates of interest charged are less than that on comparable commercial financing, we preliminarily determine that this program confers a countervailable benefit.

Under our normal methodology for allocating the benefits of long-term loans, benefits are deemed to begin accruing at the time of the first cashflow effect and continue through the life of the loan. Therefore, if we were measuring subsidization in calendar year 1984, for example, and the first interest payment would not be made until 1985, then we would find no benefits conferred upon exports of the subject merchandise in 1984. Instead, the benefits of the loan would be allocated to exports in 1985 and each year thereafter for as long as the loan was outstanding.

The use of our standard long-term loan methodology is not appropriate in this case because of the nature of the platform jackets and piles market. In the first place, the loans in question can be unquestionably tied to specific plaforms. Secondly, allocating the benefits over the life of the loan would mean we might not capture, and countervail, all the benefits conferred upon these exports. This is because Platform Harvest and Platform Julius would be imported into the United States and their entries liquidated by U.S. Customs ten years before the last interest payments would be made on the Export-Import Bank loans; i.e., ten years before the last countervailable benefits would be conferred upon the products.

In order to capture the full benefit conferred by each of the KXMB loans, we measured the difference in the present value of the repayment stream on the KXMB loans and the repayment stream on swap market financing. This amount was divided by the contract value of the respective platform. Using this methodology, we calculated an export subsidy of 9.4 percent *ad valorem* for Daewoo Shipbuilding and Heavy Machinery, Ltd./Daewoo Corporation and 3.91 percent *ad valorem* for Hyundai Heavy Industries Co., Ltd./Hyundai Corporation.

B. *Accelerated Depreciation Under Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption."* Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption" permits a firm earning more than 50 percent of its total proceeds in a business year from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation, determined by a formula based on the firm's foreign exchange earnings and total business earnings. Of the firms manufacturing or exporting the products under investigation, only Hyundai Heavy Industries, the manufacturer of Platform Julius, used accelerated depreciation under this program. Because the use of accelerated depreciation is contingent upon export performance, we determine that this program confers benefits which constitute export subsidies.

Under our normal methodology for determining the benefits from export-related accelerated depreciation, we would calculate the subsidy based on the tax savings received during the period of review and attribute it to export sales during the same period. For the same reasons described *supra* regarding KXMB financing, however, the use of our standard methodology is not appropriate in this case. Hyundai Heavy Industries will record no export sales income from Platform Julius until it files its taxes in 1986 and 1987. The most recent year in which taxes have been filed is 1984. Therefore, none of the tax savings in 1984 derive from, or are attributable to, sales of the subject merchandise to the United States.

In order to capture and countervail all of the tax benefits attributable to Platform Julius, we should calculate the present value of the benefits that will accrue in 1986 and 1987. Obviously, it is impossible to make this calculation in 1985 because we do not know how much or whether accelerated depreciation will be claimed. Therefore, believing it to be the only reasonable alternative methodology available to us, we have instead calculated the benefit that would have accrued in 1984 (the most recent year for which we have all the necessary data) had the entire sales income earned from Platform Julius been reported in that year. Using this methodology, we found a subsidy of 0.15 percent *ad valorem* for Hyundai Heavy Industries.

C. *Tax Incentives for Exporters Under Articles 22, 23 and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption".* Articles 22, 23 and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption" provide for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses. Under Article 22, a corporation may establish a reserve amounting to one percent of the foreign exchange earnings or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve fund. If there are no offsets for export losses, the reserve is returned to the income account and taxed, after a one-year grace period, over a three-year period.

Under Article 23, governing overseas market development, a corporation may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses

incurred in developing overseas markets are offset from the reserve fund. Like the export loss reserve fund, if there are no offsets for expenses, the reserve is returned to the income account and taxed, after a one-year grace period, over a three-year period.

A price fluctuation reserve fund may be established under Article 24. Under this article, a corporation may establish reserves equivalent to five percent of the book value of the products and works in progress which will be exported by the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to the losses to the income account. If not so utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all moneys in the reserve funds are eventually reported as income and subject to corporate tax either when they offset export losses, are used to develop overseas markets, or when the grace period expires. Daewoo Corporation claimed reserves under Articles 22 and 23 and Hyundai Heavy Industries claimed reserves under Article 22. We determine that these export reserve programs confer benefits which constitute export-subsidies because they provide a deferral of direct taxes specifically related to export performance.

As with the previous programs, our normal methodology for calculating the benefit arising from these tax deferrals does not apply in this case. This is because the deferrals currently being enjoyed are not derived from sales of the subject merchandise to the United States. Nor can we anticipate that there will be imports in each of the years that deferrals attributable to these sales are in effect. Therefore, to calculate the benefits received under this program applicable to the products under investigation, we first took one percent of the value of the platform contract and treated it as if it were placed into the respective reserve fund based on when the company would enter the contract value as sales revenue in its accounting records. For Daewoo Corporation the entire one percent was treated as it it were put into each of the tax-free reserves on the date of shipment of the platform. Hyundai Heavy Industries recognizes income progressively during the period of construction rather than in one lump-sum on a single date, and thus, the one percent of the contract was divided into two reserves.

Because these export reserve funds constitute a deferral of tax liabilities, we treat the tax savings on these funds as short-term interest-free loans. Thus, we took the tax savings on one percent of the contract value (or that portion of the contract treated as sales revenue) for the platform in the year in which it would be treated as sales revenue and treated it as a zero-interest loan, rolled over in each year that taxes would be deferred. We compared the zero-interest that would be paid in each year to the interest that would be paid had the money been borrowed from commercial sources. We used as our benchmark the average interest rate on commercial short-term loans in Korea which we preliminarily determine to be 10.75 percent. The source of our benchmark determination is the Bank of Korea's *Monthly Statistical Bulletin*. We necessarily assumed that this benchmark interest rate would extend into the future periods. We then calculated the present value of the benefits in each of the years in which there would be a tax savings accruing to the respective reserve funds. We then took the total benefit for each of the reserve funds and allocated it over the contract value of the respective platform. Using this methodology, we calculated a subsidy of 0.16 percent *ad valorem* for Daewoo Shipbuilding and Heavy Machinery, Ltd./Daewoo Corporation and 0.08 percent *ad valorem* for Hyundai Heavy Industries Co., Ltd./Hyundai Corporation.

II. Program Preliminarily Determined Not To Confer a Subsidy

A. Export Credit Insurance by the Export-Import Bank of Korea. Petitioners allege that the Korean government makes substantial contributions to the export credit insurance program of the Export-Import Bank of Korea and that this program is not self-supporting, thus providing countervailable benefits to producers of the subject merchandise.

The Korean Import Bank operates an export insurance program which provides commercial, political and managerial risk insurance. A separate budget for this program is maintained by the Export-Import Bank. Hyundai Corporation and Daewoo Corporation have both applied for commercial risk insurance. Purchase of this insurance is compulsory on all loans provided by the Export-Import Bank of Korea.

To be a subsidy, a government-operated insurance program has to charge premiums which are inadequate to cover the long-term operating costs and losses of the program. The government of Korea states that the insurance program has been not only self-sustaining, but also very profitable since its inception. They further state that the government has never contributed funds to cover losses and that the level of premiums charged far exceeds the costs associated with claims against the insurance policies.

We reviewed the financial statements for the last five years for the export insurance fund, and have preliminarily determined that the premiums charged to exporters allow the Export-Import Bank of Korea to cover its losses and its long-term operating expenses. Therefore, we preliminarily determine that this program does not constitute a subsidy.

III. Programs Preliminarily Determined Not to be Used

We have preliminarily determined that manufacturers, producers, or exporters in Korea of off shore platform jackets and piles do not use the following programs:

A. *Short-term Export Financing.* Petitioners allege that the manufacturers and exporters receive preferential export financing under the Export Financing Regulations. According to the government of Korea, this program was not used by manufacturers and exporters of the subject merchandise because projects receiving deferred export financing from the Export-Import Bank of Korea are not eligible for short-term loans under the Export Financing Regulations.

B. *Special Depreciation Under Article 11 of the "Act Concerning the Regulation of the Tax Reduction and Exemption".* Petitioners allege that certain designated industries receive preferential depreciation benefits under Article 11. According to the government of Korea, assets used to construct jackets and piles are not eligible for accelerated depreciation under Article 11.

C. *Export Guarantees From Export-Import Bank of Korea.* Petitioners allege that producers of the subject merchandise receive advance payment export guarantees and performance export guarantees from the Export-Import Bank of Korea. According to the government of Korea, the platform jackets and piles covered by this investigation have not received such guarantees from the Export-Import Bank of Korea.

IV. Program Determined Not to be an Independent Program

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We preliminary determine that the following is not an individual export loan program:

A. *Deferred Export Loans through the National Investment Fund.* Petitioners allege that National Investment Fund loans provided through the Export-Import Bank of Korea are used to finance exports of the subject merchandise on a deferred payment basis and at below-market interest rates.

According to the government of Korea, the National Investment Fund (NIF) is a specific type of financing and not a particular loan program. The only deferred export financing authorized under the NIF is wholly administered by the Export-Import Bank. There is no separate facility under the NIF to grant such financing. The NIF's only participation in the export credit financing program is as a source of funding in the Export-Import Bank's budget. The NIF is not involved in any way with the individual loan decisions made by the Export-Import Bank and the interest rates charged to exporters by the Bank are the same regardless of the source of financing. Therefore, we preliminarily determine that the NIF is not a specific export loan program but a source of funding within the Export-Import Bank's Export Credit Financing program which is discussed in the section "Programs Determined to Confer Subsidies".

Verification

In accordance with section 776(a) of the Act, we will verify the data used in making our final determination.

Suspension of Liquidation

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of offshore platform jacket and piles which are entered or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**, and to require a cash deposit or bond in the amount of 9.58 percent *ad valorem* for Daewoo Shipbuilding and Heavy Machinery, Ltd./Daewoo Corporation and 4.14 percent *ad valorem* for Hyundai Heavy Industries Co., Ltd./Hyundai Corporation. The cash deposit or bonding rate for imports of the subject merchandise from all other companies is 7.22 percent ad valorem. This suspension will remain in effect until further notice.

ITC Notification

In accordance with section 703(f) 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 file, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. If our final determination is affirmative, the ITC will make its determination of whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days after our final determination.

Public Comment

In accordance with § 355.35 of the Commerce Department Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on September 4, 1985, at the U.S. Department of Commerce, Room 1414, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B099, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by August 28, 1985. Oral presentations will be limited to issues raised in the briefs.

In accordance with 19 CFR 355.33(d) and 19 CFR 355.34, written views will be considered if received not less than 30 days before the final determination or if a hearing is held, within 10 days after the hearing transcript is available.

This notice is published pursuant to section 703(f) of the Act (19 U.S.C. 1671b(f)).

Dated: July 15, 1985.

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 85-17271 Filed 7-18-85; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 701-TA-248 (Final)]

Offshore Platform Jackets and Piles From the Republic of Korea

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigation No. 701-TA-248 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(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 the Republic of Korea (Korea) of offshore platform jackets and piles, provided for in item 652.97 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in a preliminary determination, to be subsidized by the Government of Korea. Commerce will make its final subsidy determination in this investigation on or before September 30, 1985, and the Commission will make its final injury determination by November 15, 1985 (see sections 705(a) and 705(b) of the act (19 U.S.C. 1671d(a) and 1671d(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 19, 1985.

FOR FURTHER INFORMATION CONTACT: Daniel Dwyer (202-523-4618), 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 certain benefits which constitute subsidies within the meaning of section 701 of the act (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles. The investigation was requested in a petition filed on April 18, 1985, by Kaiser Steel Corp., Napa, CA, and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, Kansas City, KS. In response to that petition the Commission conducted a preliminary countervailing duty investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 24716, June 12, 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 publicaion 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 investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff report.

A public version of the prehearing staff report in this investigation will be placed in the public record on September 24, 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 October 10, 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 September 26, 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 October 2, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is October 4, 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 October 17, 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 October 17, 1985.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for

confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly 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. 85-18747 Filed 8-6-85; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 701-TA-248 (Final)]

Offshore Platform Jackets and Piles From the Republic of Korea

AGENCY: United States International Trade Commission.

ACTION: Revised schedule for the subject investigation.

EFFECTIVE DATE: September 9, 1985.

FOR FURTHER INFORMATION CONTACT: Daniel Dwyer (202-523-4618), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On July 19, 1985, the Commission instituted the subject investigation and established a schedule for its conduct (50 FR 31932, August 7, 1985). Subsequently, the Department of Commerce extended the date for its final determination in the investigation from September 30, 1985 to December 10, 1985 (50 FR 35108, August 29, 1985). The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule.

The Commission's new schedule for the investigation is as follows: Requests to appear at the hearing must be filed with the Secretary to the Commission not later than December 2, 1985; the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building at 10:30 a.m. on December 6, 1985; the public version of the prehearing staff report will be placed on the public record on November 27, 1985; the deadline for filing prehearing briefs is December 9, 1985; the hearing will be held in room 331 of the U.S. International Trade Commission Building on December 12, 1985; and the deadline for filing all other written submissions, including posthearing briefs, is December 19, 1985.

For further information concerning this investigation see the Commission's notice of investigation cited above and 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).

Authority: This investigation is being conducted under authority of the Tariff Act of

1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: September 13, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-22349 Filed 9-17-85; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 701-TA-248 (Final)]

Offshore Platform Jackets and Piles From the Republic of Korea

AGENCY: International Trade Commission.

ACTION: Revised schedule for the subject investigation.

EFFECTIVE DATE: November 1, 1985.

FOR FURTHER INFORMATION CONTACT: Dan Dwyer (202-523-4618), Office of Investigations, U.S. International Trade Commission, 701 E. Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On July 19, 1985, the Commission instituted the subject investigation and established a schedule for its conduct (50 F.R. 31832, August 7, 1985). Subsequently, the Department of Commerce extended the date for its final determination in the investigation from September 30, 1985 to December 10, 1985 (50 FR 35108, August 29, 1985). The Commission then revised its schedule to conform with Commerce's schedule (50 FR 37918, September 18, 1985). Commerce then extended the date for its final determination from December 10, 1985 to January 29, 1986 (50 FR 42744, October 22, 1985). The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule.

The Commission's new schedule for the investigation is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than January 24, 1986; the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building on January 30, 1986 at 9:30 a.m.; the public version of the prehearing staff report will be placed on the public record on January 17, 1986; the deadline for filing prehearing briefs is January 27, 1986; the hearing will be held in room 331 of the U.S. International Trade Commission Building on February 3, 1986 at 10:00 a.m.; and the deadline for filing all other written submissions, including posthearing briefs, is February 10, 1986.

For further information concerning this investigation see the Commission's notice of investigation cited above and 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).

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: November 4, 1985.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-27115 Filed 11-13-85; 8:45 am]

BILLING CODE 7020-02-M

[A-580-605]

Offshore Platform Jackets and Piles From the Republic of Korea: Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that offshore platforms jackets and piles from the Republic of Korea (jackets and piles) are being, or are 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, and we have directed the U.S. Customs Service to suspend liquidation of all entries of the subject merchandise as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by January 28, 1986.

EFFECTIVE DATE: November 25, 1985.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-4087.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based upon our investigation, we have preliminarily determined that jackets and piles from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733(b) (19 U.S.C. 1673b(b)) of the Tariff Act of 1930, as amended (the Act). The margins preliminarily found for all companies investigated are listed in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by January 28, 1986.

Case History

On April 19, 1985, we received a petition in proper form filed by Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers filing on behalf of the U.S. producer(s) and workers producing offshore platform jackets and piles for sale in the U.S. West Coast market. The petitioners subsequently amended the petition to allege, in the alternative, that it was filed on behalf of U.S. producers and workers in the national U.S. market. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the Republic of Korea 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 that 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 May 9, 1985 (50 FR 20254). On June 3, 1985, the ITC determined that there is a reasonable indication that imports of jackets and piles are materially injuring, or threatening material injury to, a U.S. industry (50 FR 24716). On September 6, 1985, counsel for the petitioners requested the Department to postpone the preliminary determination until not later than November 15, 1985. On September 6, we granted the request (50 FR 37566).

On June 21, 1985, a two-part questionnaire was presented to counsel for potential respondents. On July 18, 1985, Daewoo Shipbuilding and Heavy Machinery Ltd. (Daewoo) and Hyundai Heavy Industries Co. (Hyundai) responded to the first part of the questionnaire which requested initial information concerning sales of the products under investigation.

On August 1, 1985, based upon the initial responses, we informed Hyundai that we were not requesting that they respond to the second part of the questionnaire, the portion which sought detailed sales and cost data. Even though Hyundai had a U.S. sale during the period of investigation, April 1, 1985 through March 31, 1985, its project is not scheduled for completion until August 1986. Until completion, only projected cost data would be available for Hyundai's project.

By contrast, Daewoo had a sale of a jacket and piling during the period of investigation which was completed and exported in mid-1985. Because, whenever possible, the Department uses actual rather than projected data for the calculation of foreign market value, we required only Daewoo to respond to the second portion of the questionnaire. Their response was received on August 12. Also on that date, Hyundai submitted a voluntary response to the second part of the questionnaire. However, we limited our investigation to Daewoo for the reason stated above.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These platforms are also known as conventional fixed platforms and are permanently affixed by the piles to the seabed. The platforms are not mobile. These jackets and piles are currently classified in the *Tariff Schedules of the United States* (TSUS) under item 652.67.

Fair Value Comparison

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

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to an unrelated purchaser prior to its importation into the United States. We calculated the purchase price based on the delivered price to the unrelated customers in the United States. We made deductions for ocean freight and other transportation costs. We made an addition for import

duties which were rebated, or not collected, by reason of the exportation of the merchandise to the United States, pursuant to section 772(d)(1)(B) of the Act.

Foreign Market Value

In accordance with section 773(e) of the Act, we calculated foreign market value based on constructed value since there were not sufficient home market or third country sales of such or similar merchandise. Constructed value was based on the constructed value response of Daewoo.

In determining constructed value we calculated the cost of materials, fabrication, general expenses from data provided in the response. After a review of the response, we made certain adjustments to the cost data where it appeared that costs necessary for the production of the jackets and piles were not included and for other costs where it appeared that the value may not have been appropriately stated.

We adjusted the cost of manufacturing to include:

- Import duties not paid on raw materials due to exportation of the finished product;
- Interest cost incurred during construction;
- Additional depreciation to appropriately reflect the fully absorbed amount for capital improvements;
- The cost of reconfiguration of the skidway, and
- The cost of repairing damage to manufacturing facilities.

