

# **CERTAIN LINE PIPES & TUBES FROM CANADA**

**Determination of the Commission  
in Investigation No. 731-TA-375  
(Preliminary) Under the Tariff Act of  
1930, Together With the  
Information Obtained  
in the Investigation**

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# **UNITED STATES INTERNATIONAL TRADE COMMISSION**

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

Investigation No. 731-TA-375 (Preliminary)

CERTAIN LINE PIPES AND TUBES FROM CANADA

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of line pipes and tubes 3/ that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On February 11, 1987, a petition was filed with the Commission and the Department of Commerce by counsel for Tex-Tube Division of Cyclops Corp., Houston, TX, and Maverick Tube Corp., Chesterfield, MO, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of line pipes and tubes from Canada. Accordingly, effective February 11, 1987, the Commission instituted preliminary antidumping investigation No. 731-TA-375 (Preliminary).

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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/ Commissioner Eckes determines there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of line pipes and tubes from Canada that are allegedly sold in the United States at less than fair value.

3/ For purposes of this investigation, the term "line pipes and tubes" covers welded carbon steel pipes and tubes of circular cross section, with walls not thinner than 0.065 inch, 0.375 inch or more but not over 16 inches in outside diameter, conforming to API specifications for line pipe, provided for in items 610.3208 and 610.3209 of the Tariff Schedules of the United States Annotated (1987) (TSUSA).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of February 19, 1987 (52 F.R. 5201). The conference was held in Washington, DC, on March 5, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

**VIEWS OF COMMISSIONERS SEELEY LODWICK AND DAVID ROHR**

We determine that there is no reasonable indication that an industry in the United States is 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 imports of welded carbon steel line pipes and tubes (line pipe) from Canada allegedly sold at less than fair value (LTFV). <sup>1/</sup>

Although the data collected as to some of the essential economic indicators show declines over the period of investigation, these indicators cannot be analyzed in a vacuum. When viewed in the context of the market for line pipe, many indicators reveal a relative stabilization on strengthening of the domestic industry throughout the period of investigation. Evaluation of all relevant factors, including a lengthy work stoppage at a major integrated domestic producer and the entry of a new firm into the line pipe market, militate against an overall negative picture. Regardless of whether the industry is experiencing material injury, the data are clear and convincing that Canadian line pipe imports are not a cause of any material injury that the domestic industry may be experiencing. In particular, the imports from Canada have remained stable and very low in absolute and relative terms. Price trends are inconclusive with no pattern of price leadership and petitioners have admitted that they know of no price suppression or

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<sup>1/</sup> Material retardation of an industry is not an issue in this investigation and will not be discussed further.

depression. The alleged lost sales arise from special circumstances in the market, including the lengthy work stoppage at USX.

With regard to threat of material injury, there has been substantial available capacity in Canada to increase export levels over the period of investigation. Even though voluntary restraint agreements (VRAs) with other principal supplier nations have restricted those imports sharply, Canadian exports have followed their historic patterns. There is no evidence that despite the continuance of low capacity utilization levels, the Canadian producers have changed their marketing efforts in the United States. Moreover, even though there is now an outstanding antidumping order and an outstanding countervailing duty order against Canadian oil country tubular goods (OCTG), there is no evidence that the Canadian producers will engage in product shifting to line pipe. Finally, as the recent increases in imports from Canada are due to extraordinary market factors, they do not presage increased levels of exports to the United States.

Like product and the domestic industry <sup>2/</sup>

As a threshold matter in antidumping investigations, the Commission must first determine the industry against which to assess the alleged impact of those imports. The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of the like product, or those producers whose collective output of the like product constitutes a

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<sup>2/</sup> Chairman Liebel, Vice Chairman Brunsdale, and Commissioner Eckes concur with these views on the definition of the like product and the domestic industry.

major proportion of the total domestic production of that product." <sup>3/</sup>

"Like product," in turn, is defined in section 771(10) as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation. . . . ." <sup>4/</sup>

The imported product at issue in this investigation is welded carbon steel line pipe of 0.375 inches or more but not over 16 inches outside diameter. <sup>5/</sup> We have investigated this product on many prior occasions. <sup>6/</sup> Starting with Thailand and Venezuela, the Commission has defined the like product as domestically produced line pipe 0.375 inches or more but not over 16 inches outside diameter and the domestic industry as the

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<sup>3/</sup> 19 U.S.C. § 1677(4)(A).

<sup>4/</sup> 19 U.S.C. § 1677(10).

<sup>5/</sup> The scope of the investigation is determined by the Department of Commerce. In this case, Commerce has defined the article subject to investigation as follows: "welded carbon steel API line pipe, 0.375 inch or more but not over 16 inches in outside diameter, provided for under item numbers 610.3208 and 610.3209 of the [TSUSA]." 52 Fed. Reg. 7288 (March 10, 1987).

<sup>6/</sup> The Commission has conducted the following investigations since the first of 1985: Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, Invs. Nos. 731-TA-271-273 (Final), USITC Pub. 1839 (Apr. 1986) ("India, Taiwan, and Turkey"); Certain Welded Carbon Steel Pipes and Tubes from Turkey and Thailand, Invs. Nos. 701-TA-253 and 731-TA-252 (Final), USITC Pub. 1810 (Feb. 1986); Certain Welded Carbon Steel Pipes and Tubes from the People's Republic of China, the Philippines, and Singapore, Invs. Nos. 731-TA-292-294 (Preliminary), USITC Pub. 1796 (Dec. 1985); Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, Turkey, and Yugoslavia, Invs. Nos. 701-TA-251-253 and 731-TA-271-274 (Preliminary), USITC Pub. 1742 (Aug. 1985); Certain Welded Carbon Steel Pipes and Tubes from Thailand and Venezuela, Invs. Nos. 701-TA-242 and 731-TA-252-253 (Preliminary), USITC Pub. 1680 (Apr. 1985) ("Thailand and Venezuela"); Certain Welded Carbon Steel Pipes and Tubes from Taiwan and Venezuela, Invs. Nos. 731-TA-211-212 (Preliminary), USITC Pub. 1639 (Feb. 1985).

producers of line pipe, <sup>7/</sup> and has adhered to this definition in all subsequent investigations. <sup>8/</sup> Petitioners do not disagree with the Commission's past like product and domestic industry determinations. <sup>9/</sup>

Respondents, however, argue that the like product must be limited to domestically produced line pipe no greater than 8-5/8 inches outside diameter, as that is the maximum size that the two petitioners are capable of producing. <sup>10/</sup> We find the argument unpersuasive.