In the general category, we adjusted expenses to:

- Exclude unexplained gains and losses form foreign exchange activities which the company associated directly with the project;
- Exclude interest during construction which was included as part of manufacturing;
- Increase the amount of general interest expense to reconcile with Daewoo's financial statements; and,
- Allocate company-wide expenses based on the value of work performed rather than on other bases which did not appear to appropriately capture the costs for the project, e.g., the cash flow method.

Because the general expenses reported were above the statutory minimum of 10 percent of the sum of material and fabrication costs we used the actual general expenses. As we have been unable to determine what the profit is for the same general class or kind of merchandise, for the purposes of this preliminary determination we are using the statutory minimum of 8 percent.

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York. We considered the date of purchase to be the date of acceptance of the contract and used that date as the date for currency conversion.

Verification

As provided in section 776(a) of the Act, we will verify all data used in reaching the final determination in this investigation.

Suspension of Liquidation

In accordance with section 733(d) of the act, we are directing the United States Customs Service to suspend liquidation of all entries of jackets and piles form the Republic of Korea that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturers/sellers/exporters	Weighted-average margin percentage
Daewoo	25.07
All Others	25.07

Article VI.5 of the General Agreement on Tariffs and Trade provides that "[n]o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act, which prohibits assessing dumping duties on the portion of the margin attributable to export subsidies. In the preliminary countervailing duty determination on jackets and piles from Korea, we found export subsidies (50 Fed. Reg. 29461). If a level of export subsidies is found in the final countervailing duty determination on jackets and piles from Korea, it will be subtracted for deposit or bonding purposes from the dumping margin, if any, found in the final antidumping determination on jackets and piles from Korea.

ITC Notification

In accordance with section 733(f) 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 determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after we make our preliminary affirmative determination, or 45 days after we make our final determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on January 7, 1986, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B099, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by January 3, 1986. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of publication of this notice, at the above address in at least 10 copies.

This determination is published pursuant to section 733(f) of the Act (19 U.S.C. 1673b(f)).

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

B-14

November 15, 1985.

[FR Doc. 85-28057 Filed 11-22-85; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-801]

Offshore Platform Jackets and Piles From Japan; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that offshore platform jackets and piles from Japan (jackets and piles) are being, or are 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, and we have directed the U.S. Customs Service to suspend liquidation of all entries of the subject merchandise as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make a final determination by January 29, 1986.

EFFECTIVE DATE: November 25, 1985.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-4087.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based upon our investigation, we have preliminarily determined that jackets and piles from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733(b) (19 U.S.C. 1673b(b)) of the Tariff Act of 1930, as amended (the Act). The margins preliminarily found for all companies investigated are listed in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination by January 29, 1986.

Case History

On April 19, 1985, we received a petition in proper form filed by Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers filing on behalf of the U.S. producer(s) and workers producing offshore platform jackets and piles for sale in the U.S. West Coast market. The petitioners subsequently amended the petition to allege, in the alternative, that it was filed on behalf of U.S. producers and workers in the national U.S. market. In compliance with the filing requirement of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Japan 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 that 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 May 9, 1985 (50 FR 20252). On June 3, 1985, the ITC determined that there is a reasonable indication that imports of jackets and piles are materially injuring, or threatening material injury to, a U.S industry (50 FR 24716). On September 6, 1985, counsel for the petitioners requested the Department to postpone the preliminary determination until not later than November 15, 1985. On September 6, we granted the request (50 FR 37566).

On July 1, 1985, a two-part questionnaire was presented to potential respondents. On July 19, 1985, Hitachi Zosen Corporation (Hitachi) responded to the first part of the questionnaire which requested initial information concerning sales of the products under investigation. On July 22, 1985, Nippon Steel Corporation (NSC) and Nippon Kokan K.K. (NKK) also responded to the initial portion. Based upon the initial responses, we did not require NKK to respond to the second part of the questionnaire, the portion which sought detailed sales and cost data. NKK had two U.S. sales during the period of investigation, April, 1983, through March 31, 1985. However, these projects are not scheduled for completion until mid-1986. Until completion, only projected cost data would be available for NKK's projects. By contrast, both Hitachi and NSC made sales of jackets and piles during the period of investigation that were completed and exported in mid-1985.

Because, whenever possible, the Department uses actual rather than projected data for the calculation of foreign market value, we limited our investigation to the single sale by Hitachi and NSC, respectively. Accordingly, we required Hitachi and NSC to respond to the second portion of our questionnaire. Their responses were received August 15.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and piles for offshore platforms, subassemblies thereof that not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These platforms are also known as conventional fixed platforms and are permanently affixed by the piles to the seabed. The platforms are not mobile. These jackets and piles are currently classified in the *Tariff Schedules of the United States* (TSUS) under item 652.9

Fair Value Comparison

To determine whether sales in the United States of the subject merchandise were made at less than f value, we compared the United States price based on purchase with the fore market value based on the constructe value of the imported merchandise.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to an unrelated purchaser prior to its importation into the United States. We calculated the purchase price based on the delivered price to the unrelated customer in the United States. We made deductions f ocean freight and other transportation costs.

Foreign Market Value

In accordance with section 773(e) o the Act, we calculated foreign market value based on constructed value sin there were not sufficient home marke third country sales of such or similar merchandise. Constructed value was based on the constructed value respo of each respondent.

In determining constructed value, w analyzed the responses and calculate the costs of materials, fabrication and general expenses from data provided the respondents' submissions. We ma certain adjustments to the constructe value where it appeared that costs necessary for the production of the products were not included and for other costs where it appeared that th value may not have been appropriate stated. The specific methodology use calculate constructed value for each company is listed below:

1. *Hitachi's Constructed Value:* We adjusted the manufacturing cost to include:

- certain cost items classified in th submission as general expenses, e.g., quality control and testing.
- the cost of reconfiguring the skidway

• additional depreciation to reflect appropriately the fully absorbed amount for capital improvements; and

• interest expense incurred during construction.

We used the statutory minimum of 10 percent of the sum of material and fabrication costs for general expenses because the general expenses reported were less than that amount. As we have been unable to determine what the profit is for the same general class or kind of merchandise, for the purposes of this preliminary determination we are using the statutory minimum of 8 percent.

2. *NSC's Constructed Value:* We compared the reported transfer price for steel used in the project which was produced by the company's own steel mills, to the market prices for comparable steel. We found these related-party transfer prices for steel to be substantially below market prices. Therefore, we adjusted the manufacturing cost by the difference between the company's transfer prices and market prices for the steel products produced by the company.

We used the statutory minimum of 10 percent of material and fabrication costs because the general expenses reported were less than that amount. As we have been unable to determine what the profit is for the same general class or kind of merchandise, for the purposes of this preliminary determination we are using the statutory minimum of 8 percent.

We made currency conversions in accordance with section 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York. We considered the dates of purchase to be the dates of acceptance of the contracts and used those dates as the dates for currency conversion.

Verification

As provided in section 776(a) of the Act, we will verify all data used in reaching the final determination in this investigation.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of jackets and pilles from Japan that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the *Federal Register*. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign value of the merchandise subject to this investigation exceeds the United States price as shown in the table below. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/seller/exporter	Weighted-average margin percentage
Hitachi	8.71
NSC	88.07
All others	15.86

ITC Notification

In accordance with section 733(f) 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 determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after we make our preliminary affirmative determination or 45 days after we make our final determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on January 8, 1986, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B099, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by January 3, 1985. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within 30 days of publication of this notice, at the above address in at least 10 copies.

This determination is published pursuant to section 733(f) of the Act (19 U.S.C. 1673b(f)).

Gilbert B. Kaplan,

Acting Deputy Assistant Secretary for Import Administration.

November 15, 1985.

[FR Doc. 85-28058 Filed 11-22-85 8:45 am]

BILLING CODE 3510-DS-M

[Investigations Nos. 731-TA-259 and 260 (Final)]

Offshore Platform Jackets and Piles From the Republic of Korea and Japan

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-259 and 260 (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 the Republic of Korea and Japan of offshore platform jackets and piles, provided for in item 652.97 of the Tariff Schedules of the United States which have been found by the Department of Commerce, in its

preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before January 29, 1986, and the Commission will make its final injury determinations by March 14, 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 these investigations, 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: November 25, 1985.

FOR FURTHER INFORMATION CONTACT: Dan Dwyer (202-523-4618), 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

These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of offshore platform jackets and piles from the Republic of Korea and Japan 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 investigations were requested in petitions filed on April 18, 1985 by Kaiser Steel Corp., Napa, CA, and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers, Kansas City, KS. In response to those petitions the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 26716, June 12, 1985).

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

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

Staff report.—A public version of the prehearing staff report in these investigations will be placed in the public record on January 17, 1986, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on February 3, 1986, 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 January 24, 1986. 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 January 30, 1986, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is January 27, 1986.

Testimony at the public hearing is governed by § 207.23 of the Commission's rule (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 section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on February 10, 1986. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before February 10, 1986.

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

Any business information for which confidential treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly 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: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: December 9, 1985.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-29504 Filed 12-11-85; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 701-TA-248 (Final) and 731-TA-259 and 260 (Final)]

Offshore Platform Jackets and Piles From the Republic of Korea and Japan

AGENCY: International Trade Commission.

ACTION: Revised schedules for the subject investigations.

EFFECTIVE DATE: January 6, 1986.

FOR FURTHER INFORMATION CONTACT: Dan Dwyer (202-523-4618), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002.

SUPPLEMENTARY INFORMATION: On July 19, 1985, the Commission instituted investigation No. 701-TA-248 (Final) and established a schedule for its conduct (50 FR 31932, August 7, 1985). Subsequently, the Department of Commerce extended the date for its final determination in that investigation from September 30, 1985 to December 10, 1985 (50 FR 35106, August 29, 1985). The Commission then revised its schedule to conform with Commerce's schedule (50 FR 37918, September 18, 1985). Commerce then extended the date for its final determination from December 10, 1985 to January 29, 1986 (50 FR 42744, October 22, 1985). The Commission then revised its schedule to conform with Commerce's new schedule (50 FR 47123, November 14, 1985). On November 25, 1985, the Commission instituted investigations Nos. 731-TA 259-260 (Final) and established a schedule for their conduct identical to the revised schedule for investigation No. 701-TA-248 (Final) (50 FR 50854, December 12, 1985). Commerce then extended the date for its final determinations in the subject investigations from January 29, 1986 to March 31, 1986 (50 FR 52823, December 26, 1985 and 50 FR 53389, December 31, 1985). The Commission is therefore revising its schedule in these investigations to conform with Commerce's new schedule.

The Commission's new schedule for these investigations is as follows: requests to appear at the hearing must be filed with the Secretary to the Commission not later than March 24, 1986; the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building on March 28, 1986 at 9:30 a.m.; the public version of the prehearing staff report will be placed on the public record on March 17, 1986; the deadline for filing prehearing briefs is March 27, 1986; the hearing will be held in room 331 of the U.S. International Trade Commission Building on April 2, 1986 at 10:00 a.m.; and the deadline for filing all other written submissions, including posthearing briefs, is April 9, 1986.

For further information concerning these investigations see the

Commission's notices of investigation cited above and 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).

Authority: These investigations are 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: January 9, 1986.

By order of the Commission.

Kenneth R. Mason

Secretary.

[FR Doc. 86-609 Filed 1-14-86; 8:45 am]

BILLING CODE 7020-02-M

[C-580-504]

Offshore Platform Jackets and Piles From the Republic of Korea

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the Republic of Korea (Korea) of offshore platform jackets and piles. Because of the unique nature of the subject merchandise, we are calculating platform specific rates. The estimated net subsidy is 8.73 percent *ad valorem* for Platform Harvest, 0.15 percent *ad valorem* for Platform Esther, 3.22 percent *ad valorem* for Platform Julius and 4.42 percent *ad valorem* for all other platforms.

We have notified the U.S. International Trade Commission (ITC) of our determination. If the ITC determines that imports of offshore platform jackets and piles materially injure, or threaten material injury to, a U.S. industry, we will direct the U.S. Customs Service to resume the suspension of liquidation of offshore platform jackets and piles from Korea and to require a cash deposit on entries or withdrawals from warehouse for consumption equal to 3.22 percent *ad valorem* for Platform Julius and 4.42 percent *ad valorem* for all other platforms not investigated. Platform Harvest was entered before our preliminary determination and has already been liquidated. Platform Ester was entered after our preliminary determination but before we discontinued our suspension of liquidation.

EFFECTIVE DATE: April 7, 1986.

FOR FURTHER INFORMATION CONTACT: Rick Herring, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-0187.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we determine that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles. For purposes of this investigation, the following programs are found to confer subsidies.

- Export Credit Financing from the Export-Import Bank of Korea
- Accelerated Depreciation under Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption"
- Tax Incentives for Exporters under Articles 22, 23, and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption"

We determine the estimated net subsidy to be 8.73 percent *ad valorem* for Platform Harvest, 0.16 percent *ad valorem* for Platform Ester and 3.22 percent *ad valorem* for Platform Julius. If this investigation results in a final countervailing duty order, the cash deposit rate for all other imported platforms will be 4.42 percent *ad valorem*.

Case History

On April 19, 1985, we received a petition in proper form from the Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders Blacksmiths, Forgers and Helpers filed on behalf of the U.S. producer(s) and workers producing offshore platform jackets and piles for sale in the U.S. West Coast market. The petitioners subsequently amended the petition to allege, in the alternative, that it was filed on behalf of U.S. producers and workers in the national U.S. market. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleged that manufacturers, producers, or exporters in Korea of offshore platform jackets and piles directly or indirectly receive benefits which constitute subsidies within the meaning of section 701 of the Act, and that these imports materially injure, or threaten material injury to, a U.S. industry.

We found that the petition contained sufficient grounds upon which to initiate a countervailing duty investigation, and on May 9, 1985, we initiated the investigation (50 FR 20253). We stated that we expected to issue a preliminary determination by July 15, 1985.

Since Korea is a "country under the Agreement" within the meaning of section 701(b) of the Act, an injury determination is required for this investigation. Therefore, we notified the ITC of our initiation. On June 3, 1985, the ITC determined that there is a reasonable indication that these imports materially injure a U.S. industry.

We presented a questionnaire concerning the allegations to the government of Korea in Washington, DC on May 20, 1985. On June 24, 1985, we received responses to our questionnaire from the government of Korea, Daewoo Shipbuilding and Heavy Machinery Ltd. and Daewoo Corporation (the manufacturer and exporter of Platforms Harvest and Esther), and Hyundai Heavy Industries Co. Ltd. and Hyundai Corporation (the manufacturer and exporter of Platform Julius).

The Department has received letters and comments from several U.S. importers of platform jackets and piles from Korea claiming that the petition was not filed on behalf of the U.S. industry producing platform jackets and piles. However, we have not received any opposition from any members of the domestic industry.

On July 19, 1985, we published our preliminary determination that benefits constituting subsidies within the meaning of the countervailing duty law were being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles from Korea (50 FR 29461). In that notice we stated that if this investigation proceeded normally, we would make our final determination by September 30, 1985. However, on July 25, 1985, petitioners filed a request to extend the deadline date for a final determination in the countervailing duty investigation to correspond to the date of the final determination in the antidumping investigation of offshore platform jackets and piles from Korea. On August 29, 1985, we published notice in the **Federal Register** (50 FR 35108) extending the date of the final determination pursuant to section 705(a)(1) of the Act, as amended by section 606 of the Trade and Tariff Act of 1984. In keeping with Article 5, paragraph 3 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the Subsidies Code), the Department instructed the U.S. Customs Service to discontinue suspension of liquidation for all entries on or after November 15, 1985.

On November 21, 1985, we received a request from respondents in the antidumping duty investigations of offshore platform jackets and piles from Korea and Japan that the final determinations be postponed as provided for in section 735(a)(2)(A) of the Act, until March 31, 1986. Accordingly, the countervailing duty investigation was also postponed until March 31, 1986, to correspond to the antidumping cases.

Our notice of preliminary determination gave interested parties an opportunity to submit oral and written views. Petitioners and respondents requested a hearing, but both parties subsequently withdrew their requests. On February 12 and 21, 1986, we received written views from interested parties and have taken them into consideration in this determination.

On July 9, 1985, petitioners alleged that government equity infusions into Daewoo Shipbuilding and Heavy Machinery (Daewoo Shipbuilding) were made on terms inconsistent with commercial considerations. They also alleged that Daewoo Shipbuilding was uncreditworthy and that the company received benefits from loans from the Korea Development Bank because of extended grace periods on principal repayments. On August 8, 1985, we presented supplemental questionnaires to the government of Korea, Daewoo Shipbuilding, Daewoo Corporation, Hyundai Corporation, and Hyundai Heavy Industries. We received responses to the supplemental questionnaires on August 23 and 26, 1985.

During the course of this investigation, we found that another contract for the subject merchandise was awarded to Daewoo Shipbuilding and Daewoo Corporation. This contract was awarded after the date of initiation, but the project (Platform Esther) was scheduled to enter the United States before the date of our final determination. We sought additional information on Platform Esther in our supplemental questionnaire.

We conducted verification in Korea from September 23 to October 10, 1985.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and/or piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These products constitute the supporting structures which permanently affix offshore drilling and/or production platforms to the ocean floor. Appurtenances include grouting systems, boat landings, pre-installed conductor pipes and similar attachments. These jackets and piles are currently classified in the *Tariff Schedules of the United States* (TSUS) under item 652.97.

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of the current investigation. These principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order," which was published in the April 26, 1984, issue of the Federal Register (49 FR 18006).

During the period 1983 through the first quarter of 1985, two Korean firms were awarded contracts for construction of offshore platform jackets and piles for export to the United States: Daewoo Corporation and Daewoo Shipbuilding (collectively referred to as Daewoo) and Hyundai Corporation and Hyundai Heavy Industries (collectively referred to as Hyundai). The two platforms are Platform Harvest and Platform Julius. We learned that a third contract was awarded to Daewoo in April 1985, for Platform Esther.

For purposes of this determination, we investigated only the manufacturers and exporters of these platforms and we calculated the subsidy conferred upon the three platforms, Harvest, Julius and Esther. This is a departure from our normal investigation practice of choosing a historical period and calculating subsidies bestowed on the total output of exports during that period.

In this case, the normal practice does not apply. Once a contract for a platform is awarded, it can take fourteen months to construct, and then, after it is entered into the United States, payment terms are extended for up to ten years. Also, as noted above, there have been only three contracts awarded to Korean firms in two years. Therefore, were we to choose 1984, for example, as the period for measuring subsidization, there would be no exports of the subject merchandise.

The nature of the platform market (including the infrequency, high value, and length of production contracts) prevents us from fully countervailing the benefits granted to the subject merchandise using our normal methodology. We not only lack a period representative of the total subsidy bestowed on total exports of the subject merchandise, but there is also an absence of a reasonable expectation of continuous production and future export of the subject merchandise to the United States. However, in this case we can directly tie specific subsidy programs, particularly long-term post-export financing, to specific benefits on particular platforms. Therefore, the nature of the platform market and our ability to tie specific subsidy programs to particular platforms means that we can calculate the subsidy conferred on Platform Harvest, Julius, and Esther. This is a specific exception from our normal practice and should not be construed as a movement away from our policy of calculating subsidies on a country-wide basis. We have chosen these particular sales because they constitute entries of the merchandise that are potentially liable for countervailable duties. However, during the course of this investigation, we discovered that Platform Harvest was formally entered on May 28, 1985, and was liquidated on December 20, 1985. Since Harvest entered through Customs before our preliminary determination and was liquidated before our final determination, we are not establishing a duty deposit rate for Platform Harvest. However, we are using the subsidy which was conferred on Harvest in the determination of the cash deposit rate for all future entries, other than the platforms which we investigated.

Based upon our analysis of the petition, the responses to our questionnaires submitted by the government of Korea, Daewoo Shipbuilding, Daewoo Corporation, Hyundai Heavy Industries, Hyundai Corporation, our verification of those responses, and comments submitted by interested parties, we determine the following:

I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Korea of offshore platform jackets and piles under the following programs:

A. Export Credit Financing From the Export-Import Bank of Korea

Petitioners allege that U.S. purchasers of the subject merchandise receive preferential buyers' credits from the Export-Import Bank of Korea (KXMB). Petitioners also allege that National Investment Fund loans provided through the KXMB are used to finance exports of the subject merchandise on a deferred payment basis and at below-market interest rates.

Regarding the National Investment Fund (NIF), the government of Korea established the National Investment Fund in 1973. The NIF is a source of funds for banks to loan. NIF funds are used to finance development or to finance exports on a deferred payment basis. The only deferred export financing utilizing NIF funds is wholly administered by the KXMB. The NIF is not a specific export loan program but rather a source of funding within the KXMB's Export Credit Financing program.

NIF loans are also provided through commercial and government banks. A number of Korea Development Bank (KDB) loans made to Daewoo Shipbuilding have been made with NIF money. These loans are discussed in the section "Programs Determined Not To Confer Subsidies."

The KXMB inaugurated on July 1, 1976, under the authority of the Export-Import Bank of Korea Act (Law No. 2122; July 28, 1969). The purpose of this Act is to promote the sound development of the national economy and economic cooperation with foreign countries by extending financing for export and import transactions, overseas investments, and development of natural resources abroad.

The KXMB has provided two types of export credit: (1) A pre-delivery loan to cover the period of construction of the project, and (2) a deferred export credit in the form of a post-delivery loan for ten years including a two-year grace period. To be eligible for deferred export credit, the following criteria must be met by the exporter: (1) the contract on the sale must require a minimum 15 percent cash payment by the foreign purchaser; (2) the requested financing cannot exceed a ten-year period for loans greater than U.S. $1,000,000; and (3) the requested financing cannot be at interest rates below the KXMB's lending rates.

For pre-delivery financing, interest is pre-paid quarterly beginning at the time each principal installment is drawn down and extending throughout the life of the loan. The principal of the pre-delivery loan is repaid in one lump sum at the time of acceptance of delivery. Post-delivery financing is repaid semi-annually over an eight-year period beginning two years after disbursement of the loan. Interest on the post-delivery loan is paid semi-annually. The KXMB requires that the borrower obtain Medium- and Long-Term Credit Risk Insurance for post-delivery financing. For our determination on the Export Credit Insurance program, see the section "Programs Determined Not to Confer Subsidies."

Daewoo and Hyundai received pre- and post-delivery financing for Platform Harvest and Platform Julius, respectively, from the KXMB. We verified that KXMB financing was not received on Platform Esther. The financing was in the form of seller's credits, rather than buyer's credits as alleged by the petitioners; *i.e.*, the lending was direct to the manufacturer/exporter. Daewoo received all of its financing at a fixed interest rate of nine percent, while Hyundai received its pre-delivery loan at a fixed interest rate of nine percent and its post-delivery loan at a fixed interest rate of ten percent. These are dollar-denominated loans.

To determine if KXMB pre-delivery financing was provided on preferential terms, we sought the cost to Daewoo and Hyundai of comparable alternative commercial financing. The pre-delivery loans are usually 13 to 14 months in duration, therefore, we did not deem it appropriate to use the swap rate (see discussion below on post-delivery financing) which we used as the benchmark to measure the benefit conferred by the ten-year post-delivery loans.

For Platform Harvest, Daewoo received co-financing by a commercial bank to cover the construction costs not financed by the KXMB. This loan carried a floating interest rate which was based on a spread over the London Interbank Offered Rate (LIBOR).

To determine if the KXMB pre-delivery loan was made on preferential terms, we compared the interest rate of the co-financing loan to the interest rate of the KXMB pre-delivery loan. We made this comparison on each date on which interest was paid on the KXMB pre-delivery loan, since the co-financing loan carried a variable interest rate. Based on this, we determine that the KXMB pre-delivery loan was made on preferential terms.

We used the interest rate on the co-financing loan, even though it is a variable rate loan, because it represents the actual commercial alternative used by Daewoo to finance the construction of Platform Harvest. Also, because the KXMB pre-delivery loan in question was paid prior to our preliminary determination, we were able to determine the rates Daewoo would have had to pay using the variable commercial interest rate. Therefore, we believe that the co-financing loan is the most appropriate benchmark to use for the pre-delivery loan, despite the fact that we are comparing fixed and variable rate loans.

Hyundai also received co-financing from a commercial bank, with an interest rate spread over LIBOR, to finance construction costs of Platform Julius not covered by the KXMB pre-delivery financing. However, since the pre-delivery loan is still outstanding on Platform Julius, we cannot use the same methodology as used in calculating the benfit on the KXMB pre-delivery loan received by Daewoo to finance the construction of Platform harvest. That methodology is inappropriate because we cannot speculate on future LIBOR rates to coincide with future interest payments on the KXMB pre-delivery loan. Therefore, as best information available, we took the interest rate Hyundai would have paid based on the interest rate of the co-financing loan. We calculated this as the LIBOR rate in effect on the date of the commitment of the commercial bank to co-finance the construction of Platform Julius, plus the spread over the LIBOR rate as specified by the co-financing loan. We then treated this as a fixed rate for the duration of the KXMB pre-delivery loan. Comparing that interest rate to the interest rate received on the KXMB pre-delivery loan, we determine that the KXMB pre-delivery loan was made on preferential terms. Since the pre-delivery loan received by Hyundai for Platform Julius does not have to be paid off until the platform is exported, we assumed that the length of the pre-delivery loan for Platform Julius will be the same length as the loan for Platform Harvest.

We believe that because of the duration of the pre-delivery loan, the benchmark constructed under this methodology more accurately reflects the benefits to be conferred upon Platform Julius than the use of the swap interest rate which we are using to measure the benefits of the ten-year post-delivery loans, or the use of the interest rate on 90-day commercial paper, which is the rate suggested by respondents.

To calculate the benefit on the KXMB pre-delivery loan to Daewoo for Platform Harvest, we took the difference between each interest payment made at the nine percent KXMB interest rate and what Daewoo would have paid at the interest rate charged by the commercial co-financing bank. Since we calculated the benefit based on actual interest payments, and these payment were made at the nominal interest rate of nine percent, our benchmark is also at a nominal interest rate. To calculate the benefit on the KXMB pre-delivery loan to Hyundai for Platform Juilius, we took the difference between the nine percent KXMB interest rate and the interest rate charged on the co-financing loan set on the date of the commercial bank's

commitment to provide co-financing. We then multiplied that difference by the amount of the KXMB pre-delivery loan to calculate the amount of the benefit. We took these benefit amounts and divided by he contract value of the respective platform to calculate an estimated net subsidy of 0.61 percent *ad valorem* for the KXMB pre-delivery loan on Platform Harvest and 0.27 percent *ad valorem* for the KXMB pre-delivery loan on Platform Julius.

In order to determine if KXMB post-delivery financing was provided on preferential terms, we sought the cost to Daewoo and Hyundai of comparable alternative, fixed-interest, dollar-denominated, commercial financing. Since these are long-term loans, we first reviewed the credit histories of both of the companies. We found that both have received commercial long-term dollar-denominated loans, but all were at variable interest rates. We also learned that there are no established commercial fixed-rate dollar loans available in Korea. However, we discovered that there is a well-established international market available to companies that wish to swap variable-rate dollar obligations for fixed-rate dollar obligations, and that Daewoo has participated in this market. Based on the fact that one of the producers of the subject merchandise has used the swap market on several occasions, and on a careful review of information we obtained regarding all alternative sources of long-term, fixed-interest, dollar-denominated, commercial financing, we determine that, absent the availability of the KXMB financing, both Daewoo and Hyundai could have obtained long-term fixed-interest, dollar-denominated, commercial post-delivery financing for the projects under investigation in the swap market.

The effective fixed interest rate for a company which wants to swap out of a floating rate obligation and into fixed rate is based on (1) the prevailing fixed-interest yield of its swap partner (this is called the referenced fixed rate); (2) the swap partner's desired spread below LIBOR; (3) the annualized arrangement fee for the swap (usually a bank will arrange the swap); (4) the note issuance facility fee (to underwrite the Eurocites); and (5) the cost over LIBOR of the company's floating rate funds. For the referenced fixed rate on the swap rate for Daewoo we went to the international bond market to select an appropriate fixed-interest rate of a potential swap partner. We selected bonds with a six- to a seven-year maturity to correspond to the effective average maturity of the KXMB loans. The source of the bond information was *Euromoney*. The reference fixed rate on the swap for Hyundai is based on long-term bonds as reported by the *Wall Street Journal*. Hyundai received post-delivery commercial co-financing on Platform Julius. We used the spread over LIBOR of that loan to determine the cost over LIBOR of the company's floating rate funds. We used that same spread, as best information available, as the cost over LIBOR to determine Daewoo's cost of floating rate funds. We used the information submitted on the record to determine the costs of the other three components used in the calculation of the swap interest rate. Based on that information, we were able to determine the fixed-interest financing costs which each company would have had to bear after a swap.

A comparison of these rates with those of the companies' KXMB post-delivery loans indicates that, in the case of both loans to both companies, the KXMB export financing rates are less. Because this financing is contigent upon export and the rates of interest charged are less than that on comparable commercial financing, we determine that the post-delivery loans from the KXMB confer benefits which constitute export subsidies.

Under our normal methodology for allocating the benefits of long-term loans, benefits are deemed to begin accruing at the time of the first cashflow effect and continue through the life of the loan. Therefore, if we were measuring subsidization in calendar year 1984, for example, and the first interest payment would not be made until 1985, then we would find no benefits conferred upon exports of the subject merchandize in 1984. Instead, the benefits of the loan would be allocated to exports in 1985 and each year thereafter for as long as the loan was outstanding.

The use of our standard long-term methodology is not appropriate in this case because of the nature of the platform jackets and piles market. In the first place, the loans in question can be tied to specific platforms. Secondly, allocating the benefits over the life of the loan would mean that we might not capture, and countervail, all the benefit conferred upon these exports. This is because the platforms would be imported into the United States and their entries liquidated by U.S. Customs ten years before the last interest payments would be made on the KXMB loans, *i.e.*, ten years before the last countervailable benefits would be conferred upon the products.

In order to capture the full benefit conferred by each of the KXMB post-delivery loans, we measured the difference in the present value of the repayment stream on the KXMB post-delivery loans and the repayment stream on swap market financing. This amount was divided by the contract value of the respective platform. Using this methodology, we calculated an estimated net subsidy of 7.97 percent *ad valorem* for Platform Harvest and 2.72 percent *ad valorem* for Platform Julius for the KXMB post-delivery loans.

B. Accelerated Depreciation Under Article 25 of the "Act Concerning the Regulation of Tax Regulation and Exemption"

Petitioners alleged that manufacturers and exporters of the subject merchandise receive accelerated depreciation under this program.

Article 25 of the "Act Concerning the Regulation of Tax Reduction and Exemption" permits a firm earning more than 50 percent of its total proceeds in a business year from foreign exchange to increase its normal depreciation by 30 percent. If the corporation has received less than 50 percent of its total proceeds from foreign exchange, it can still claim some accelerated depreciation, determined by a formula based on the firm's foreign exchange earnings and total business earnings. Of the firms manufacturing or exporting the products under investigation, only Hyundai Heavy Industries, the manufacturer of Platform Julius, used accelerated depreciation under this program. Because the use of accelerated depreciation is contingent upon export performance, we determine that this program confers benefits which constitute export subsidies.

Under our normal methodology for determining the benefits from export-related accelerated depreciation, we would calculate the subsidy based on the tax savings received during the period of review and then we would divide the taxing savings by the amount of export sales during the same period. For the same reasons described *supra* regarding KXMB financing, however, the use of our standard methodology is not appropriate in this case. Hyundai Heavy Industries will record no export sales income from Platform Julius until it files its taxes in 1986 and 1987. The most recent year in which taxes have been filed is 1984. Therefore, none of the tax savings in 1984 derive from, or are attributable to, sales of the subject merchandise to the United States.

In order to capture and countervail all of the tax benefits attributable to

Platform Julius, we should calculate the present value of the benefits that will accrue in 1986 and 1987. Obviously, it is impossible to make this calculation in 1985 because we do not know how much or whether accelerated depreciation will be claimed. Therefore, believing it to be the only reasonable alternative methodology available to us, we have instead calculated the benefit that would have accrued in 1984 (the most recent year for which we have all the necessary data) had the entire sales income earned from Platform Julius been reported in that year. Using this methodology, we calculated an estimated net subsidy of 0.15 percent *ad valorem* for Platform Julius.

C. Tax Incentives for Exporters Under Articles 22, 23, and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption"

Petitioners alleged that manufacturers and exporters of the subject merchandise receive tax benefits under Articles 22, 23 and 24 of the "Act Concerning the Regulation of Tax Reduction and Exemption" which provide for the deduction from taxable income of a number of different reserves relating to export activities. These reserves cover export losses, overseas market development and price fluctuation losses.

Under Article 22, a corporation may establish a reserve amounting to one percent of the foreign exchange earnings or 50 percent of net income in the applicable period, whichever is smaller. If certain export losses occur, they are offset from the reserve fund. If there are no offsets for export losses, the reserve is returned to the income account and taxed after a one-year grace period, over a three-year period.

Under Article 23, governing overseas market development, a corporation may establish a reserve fund amounting to one percent of its foreign exchange earnings in the export business for the respective business year. Expenses incurred in developing overseas markets are offset from the reserve fund. Like the export loss reserve fund, if there are no offsets for expenses, the reserve is returned to the income account and taxed, after a one-year grace period, over the next three years.

A price fluctuation reserve fund may be established under Article 24. Under this article, a corporation may establish reserves equivalent to five percent of the book value of the products and works in progress which will be exported by the close of the business year. This reserve may be used to offset losses incurred from the fluctuation of prices for export goods. These losses may be offset by returning an amount equivalent to those losses to the income account. If not utilized, the reserve is returned to the income account the following business year.

The balance in all three reserve funds is not subject to corporate tax, although all moneys in the reserve funds are eventually reported as income and subject to corporate tax either when they offset export losses, are used to develop overseas markets, or when the grace period expires. Daewoo Corporation claimed reserves under Articles 22 and 23 and Hyundai Heavy Industries claimed reserves under Article 22. We determine that these export reserve programs confer benefits which constitute export subsidies because they provide a deferral of direct taxes specifically related to export performance.

As with the previous program, our normal methodology for calculating the benefit arising from these tax deferrals does not apply in this case. This is because the deferrals currently being enjoyed are not derived from sales of the subject merchandise to the United States. Nor can we anticipate that there will be imports in each of the years that deferrals attributable to these sales are in effect. Therefore, to calculate the benefits received under this program applicable to the products under investigation, we first took one percent of the value of the platform contract and treated it as if it were placed into the respective reserve fund based on when the company would enter the contract value as sales revenue in its accounting records. For Daewoo Corporation, the entire one percent was treated as if it were put into each of the tax-free reserves on the date of shipment of the platform. Hyundai Heavy Industries recognizes income progressively during the period of construction rather than in one lump-sum on a single date and, thus, the one percent of the contract was divided into two reserves.

Because these export reserve funds constitute a deferral of tax liabilities, we treat the tax savings on these funds as short-term interest-free loans. Thus, we took the tax savings on one percent of the contract value (or that portion of the contract treated as sales revenue) for the platform in the year in which it would be treated as sales revenue and treated it as an interest-free loan, rolled over in each year that taxes would be deferred. We compared the zero-interest to the interest that would be paid in each year had the money been borrowed from commercial sources. We used as our benchmark the average interest rate on commercial short-term loans in Korea which we determine to be 11.50 percent. The source of our benchmark determination is the Bank of Korea's *Monthly Statistical Bulletin*. In November 1984, the ceiling on interest rates for short-term loans was raised to 11.50 percent. Commercial banks can charge interest rates from 10 to 11.50 percent. In meetings with the Korea Development Bank, the Bank of Korea, and two commercial banks, we were told that commercial banks will usually charge the ceiling rate of 11.50 percent of all their lending. We necessarily assumed that the benchmark interest rate would extend into the future periods. We then calculated the present value of the benefits in each of the years in which there would be a tax savings accruing to the respective reserve fund. The total benefit for each of the reserve funds was allocated over the contract value of the respective platform. Using this methodology, we calculated an estimated net subsidy of 0.15 percent *ad valorem* for Platform Harvest and Platform Esther and 0.08 percent *od valorem* for Platform Julius.

II. Programs Determined Not to Confer Subsidies

A. Government Provision of Equity Into Daewoo Shipbuilding

The KDB has provided equity into Daewoo Shipbuilding from 1978 through 1980. The KDB also provided equity into Daewoo Shipbuilding in 1984. Petitioners alleged that these equity provisions were made on terms inconsistent with commercial considerations.

The Korea Shipbuilding and Engineering Company (KSEC) began building a shipyard facility at Okpo Island in the 1970's. In 1978, with only 30 percent of the shipyard constructed, KSEC, citing management and construction difficulties, notified the KDB that it was pulling out of the operations and that it intended to declare bankruptcy. The KDB was the major creditor bank of KSEC, holding the majority of loans outstanding to that company. At that time, the KDB sught a new company to take over the Okpo facilities and to complete construction of the shipyard, so that the KDB could recover the loans that it had provided in the construction of the shipyard.