In the present investigation, the record shows that line pipe, regardless of diameter, is used for the same general purposes (transport of gas, oil, or water, generally in pipeline or utility distribution systems). <sup>11/</sup> It is produced in various grades, with varying chemical composition and mechanical properties, depending on the particular grade. Size, like wall thickness, depends on the volume and pressure of material that is to flow through the pipe. Nothing in the record in any way suggests that the physical and chemical properties of line pipe differ when the diameter is greater or lesser than 8-5/8 inches. Likewise, nothing in the record suggests that there are

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<sup>7/</sup> Thailand and Venezuela, supra, at 6-9.

<sup>8/</sup> See, most recently, India, Taiwan, and Turkey, supra, at 7.

<sup>9/</sup> Transcript of the conference (Tr.) at 33.

<sup>10/</sup> Postconference Brief of IPSCO, Inc., and IPSCO Steel, Inc. (IPSCO Brief) at 6. IPSCO, Inc. (a Canadian pipe producer), and IPSCO Steel, Inc. (a related U.S. importer) appeared and participated in this investigation in opposition to the petition. For convenience, they are collectively referred to as IPSCO or respondents.

<sup>11/</sup> Report of the Commission (Report) at a-2.

any differences in the characteristics and uses of line pipe when the diameter is greater or lesser than 8-5/8 inches. <sup>12/</sup>

In this investigation, we again determine that the like product consists of domestically produced standard pipe 0.375 inches or more but not over 16 inches outside diameter and the domestic industry consists of the producers of line pipe. <sup>13/</sup>

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<sup>12/</sup> As the Commission noted in a recent investigation, in which a similar argument was made —

The record indicates that the characteristics and uses of picture tubes are similar, regardless of a tube's screen size. All picture tubes are made of the same materials and perform the same function. Moreover, for most sizes of picture tubes, the production process is similar.

Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Invs. Nos. 731-TA-367 through 370, USITC Pub. 1937 at 8 (Jan. 1987) (Picture Tubes). See also e.g., Color Television Receivers from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 (Apr. 1984). The Commission found one like product, consisting of all picture tubes.

<sup>13/</sup> We note that during the course of the investigation, some information was gathered that calls into question the 16-inch limitation for line pipe. In particular, we learned that the electric resistance weld method of production can be used to produce line pipe up to 24 inches in outside diameter. The other predominant method, the continuous weld, can be used to produce line pipe only up to 5.5 inches outside diameter. Report at a-3. Moreover, although the petitioners' witnesses at the conference characterized the market as having a break at 16 inches, Tr. at 36, this distinction does not appear to be recognized by others in the market. GC-K-070 (March 23, 1987) at 8, citing Staff telephone notes.

This information, however, does not change the outcome of this case. We relied on our prior determinations regarding line pipe when collecting data in this investigation. Regardless of which definition of the like product we adopt, the Commission would still have to rely on the data gathered in the investigation (i.e., up to 16 inches outside diameter) as it is the best information available.

In the event of any future investigation of line pipe, the Commission will explore the question of whether to adhere to the 16 inch outside diameter limit, and parties to any such investigation are invited to address the issue.

Condition of the domestic line pipe industry

In assessing the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, production, capacity, capacity utilization, shipments, inventories, employment, and profitability. <sup>14/</sup>

We have investigated the domestic line pipe industry in several prior investigations. <sup>15/</sup> From the data gathered in those investigations, the domestic line pipe industry demonstrated reasonable performance through 1981, but suffered serious setbacks in 1982 in terms of almost all significant economic indicators. Production, shipments, capacity utilization, employment, and financial indicators all decreased precipitously. <sup>16/</sup> The domestic industry's condition "showed improvements from 1982-84 in some economic indicators, but declines for those indicators in 1985." <sup>17/</sup> Those declines continued throughout calendar year 1985. <sup>18/</sup>

In the current investigation, we have data for calendar year 1986 <sup>19/</sup> and those data show that the declining trends have continued in some

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<sup>14/</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>15/</sup> See footnote 6, supra.

<sup>16/</sup> See Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Invs. Nos. 731-TA-131, 132, and 138 (Final), USITC Pub. 1519 at 6-8 (1984).

<sup>17/</sup> India, Taiwan, and Turkey, supra, at 19.

<sup>18/</sup> Id.

<sup>19/</sup> The period of investigation included calendar years 1984, 1985, and 1986. For financial data on the domestic industry, the period of investigation covers domestic firms' fiscal years 1984, 1985, and 1986 and the interim fiscal years ending December 31, 1985, and December 31, 1986.



indicators, although those declines have been less than the declines in consumption.

Thus, while apparent domestic consumption fell 22 percent from 1984 to 1985, domestic production fell by 14 percent and domestic shipments fell by 15 percent during the same period. <sup>20/</sup> From 1985 to 1986, while apparent domestic consumption declined by 26 percent, domestic production fell by 19 percent and domestic producers' shipments fell by 21 percent. <sup>21/</sup> As a result, as a percentage of apparent domestic consumption, domestic producers' shipments increased from 52.8 percent in 1984, to 57.3 percent in 1985, and to 61.0 percent in 1986. <sup>22/</sup> Capacity to produce line pipe and capacity utilization declined from 1984 to 1986. <sup>23/</sup>

The number of production and related workers, their hours worked, and their wages decreased throughout the period under investigation. <sup>24/</sup> However, labor productivity increased over 50 percent from 1985 to 1986 and unit labor costs per ton decreased 35 percent. <sup>25/</sup>

These relative improvements of the domestic industry in this clearly declining market is particularly evident in in the indicators of financial

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<sup>20/</sup> Report at Tables 4, 5, and 6.

<sup>21/</sup> Id.

<sup>22/</sup> Id. at Table 4.

<sup>23/</sup> Id. at Table 5.

<sup>24/</sup> Id. at Table 7.

<sup>25/</sup> Id.

performance. Profit and loss data for five U.S. producers on their operations producing line pipe show no significant deterioration from 1985 to 1986. In fact, the data are remarkably similar in both years. Net operating losses increased by the insignificant amount of \$ 5,000, less than 2/10 of 1 percent. <sup>26/</sup> Gross profit as a percentage of net sales increased from 6.6 percent to 7.2 percent, although net operating losses as a percentage of net sales increased from 2.0 to 2.7 percent. Two firms reported operating losses in 1985 and 1986. <sup>27/</sup> Notwithstanding the declines in demand and production, the industry was financially far better off in 1986 than in 1984. <sup>28/</sup>

Finally, as we have noted on previous occasions, the financial performance of the integrated steel producers differs markedly from the nonintegrated producers. <sup>29/</sup> In this investigation, the nonintegrated firms show gross profits and net operating income in each year under investigation and the integrated firms do not. <sup>30/</sup>

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<sup>26/</sup> Id. at Table 9.

<sup>27/</sup> Id.

<sup>28/</sup> Id. We note that when financial data are examined on the basis of domestic producers' pipe and tube operations in establishments within which line pipes are produced, they show substantial improvement from 1984 to 1985 and again from 1985 to 1986. Id. at Table 8. Net losses of \$13 million in 1985 became net income of \$ 1 million in 1986. Negative cash flow of \$ 6.7 million in 1985 became a positive cash flow of \$ 7.0 million in 1986. As a ratio to net sales, there was net income before taxes in 1986, compared to net losses in 1984 and 1985. Id.

<sup>29/</sup> E.g., India, Taiwan, and Turkey, supra, at 20, n. 9.

<sup>30/</sup> Report at Table 10. Although we take into account the differences in performance between the integrated and nonintegrated producers, the statute directs the Commission to consider the condition of the industry as a whole.

Other facts also confirm that the declining trends outlined above do not provide a complete picture of the condition of the domestic industry. In the first place, the work stoppage at USX Corp. from August 1, 1986, to January 31, 1987, had a clear impact on USX's production and shipments data. However, as a work stoppage is not the same as permanent closure of a mill, the Commission did not subtract the idled capacity of the USX mills from total capacity figures. Thus, realistic industry capacity figures for 1986 are overstated to the extent of the USX work stoppage and, conversely, industry capacity utilization figures for 1986 are understated. <sup>31/</sup>

Second, as in many parts of the U.S. steel industry, there is an ongoing restructuring of the line pipe industry. A number of apparently unprofitable mills closed in 1984, 1985, and 1986, some of them permanently. <sup>32/ 33/</sup> The restructuring is also reflected in the declining cost structure of this industry, best exemplified by increased labor productivity and declining unit

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<sup>31/</sup> Of course, there would be no change in industry capacity utilization figures if all USX's production and shipments were absorbed by other domestic producers. We know that they were not absorbed by other producers. The reasons for this are discussed infra.

<sup>32/</sup> USX announced in early 1987 that there is "virtually no chance" of reopening the Provo, Utah, and National, Pennsylvania, mills (those in which line pipe was produced). Report a-11.

<sup>33/</sup> There is no allegation that any of these closings were in any way related to the allegedly LTFV imports from Canada. In the absence of such allegations or information in support of them, we find that all of the plant closings occurred before the fourth quarter of 1986. This finding is buttressed by petitioners' assertion that "in the fourth quarter of 1986, imports of line pipe suddenly shot up to 4,535 tons[.]" Petition at 9.

labor costs. <sup>34/</sup> Thus, the industry is becoming more efficient. Most significantly, at least one U.S. steel tube firm, Maverick, which had previously produced only OCTG, entered the domestic line pipe market in 1986 and another, Tex-Tube, eliminated all pipe products other than line pipe from its line. <sup>35/</sup>

Third, at least in significant part as a result of the entry into force of VRAs covering, inter alia, a number of countries where line pipe is produced, U.S. producers have captured a continually larger share of the U.S. market. Domestic producers' shipments were 52.8 percent of apparent domestic consumption in 1984, a figure which rose to 61.0 percent in 1986. <sup>36/</sup>

The picture that emerges from this review is one of a domestic industry that, in a declining market, has stabilized its financial position and increased its market share. It apparently holds some promise for the future since there has been the entry of at least one firm during 1986. Although we conclude, on this record, that there is a reasonable indication that the industry is experiencing material injury, we note that, notwithstanding the

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<sup>34/</sup> See Report at Table 7; India, Taiwan, and Turkey, supra, at Table II-6.

<sup>35/</sup> Report at a-9. Maverick decided to expand its product line in the fall of 1985 "[b]ecause of the weakened OCTG market . . . . 'This decision has enabled [Maverick] to somewhat soften the effects of the OCTG decline.'" Pipeline Magazine, Vol. XI, No. 8, Feb., 1987, at 10; reproduced, IPSCO's Brief at Appendix 2. See also Tr. at 21. The other petitioner, Tex-Tube, although producing several pipe and tube products, including OCTG, has eliminated them from its product line and now produces only line pipe. As explained by a Tex-Tube witness at the conference, "[a]s we found that we 'could not [make] money on our sales of oil country tubing goods and structural tubing, we stopped making those products.'" Tr. at 11.