The Daewoo Group performed a feasibility study to determine the future commercial prospects of the operations and based on this study, entered into a joint venture with the KDB. The Daewoo Group also agreed to guarantee the repayment of loans to the KDB which had been extended to KSEC by the bank. In late 1978 Daewoo Shipbuilding was incorporated. The Daewoo Group

maintained majority ownership of the company, and it and the KDB purchased common stock of Daewoo Shipbuilding on the same terms. Equity investments were made by the KDB and the Daewoo Group, on the same terms between 1978 and 1980. These investments were used for the construction of the shipyard which was completed during 1981. Several equity investments of the KDB were made through the conversion of debt. These conversions were on the same basis as the investments made by the Daewoo Group.

Requests were made to the KDB for additional equity infusions between 1981 and 1983, but he KDB declined. During this period, the Daewoo Group continued to purchase new stock in Daewoo Shipbuilding, thus increasing its control of the company. Another request to the KDB was made in 1984 and this time the KDB did decide to provide additional equity purchases into Daewoo Shipbuilding.

We have consistently held that government provision of equity does not *per se* confer a subsidy. Government equity purchases bestow countervailable subsidies only when they occur on terms inconsistent with commercial considerations. In making a determination on whether Daewoo Shipbuilding was equityworthy, we analyzed feasibility studies, the actions of commercial investors into the company, and the company's financial statements. Based on this examination, we determine that KDB's equity infusions were made on the same terms as private investors (the Daewoo Group) and that Daewoo Group's infusions are an appropriate benchmark for measuring whether KDB's equity infusions were consistent with commercial considerations. Because KDB's and Daewoo Group's investments were made on the same terms, we determine that the KDB's equity infusions into Daewoo Shipbuilding are not countervailable.

B. Export Credit Insurance by the Export Import Bank of Korea

Petitioners allege that the Korean government makes substantial contributions to the export credit insurance program of the KXMB and that this program is not self-supporting, thus providing countervailable benefits to producers of the subject merchandise.

The KXMB operates an export insurance program which provides commercial, political and managerial risk insurance. A separate budget for this program is maintained by the KXMB. Hyundai Corporation and Daewoo Corporation have both applied for commercial risk insurance. Purchase of this insurance is compulsory on all loans provided by the KXMB.

To be a subsidy, a government-operated export insurance program has to charge premiums which are inadequate to cover the long-term operating costs and losses of the program. We verified that the premiums charged to exporters allow the KXMB to cover its losses and its long-term operating expenses. Therefore, we determine that this program does not constitute a subsidy.

C. Korea Development Bank Loans to Daewoo Shipbuilding

Petitioners alleged that Daewoo Shipbuilding received benefits from NIF loans because of extended grace periods on repayment of principal from the KDB. Petitioners also alleged that these loans provided countervailable benefits to Daewoo Shipbuilding because the company was uncreditworthy from its inception through 1984.

We learned in meetings with commercial banks in Korea that grace periods are typically tied to the company's cash flow. For loans used for infrastructure development, the grace period is based on the period of construction, plus generally one additional business year. Commercial banks will also look at the expected cash flow from the development. The standard grace period for long-term borrowing for such development is around four years. Therefore, we determine that these loans are not countervailable because the length of the grace periods are not inconsistent with commercial considerations.

Regarding the uncreditworthy allegation, we determine Daewoo Shipbuilding to be creditworthy because a significant portion of its loans in each year since its inception have been provided by a multitude of commercial banks.

III. Programs Determined Not To Be Used

We have determined that manufacturers, producers, or exporters in Korea of offshore platform jackets and piles did not use the following programs:

A. Short-term Export Financing

Petitioners alleged that the manufacturers and exporters receive preferential export financing under the Export Financing Regulations. We verified that this program was not used by manufacturers and exporters of the subject merchandise.

B. Special Depreciation Under Article 11 of the "Act Concerning the Regulation of the Tax Reduction and Exemption"

Petitioners alleged that certain designated industries receive preferential depreciation benefits under Article 11. We verified that assets used to construct jackets and piles did not receive accelerated depreciation under Article 11.

C. Export Guarantees From Export-Import Bank of Korea

Petitioners alleged that producers of the subject merchandise receive advance payment export guarantees and performance export guarantees from the KXMB. We verified that the jackets and piles covered by this investigation have not received such guarantees from the KXMB.

Petitioners' Comments

Comment 1: Petitioners contend that there existed essentially one loan from KXMB that was rolled over upon delivery of Platform Harvest, rather than two separate (one pre-delivery and one post-delivery) loans.

DOC Position: We disagree. We verified that for Platform Harvest, Daewoo received pre-delivery and post-delivery financing from the KXMB and that these were two separate loans. For a discussion of the KXMB financing, see the section of the notice on "Export Credit Financing from the Export-Import Bank of Korea."

Comment 2: Petitioners argue that the most reasonable commercial alternative to, and, thus, the appropriate benchmark for Daewoo's post-delivery loan from the KXMB, would be a ten-year bond or a ten-year commercial bank loan rather than an interest rate swap.

DOC Position: In determining the benefit received from preferential long-term loans, we examine the actual loan history of the company at the time of receipt of the loan in question. The KXMB loans in question are ten-year loans with fixed rates of interest. The Korean companies did not have any fixed-rate dollar loans at the time of receipt of the KXMB loans. The companies did have a wide array of long-term dollar loans from commercial banks, but these loans were made at variable interest rates and, therefore, according to our long-term loan methodology, did not provide the preferred method for measuring the benefits conferred upon the exported platforms by the KXMB fixed rate loans.

Petitioners have argued that Daewoo and Hyundai have not used interest rate swaps for financing of the subject

merchandise. This is correct. These companies have financed exports by obtaining co-financing from commercial banks, and the rates provided by these banks have been on a variable basis, *i.e.*, LIBOR plus a spread. This has been their alternative method of export financing, not the use of bonds. However, as stated above, we prefer not to measure a long-term fixed-rate loan against a variable-rate long-term loan. To compensate for this methodological problem, we have turned to the interest swap market to calculate an appropriate fixed interest rate to allow us to measure the benefit of the KXMB loans.

We verified that the international swap market is available to companies in Korea wishing to exchange floating interest rate obligations for long-term dollar fixed interest rate obligations. We also verified that Daewoo has participated in this swap market. Therefore, we believe that, absent KXMB financing, Daewoo and Hyundai could have obtained long-term fixed-interest dollar-denominated commercial financing for the projects under investigation in the swap market.

We reject petitioners' argument that we should use a ten-year bond rate to measure the KXMB loans. Daewoo and Hyundai have not used such an instrument to finance their exports; they have always used loans.

Comment 3: Petitioners argue that the Department should use the rates on ten-year bonds as the basis of determining the referenced fixed rate used in calculating the cost of Daewoo's swap interest rate.

DOC Position: We disagree. We used the rates on bonds of six to seven years' duration as the basis of determining the referenced fixed rate because the length of these bonds corresponded to the effective maturity of the KXMB post-delivery loan.

Comment 4: Petitioners argue that in determining the cost of Daewoo's swap interest rate, the Department should select 0.50 percent as the swap partner's desired spread below LIBOR.

DOC Position: We disagree. We selected 0.25 percent as the swap partner's desired spread below LIBOR in calculating Daewoo's cost in an interest swap transaction. If its swap partner would normally be able to receive a loan with a floating interest rate of LIBOR plus 0.25, a spread below LIBOR of 0.25 in an interest swap would provide a net savings of 0.50 to the swap partner. This is the average savings which usually must be present for each participant to agree to the swap transaction.

Comment 5: Petitioners claim that the feasibility studies submitted by respondents during verification should be rejected because they were submitted too late for the record, and because they were all prepared by the government Korea or Daewoo, *i.e.*, not by an independent source.

DOC Position: We believe that petitioners had an adequate amount of time to comment on all information which was used in making our final determination. We also disagree with petitioners' contention that we should reject the feasibility studies conducted by both the government of Korea and Daewoo. Daewoo is a private commercial enterprise, and we believe it is reasonable that a private commerical enterprise may use its own feasibility studies as a basis for making a commercial investment. Also, because these studies were prepared in 1978 and 1984, they were clearly not written for the purposes of this investigation.

Comment 6: Petitioners submit that the financial state of Daewoo Shipbuilding immediately prior to the 1984 equity investment indicates that the company was not considered to be a reasonable investment.

DOC Position: We disagree. Daewoo Shipbuilding was formed in 1978 and was constructing the shipyard through 1981 and expanding the facilities in 1982. In 1983, the company made a profit, which increased in 1984. In 1984, the KDB and the Daewoo Group made equity investments on the same terms. Therefore, we determined that the equity investment of the KDB in 1984 was made on terms consistent with commercial considerations.

Comment 7: Petitioners argue that the 1984 investment in Daewoo Shipbuilding should be countervailable because it was based on national policy interests rather than on commercial considerations.

DOC Position: Regarding the decision of a government to provide equity into a company, we examine whether a commercial investor would have made the same decision. The fact that a government may make an equity investment for a different purpose than a private commercial investor, does not mean that the investment was made on terms inconsistent with commercial considerations.

Comment 8: Petitioners maintain that the 1984 investment constituted a conversion of debt to equity and that it should therefore be countervailed as being inconsistent with commercial considerations.

DOC Position: The 1984 government investment was not a conversion of debt into equity. Regardless, we found KDB's equity infusions into Daewoo Shipbuilding to be consistent with commercial considerations, as discussed in the section "Programs Determined Not To Confer Subsidies."

Comment 9: Petitioners argue that Daewoo Shipbuilding received preferential long-term loans from the KDB and from the NIF and that these loans should be countervailed with respect to all of Daewoo's sales, regardless of Daewoo's ultimate use of the funds.

DOC Position: We found these loans not be countervailable.

Comment 10: Petitioners contend that Daewoo Shipbuilding is receiving long-term preferential financing, which is countervailable regardless of whether the company is creditworthy, because loans terms include longer than commercially available grace periods on repayment of principal.

DOC Position: We determined that the grace periods were provided on terms consistent with commercial banking practices in Korea.

Comment 11: Petitioners contend that respondents have been non-responsive regarding the interest payment schedules between 1977 and 1983 on loans from the KDB.

DOC Position: We did not ask respondents to provide such information. Because the long-term loans in question carry variable interest rates, we are only concerned with the interest rates on the loans during our period of review. The interest rates of the loans in question during that period were consistent with commercial considerations, and therefore, no countervailable benefits are found.

Comment 12: Petitioners contend that ITA should investigate further an apparent loan to Hyundai Heavy Industries from the fund for Expanding Export Facilities.

DOC Position: The Fund for Expanding Export Facilities was established in 1973 and was abolished in 1982. Eligibility for these loans was limited to manufacturers building facilities for producing export goods or raw materials, and purchasers of ocean-going vessels used for the fish export industry. Hyundai Heavy Industries received a loan from this funding source which is still outstanding. The loan contract specified the purpose of the loan and the loan was not received in relationship to the construction of platform jackets and piles.

Comment 13: Because the loan from the Fund for Expanding Export Facilities are provided exclusively to exporters, petitioners argue against ITA's conclusion that Export Facility Loans are generally available and thus, not countervailable in Korea.

DOC Position: We have never concluded that loans from the Fund for Expanding Export Facilities are not countervailable because they are not limited to a group of enterprises or industries. We found that loans from this Fund were not countervailable because the interest rate on such loans was the same as the interest rate on comparable domestic long-term loans; see our *Final Affirmative Countervailing Duty Determination; Oil Country Tubular Goods from Korea* (49 FR 46776). In that investigation, we did determine that since loans from commercial banks and specialized banks, including loans made from the Fund for Expanding Export Facilities, were provided to all sectors and industries in the Korea, and because the steel industry did not receive a disproportionate share of loans, that there was no government direction of credit.

Comment 14: Petitioners maintain that loans which Daewoo Shipbuilding received from the KDB for tourist facility development are countervailable since they are targeted to a specific industry.

DOC Position: Tourist facility loans are provided for hotel construction in Korea. Since the loans received by Daewoo Shipbuilding for tourist facility development are not related to the manufacture of offshore jackets and piles, they confer no countervailable benefit upon the subject merchandise.

Comment 15: Petitioners argue that the short-term interest rate used to calculate the tax benefits to Daewoo under Articles 22 and 23 may understate the actual benefit received, and that we should use a weighted-average interest rate on all short-term domestic credit, including the curb market.

DOC Position: We treat the export tax reserves available under Articles 22 and 23 as interest-free loans and we use the interest rate on short-term loans in Korea to measure the benefit conferred by these tax reserves. In *Oil Country Tubular Goods*, we used the weighted-average cost of all domestic short-term credit to measure the preference built into the government's rediscount mechanism for short-term export loans. In that investigation, we still used the ten percent interest rate on short-term loans to measure the benefit provided by the export tax reserves. In this investigation, we are using the interest rate on those same loans.

Comment 16: Petitioners argue that benefits should be calculated to include both the 1984 incentives under Article 22 to Hyundai Heavy Industries as well as the 1984 incentive under Article 23 to Hyundai Corporation.

DOC Position: We calculated a benefit for every tax reserve which was used by each company and which could possibly be applied to exports of platform jackets and piles. Article 23, which was used by Hyundai Corporation, was only used in connection with ship exports.

Comment 17: Petitioners claim that the Article 25 benefits claimed by Daewoo on its Pusan factory should be spread over Daewoo's total sales and countervailed.

DOC Position: We disagree. The Pusan factory is not involved in the manufacture of offshore platform jackets and piles. It is our practice that when we can verify that benefits are tied to the production of merchandise other than the subject merchandise, we do not include them in our subsidy determination.

Comment 18: Petitioners contend that Hyundai Heavy Industries' claim for Article 11 special depreciation should be countervailed, even if the division in the company which produces platforms did not make use of this program.

DOC Position: We verified that Article 11 depreciation was only used for Hyundai Heavy Industries' shipbuilding operations. No assets used in the construction of platform jackets and piles benefitted from Article 11 depreciation. It is our practice that when we can verify that benefits are tied to the production of merchandise other than the subject merchandise, we do not include them in our subsidy determination.

Comment 19: Petitioners argue that because respondents have failed to provide complete details on the short-term export financing, ITA should use best information available and countervail such financing.

DOC Position: We disagree and have determined that short-term exports loans were not used.

Comment 20: Petitioners claim that Daewoo would have had to rely on its own allegedly poor credit standing rather than on the creditworthiness of Texaco due to the holding of Texaco promissory notes, in obtaining alternate commercial financing for a post-delivery loan.

DOC Position: We disagree. As part of the sale of Platform Harvest, Daewoo received promissory notes from Texaco which, if it so desired, could be used as a basis to obtain alternative commercial financing.

Respondent's Comments

Comment 1: Respondents state that interest rate swaps were used in Korea at the time of Daewoo's post-delivery loan.

DOC Position: We verified that interest rates swaps were being used in Korea in 1984.

Comment 2: Respondents argue that because Korean manufacturers and exporters of the subject merchandise have renounced use of KXMB export credits for all contracts entered into on or after April 19, 1985, the Department should exclude the subsidy from this program from the duty deposit rate.

DOC Position: Verified information shows that of the three platforms examined, two received KXMB financing. Platform Ester, which was contracted for after April 19, 1985, did not receive financing. However, because this was a relatively small platform for which financing was not as necessary as for the larger platforms, the absence of financing is not a good indicator of whether this subsidy program is being used.

Furthermore, we believe that a suspension agreement under section 704 of the Act would have been the appropriate framework in which to take into account the renunciation of KXMB export credits. Section 704 includes detailed and comprehensive conditions and procedures, which would be undercut by the approach which respondents, and several importers, suggest. We note that, although respondent did, at one point in this investigation, propose a suspension agreement under section 704(b)(1), based upon the complete elimination of the subsidy, they did not offer to eliminate the subsidy attributable to counteravailable programs other than KXMB export financing.

Further, we would adjust the deposit rate only to reflect program-wide changes. Since this renunciation is by the firms rather than a change in the operation of the program, we believe it to be inappropriate to adjust the deposit rate. Jackets and piles continue to be eligible for such financing, whether or not the manufacturers choose to use the program. Thus, we can best estimate future use through historical practice. We note that if another platform is imported before any eventual 751 review, and the review shows that the renunciation remained in effect, the duty posted plus interest will be refunded to the importer. At that time, the non-use of KXMB financing will be reflected in the assessment and cash deposit rate for any other platforms subsequently imported.

Comment 3: Respondents argue that since platform Harvest has been liquidated, the Department should not establish a duty deposit rate for the platform.

DOC Position: We agree and have not set a duty deposit rate for Platform Harvest. However, we did calculate a subsidy rate for Platform Harvest and used that rate in our calculation of the "all other" cash deposit rate.

Comment 4: Regarding the calculation of the swap rate, respondents argue that the Department overstated the alleged subsidy on post-delivery loans by including a spread above LIBOR on the company's Euronote financing: they contend that with the use of Texaco's promissory notes, Daewoo could have received such financing at LIBOR. Respondents also argue that we selected a referenced fixed rate which is too long.

DOC Position: We believe that we selected an appropriate spread over LIBOR and referenced rate in our calculation of the swap interest rate. The referenced fixed rate, which we used in calculating the swap costs for Daewoo, was based on six- to seven-year bonds. The terms of these bonds correspond to the effective maturity of the KXMB loan. The spread over LIBOR, which we selected and computed in the swap costs, was based on the spread over LIBOR of the co-financing loan received by Hyundai. Daewoo did not receive co-financing on the post-delivery loan for Platform Harvest and, therefore, we did not have a company and project specific spread over LIBOR for Daewoo. Moreover, like Daewoo, the co-financing loan received by Hyundai involved the use of promissory notes. We believe that it is more accurate to use the actual financing of one of the exporters of the subject merchandise as the basis of determining the costs incurred by a swap, than to speculate on the rate Daewoo could have received if it had used Texaco's promissory notes to receive Euronote financing.

Comment 5: Respondents argue that the Department should use a 90-day commercial paper rate as the benchmark for KXMB pre-delivery financing.

DOC Position: We disagree. The interest rate on a 90-day loan instrument is not as accurate a benckmark to measure a loan which is over a year in duration as the co-financing loans which are of a comparable duration to the KXMB pre-delivery loans. As a further note, we believe that if the companies could have used less expensive 90-day commercial paper to finance the construction of the platforms, they would have done so. Instead, both Hyundai and Daewoo used loans to co-finance the construction of the two platforms.

Comment 6: Respondents argue that the Department should base the calculations of the alleged benefits of the KXMB pre-delivery loans on actual outstanding principal balances, not on the face value of the loans.

DOC Position: We have done so. For Platform Harvest, we calculated the benefit based on actual interest payments made on the pre-delivery loan. Similarly, for Paltform Julius, we estimated the draw-down on the principal of the pre-delivery loan based on the actual draw-down schedule of the loan received for Platform Harvest.

Comment 7: Respondents argue that the Department should use the full contract values as the denominator in its calculations.