<sup>36/</sup> Id. at Table 4.

decline in apparent domestic consumption, the industry as a whole in 1986 is no worse off than in 1985 and in some respects has improved.

No reasonable indication of material injury by reason of allegedly LTFV imports of line pipe from Canada

In determining whether a domestic industry is materially injured "by reason of" the subject imports, the Commission considers, among other factors, the volume of imports of the merchandise subject to investigation, and the effect of imports on the domestic industry and domestic prices. <sup>37/</sup> Moreover, the U.S. Court of Appeals for the Federal Circuit has reaffirmed the Commission's long-standing interpretation of the meaning of the "reasonable indication" standard:

[T]hat [the Commission] issue a negative determination . . . only when (1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation. <sup>38/</sup>

According to official statistics of the Census Bureau, imports from Canada increased from 5,730 tons in 1984 to 5,991 tons in 1985 and to 7,255 tons in 1986. <sup>39/</sup> Other data, however, show that Census' 1984 import figures are significantly understated. <sup>40/</sup> Canadian export data on

<sup>37/</sup> 19 U.S.C. § 1677(7)(B).

<sup>38/</sup> American Lamb Co. v. United States, 785 F.2d 994, 1001 (Fed. Cir. 1986). See also, e.g., Low-Fuming Brazing Copper Wire and Rod from France, New Zealand, and South Africa, Invs. Nos. 701-TA-237 (Preliminary) and 731-TA-245-247 (Preliminary), USITC Pub. 1673 (1985); Uncoated Free Sheet Offset Paper from Canada, Inv. No. AA1920-Inq.-10, USITC Pub. 869 (1978); Butadiene Acrylonitrile Rubber from Japan, Inv. No. AA1921-Inq.-1, USITC Pub. 727 (1975).

<sup>39/</sup> Report at Table 11. Petitioners note that according to Census data, 1,200 tons entered during the third quarter of 1986 and 4,535 tons entered the fourth quarter of 1986. Petition at 10.

<sup>40/</sup> Report at A-24, n. 1, and Table 11, n. 2.

shipments to the United States, provided by respondents, show 1984 exports of approximately 12,000 tons, 1985 exports of approximately 5,000 tons and 1986 exports of approximately 8,000 tons. <sup>41/</sup> The Canadian data support IPSCO's assertion that there is a "significantly declining trend in Canadian imports" over the period of investigation. <sup>42/</sup> Relying on these data, the most accurate characterization of the volume of imports from Canada is that they declined from approximately 12,000 tons in 1984 to approximately 7,255 tons during 1986. <sup>43/ 44/</sup>

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<sup>41/</sup> IPSCO Brief at Appendix 1, Chart 8.

<sup>42/</sup> Id. at 13.

<sup>43/</sup> At the same time, apparent domestic consumption in 1984 was 1,099,200 tons. Report at Table 4. Apparent domestic consumption for that year is understated because the import component of the figure is based on Census import data.

<sup>44/</sup> We rely on the figures provided by IPSCO. We note, first, that the data supplied by IPSCO and by IPSCO Steel are internally consistent and are consistent with each other. Second, those data are consistent with Canadian data on exports to the United States. Third, Census data on imports are not generated independently by the U.S. government; they are a compilation of data supplied by importers at the time of entry. In this case, the discrepancies between IPSCO's data and Census data arose, predominantly, from statistical errors by the importer resulting from application of the wrong statistical suffix for reporting purposes (i.e., from using the wrong final two digits of the seven-digit TSUSA number). IPSCO's Submission dated March 11, 1987. Where statistical errors of this sort occur, there is no impact on the rate of duty. The statistical data are not corrected unless the error is brought to Census' attention within 30 days. If brought to the attention of the Census Bureau within a year, total import figures may be corrected, but not those on an individual country basis. We understand that statistical errors such as this are not infrequent.

We note that while the declining volume of imports revealed by analysis of the actual imports clearly supports the finding of no causal nexus between imports and the condition of the domestic industry, the official statistics provide no better basis for an affirmative finding, particularly when the reasons behind the fourth quarter of 1986 import levels are considered.

In terms of market share, the imports from Canada accounted for a mere 1.1 percent of apparent domestic consumption in 1986, when measured by volume. <sup>45/</sup> When measured by value, the Canadian imports represented 1.2 percent of apparent domestic consumption. Whether viewed in absolute or relative terms, the allegedly LTFV imports from Canada have remained a small and stable part of apparent domestic consumption over the period of investigation. <sup>46/</sup>

The extremely low volume and stability of allegedly LTFV imports from Canada are particularly significant for two reasons. <sup>47/</sup> First, there are numerous bilateral VRAs that became effective during 1985 and 1986 between

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<sup>45/</sup> Report at Table 12.

<sup>46/</sup> Even using data from the Census Bureau, the volume of imports from Canada is small and stable, except for the increase in late 1986, which is explained by the special factors discussed infra.

<sup>47/</sup> The mere presence of imports does not, standing alone, mandate a finding of material injury. See American Spring Wire Corp. v. United States, 590 F.Supp. 1273, 1287 (C.I.T. 1984), aff'd sub. nom. Armco Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985) ("No factor, standing alone, triggers a per se rule of material injury."); SCM Corp. v. United States, 544 F.Supp. 194, 199 (C.I.T. 1982).

line pipe exporting countries and the United States. Those agreements restrict exports of line pipe to the United States. They have led, as petitioners have argued, to decreasing imports from the VRA countries. There is no such agreement with Canada. Canadian producers have not moved to fill any voids left in the domestic market by reason of contracting supplies from VRA countries. In contrast, the share of apparent consumption accounted for by domestic shipments has increased from 1984 to 1986. Further, since the entry of an antidumping order and countervailing duty order against OCTG from Canada, <sup>48/</sup> there is no evidence that the Canadian producers have shifted their productive capacity from the production of OCTG to the production of line pipe. <sup>49/</sup>

Second, the late 1986 increase in imports heavily relied on by petitioners <sup>50/</sup> occurred after the domestic mills geographically closest to the IPSCO mills were shut down. <sup>51/</sup> Thus, Lone Star Steel's mill in Fort Collins, Colorado, was closed in the fall of 1986, apparently before the asserted surge in imports. It remains closed today "due to lack of

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<sup>48/</sup> 51 Fed. Reg. 21782 and 21783, respectively (June 16, 1986).

<sup>49/</sup> See Tr. at 69, 80.

<sup>50/</sup> Petition at 10.

<sup>51/</sup> IPSCO's mills producing line pipe are located in Red Deer, Alberta, and Regina, Saskatchewan. Report at A-8, n. 1. IPSCO has additional capacity to produce line pipe at Port Moody, British Columbia, and at Edmonton, Alberta, although there is no evidence that line pipe was produced at either of these locations during the period of investigation.



business." <sup>52/</sup> USX Corp., as noted above, was involved in a work stoppage from August 1, 1986 to January 31, 1987, that affected, inter alia, its mill in Provo, Utah. It is reported that there is "virtually no chance" that USX will reopen its Geneva mill. <sup>53/</sup> The mill of Kaiser Pipe and Casing in Fontana, California, ceased production in mid-1986. The plant remains closed today. <sup>54/</sup> The proximity of the Canadian Mills to the geographic area in which U.S. mills have been closed, given the relatively high transportation costs that we know from prior investigations limit the geographic distribution of pipe to a great extent, <sup>55/</sup> clearly accounts for the increase in imports into the United States from Canada during the fourth quarter of 1986. Moreover, no domestic producer alleged any lost revenues from fourth quarter 1986 importations or from bidding processes leading up to these importations. <sup>56/</sup> Finally, in assessing whether small volumes of imports might have an effect on the domestic industry, it is important to consider the

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<sup>52/</sup> Tr. at 25. There is no evidence of record that the shutdown of the Fort Collins mill was caused in any way by the imports from Canada. Nor is there any allegation by petitioners to that effect.

<sup>53/</sup> Report at a-11.

<sup>54/</sup> Report at a-9. The plant remains closed pending an engineering study to determine the required capital investment to renovate the facility. If renovation is undertaken, start-up in October 1987, pending shareholder approval, is foreseen.

<sup>55/</sup> E.g., Certain Carbon Steel Pipes and Tubes from the People's Republic of China, the Phillipines, and Singapore, Invs. Nos. 731-TA-292 through 296 (Preliminary, USITC Pub. 1796 at 16 (Dec. 1985).

<sup>56/</sup> We note, moreover, that there are no lost revenue allegations during any part of this investigation.

context of market conditions. As noted, despite weak demand, the financial condition of the domestic industry has stabilized and its relative market position has strengthened noticeably.

Turning to the question of the price effects of the imports from Canada, if any, on the domestic industry, the Commission sought weighted average f.o.b. prices to distributors and end-users of line pipe for five common line pipe products. <sup>57/</sup> In the distributor's market, price trends for each of the products varied with the prices of products 3, 4, and 5 generally increasing in 1984 and decreasing thereafter. Prices for product 5 fell in the second half of 1984 and rebounded and stabilized in 1986. <sup>58/</sup> In the end-users' market, the data generally show decreasing prices. <sup>59/</sup>

When data on the prices of imports from Canada are compared with the price data for the domestic producers, there is a mixed pattern of underselling and overselling. <sup>60/</sup> There is no discernible pattern of price leadership by the imports from Canada.

It is particularly significant that petitioners have stated that they are "unaware of direct instances of price depression or price suppression due to

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<sup>57/</sup> Because of the small volume of imports from Canada, there were relatively few transactions and relatively few direct comparisons that are possible. However, from the data obtained, we believe that we have the majority of transactions that could be used for making price comparisons. Some of those transactions are discussed infra.

<sup>58/</sup> Report at Table 13.

<sup>59/</sup> Id. at Table 14.

<sup>60/</sup> Report at a-29.

imports of line pipe from Canada, although line pipe producers other than petitioners may have experienced such price affects." <sup>61/</sup> No other domestic producer provided any allegations of price suppression or depression or any evidence that would support an inference of price suppression or price depression and we have found no other evidence of price suppression or depression.

Petitioners heavily rely on generally decreasing unit values of Canadian line pipe from 1985 through the fourth quarter of 1986. <sup>62/</sup> Our information shows that the unit value of Canadian exports to the United States increased sharply from 1984 to 1985 and then decreased from 1985 to 1986, achieving a level below that of 1984. These data should not be examined in a vacuum, however. Unit values per ton for all imports generally increased from 1984 to 1985 and declined from 1985 to 1986. <sup>63/</sup> Unit values per ton for U.S. producers' domestic shipments decreased from 1984 to 1985 and again from 1985 to 1986. <sup>64/</sup> Unit values from Canada were below those of domestic producers in 1984 and 1986, but were significantly higher than that of domestic producers in 1985. Although petitioners apparently believe that the decline from 1985 to 1986 led to decreasing prices on imports from Canada and to individual transactions lost by the domestic industry because of the price of

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<sup>61/</sup> Petition at 13.

<sup>62/</sup> E.g., Petition at 9, 10.

<sup>63/</sup> Report at Table 11.