DOC Position: For the calculation of the subsidy of the KXMB loans, we did use the contract value of the platforms, which included transportation costs, because the amount of KXMB financing is based on the contract value of the project.

Comment 8: Respondents argue that Article 25 did not provide benefits to Platform Julius.

DOC Position: In 1984, the offshore engineering division of Hyundai Heavy Industries, the division which constructs platform jackets and piles, was reorganized into the Hyundai Offshore and Engineering Company (HONECO). In 1985, it again became part of Hyundai Heavy Industries, but HONECO did file separate tax returns for 1984. In its 1984 tax return, HONECO did not claim accelerated depreciation under Article 25. When HONECO was the offshore engineering division of Hyundai Heavy Industries in the previous year, Article 25 depreciation was claimed by all divisions, and thus for assets which are used in the construction of platform jackets and piles. Since the offshore engineering division is now back as a part of Hyundai Heavy Industries, and since in the past two years' tax return filings all divisions of Hyundai Heavy Industries claimed Article 25 accelerated depreciation, we are calculating a benefit for Platform Julius under this program.

Comments of Texaco Inc. (Texaco)

Comment 1: Texaco argues that respondents' renunciation of KXMB financing amounts to an agreement to eliminate the subsidy completely, and provides the basis for the Department to suspend this investigation.

DOC Position: Renunciation of one program, where other counteravailable programs exists and are being used, does not provide a basis for the Department to suspend an investigation. Section 704 of the Act provides for the suspension of an investigation. The standards set forth in section 704 for such a suspension have not been met by respondents in this investigation.

Comment 2: Texaco contends that, if the Department chooses not to suspend this investigation, it should nevertheless set the duty deposit rate at an amount which does not include benefits attributable to KXMB financing.

DOC Position: We disagree. See our response to Resondents' Comment 2.

Comments of Chevron U.S.A., Inc. (Chevron)

Comment 1: Chevron supports the request of respondents that the Department acknowledge their renunciation of KXMB financing, and argues that the duty deposit rate should be set at an amount exclusive of such financing.

DOC Position: We disagree. See our response to Respondents' Comment 2.

Comments of Cities Service Oil and Gas Corp. (Cities Service)

Comment 1: Cities Service argues that the Department overstated the benefits Hyundai received from pre-delivery KXMB financing because the swap market rate is an inappropriate benchmark for such short-term credit covering the construction period.

DOC Position: For purposes of measuring the benefit conferred by the KXMB pre-delivery loan, we did not use the swap market rate for our final determination. We used the interest rate of the co-financing loan which was received from a commercial bank, which we consider a more appropriate benchmark.

Comment 2: Cities Service maintains that benefits received under Articles 25 should be excluded from the subsidy calculation because they were not used by Hyundai in the construction of the products under investigation.

DOC Position: We disagree. See our response to Respondents' Comment 8.

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determination. During this verification, we followed normal verification procedures, including inspection of documents and ledgers, and tracing the information in the responses to source documents, accounting ledgers, and financial statements.

Suspension of Liquidation

In accordance with our preliminary countervailing duty determination published on July 19, 1985, we directed the U.S. Customs Service to suspend liquidation on the products under

investigation and to require that a cash deposit or bond be posted equal to the estimated net subsidy. The countervailing duty final determination was extended to coincide with the final antidumping duty determinations on the same products from Korea and Japan, pursuant to section 606 of the Trade and Tariff Act of 1984 (section 705(a)(1) of the Act). Under Article 5, paragraph 3 of the Subsidies Code, provisional measures cannot be imposed for more than 120 days. Thus, we cannot impose a suspension of liquidation on the subject merchandise for more than 120 days without final determinations of subsidization and injury. Therefore, on November 15, 1985, we instructed the U.S. Customs Service to discontinue the suspension of liquidation on the subject merchandise entered on or after November 15, 1985.

We will reinstate suspension of liquidation if the ITC issues a final affirmative determination. If we issue a final countervailing duty order, we will instruct Customs Officers to collect a cash deposit of 3.22 percent *ad valorem* for Platform Julius; no cash deposit will be required for Platform Harvest since it has already been liquidated; and all other entries of the subject merchanise will be required to make a cash deposit of 4.42 percent *ad valorem* (which is a weighted-average of the amount of subsidies conferred upon Platforms Harvest, Julius and Esther). Platform Esther was entered after our preliminary determination and before we instructed Customs to discontinue suspension of liquidation of future entries. We will direct Customs not to proceed with liquidation of Platform Esther until the final duty is determined under section 731 of the Act.

ITC Notification

In accordance with section 705(c) 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 written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports materially injure or threaten material injury to a U.S. industry 45 days after the date of publication of this notice. If the ITC determines that material injury, or the threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that injury exists, we will issue a countervailing duty order, directing Customs officers to assess a countervailing duty on offshore platform jackets and piles from Korea entered, or withdrawn from warehouse, for consumption as described in the "Suspension of Liquidation" section of this notice.

This notice is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

March 31, 1986.

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[A-588-501]

Offshore Platform Jackets and Piles From Japan: Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We have determined that offshore platform jackets and piles from Japan (jackets and piles) are being, or are 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 and the ITC will determine, within 45 days of the publication of this notice, whether a U.S. industry is being materially injured or threatened with material injury by imports of this merchandise. We have directed the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise and to require a cash deposit or posting of a bond for each such entry in amounts equal to the estimated dumping margins as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: April 7, 1986.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 377-4087 or 377-1769.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that jackets and piles from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) (19 U.S.C. 1673d(a)) of the Tariff Act of 1930, as amended (the Act). We found dumping margins for all companies investigated. The weighted-average margins for the two firms investigated and for all other firms are listed in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On April 19, 1985, we received a petition in proper form filed by Kaiser Steel Corporation and the International Brotherhood of boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers filing on behalf of the U.S. producer(s) and workers producing offshore platform jackets and piles for sale in the U.S. West Coast market. The petitioners subsequently amended the petition to allege, in the alternative, that it was filed on behalf of U.S. producers and workers in the national U.S. market. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36) the petition alleged that imports of the subject merchandise from Japan 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 U.S. industry. After reviewing the petition, we determined that 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 May 9, 1985 (50 FR 20252). On June 3, 1985, the ITC determined that there is a reasonable indication that imports of jackets and piles materially injure, or threaten material injury to, a U.S. industry (50 FR 24716).

On September 6, 1985, the petitioners requested that the Department postpone the preliminary determination until not later than November 15, 1985. On September 6 we granted the request (50 FR 37566). The preliminary determination was made on November 15, 1985 (50 FR 48454).

On December 5, 1985, a respondent that accounts for a significant proportion of exports of the subject merchandise asked us to postpone the final determination until not later than the 135th day after the date of our preliminary determination. We granted

the request on December 24, 1985 (50 FR 53369) and postponed the final determination until not later than March 31, 1986.

On July 1, 1985, a two-part questionnaire was presented to potential respondents. On July 19, 1985, Hitachi Zosen Corporation (Hitachi) responded to the first part of the questionnaire which requested initial information concerning sales of the products under investigation. On July 22, 1985, Nippon Steel Corporation (NSC) and Nippon Kokan K.K. (NKK) also responded to the initial portion. Based upon the initial responses, we did not require NKK to respond to the second part of the questionnaire, the portion which sought detailed sales and cost data. NKK had two U.S. sales during the period of investigation, April 1, 1983, through March 31, 1985. However, these projects are not scheduled for completion until mid-1986. Until completion, only projected costs data would be available for NKK's projects. By contrast, both Hitachi and NSC made sales of jackets and piles during the period of investigation that were completed and exported in mid-1985.

Because, whenever possible, the Department uses actual rather than projected data, for the calculation of foreign market value, we limited our investigation to the single sales by Hitachi and NSC. Accordingly, we required Hitachi and NSC to respond to the second portion of our questionnaire. Their responses were received August 15, 1985.

The Department has received letters and comments from several U.S. importers of platform jackets and piles from Japan claiming that the petition was not filed on behalf of the U.S. industry producing platform jackets and piles. However, we have not received any opposition from any members of the domestic industry.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and/or piles for offshore platforms, subassembles thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These products constitute the supporting structures which permanently affix offshore drilling and/or production platform to the ocean floor. Appurtenances include grouting systems, boat landings, pre-installed conductor pipes and similar attachments. These jackets and piles are currently classified in the *Tariff Schedules of the United States* (TSUS) under item 652.97.

Fair Value Comparison

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

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to an unrelated purchaser prior to its importation into the United States. We calculated the purchase price based on the delivered price to the unrelated customer in the United States. We made deductions for ocean freight and loadout and tiedown charges.

Foreign Market Value

In accordance with section 773(e) of the Act, we calulated foreign market value based on constructed value since there were no home market or third country sales of such or similar merchandise. NSC claimed that a third country project, the Union Thai project, constituted such or similar merchandise, but we disagree. For a further discussion of the issue, refer to the "Comments Section" of this notice.

In determining constructed value, we calculated the costs of materials, fabrication and general expenses from data provided in the respondent's submissions and at verification. We made certain adjustments to the constructed value where costs necessary for the puduction of products were not included and for other costs where it appeared that the value may not have been stated appropriately. The specific methodology used to calculate constructed value for each company is listed below:

1. Hitachi's Constructed Value

The Department based the calculation on the costs of materials, fabrication, the statutory minmum of 10 percent general expenses, and the statutory minimum of 8 percent profit.

The information presented by the company in its response was adjusted in the following manner:

- Certain overhead expenses which the company excluded from its overhead cost for the submission but which were part of the overhead cost in the normal course of business were included in the constructed value.
- A protion of retirement costs which the company excluded from direct labor costs for the submission was included in the constructed value.
- Certain fabrication expenses such as quality control and testing were reclassified from general expenses to fabrication expenses.
- In accordance with generally accepted accounting principles, financial expenses related to the manufacturing of the product were included in fabrication. For further discusson, see our response to Petitioner's Comment 16.
- Expenses for preparation of the bid for the project were included.
- Actual long-term interest expenses were included in the general expenses.
- Selling expenses, in accordance with the policy established by *Cell Site Transceivers from Japan* (49 FR 43080, 43084 (1984)), were those direct expenses incurred for and the income accrued from the sales of the product in the United States, substituted for home market selling expenses because there were no sales of the products in the home market.

2. NSC's Constructed Value

The Department based the calculation on the costs of materials, fabrication, actual general expenses and the statutory minimum of 8 percent profit. The information presented by the company in its response was adjusted in the following manner:

- The cost of steel was adjusted to reflect the weighted-average cost of production for steel manufactured by NSC.
- In accordance with generally accepted accounting principles, financial expenses related directly to the manufacture of the product were included in fabrication. For further discussion, see our response to Petitioners' Comment 16.
- Actual long-term interest expenses were included in the general expenses.
- Selling expenses, in accordance with the policy established by *Cell Site Transceivers from Japan* (49 FR 43080, 43084 (1984)), were those direct expenses incurred for and income accrued from the sales of the product in the United States, substituted for home market selling expenses because there were no sales of the product in the home market.

Currency Conversions

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York. We considered the dates of purchase to be

the dates of acceptance of the contracts, and we used those dates as the dates for currency conversion.

Verification

As provided in section 776(a) of the Act, we verified all information provided by respondents by using standard verifiction procedures, including on-site inspection of the manufacturers' operations and examination of accounting records and randomly selected documents.

Comments

Petitioners' Comments

Comment 1: The petitioners argue that the third country sale proposed by NSC, the Union Thai project, cannot be used as a basis for determining foreign market value. They state that the third country project does not meet the statutory requirements for "such or similar" merchandise contained in section 771(16) of the Act. Petitioners note that while both the U.S. project, Union Irene, and the third country project are produced by the same person, the projects are not identical. Thus, section 771(16)(A) is inapplicable. Section 771(16)(B) is similarly inapplicable because, while the projects may be "like" merchandise with respect to component materials and purposes for which used, they are not approximately equal in commercial value—the price of the third country project being approximately double the price of the U.S. project. Further, they argue that category C of section 771(16) is inapplicable because, although the projects may be of the same general class or kind of merchandise, they cannot "reasonably be compared" for the following reasons:

- The projects are fundamentally different. The U.S. project consists of one jacket and its piles while the third country project is for four complete platforms including, in addition to jackets and piles, deck modules and conductors. Because the third country project contains elements not subject to the investigation, the prices of which cannot adequately be separated, there is no comparable price for jackets and piles in the third country.
- The physical differences between the projects are too significant to permit a reasonable comparison. A comparison of the two projects would require what would amount to a calculation of a constructed value of the third country project.
- The third country project may be also dumped.
- The third country sale is not contemporaneous with the U.S. sale.

Finally, petitioners argue that there is no preference for use of third country sale prices over constructed value if home market sales are insufficient or cannot be used.

DOC Response

We agree with the conclusion reached by the petitioners that the U.S. and third country projects do not constitute such or similar merchandise, but not necessarily for all the reasons stated. We agree with petitioners that since the Union Thai and Union Irene projects are neither "identical in physical characteristics" nor "approximately equal in commercial value," neither category A nor B of section 771(16) would apply. Thus, the only relevant consideration is whether the two projects are "such or similar" merchandise within the meaning of section 771(16)(C), specifically, whether the Union Thai project may "reasonably be compared" with the Union Irene project. In *High Capacity Pagers from Japan* (48 FR 28682, 28686 (1983)), we stated that the phrase "may reasonably be compared" entails at least two considerations: (1) It must be fair to compare the merchandise in question and (2) it must be administratively feasible and convenient to do so. We do not feel that either of these conditions would be met here.

While Union Irene consists of one jacket and associated piles, Union Thai consists of four complete platforms. For the Union Thai project, a sales price was established for four complete platforms, not just for jackets and piles. These complete platforms include deck modules and conductors in addition to the jackets and piles. Separate, identifiable prices do not exist for the jackets and piles alone. The respondent has attempted to identify such separate market prices for jackets and piles by isolating, in the contract, prices for certain facets of construction pertaining to jackets and piles, and by allocating to the various elements of the platform project (*i.e.*, jackets, piles, decks and conductors) portions of lump-sum prices which include all elements of the platform. According to NSC's allocation, the jackets and piles constitute less than half of the total lump-sum price for the complete platforms. Even if such prices could be derived from material and processing components of the total lump-sum price, we cannot assume that such prices represent market prices for the individual components which when added together total the lump sum price. We cannot speculate as to whether the same pricing considerations would apply equally to the four jackets and piles as to four complete platforms in which, according to the allocation by the respondent, the jackets and piles constitute less than half of the total lump-sum price.

Thus, the third country "sale" of jackets and piles was an integral part of a larger sale of complete platforms. Not only are the jackets and piles portion of this sale a relatively minor portion of a larger sale, but no separate sales price was established or can reasonably be established for these jackets and piles. In similar circumstances, we have held that it is "unreasonable" to use such a third country sale as a basis for determining foreign market value. See *High Power Microwave Amplifiers and Components Thereof from Japan* (48 FR 28682, 28686 (1983)).

Nor can adjustments for differences in the physical characteristics of the merchandise reasonably be performed. The respondent has proposed adjustments which it believes are appropriate for accounting for differences in the physical characteristics of the U.S. and third country jackets and piles, without regard to differences caused by the addition of platforms and conductors included in the third country price. The proposed adjustments involve differences between relatively "simple" jacket and pile structures that are essentially composed of sections of welded pipe. These structural differences are reduced to differences in the weight and grades of steel, differences in the amount of welding material and labor, and assorted miscellaneous adjustments. However, such adjustments are complicated in their own right. The determination of the amount of the adjustments requires a review of the entire cost of the project. With respect to the Union Thai project, the adjustments must be made not only to the third country jackets and piles, but to the entire project, including the deck modules and conductors. The deck structures are more complicated structures than either the jacket or piles structures as they involve superstructure, process pipework, electrical and mechanical systems, and instrumentation. Thus, the type of adjustment required for comparing jackets and piles to complete platforms is more than just comparing the weight of steel or amount of welding required for the projects, as complex as that may be. The adjustment would require not only verification of the complete cost of production of the jacket and pile components of the third country platform sales, but also the additional verification of dissimilar components of

the platform project costing more than double the price of the jackets and piles.

Given the fact that the third country sale of the jackets and piles was an integral part of a larger sale of complete platforms, that it constituted a relatively small portion of that sale, and that the extent and number of difference in merchandise adjustments which would be required to compare the Union Thai to the Union Irene project would be extensive and extremely difficult, we have concluded that the two projects cannot be reasonably compared and determined that they do not constitute such or similar merchandise.

Comment 2: The petitioners argue that NSC's intra-company transactions for steel constitute transactions between related parties as defined by section 773(e) of the Act. As such, they propose that the Department should disregard the transactions and use Japanese market prices for steel in constructing the value of the U.S. project being investigated.

DOC Response: We disagree. Since NSC's steel was manufactured internally by another division of the same company, section 773(e) of the Act is inapplicable. Section 773(e)(2) directs the disregarding, in certain instances, of "a transaction directly or indirectly between [related] persons." A single corporation is not two or more persons it is legally one. Thus, we have used NSC's actual verified costs rather than Japanese market prices for steel.

Comment 3: Petitioners contend that NSC's "makeready" costs (the costs for facilities development and the other costs incurred in the preparation for work on the U.S. project) are understated, not reported, or have been expensed to some other project. Petitioners provide an additional minimum expense which they propose that the Department add to the cost of the U.S. project.

DOC Response: The Department verified NSC's overhead and direct labor costs which were related to the Union Irene project. These costs included such items as engineering/design and depreciation for equipment used directly and indirectly for the project. During the process, the Department tested these costs to determine if "makeready" costs necessary for the construction of the project were included and were appropriately valued, *e.g.*, reviewing capital equipment acquisitions to determine if any were specifically identified with the Union Irene project. We concluded that no adjustments to NSC's costs were warranted.

Comment 4: Petitioners state that "something is amiss" with NSC's reported labor costs and method of calculation of variance from budgeted labor rates. Further, they complain that no data are provided for subcontractor manhours employed in the U.S. project. They urge the Department to make adjustments to NSC's reported labor costs based upon actual costs incurred.

DOC Response: The Department did not adjust NSC's labor costs. The subcontractor's costs were based on a price paid for a specific function, not on an hourly basis. Therefore, actual manhours of the contractor were not a relevant factor.

The labor costs, as submitted, were based on budgeted hours adjusted for the variances as stated in the cost of production verification report.

Comment 5: Petitioners state that inadequate explanations were given by NSC in its response and by the Department in its verification reports to enable the petitioners to assess effectively whether variable overhead costs (*e.g.*, costs for mobile equipment and cranes), factory administration expenses, and fixed overhead expenses, have been included or properly calculated by NSC. They argue, however, because of alleged irregularities in NSC's allocation system, the Department should reject NSC's reported costs and use "other data available" for NSC's overhead.

DOC Response: Because of the complexities and details involved in the verification process, the Department's verification report cannot provide all the specifices of every verification procedure and of every finding from these procedures which were performed. However, it does summarize major discrepancies noted and issues which arose during the process which could potentially affect the outcome of the proceeding. The Department did not note irregularities in NSC's allocation system. Variable overhead, factory administration, and depreciation for cranes and other fixed costs were included in the overhead costs.

Comment 6: Petitioners state that NSC's cost data indicate that it sold the U.S. project at less than fair value. Therefore, progress payments made by the purchaser could not have covered all the expenses. As a result, petitioners advocate including an interest expense during the construction period for all costs not covered by the progress payments and an additional interest expense based on the petitioners' estimated margin of dumping multiplied by an average interest rate for the period of construction.

DOC Response: We have included in NSC's constructed value financial expenses related to the manufacturing of the product. These expenses were calculated by applying the corporation's average interest rate to costs not covered by progress payments during the construction period. We do not consider it appropriate to include an additional amount reflecting the petitioners' estimated dumping margin because such interest expenses bear no relation to the cost of producing the product.

Comment 7: Petitioners state the NSC has ignored its expenses in the period between the date of bid award and the date on which it began work. Petitioners have prepared an estimated adjustment to NSC's reported costs during the period and urge the Department to add this adjustment to NSC's costs.

DOC Response: The Department has included NSC's reported, verified expenses incurred during this period. The Department also included in the constructed value an amount for bid preparation based on "best information available" as submitted by the petitioners.

Comment 8: Petitioners argue that because NSC segregated a commission paid to a trading company from its general, selling and administrative (GS&A) expenses, the Department should also exclude the commission from NSC's GS&A expenses in calculating the constructed value for the U.S. project. They propose the inclusion of the commission in NSC's costs of manufacturing.

DOC Response: The commission was related to the sale to the United States and, therefore, was not included in fabrication costs. The commission has been added to the GS&A expenses.

Comment 9: Petitioners state that NSC's loadout and tiedown costs are only estimated and that no expenses relating to the skidway, such as for adaptation to the project, refurbishing, placement, repair and removal, are shown. Petitioners request that the Department seek an explanation of these apparent discrepancies and include the explanation in the final determination.

DOC Response: Examination of company records at verification showed tht NSC does not segregate loadout and tiedown material costs from other raw material costs. Therefore, these loadout and tiedown costs are necessarily estimated, based upon costs specifically identifiable as such. Costs relating to the skidway are inclued in cost of manufacture.

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Comment 10: Petitioners argue that the Department should continue to apply the exchange rate in effect as of the date

of contract acceptance for all necessary conversions of currency.

DOC Response: We agree. The Department's regulations direct that in a purchase price situation, in determining the existence and amount of any difference between the U.S. price and the fair value or foreign market value for the purposes of the Act, " . . . any necessary conversion of a foreign currency into its equivalent in United States currency" shall be made as of the date of purchase or agreement to purchase (19 CFR 353.56).

Comment 11: Petitioners argue that, if the Department continues to adjust United States price for loadout and tiedown, it should use the price, including all change orders, for these items rather than the cost. The price is appropriate because it includes not only direct costs but also the overhead, GS&A, and profit attributable to loadout and tiedown. The cost of such items should be deducted from the constructed value.

DOC Response: We have treated loadout and tiedown as a reduction to the United States price pursuant to section 772(d)(2)(A) of the Act. That section calls for an adjustment " . . . attributable to any costs, charges, and expenses . . . incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States." We, therefore, have deducted the costs, not the prices, of loadout and tiedown and related charges from the United States price, as well as from the constructed value.

Comment 12: Petitioners argue that the Department should include certain retirement costs, excluded by Hitachi because of their tax treatment, as direct labor costs in the calculation of the constructed value for Hitachi's project.

DOC Response: The Department has included the actual retirement costs incurred by Hitachi. The tax treatment related to these expenses is not a relevant consideration.

Comment 13: Petitioners urge the Department to consider certain makeready costs incurred by Hitachi, namely, ground reinforcement and skidway construction, as part of the cost of production of the U.S. project rather than as part of loadout costs. They claim that such costs must be incurred prior to assembly of the jacket. Additionally, petitioners argue that the costs for these items should not be capitalized, but that at least half of the costs should be directly expensed to the project on the assumption that because of the different sizes of jacket projects, at least one of the two skidway tracks (and corresponding foundation) must be relocated for the next jacket project.

DOC Response: The Department agrees that the ground reinforcement and assembly skidway are part of fabrication. However, since these are part of the company's facilities to be used in its normal course of business, the expenses have been capitalized and depreciated over the useful life of these items.

Comment 14: Petitioners argue that certain welder training costs should be expensed directly to Hitachi's U.S. jacket project. They claim that "TKY" welder training and qualification are required only for jacket construction and not required in shipbuilding.

DOC Response: Verification of Hitachi's records indicated that Hitachi employs a significant number of "TKY" qualified welders at all times, regardless of specific projects in the shipyard. Almost half of all Hitachi's welders were TKY qualified in 1984 and 1985. The total number of TKY welders employed by Hitachi during the period of construction of the U.S. project was many times the number of TKY welders needed at the peak period of activity on the project. Therefore, we do not believe that Hitachi incurred any extraordinary expenses for welder training for the U.S. project that should be expensed to the project in addition to the qualification testing expenses already reported by Hitachi and included in the constructed value.

Comment 15: Petitioners state that Hitachi grossly understated its overhead costs by improperly deducting certain costs prior to allocating the overhead expenses to the U.S. project. They state that while Hitachi utilizes a facility-wide basis to allocate such expenses, all the appropriate expenses related to the facility-wide operations were not included. Such alleged improper deductions were for certain depreciation expenses not directly related to the project, certain expenses misclassified as GS&A expenses and indirect labor costs related to retirement. Petitioners urge the Department to reject Hitachi's reported overhead costs and have proposed an alternate calculation of such costs.

DOC Response: The Department agrees. Since the company used a facility-wide basis for allocation, all appropriate costs must be included for this allocation. Additionally, the expenses reclassified by the company as GS&A were fabrication expenses and should not have been reclassified. We included indirect labor expenses related to retirement as part of the labor expense.

Comment 16: Petitioners argue that expenses related to financing required by the construction of Hitachi's project should be considered part of overhead in the constructed value calculation, not part of GS&A expenses.

DOC Response: The Department recognizes the unique characteristics of the product under investigation which require substantial expenditures over an extended time because of its size and the length of time required for completion of the production process prior to delivery of the product to the purchaser. Because of the magnitude of the project and the specific need for working capital to finance the project during construction, the Department considered the total financing cost to be an integral cost of manufacturing and, consistent with generally accepted accounting principles (FASB 34), included such cost in the fabrication expense.

Comment 17: Petitioners submitted comments on the scope of the investigation in response to submissions by a subcontractor for Hitachi and a respondent in the antidumping duty investigation of these products Korea. The submission in the investigation of these products from from Korea is also applicable to the scope of this investigation.

The subcontractor for Hitachi questioned whether piles that are separately contracted for or that are separately imported, apart from jackets, are included in the scope of the investigation. Petitioners state that both jackets and piles whether separately contracted or imported, should be included in the scope of the investigation.

The Korean respondent raised a question regarding the inclusion of conductor pipe in the scope of the investigation. Petitioners state that their intention is to include only "pre-installed" conductor pipe, pipe installed during assembly or attached to the jackets when imported, not conductor pipe that is imported separately from the jackets.

DOC Response: We agree with the petitioners that the scope of the investigation includes only pre-installed conductor pipe. We also agree that it includes jackets and/or piles whether or not they are separately contracted or imported. We have modified the language in the "Scope of Investigation" section of this notice to clarify these issues.

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Respondents' Comments

Comment 1: NSC argues for the use of a third country sale to determine foreign

market value. NSC argues that the antidumping duty law contains a preference for the use of third country sales over constructed value where there are inadequate home market sales of such or similar merchandise. Further, they argue that their proposed third country project constitutes merchandise which is such or similar to the U.S. project under investigation.

While stating that the projects are not identical, NSC claims that the third country project meets the criteria for similar merchandise under either section 771(16) (B) or (C) of the Act.

Union Oil of California (Union), an importer of the merchandise and a customer of NSC, also submitted arguments in support of this position.

DOC Response: While we agree that, in general, the Commerce Regulations express a preference for the use of third country price to constructed value information, here we have determined that the proposed third country project is not such or similar to the U.S. project. (See response to Petitioners' Comment 1.) Thus, there is no basis for making third country comparisons in this case and the Department is left with no choice but to use constructed value as the basis for making its foreign market value determination.

Comment 2: NSC argues that, should the Department disregard NSC's third country sale, it must base the calculation of constructed value on NSC's steel costs, not market prices. NSC claims that these costs are fully absorbed costs for steel manufactured by a division of the same company and should be distinguished from a purchase of steel by related companies.

DOC Response: The Department agrees. See our response to Petitioners' Comment 2.

Comment 3: NSC argues that steel costs used in the constructed value of the U.S. project must be based only on the cost of steel from the steel mill that produced the steel, not on a theoretical weighted-average of steel costs of all of NSC's plate mills. Alternatively, NSC argues that a significant portion of the plate used in the fabrication of the U.S. project was of a size that could only have been produced at one mill. They advocate that if the Department uses the weighted-average cost for steel, only that mill's cost for the plate of that size should be used.

DOC Response: The Department used the weighted-average cost of steel produced by NSC, in accordance with the Department's usual methodology for determining the costs of production.

In this case, the actual weighted-average costs for two size categories of steel plate used in the construction of the platform were recognized by the Department. It was possible to produce one category at only one of NSC's mills. Therefore, this mill's cost represented the weighted-average cost for that category which was used by the Department. The other category was based on the weighted-average costs of four mills.

Comment 4: NSC claims that the Department deviated from its policy of basing constructed value on actual costs when, in the preliminary determination, it used the date of bid acceptance as the date for conversion of production costs to dollars. Using that methodology, the costs were converted to dollars using a rate established from 6 to 14 months before the costs were actually incurred. They claim that the use of the date of acceptance as the date of sale introduces a distortion into the calculation of the foreign market value and creates artifical margins.

NSC proposes that the Department convert yen costs to dollars using the rates in effect when the costs were incurred or, alternatively, that the Department use a weighted-average exchange rate during the period of construction.

Counsel for Union also supports NSC's position that exchange rates used should be those in effect during the production period rather than on a single day.

DOC Response: The Department did use the respondent's actual costs, as reflected in the company's books, as the basis for making its constructed value calculations. After the Department determined the actual costs of the Union Irene project, it converted the constructed value to U.S. currency pursuant to 19 CFR 353.56, that is, as of the "date of purchase or agreement to purchase." Use of the same date as the basis for currency conversion purposes for both foreign market value and U.S. price freezes at one point in time both prices to ensure a fair comparison. This was the rate that was in effect at the time the respondents contracted to sell the jackets and piles to the United States, and they undertook whatever risks were associated with exchange rate fluctuatings at that point. Thus, the exchange rate on the date of sale is the sole rate that both reflects true value and avoids the creation or elimination of dumping margins by virtue of exchange rate fluctuations.

NSC's suggestion that the regulations on currency conversions are in some way limited to price conversions and not cost conversions is unsupported by the language of the regulations. Section 353.56(a)(1) explicitly states that "any" currency conversion necessary for the determination of "foreign market value" is to be performed based on the date of purchase or agreement to purchase. Neither the regulations nor the Act make any distinction between constructed value and any other method of determining foreign market value for currency conversion purposes. See, e.g., section 773 of the Act.

Comment 5: Hitachi argues that because of price modifications resulting from change orders, any currency conversions must be made at the rate in effect when the final price is known, not when the contract is accepted. The date for the establishment of exchange rates suggested by Hitachi is May 20, 1985, the date on which the parties ratified all prior change orders. Hitachi argues that on the date of contract, the price of the Hermosa Jacket was not "definite and determinable" because the parties contemplated that substantial adjustments to the contract price would be made by subsequent change orders.

Chevron also supports Hitachi's view that the conversion of yen to dollars should be calculated using the exchange rate in effect when the parties reached agreement as to the final contract price, May 20, 1985. Chevron also offers an alternative method for determining currency conversions if the Department reject the May 20 date. It argues that the Department should use the exchange rate in effect when Hitachi was paid progress payments for construction as a more accurate reflection of Hitachi's cost of production than using the rate in effect prior to actual construction. As another alternative, Chevron proposes the use of quarterly exchange rates in effect during the period of construction rather than a single date.

DOC Response: As noted, the Department's applicable regulations provide that in purchase price situations, any necessary conversion of a foreign currency into its equivalent in United States currency shall be made as of the date of purchase or agreement to purchase (19 CFR 353.56). It is clear that there was an "agreement to purchase" as of September 13, 1983, the date Hitachi entered into a contract to sell its project. Hitachi's contract to sell the project set forth a United States price for the work defined therein and also contemplated that certain change orders would be issued. It further established certain formulae for the determination of the amount of these change orders, including unit costs of materials and equipment, as well as labor costs. At the time the contract was issued, the price of the contract was "determinable" in the sense that there was basically nothing more on which the parties to the

contract needed to agree. Thus, we used the date of the September 13, 1983, contract acceptance as the date on which currency conversions should be made in accordance with § 353.56 of our regulations.

The Department has recognized that it may be necessary to take a more flexible approach regarding contract requirements where, as here, goods are to be specifically manufactured for the buyer and are not suitable for sale to others in the ordinary course of the seller's business. However, contrary to respondents' suggestions, the Department tends to exercise this flexibility in favor of finding an agreement to sell at an *earlier* point in a transaction than it might ordinarily, rather than at a later point. This is consistent with general contract law, see *e.g.*, UCC 2-201(3)(a). Thus, in *Large Power Transformers from Japan*, (48 FR 26498, 26499 (1983)), the Department used the letter of intent date as the date of sale.

Finally, none of the alternative sales dates offered by Chevron or Hitachi can be justified as a matter of law. Hitachi states that as of May 20, 1985 it had agreed to a final price for the Hermosa contract and thus that May 20 should be used as the date of sale for all necessary currency conversions. Hitachi admits, however, that ". . . three or four change orders . . . were issued after May 16, 1985 . . ." and not incorporated in the May 20, 1985, agreement. (Hearing Transcript at 33). Thus, the May 20 agreement did not reflect all of the change orders to the contract but merely the ones that had occurred by May 16.

Use of the May 20 date, therefore, does not accomplish what Hitachi purportedly seeks—the revision of the contract price to reflect the final adjustment to the contract price shown in the change orders. Furthermore, Hitachi's argument that the price was *not* "determinable" on September 13, 1983 because it was contemplated that further change orders would be issued does not make sense in light of the fact that Hitachi also argues that the price *was* "determinable" on May 20, 1985, even though further change orders were contemplated at that time, and were in fact subsequently issued.

Nor is Chevron's proposal regarding using progress payment dates or quarterly exchange rates justified as a matter of law, since neither of these proposed methodologies would tie the date of currency conversion to the date of purchase or agreement to purchase as required by 19 CFR 353.56.

Comment 6: Hitachi argues that the Department erred in adding an "imputed" interest expense to the cost of manufacture in the cost of production calculation based upon the difference between the amount of partial payments and accumulated construction costs.

Hitachi states that the Department's policy directs that financing costs, as part of the cost of production, must be based on company-wide interest expense and allocated to the product under investigation. Hitachi states that it made no specific borrowings to finance construction of the U.S. jacket, but that it was financed with internally generated funds and by general corporate borrowings. The computation of interest expense amounts to including an "opportunity cost" which is contrary to the Department's practice.

DOC Response: We have recognized that financing is necessary to cover the difference between partial payments and accumulated construction costs. We have used the corporation's average interest rate to determine the costs.

Comment 7: Hitachi states that because of an interest differential on "back-to-back" loans used to finance the purchase of the U.S. project, it receives a net interest earning from financing the purchase. It argues that the amount of the earnings is a gain to Hitachi and a detriment to the purchaser. As such, it increases the effective price to the U.S. purchaser. Therefore, United States price should be increased by the present value of the earning.

DOC Response: The interest differential is not the straight difference between the two loans. Because the two loans are in different currencies, any credit earnings are subject to exchange fluctuations. We cannot estimate what effect future exchange fluctuations will have on any earnings. Therefore, for purposes of this final determination we are assuming that exchange rate fluctuations will result in the equalization of the two loans. Thus, it would be improper to make an adjustment to reflect credit earnings that may never be realized.

Comment 8: Hitachi argues that all expenses relating to the skidway and its foundation should be capitalized and not expensed directly to the U.S. project being investigated. Additionally, they argue that the Department should not increase depreciation by an additional one-year period to account for idle time between jacket projects. They state that such post-delivery expense cannot be included in the cost of manufacture under the law.

DOC Response: The Department agrees that the expenses related to the skidway and its foundation should be capitalized and depreciated over the useful life. (See our response to Petitioners' Comment 13). The Department also agrees that the company's accounting system adequately absorbs depreciation for the idle time of the major assets identified relating to the project. Therefore, we did not adjust the depreciation expense.

Comment 9: Hitachi asserts that it is improper to include in the cost of manufacture depreciation of those yard facilities not used for or related to offshore platform construction. Only the depreciation of equipment specifically used in the production of the product under investigation should be included.

DOC Response: The company allocates all overhead expenses, including yard-wide depreciation, to all the products manufactured in the yard. If depreciation costs of equipment not directly related to the project under investigation are excluded from this overhead amount, the company is essentially allocating part of depreciation related to the product under investigation to other products while not absorbing a proportional amount of the remaining depreciation.

Comment 10: Chevron U.S.A. Inc. (Chevron) an importer of jackets and piles and a customer of Hitachi, argues in support of Hitachi that the prices of change orders should be included in the calculation of United States price since such changes become part of the contract price.

DOC Response: We agree that the United States price should include the price of all change orders.

Comment 11: Hitachi maintains that the method of adjusting its direct labor costs proposed in the Department's cost verification report is incorrect in that it overstates Hitachi's labor cost by including costs relating to a period after exportation of the U.S. project and that it includes costs not directly related to construction of the U.S. project. Hitachi maintains that its internal accounting system supplies a "proper" methodology for adjusting the labor cost.

DOC Response: The Department did not use the calculation that was proposed in the verification report. We used the verified labor amount which was standard costs adjusted by the cost variance. The Department did not include labor expenses incurred after exportation.

Comment 12: Hitachi urges the Department to disregard petitioners' arguments regarding the deduction of a price for loadout and tiedown from the United States price. They state that there is no separate price for those operations and that the proper methodology is to deduct costs.