<sup>64/</sup> Id. at Table 6.

the allegedly LTFV imports, the record does not bear this out. <sup>65/ 66/</sup>

In the first place, the financial data do not reveal harm by reason of the prices of the imports. The relationship of price to cost of goods sold for the domestic industry has improved appreciably, with reported gross margins on line pipe operations increasing 16.6 percentage points from 1984 to 1986. <sup>67/</sup>

In the second place, as we have found no volume effects of the imports, no significant underselling or pattern of price leadership, no adverse effects on profitability, and as petitioners have not alleged any price suppression or price depression, petitioners' injury case is reduced to an analysis of the individual sales transactions allegedly lost to Canadian imports on account of price. The information we have gathered does not support petitioners' allegations. <sup>68/</sup>

The first, and most substantial, transaction regards Mountain Fuel Supply Company, Salt Lake City, Utah. USX Corp. was the low bidder for all of the

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<sup>65/</sup> Reliance on quarterly unit values of imports is particularly dangerous in this case. Unit value depends on the product mix and, with the relatively small quantities of Canadian imports being dealt with in each quarter, we cannot assume that the product mix remained constant.

<sup>66/</sup> Without weighing causes of injury, we note that petitioners concede that "there is a correlation between the drop in demand and the drop in prices." Tr. at 15.

<sup>67/</sup> See Report at Table 9.

<sup>68/</sup> We note that we can discuss the individual instances only in general terms, because much of the information is confidential.

line pipe for this project. <sup>69/</sup> According to contemporaneous press reports, "Mountain Fuel spokesman Curtis Burnett said the gas company waited as long as possible before awarding the contract, hoping that USX and the United Steel Workers of America could settle their contract dispute and the Geneva plant would resume." <sup>70/</sup> Thus, the sale was lost to the U.S. industry not because of the price of the Canadian line pipe, but rather because of the work stoppage at the USX mill in Utah.

Moreover, the Mountain Fuel project involved two sizes of pipe, 8-5/8 inches outside diameter and 10-3/4 inches outside diameter. IPSCO was underbid on the smaller pipe by both USX and Maverick. According to IPSCO, Maverick was awarded the 8-5/8 inch contract, subject to a mill inspection. <sup>71/</sup> A third party inspector, hired to make the mill audit, "recommended that he did not believe that Maverick was capable of meeting the Mountain Fuel specifications [.]" <sup>72/</sup> Thus, IPSCO received the order for nonprice reasons.

A second instance of a domestic purchaser choosing imported over domestic pipe on account of price involved a distributor in Henderson, Colorado, a suburb of Denver. The documentation demonstrates that the particular distributor sought out IPSCO and placed a trial order with IPSCO, so long as

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<sup>69/</sup> E.g., IPSCO Brief at Appendix 2.

<sup>70/</sup> The Provo Daily Herald, Jan. 9, 1987; reproduced, IPSCO's Brief at Appendix 2.

<sup>71/</sup> Tr. at 57.

<sup>72/</sup> Id. at 58. See also EC-K-113 (March 24, 1987) and attachments thereto.

IPSCO met prevailing domestic prices. <sup>73/</sup> As there was no request for bids from any domestic producer, this is clearly not a sale lost by the domestic industry. Moreover, considering the shutdown of the mills at Fort Collins, Colorado, and at Geneva, Utah, a search for alternate sources of supply, given the distances from that purchaser to most other domestic suppliers, is highly reasonable.

A third allegation involved a purchaser in southern Colorado. Even though Maverick underbid IPSCO, IPSCO received the award because it could meet the delivery requirements. <sup>74/</sup>

A final example involved Total Petroleum Company, which involved, at least, bids placed by one distributor using Lone Star Steel's pipe and another distributor using IPSCO's pipe. Even though IPSCO's distributor won the contract on the basis of the total package, the prices offered by IPSCO and Lone Star to their distributors were approximately equal. <sup>75/</sup>

The Commission confirmed that one sale went to imported pipe rather than domestic pipe on the basis of price. This instance, however, stands alone as an indicator of a causal nexus between the imports from Canada and the condition of the domestic industry.

We conclude that the information of record, considered as a whole, provides a clear and convincing showing that there is no reasonable indication

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<sup>73/</sup> Tr. at 62. See also IPSCO Brief at Appendix 4.

<sup>74/</sup> Tr. at 62-63.

<sup>75/</sup> Id. at 64. See IPSCO Brief at 22.

of material injury to this industry nor a likelihood of developing contrary information in a final investigation. It is not a matter of weighing causes for the Commission to evaluate the causal impact of imports in light of overall market conditions, which in this case reveal a substantial decline in the market and a stabilization and strengthening of the domestic industry within that market. Canadian imports have had no discernible effect on the market nor have they had any apparent effect of retarding the stabilization and improvement of the domestic industry. Accordingly, we determine that there is no reasonable indication that the domestic line pipe industry is experiencing material injury by reason of the allegedly LTFV imports from Canada.

No reasonable indication of threat of material injury by reason of allegedly LTFV imports of line pipe from Canada

Petitioners have asserted that there is a threat of material injury, relying on the asserted rapid increase in market penetration, the potential for product-shifting, and underutilized capacity in Canada. <sup>76/</sup>

In order to determine whether there is a threat of injury, the Commission has obtained information regarding production, capacity, capacity utilization, domestic shipments, exports, and year-end inventories of line pipe from IPSCO, the source of most of the allegedly LTFV imports from Canada. <sup>77/</sup> Those data show declining production, capacity utilization, domestic shipments, and

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<sup>76/</sup> Petition at 20-22.

<sup>77/</sup> Report at Table 2.

year-end inventories for calendar years 1984, 1985, and 1986. <sup>78/</sup> We must evaluate these data as they relate to the capability of the Canadian producers to expand their exports to the United States market to injurious levels and their intent to do so.

Notwithstanding the available underutilized capacity, the Canadian producers and exporters have not increased their exports to the United States over the course of this investigation, even though Canadian capacity utilization has been low and declining throughout the period of investigation and they have been afforded the opportunity to do so by the entry into force of the VRAs. <sup>79/</sup> IPSCO has not converted any OCTG capacity to the production of line pipe, <sup>80/</sup> something which petitioners correctly state might have been expected in light of the recent antidumping order against OCTG from Canada. <sup>81/</sup> Conversion might also have been expected because of the very weak market for OCTG. <sup>82/</sup> IPSCO has stated that it has no intention of

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<sup>78/</sup> Id.