DOC Response: We agree. Refer to our response to Petitioners' Comment 11.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to continue to suspend liquidation of all entries of jacket and piles from Japan that are entered, or withdrawn from warehouse, for consumption, on or after November 25, 1985. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign value of the merchandise subject to this investigation exceeds the United States price as shown in the table below on or after the date of publication of this notice in the **Federal Register**. The security amounts established in our preliminary determination published in the **Federal Register** on November 25, 1985, will no longer be in effect. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturers/sellers exporters	Weighted-average margin percentage
Hitachi	8.92
NSC	8.92
All Others	8.92

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 non-privileged and non-confidential 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 determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice.

If the ITC determine that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs Officers to assess an antidumping duty on offshore platform jackets and piles from Japan 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)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

March 31, 1986.

[FR Doc. 86-7618 Filed 4-4-86; 8:45 am]

BILLING CODE 3510-DS-M

[A-580-505]

Offshore Platform Jackets and Piles From the Republic of Korea: Final Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: We have determined that offshore platform jackets and piles (jackets and piles) from the Republic of Korea are being, or are 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, and the ITC will determine within 45 days of the publication of the notice, whether a U.S. industry is being materially injured or threatened with material injury by imports of this merchandise. We have directed the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise and to require a cash deposit or posting of a bond for each entry in amounts equal to the estimated dumping margins as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: April 7, 1986.

FOR FURTHER INFORMATION CONTACT: Francis R. Crowe or Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th and Constitution Avenue NW., Washington, D.C. 20230 telephone: (202) 377-4087 or 377-1769.

SUPPLEMENTARY INFORMATION:

Final Determination

Based upon our investigation, we have determined that jackets and piles from the Republic of Korea are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) (19 U.S.C. 1673d(a)) of the Tariff Act of 1930, as amended (the Act). The margin found for the company investigated and the average margin for all other firms are listed in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On April 19, 1985, we received a petition in proper form filed by Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers filing on behalf of the U.S. producer(s) and workers producing jackets and piles for sale in the U.S. West Coast market. The petitioners subsequently amended the petition to allege, in the alternative, that it was filed on behalf of U.S. producers and workers in the national U.S. market. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from the Republic of Korea 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 U.S. industry.

After reviewing the petition, we determined that 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 May 9, 1985 (50 FR 20254). On June 3, 1985, the ITC determined that there is a reasonable indication that imports of jackets and piles are materially injuring, or threatening material injury to, a U.S. industry (50 FR 24716).

On September 6, 1985, the petitioners requested the Department to postpone the preliminary determination until not later than November 15, 1985. On September 6, we granted the request (50 FR 37566). The preliminary determination was made on November 15, 1985 (50 FR 46452).

On November 21, 1985, the respondents in this investigation asked us to postpone the final determination until not later than the 135th day after the date of our preliminary determination. We granted the request on December 17, 1985 (50 FR 52823) and postponed the final determination until not later than March 31, 1986.

On June 21, 1985, a two-part questionnaire was presented to the potential respondents. On July 18, 1985, Daewoo Shipbuilding and Heavy Machinery Ltd. (Daewoo) and Hyundai Heavy Industries Co. (Hyundai) responded to the first part of the questionnaire which requested initial information concerning sales of the product under investigation.

On August 1, 1985, based upon the initial responses, we informed Hyundai that we were not requesting that they respond to the second part of the questionnaire, the portion which sought detailed sales and cost data. Even though Hyundai had a U.S. sale during the period of investigation, April 1, 1983, through March 31, 1985, its project is not scheduled for completion until August 1986. Until completion, only projected cost data would be available for Hyundai's project.

By contrast, Daewoo had a sale of a jacket and piles during the period of invsetigation which was completed and exported in mid-1985. Because, whenever possible, the Department uses actual, rather than projected data for the calculation of foreign market value, we required only Daewoo to respond to the second portion of the questionnaire. Its response was received on August 12, 1985. Also on that date, Hyundai submitted a voluntary response to the second part of the questionnaire. However, we limited our investigation to Daewoo for the reason stated above.

The Department has received letters and comments from several U.S. importers of platform jackets and piles from Korea claiming that the petition was not filed on behalf of the U.S. industry producing platform jackets and piles. However, we have not received any opposition from any members of the domestic industry.

Scope of Investigation

The products covered by this investigation are steel jackets (templates) and/or piles for offshore platforms, subassemblies thereof that do not require removal from a transportation vessel and further U.S. onshore assembly, and appurtenances attached to the jackets and piles. These products constitute the supporting structures which premanently affix offshore drilling and/or production platforms to the ocean floor. Appurtenances include grouting systems, boat landings, pre-installed conductor pipes and similar attachments. These jackets and piles are currently classified in the *Tariff Schedules of the United States* (TSUS) under item 652.97.

Fair Value Comparison

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

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold to an unrelated purchaser prior to its importation into the United States. We calculated the purchase price based on the delivered price to the unrelated customer in the United States. We made deductions for loadout and tiedown charges, and ocean freight. We made an addition for import duties which were rebated, or not collected, by reason of the exportation of the merchandise to the United States, pursuant to section 772(d)(1)(B) of the Act.

Foreign Market Value

In accordance with section 773(e) of the Act, we calculated foreign market value based on constructed value, since there were no home market or third country sales of such or similar merchandise. In determining constructed value, we calculated the cost of materials, fabrication, general expenses from data provided in the response and at verification. We made certain adjustments to the cost data where costs necessary for the production of the jackets and piles were not included and for other costs when the values did not fully reflect the costs incurred by the company to produce the project.

We adjusted the cost of manfacturing to include:

- Consulting fees for technical assistance during construction,
- Import duties not paid on raw materials due to exportation of the finished product,
- Depreciation to reflect the fully absorbed expense of certain major equipment used predominantly for large projects,
- Depreciation to more fairly reflect the useful life of certain assets,
- Depreciation of certain capital improvements, and
- Financing expenses during construction. (For further discussion of financing expenses see our response to Petitioners' Comment 17.)

We excluded from the cost of manufacturing:

- Depreciation related to certain idle equipment not used for the project, and
- Loadout and tiedown costs.

We adjusted general expenses by excluding:

- Financing expenses related to the construction period,
- Consulting fees for technical assistance which were required for the manufacturing, and
- Foreign exchange gain resulting from the sale of the project.

We adjusted general expenses to include:

- The amortized portion of foreign exchange losses, and
- Bid preparation.

Because the general expenses calculated were not above the statutory minimum of 10 percent of the sum of material and fabrication costs, we used the 10 percent statutory minimum. As the company has not sold another product in the general class or kind of merchandise, no profit rate or similar merchandise exists. Therefore, for the purpose of this determination, we are using the statutory mimimum of 8 percent.

Currency Conversions

We made currency conversions in accordance with § 353.56(a)(1) of the Commerce Regulations, using certified exchange rates as furnished by the Federal Reserve Bank of New York. We considered the date of purchase to be the date of acceptance of the contract and used that date as the date for currency conversion.

Verification

As provided in section 776(a) of the Act, verified all information provided by respondents using standard verification procedures, including on-site inspection of Daewoo's operations and examination of accounting records and randomly selected documents.

Petitioners' Comments

Comment 1: The petitioners claim that the Department should include duties, waived upon importation or rebated upon later exportation of imported materials, in the costs of materials.

DOC Response: The Department followed its usual practice and included the duties which would have been waived or rebated upon exportation in constructed value because such duties are added to United States price under section 772(d)(1)(B).

Comment 2: Petitioners assert that Daewoo may have introduced potential inaccuracy and obfuscation in its materials costs by converting the costs at one exchange rate and reconverting them at a different rate. They claim that dollar (or other currency) denominated materials were first converted into won at a current rate on the date of purchase and then were reconverted into dollars at another rate for this investigation.

They state that Daewoo should have reported the cost of its materials in the currency of the actual contract prices for the materials.

DOC Response: In calculating the constructed value, the Department used the cost of all purchases as valued on the company's records in the ordinary course of business. The constructed value was converted to U.S. dollars at the rate of exchange on the date of sale for purpose of this proceeding.

Comment 3: Petitioners allege that Daewoo's direct labor costs and the claimed subcontract labor costs may be significantly understated. They cite references in the Department's verification report which indicate a higher per hour wage rate and higher subcontract labor cost than those reported by Daewoo in its submission. They request that the Department clarify whether or not it has rejected Daewoo's reported labor costs.

DOC Response: The Department used Daewoo's reported labor and subcontract labor costs which were reconciled to Daewoo's company records during verification.

Comment 4: The petitioners emphasize that the depreciation for the assembly and loadout skidways attributed to the U.S. project under investigation, Platform Harvest, is significantly understated because one track of the skidways could only be used for Harvest. They urge that one-half of the costs (for the one skidway which may only be used for Harvest) be expensed to Harvest, and that the balance of the costs be depreciated.

DOC Response: The Department concluded that both sides of the skidways and their foundations could be used for projects other than Harvest and, therefore, depreciated both skidways over the useful life of such assets.

Comment 5: The petitioners emphasize that the one-month depreciation for the loadout skidway and the hydraulic jacking system is not reflective of the actual costs which should be attributed to Harvest, since both of these investments were required and made expressly for the Harvest project, and there is little likely use for future projects, if any. The petitioners suggest the use of two-year depreciation. In addition, they advocate that the cost for repair of damage that allegedly was done to the skidway during loadout (*i.e.*, moving the jacket from the assembly yard to the transportation vessel) be expensed to the Harvest project.

DOC Response: The Department agrees that one month depreciation does not fully reflect the costs of those assets for Harvest. The Department adjusted the expenses to reflect full absorption of such costs. As evidenced by the successful loadout of Harvest, the damage, if any, which may have occurred at loadout would have been insignificant.

Comment 6: The petitioners claim that a 40 year useful life for the skidway foundation, launching quay, lighting towers and the tubular area utility is excessive as a basis for depreciation, and that the Department should use 25 years.

DOC Response: The Department agrees and has adjusted the useful life for the skidway foundation and launching quay to more closely reflect their economic life.

Comment 7: The petitioners urge, because of idle time between projects, that depreciation expense related to the assembly yard be attributed to Harvest for 2½ years, since such facilities have significant idle time between projects.

DOC Response: The assembly yard is currently being used. Therefore, an adjustment to depreciation expense for 2½ years would not be warranted.

Comment 8: Petitioners advocate, because of alleged damage to the launching quay during loadout, the expensing of the cost of repairs of the quay to the U.S. project. Rather than depreciate this asset over only the short period of loadout as Daewoo did, petitioners propose that one-third of the cost of the quay be expensed to the U.S. project since it was built to meet the severe requirements of Harvest, and the remainder be capitalized over a shorter period than that used by Daewoo.

DOC Response: As evidenced by the successful loadout of Harvest, the damage, if any, which may have occurred at loadout would have been insignificant. The Department concluded that the launching quay may be used for other projects. Therefore, the cost of the launching quay is being depreciated in accordance with generally accepted accounting principles over its useful life.

Comment 9: Petitioners claim that certain welder training expenses incurred by Daewoo prior to and during the construction should not be allocated on a shipyard-wide basis, but should be directly expensed to the U.S. project or allocated to the project based on its costs of production.

DOC Response: Company records reviewed at verification indicates that Daewoo has an ongoing vocational program for training workers in many skills, including welding. The permanent training center was established well before construction (or bidding) began on the U.S. project under investigation. It has a large number of arc welders as part of its equipment for use in welder training. At the facility, Daewoo conducts welder training for the entire shipyard, not just for jackets and piles projects. Records indicate that a low percentage of the welders enrolled in training classes immediately prior to the start of construction of the U.S. project were used on the project. Concerning the specialized training requested for "TKY" joints on jackets and piles, a similarly low percentage of the trainees in that group received such training, not the entire group as claimed by petitioners. In addition to the project under investigation, the examination of company documents at verification showed that Daewoo has other jackets and piles projects under construction which also require TKY welders. Because of the nature of Daewoo's ongoing training program which provides welders for the shipyard and because of the need for specialized TKY welders on other projects, we do not believe that Daewoo's training expenses are project-specific and should be expensed to the U.S. project.

Comment 10: Petitioners allege that because scaffolding and walkways are unique to each project, their cost should be totally expensed to the U.S. project rather than capitalized.

DOC Response: The scaffolding/walkways are part of the company's ordinary fixed assets. Therefore, the depreciation expense of these fixed assets has been included in the overhead depreciation expense for the facilities.

Comment 11: Petitioners allege that an existing area in Daewoo's yard had to be expanded to accommodate the assembly of the project under investigation. The expansion required the removal of a "hill" and subsequent development of the area, such as the emplacement of a compacted earth cap, the completion of a drainage system and underground utilities, and an access road relocation. Daewoo did not expense nor depreciate the costs to Harvest. Petitioners urge the Department to expense one-half of such costs to the U.S. project and the capitalize the remainder.

DOC Response: The cost for excavating the hill was capitalized to the "E Quay," which utilized the earth for its construction. The E Quay was not used for the construction of Harvest. The improvements to the expanded area, such as the earth cap, drainage and utilities (which will require routine maintenance), have been depreciated by the Department over its estimated useful life and a proportional amount of such

expenses has been attributed to Harvest.

Comment 12: Petitioners allege that the cost of dredging in the vicinity of the launch quay should be expensed to the U.S. project.

DOC Response: Dredging expenses are usually considered part of the construction cost of a launching quay and, therefore, the Department concluded such expenses are included in the construction cost of the quay.

Comment 13: Petitioners state that Daewoo was required by the buyer to enter into a contract which provided for technical assistance during construction. Therefore, they claim that the expense of this assistance should be included as a manufacturing expense and not as part of general expenses. Further, they argue that an additional amount paid to the third party that provided the assistance for additional "expatriate personnel services" should be added to the manufacturing cost.

DOC Response: We agree. The technical service contract was entered into as part of, and was necessary for, the manfacturing of Harvest. Therefore, the Department considered the expense of obtaining this technical expertise as part of the fabrication expense. The cost of the expatriate personnel services was reported by Daewoo in its response as a fabrication expense. We have treated it accordingly.

Comment 14: Petitioners allege that certain adjustments to the final contract price characterized as financing fees by Daewoo relate to actual financing costs and, as such, should be included in the constructed value of the U.S. project.

DOC Response: Verification showed that the "financing fees" referred to by the petitioners were modifications to the negotiated contract price made by Daewoo to account for, in the price, certain financing costs expected to be incurred by Daewoo during construction of the U.S. project. All such costs relating to financing the project have been included in Daewoo's constructed value. No additional amounts were added for the financing fees.

Comment 15: Petitioners allege that Daewoo has grossly understated the costs of equipment and machinery used in the construction of the project. They allege that Daewoo's apportionment scheme is invalid. As as example, they state that certain crawler cranes had to be exclusively dedicated to the project, yet only 41 percent of their cost was allocated to the U.S. project. They propose that all of the cost of such dedicated equipment be allocated to the project under investigation.

DOC Response: The Department reviewed Daewoo's methods of allocating the facility's depreciation expenses to the projects which are manufactured by the company. The Department concluded that the basis used to allocate certain depreciation expenses for equipment which is predominantly used for large projects was not appropriately attributing such costs to these projects. Therefore, the Department adjusted the cost to fully account for this depreciation. The Department did not consider any equipment to be used exclusively for Harvest.

Comment 16: Petitioners argue that the Department should not allow a five-year amortization of foreign exchange losses claimed by Daewoo, but should expense the entire amount to the U.S. project.

DOC Response: We agree. The foreign exchange loss associated with Daewoo's debt has been fully recognized. This is in accordance with generally accepted accounting principles.

Comment 17: Petitioners urge that the interest expense incurred by Daewoo for materials purchases and other construction needs should be included in the cost of fabrication not included in the general expense.

DOC Response: The Department recognizes the unique characteristics of the products under investigation which require substantial expenditures over an extended time because of its size and the length of time required for completion of the production process prior to delivery of the products to the purchaser. Because of the magnitude of and the specific need for working capital to finance the project during construction, the Department considered that total financing costs from progress payments and from debt, which were required for construction, to be an integral cost of manufacturing and, consistent with generally accepted accounting principles (FASE 34), included such costs in the fabrication expense.

Comment 18: Petitioners argue that Daewoo's methods of allocation of indirect interest and other expenses related to debt understate both long- and short-term expenses which should be allocated to the U.S. project. They state that the method used by the Department in its preliminary determination, one based on the sale of the U.S. project as a percent of Daewoo's total sales, is better than Daewoo's methodology. However, they argue that the Department's method fails to recognize the fact that the sales price is a dumped price. They propose that the allocations be based on the "properly stated cost of production."

DOC Response: The Department reviewed, in depth, its method of attributing financing expenses to the project for its final determination. Because of certain unique characteristics of the product (as described in Comment #17) and the usual practice in the industry of partially financing the required expenditures by periodic prepayments of the sales price by the purchaser, the Department concluded that its usual basis of a allocation would not appropriately reflect this product's financial costs. Therefore, the Department included the financing costs required for construction of the project in the cost of manufacturing as described in Comment #17, and included a portion of long-term interest expense required to finance the on-going operations of the company in the general expenses.

Financial income accruing from the periodic prepayments of the sales price by the purchaser was recognized as a "credit" adjustment and, therefore, included as "income credit" from the sale of the product resulting in an offset to the general expenses.

Comment 19: Petitioners state that if the Department excludes loadout and tiedown from its calculations, then the price used in the calculation of the United States price should be the fabrication price of jackets and piles which is already exclusive of loadout and tiedown. In addition, all prices from change orders pertaining to loadout and tiedown should be disregarded. Petitioners claims that if loadout and tiedown are excluded from the calculation, the cost of loadout and tiedown should also be excluded from the constructed value, no further costs need be deducted by the Department for change orders relating to loadout and tiedown because Daewoo did not include those costs in the cost of production.

DOC Response: We have treated loadout and tiedown as a reduction to the United States price pursuant to section 772(d)(2)(a) of the Act. That section calls for an adjustment ". . . attributable to any costs, charges, and expenses . . . incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States." We, therefore, have deducted the costs, not the prices, of loadout and tiedown and related charges from the United States price. We have also verified that such costs were included in Daewoo's reported cost. Therefore, we reduced the constructed value for such costs.

Comment 20: Petitioners argue that the Department should continue to apply

the exchange rate in effect as of the date of the contract's acceptance for all necessary conversions of currency.

DOC Response: We agree. The Department's regulations direct that in a purchase price situation, in determining the existence and amount of any difference between the United States price and the fair value or foreign market value for the purposes of the Act, "any necessary conversion of a foreign currency into its equivalent in U.S. currency" shall be made as of the date of purchase or agreement to purchase (19 CFR 353.56).

Comment 21: Petitioners argue that the Department should not offset any dumping margin found in the investigation by the level of export subsidies related to post-delivery financing found with respect to the merchandise. They contend that the dumping margin does not reflect a post-delivery export financing preference that the countervailing duty will be imposed to offset and does not address the same unfair pricing situation. They suggest that if the Department does offset the dumping margin it should either include an amount for financing in the constructed value or reduce the United States price by the amount of the benefit.

Further, petitioners argue that, in calculating the interest expense from the financing, the Department should use commercial rates rather than the preferential rates received on this financing.

DOC Response: We disagree with the petitioners' contention that we should not offset the dumping margin by the full export subsidy found with respect to this merchandise. The Departmental practice has been to deduct the amount of the export subsidy from the dumping deposit or bonding requirement when there is a final countervailing duty rate in effect on the imported merchandise.

The petitioners' contention that the dumping margin is not reflective of the post-delivery export financing is incorrect. This financing was part of the offer which led to the contract acceptance. Any financing offered will be reflected in the United States price and, thus, in the dumping margin. Also, outstanding financing is included in the interest expense for calculating the constructed value.

Since we did not adjust post-delivery financing, the question of whether to use a commercial rate or the actual interest rate is moot.

Comment 22: Petitioners submitted comments on the scope of the investigation in response to submissions by Daewoo and a subcontractor to a respondent in the antidumping duty investigation of this product from Japan. The submissions in the Japanese investigation are also applicable to the scope of this investigation.

Daewoo raised a question regarding the inclusion of conductor pipe in the scope of the investigation. Petitioners state that their intention is to include only "pre-installed" conductor pipe, *i.e.*, pipe installed during assembly or attached to the jackets when imported, not conductor pipe that is imported separately from the jackets.

The Japanese subcontractor questioned whether piles which are separately contracted for and which are separately imported, apart from jackets, are included in the scope of the investigation. Petitioners state that both jackets and piles, whether separately contracted for or imported, should be included in the scope of the investigation.

DOC Response: We agree with the petitioners that the scope of the investigation includes only preinstalled conductor pipe and jackets and/or piles whether or not they are separately contracted or imported. We have modified the language in the "Scope of Investigation" section of this notice to clarify these issues.

Comment 23: Petitioners argue that, in calculating the interest expense for pre-delivery financing, the Department should use commercial interest rates rather than actual, preferential rates.

DOC Response: We disagree. Departmental practice regarding subsidies in an antidumping investigation is to calculate them as they are recorded in the company's accounts. Thus, here, we would use the actual interest rates applicable to the respondent's corporate borrowing.

Respondent's Comments

Comment 1: Daewoo argues that the Department's methodology used in the preliminary determination of adjusting the company's depreciation expense to account for idle time between projects, the so-called normalization of expenses, contradicts the Department's policy of refusing to impute costs where actual cost were not incurred. Daewoo states further that the methodology, by ignoring the company's over-all cost structure, results in double-counting by not allocating the idle time of assets used in the construction of the U.S. project over the rest of the yard, as would be done in Daewoo's cost system. Further, Daewoo states that the concept of normalization penalizes it for cost savings realized due to its prudent behavior in acquiring assets as closely as possible to the time they were needed.

DOC Response: The Department did not normalize nor impute depreciation expenses in the preliminary determination or in its final determination. The Department adjusted depreciation expense for certain equipment used by "large projects" to fully reflect such expense. Additionally, depreciation expenses related to idle equipment not used for the project were excluded from the costs.

Comment 2: Daewoo states that the Department, in its preliminary determination, erroneously charged to the U.S. project expenses related to depreciation of the land used for assembly and its associated development costs. Daewoo states that the value of the land, costs of levelling the land, installation of the drainage system and construction of a compacted earth cap together constitute the historical cost of land which properly is a nondepreciable capital asset. However, Daewoo recommends that if the Department determines that any of the expenses are depreciable, the Department must only depreciate the drainage system, the only questionable area. Additionally, Daewoo argues against expensing costs of levelling the land, because even if those costs were depreciable, the depreciation should be assigned to another development project for which the removed dirt was needed, a project unrelated to the construction of the U.S. project. Further, Daewoo states the "existing area," the assembly yard that predated the newly levelled yard, was of sufficient size for completion of the U.S. platform project and, therefore, development of the expanded yard was not necessary for the project. Texaco Inc. (Texaco), the buyer of Harvest, also states that yard expansion was not a condition of the contract for the project. Daewoo also states that depreciation of improvements to the expanded yard is inappropriate.

DOC Response: The Department included a portion of the depreciation expenses related to those assets which have a useful life, *i.e.*, the utilities, drainage system and earth cap. The cost of the hill removal, which was capitalized by Daewoo to another project, was not included.

Comment 3: Daewoo argues that the Department's methodology utilized in the preliminary determination incorrectly allocated long-term interest expenses to the U.S. project. Daewoo states that the Department included interest expense tied to projects other than the U.S. platform project in its allocation of interest expense. However, Daewoo states that use of its cost system, in which assets were

specifically tied to projects, results in a significantly lower interest expense charged to the U.S project. Daewoo states that its system is precise, accurate, and mathematically correct and should be used by the Department.

DOC Response: The Department included the long-term interest expense submitted by Waewoo, since such amount was based on the long-term fixed costs.

Comment 4: Daewoo claims that the method used by the Department in its preliminary determination for the allocation of short-term interest expense was incorrect and resulted in double-counting. They state that the Department's method resulted in assigning a proportional share of expense to all projects whether or not project-specific borrowing was involved. They state that project-specific cash inflows for the U.S. platform project covered almost the entire amount of financing of the project during the construction period. Therefore, Daewoo did not need additional short-term funds and they state that the Department should not allocate additional short-term borrowing from the company's overall short-term borrowing pool. Alternately, they propose that if the Department determines to allocate short-term borrowing over the cost of sales, then the directly related borrowing should be included in the company-wide pool and allocated equally to all projects.

DOC Response: The Department reviewed its method for attributing financial expense to the project and attributed such costs as described in our response to Petitioners' Comment 17. We did not include corporate-wide short-term interest in general expenses.

Comment 5: Daewoo argues against the Department's inclusion of project-specific interest expense as a manufacturing expense. They state that past practice by the Department dictates that the expense should be included as a general expense for purposes of the 10 percent statutory test for general expenses required by the antidumping duty law.

DOC Response: See our response to Petitioners' Comment 17.

Comment 6: Daewoo contends that § 353.56(b) of the Department's regulations gives the Department the flexibility to make exchange rate calculations using quarterly exchange rates to calculate actual costs over an extended construction period rather than using a simple exchange rate which would yield a distorted result. They state, additionally, that the use of quarterly exchange rates in this situation is the only way to avoid creating dumping margins solely by virtue of exchange rates.

Texaco and Cities Service Oil & Gas Corporation (Cities Service) submitted comments in support of Daewoo's position with respect to use of quarterly exchange rates.

DOC Response: We have used the date of contract acceptance as the "date of purchase" or "agreement to purchase" and accordingly have used that date as the date on which all necessary conversion of a foreign currency should occur in accordance with 19 CFR 353.56. Use of the same date as the basis for currency conversion purposes for both foreign market value and United States price freezes at one point in time both prices and costs in order to insure a fair comparison. This is the rate that was in effect at the time the respondent contracted to sell the jackets and piles to the United States and undertook whatever risks were associated with exchange rate fluctuations at that point. Thus, the exchange rate on the date of sale is the sole rate that both reflects true value and avoids the creation of dumping margins by virtue of exchange rate fluctuations.

The Department has recognized that it may be necessary to take a more flexible approach regarding contract requirements where, as here, goods are to be specially manufactured for the buyer and are not suitable for sale to others in the ordinary course of the seller's business. However, contrary to respondent's suggestions, the Department tends to exercise this flexibility in favor of finding an agreement to sell at an *earlier* point in a transaction than it might ordinarily, rather than at a later point. This is consistent with general contract law, see, *e.g.*, UCC 2-201(3). Thus, in *Large Power Transformers from Japan* (48 FR 26498, 26499 (1983)), the Department used the letter of intent date as the date of sale.

Nor is Daewoo's proposal regarding using quarterly exchange rates justified as a matter of law, since the proposed methodology would not tie the date of currency conversion to the date of purchase or agreement to purchase as required by 19 CFR 353.56.

Comment 7: Daewoo argues that the Department, in its preliminary determination, incorrectly expensed one-half of the skidway foundation to the U.S. project. They state that that methodology ignores the skidway's intended use, in that it could be reused at a later date, and that it ignores the fact that it is currently being used and expensed against a new project. Further, they state that the useful life as reported by Daewoo is proper because it is in accordance with the Korean Corporate Tax Code.

Texaco submitted comments in support of Daewoo's position concerning the reusable nature of Daewoo's skidway.

DOC Response: We agree that skidways and foundations are reusable. See our response to Petitioners' comments 4 and 6.

Comment 8: Daewoo states that, contrary to statements made by the petitioners, the loadout skidway and launching quay were not damaged during loadout of the U.S. jacket. They cited as the most conclusive evidence of that statement the fact that the jacket was successfully loaded-out. Therefore, the Department should not include imputed costs for damages.

DOC Response: We agree. Refer to our responses to Petitioners' Comments 5 and 8.

Comment 9: Daewoo argues that all welder training that took place before and during construction of the U.S. project should not be directly expensed to the U.S. project as alleged by the petitioners.

DOC Response: We agree. Refer to our response to Petitioners' Comment 9.

Comment 10: Daewoo states that scaffolding and walkways used on the U.S. project should not be expensed to the project. Rather, they state that the scaffolding and walkways were not purchased for specific projects and that portions of those assets could be reused for other projects.

DOC Response: We agree. Refer to our response to Petitioners' Comment 10.

Comment 11: Daewoo argues that the expenses of relocating a road when the assembly yard was expanded and the provision of utilities in the expanded area should not be expensed to the U.S. project but, rather, they should be included in the pool of general use assets.

DOC Response: We agree. The road is part of the company's ordinary fixed assets for operations.

Comment 12: Daewoo states that costs associated with dredging needed for the launching quay are included in the launching quay costs, and not omitted, as claimed by petitioners.

DOC Response: We agree. Refer to our response to Petitioners' Comment 12.

Comment 13: Daewoo states that in the preliminary determination, the Department disregarded foreign exchange gains and losses. Dawwoo argues that if the Department recognizes these items in the final determination, it should take into account both gains and losses. They note that Generally Accepted Accounting Principals state

that realized gains must be taken into account, while both realized and unrealized losses must be expensed.

DOC Response: The Department analyzed the basis for the foreign exchange gains and losses. Those gains or losses which were related to the costs of the product, the Department included in the constructed value. The foreign exchange gain which was not a result of the costs of production of the product was not included.

Comment 14: Concerning an adjustment made for loadout and tiedown in the preliminary determination, Daewoo argues that the Department, if it makes such an adjustment in the final determination, should deduct the cost of loadout and tiedown from both the United States price and the foreign market value. Such a deduction should include the cost for all applicable change orders.

DOC Response: We agree. Refer to our response to Petitioners' Comment 19.

Comment 15: Daewoo maintains that the Department must adjust any potential margin found in the final determination by the level of export subsidy determined in the comparison countervailing duty investigation. They state that not recognizing the subsidy, by using any one of the three alternatives offered by the petitioners, will result in a double imposition of tariff measures to correct the same unfair pricing situation. Furthermore, they claim that the GATT and the antidumping duty statute do not allow discretion in this area. Also, they state that neither the GATT nor the Act requires a prerequisite test showing that the export subsidy must first be a proven part of the price or constructed value in a dumping calculation prior to making the subsidy adjustment.

Texaco and Cities Service also submitted arguments in support of Daewoo's position with regard to the offset for export subsidies.

DOC Response: We are adjusting the deposit or bonding requirement to reflect all export subsidies found in the countervailing duty investigation. See, our response to Petitioners' Comment 21.

Comment 16: Hyundai argues that the sale of jackets and piles to the United States by Hyundai should have been investigated by the Department. Hyundai claims that, even though their project will not be completed until August 1986, the Department should have based a determination on its actual costs incurred to date and on its standard, projected costs for the remainder. It maintains that a rate based upon Hyundai's estimated costs is a better basis for a cash deposit than on a rate found for another producer. If Hyundai is not to be investigated for the final determination, Hyundai urges the Department to establish a zero cash deposit rate, if there is an antidumping duty order, and to conduct an administrative review immediately upon entry of the merchandise into the United States.

Cities Service and Exxon Corporation, in support of Hyundai, allege that the Department should use Hyundai's submitted cost as the best information available for the final determination. They allege that the Department's concerns about Hyundai's projected costs are unwarranted, since the Department has accepted the use of estimates in other cases. Further, they state that the Department should disregard the unsubstantiated testimony presented by petitioners related to Hyundai's ability to estimate costs and petitioners' assertion that, because the jacket and piles for Platform Julius were larger than other jackets and piles built by Hyundai, Hyundai's cost projections are invalid.

Exxon argues that if the Department does not provide a separate margin for Hyundai, it should conduct an expedited administrative review of Hyundai.

DOC Response: Section 773(e) of the Act requires us to include in the constructed value the cost of materials and fabrication ". . . at a time preceding the date of exportation of the merchandise under consideration which would ordinarily permit the production of the particular merchandise in the ordinary course of business." It is our view, based on the record in this investigation, that each jacket and piles project is sufficiently unique that an accurate constructed value is not possible without the actual costs associated with a particular project.

Further, because the Daewoo sale constitutes over 60 percent of the sales during the investigatory period and 100 percent of the exports pursuant to such sales, we had adequate product coverage for purposes of our determination. It has consistently been the practice of the Department that, in an affirmative determination, producers/exporters for whom a separate weighted-average margin has not been calculated will fall within the "all other manufacturers" category. Absent a determination that a company had no or *de minimis* sales at less than fair value, we have no basis for determining a zero rate. Therefore, we see no reason to change our policy with regard to establishment of a deposit rate for a firm not investigated. Questions relating to a possible early administrative review under section 751 of the Act will be addressed pursuant to a properly filed request.

Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of jackets and piles from the Republic of Korea that are entered, or withdrawn from warehouse, for consumption, on or after November 25, 1985. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated weighted-average amount by which the foreign value of the merchandise subject to this investigation exceeds the United States price as shown in the table below on or after the date of publication of this notice in the **Federal Register**. The security amounts established in our preliminary determination published in the **Federal Register** on November 25, 1985, will no longer be in effect.

The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturers/sellers/exporters	Weighted-average margin percentage
Daewoo	17.34
All Others	17.34

Article VI.5 of the GATT provides that "[n]o product . . . shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act, which prohibits assessing dumping duties on the portion of the margin attributable to export subsidies. In the final countervailing duty determination on jackets and piles from the Republic of Korea, we found export subsidies. Since dumping duties cannot be assessed on the portion of the margin attributable to export subsidies, there is no reason to require a cash deposit for that amount. Thus, the amount of the export subsidies will be subtracted for deposit or bonding purposes from the dumping margins.

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 non-privileged and non-confidential 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 determine whether these imports materially injure, or threaten 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 securities posted as a result of the suspension of liquidation will be refunded or canceled.

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 offshore platform jackets and piles from Korea 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)).

Paul Freedenberg,

Assistant Secretary for Trade Administration.

March 31, 1986.

[FR Doc. 86-7619 Filed 4-4-86, 8:45 am]

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APPENDIX B

LIST OF WITNESSES APPEARING AT THE PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Offshore Platform Jackets and Piles from the Republic of Korea and Japan

Inv. Nos. : 701-TA-248 (Final)
and
731-TA-259 and 260 (Final)

Date and time: April 2, 1986 - 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 and/or countervailing duties

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

Kaiser Steel Corporation and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers

Kevin Reidy, President, Kaiser Fabricated Products Group

S. C. Jacobson, General Manager, Napa Fabrication Plant

Kenneth Gibson, Senior Vice President, Corporate Development

Edward Stewart, Senior Vice President for Strategic Planning

Jack Sloan, Vice President, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers

Economic Consulting Services Inc., Washington, D.C.

Mark W. Love, Vice President

Kenneth Button

David A. Hartquist)
Robert L. Meuser)--OF COUNSEL
Kathleen Weaver Cannon)

In opposition to the imposition of antidumping and/or countervailing duties

The Economics Group, Inc.

Dr. Stephen J. DeCanio, Jr., Vice President

Robert T. Deacon

Pillsbury, Madison & Sutro--Counsel
Washington, D.C.
on behalf of

Chevron U.S.A. Inc.

Jess E. Morgan, Manager, Offshore Engineering & Construction, Western Region

Donald E. deKieffer)
Frank J. Schuchat)--OF COUNSEL
Francis J. Sailer)

Arnold & Porter--Counsel
Washington, D.C.
on behalf of

Cities Service Oil & Gas Corporation

James Quinn, President, Quinn Petroleum Services, Inc.

Charles A. Purser, Counsel

Patrick F. J. Macrory)
M. Howard Morse)-- OF COUNSEL

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

Exxon Company U.S.A.

T. H. Meadows, Jr., Santa Ynez Unit/Point Pedernales Unit Project Manager

Harvey M. Applebaum)
David R. Grace)--OF COUNSEL

- more -

Sharretts, Paley, Carter & Blauvelt--Counsel
Washington, D.C.
on behalf of

Union Oil Company of California

Richard Gillen, Regional Offshore Construction Manager

Texaco Inc.

George E. Mott, Manager, Central Offshore Engineering

Gail T. Cumins)
Ned H. Marshak)--OF COUNSEL

Wilmer, Cutler & Pickering--Counsel
Washington, D.C.
on behalf of

Marathon Oil Company

Robert C. Cassidy)
David Westin)--OF COUNSEL

Busby, Rehm & Leonard--Counsel
Washington, D.C.
on behalf of

Phillips Petroleum Company

Will E. Leonard)
Edward R. Easton)--OF COUNSEL

Paul, Weiss, Rifkind, Wharton & Garrison--Counsel
Washington, D.C.
on behalf of

Korea Iron & Steel Association, Daewoo Shipbuilding &
Heavy Machinery, Ltd., Hyundai Heavy Industries Co.,
Ltd., and Samsung Co., Ltd.

Robert E. Montgomery, Jr.)
Terence J. Fortune)--OF COUNSEL
Linda N. Valenstein)

Graham & James--Counsel
Washington, D.C.
on behalf of

Hitachi Zosen Corporation

Stuart E. Benson)
Michael A. Hertzberg)--OF COUNSEL
Yoshihiro Saito)

Willkie, Farr & Gallagher--Counsel
Washington, D.C.
on behalf of

Nippon Kokan K.K.

William H. Barringer)
James P. Durling)--OF COUNSEL

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

Nippon Steel Corporation

Daniel J. Plaine)
W. George Grandison)--OF COUNSEL
Jeanne E. Davidson)