<sup>79/</sup> As the Court of International Trade has noted, the mere existence of increased productive capacity is not a legally sufficient ground on which to base a finding of threat of material injury. *American Spring Wire Corp. v. United States*, 590 F.Supp. 1273, 1280 (C.I.T. 1984), aff'd sub. nom. *Armco Inc. v. United States*, 760 F.2d 249 (Fed. Cir. 1985).

<sup>80/</sup> Tr. at 69.

<sup>81/</sup> Id. at 9.

<sup>82/</sup> We note that petitioner Maverick did expand its production to include line pipe because of the weak condition of the OCTG market. See footnote 35, supra, and accompanying text. The process which apparently involved the purchase of some new equipment and obtaining American Petroleum Institute certification.



converting OCTG capacity to line pipe capacity. <sup>83/</sup> Moreover, the increase in imports during the most recent periods is attributable to the closing of pipe mills in the western United States. The foreseen increases in imports in the first quarter of 1987 are clearly attributable to projects such as that involving Mountain Fuel.

These facts do not suggest that the Canadian industry intends to increase its exports to the United States. Given the Canadian reaction to the VRAs and to the order against OCTG, there is no reason for us to believe that they will now adopt different tactics and attempt to enter the U.S. line pipe market in significant amount. In short, the record is devoid of "positive evidence tending to show an intention to increase levels of importation." <sup>84/</sup>

We conclude that there is no reasonable indication of a threat of material injury by reason of the allegedly LTFV imports from Canada.

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<sup>83/</sup> Tr. at 80.

<sup>84/</sup> Matsushita Elec. Indus. Co. v. United States, 569 F.Supp. 853, 857 (C.I.T. 1983), motion for rehearing denied 573 F.Supp. 122 (C.I.T. 1983), rev'd on other gds. 750 F.2d 927 (Fed. Cir. 1984).



VIEWS OF CHAIRMAN LIEBELER  
 Certain Line Pipes and Tubes  
 from Canada  
 Inv. No. 731-TA-375 (Preliminary)

Based on the record in this investigation, I determine that there is no reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of imports of certain line pipes and tubes from Canada that are allegedly being sold at less than fair value (LTFV).<sup>1</sup>

I join with the majority in its discussion of the definition of like product and the domestic industry. Since my views on condition of the industry, causation and threat differ from those of other members of the majority, I provide these additional views.

<sup>2</sup>  
Condition of the Industry

For purposes of determining whether a domestic industry is materially injured, the statute provides that

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As there is an established domestic industry producing line pipes and tubes, "material retardation" was not raised as an issue in this investigation and will not be discussed further.

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Vice Chairman Brunsdale joins in this section of the opinion.

the effect of the imports "shall be assessed in relation to the United States production of a like product if available data permit the separate identification of production in terms of such criteria as the production

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process or the producer's profits. In this case, no such separate identification is possible, and so it is necessary to assess injury in relation to a larger group of products. This is consistent with several recent determinations involving line, standard and light-walled rectangular pipes and tubes, in which Vice Chairman Brunsdale and I found that separate consideration of the producers of each like product for the injury analysis was

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inappropriate. The narrowest range of products for

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19 U.S.C. §1677(4)(D).

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For a complete discussion of the use of product line analysis, See Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan and Turkey, (standard and line pipes and tubes) (Final) Invs. Nos. 731-TA-271-273, USITC Pub. No. 1839 (April 1986) (Views of Vice Chairman Liebler and Commissioner Brunsdale); Id. at 49 (Additional Views of Commissioner Brunsdale); See Certain Welded Carbon Steel Pipes and Tubes from the Philippines and Singapore, (standard and light-walled rectangular pipes and tubes) (Final) Invs. Nos.

(Footnote continued on next page)

which data permit separate identification is for producers of all carbon steel pipes and tubes. This data is only available for profitability. Thus for other injury criteria, I will use the best information available.

Income and loss data for the five U.S. firms that provided information on all welded carbon steel pipes and tubes produced in their establishments indicates that the industry has not been profitable during the period of

5 investigation. Net operating income as a percentage of sales was minus 8.7 in 1984, minus 2.3 in 1985, and 0.2 in 1985. Investment in productive facilities for all welded

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(Footnote continued from previous page)  
 731-TA-293,294, 296 USITC Pub. 1907 (Nov. 1986) (Views of Chairman Liebler); See Certain Welded Carbon Steel Pipes and Tubes from the People's Republic of China, (standard pipes and tubes) Inv. No. 731-TA-292 (Final) USITC Pub. 1885 (Aug. 1986); See Certain Welded Carbon Steel Pipes and Tubes from Taiwan, (light-walled rectangular pipes and tubes) Inv. No. 731-TA-349 (Preliminary), USITC Pub. No. 1906 (Dec. 1986).

5

As has been the case in prior pipes and tubes cases, the nonintegrated firms have performed better than the integrated firms. For a discussion of the structure of the pipes and tubes industry, see Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan and Turkey, (standard and line pipes and tubes) (Final) Invs. Nos. 731-TA-271-273, USITC Pub. 1839 (April 1986) at 42-46 (Views of Vice Chairman Liebler and Commissioner Brunsdale).

pipes and tubes was fairly constant, while capital

expenditures fell significantly between 1985 and 1986.<sup>6</sup>

Shipments of line pipe dropped substantially during 1984-1986, as did the value of these shipments.<sup>7</sup> The only data available on capacity is not particularly useful because of the identification problem.<sup>8</sup> Since it is the best information available, however, I note that line pipe capacity dropped approximately 10 percent from 1984-1986, while capacity utilization dropped to 27 percent.

Employment statistics suffer from the same problem. Hours worked decreased over 60 percent between 1984 and 1986 in the line pipe and tube industry, but at the same time, labor productivity almost doubled. Thus, employment data does not indicate problems within the industry.

On the whole, however, the information collected shows an industry that is materially injured. I now proceed to a discussion of causation.<sup>9</sup>

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<sup>6</sup> Report at a-22.

<sup>7</sup> Report at a-15.

<sup>8</sup> See Report at a-14 n.1 (discussion of various capacity and shipment changes in part attributable to identification problem resulting from commonality of inputs).

<sup>9</sup> See Views of Vice Chairman Brunsdale, infra, for her views on causation.

### Rebuttable Presumption

In a preliminary Title VII investigation the Commission must determine whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury by reason of the

<sup>10</sup>  
subsidized or dumped imports. Title VII directs the Commission to consider, among other factors the volume of imports, their effect on prices, and their impact on prices, and their impact of domestic producers of like products. In evaluating the volume of imports, Congress has directed the Commission to consider "whether the volume of imports of the merchandise, or any increase in that volume, either in absolute or relative terms to production or consumption in the United States is

<sup>11</sup>  
significant". To give effect to this provision, I employ a rebuttable presumption that an import penetration ratio, after cumulating imports as required, of less than 2.5 percent of apparent U.S. consumption is too small to

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<sup>10</sup>  
19 U.S.C. §1671 & 1673 (1980).

<sup>11</sup>  
19 U.S.C. §1677(7)(c)(i) (1980).

be a cause of material injury and that any increase in the import penetration to less than 2.5 percent is too small to constitute a threat of material injury. This presumption can be rebutted by showing that both domestic supply and demand for the product are inelastic.<sup>12</sup>

### Causation analysis

The market penetration of imports of line pipe and tube from Canada increased but remained at extremely low levels during the period of investigation. These imports increased from 0.5 percent of apparent U.S. consumption in 1984 to 0.7 percent in 1985 and 1.1 percent in 1985.<sup>13</sup> The record does not indicate that the domestic market for

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For a complete discussion of the rationale behind this 2.5 percent presumption, see Certain Welded Carbon Steel Pipes and Tubes from the People's Republic of China, (standard pipes and tubes) Inv. No. 731-TA-292 (Final) USITC Pub. 1885 (Aug. 1986); Certain Welded Carbon Steel Pipes and Tubes from Thailand and Venezuela, Inv. Invs. Nos. 701-TA-242, 731-TA-252-53 (Preliminary), USITC Pub. 1680 (April 1985), (Separate Views of Vice Chairman Liebler) at 19-30; Oil Country Tubular Goods from Austria, Romania, and Venezuela, Invs. Nos. 701-TA-240-241, 731-TA-249-251 (Preliminary), USITC Pub. 1679 (April 1985), (Additional Views of Vice Chairman Liebler).

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Report at a-26.



line pipe is characterized by a highly inelastic supply curve and a highly inelastic demand curve. Thus, there is nothing to suggest that this relatively small level of imports could result in any material injury or threat of material injury. In the absence of such factors, I presume that an import penetration ratio of less than 2.5 percent is too small to support a finding of a reasonable indication of material injury or threat thereof by reason of the imports subject to investigation.

### Conclusion

Therefore, I conclude that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of certain line pipes and tubes from Canada.

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VIEWS OF VICE CHAIRMAN ANNE E. BRUNSDALE

Certain Line Pipes and Tubes from Canada

Investigation 731-TA-375

March 30, 1987 (Preliminary)

After reviewing the record in this investigation, I determine that there is no reasonable indication that a domestic industry in the United States is materially injured or threatened with material injury by reason of imports from Canada of welded carbon steel line pipes and tubes (line pipes) that are alleged<sup>1</sup> to be sold in the United States at less than fair value (LTFV).

In a preliminary antidumping investigation, the Commission must determine, using the best available information, whether there is a reasonable indication that (1) the U.S. industry producing the like product is injured or threatened with material injury and (2) the injury is by reason of the allegedly dumped<sup>2</sup> imports. The Commission may determine that there is no such

<sup>1</sup>

Material retardation of an industry is not an issue in this investigation and will not be discussed further.

<sup>2</sup>

19 U.S.C. 1673b(a).

reasonable indication only when (1) there is clear and convincing evidence of the absence of such reasonable indication and (2) the record shows it extremely unlikely that evidence of a "reasonable<sup>3</sup> indication" would be developed in a final investigation.

#### Like Product and Domestic Industry

I concur, with reservations, with Commissioners Lodwick and Rohr in the definitions of like product and domestic industry in this case. That is, the like product is welded carbon steel line pipe of 0.375 inches or more but not over 16 inches outside diameter, and the domestic industry is the collection of U.S. producers that make the like product.

My reservations are that the definitions given above may be too narrow. In prior investigations of standard and line pipe, the majority of the Commission has found two like products, one of which is line pipe defined identically to the imports<sup>4</sup> currently under investigation. In Certain Welded Carbon Steel

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<sup>3</sup> American Lamb Co. v. United States, 785 F.2d at 999 (Fed. Cir. 1986).

<sup>4</sup> See, e.g., Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, Invs. 731-TA-271-273 (Final), USITC Pub. 1839 (April 1986).

<sup>5</sup>  
Pipes and Tubes from Turkey and Thailand my analysis suggested that there was a single like product consisting of both standard and line pipe. Though the imports subject to this investigation are limited to line pipe, they compete with the same firms as those in the prior case <sup>6</sup> because their facilities can be used to make both standard and line pipe, <sup>7</sup> and some of them do in fact make both products. <sup>8</sup> Thus, while I do not do so here, it appears appropriate to find that the like product consists of <sup>9</sup> both standard and line pipe.

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<sup>5</sup>  
 Invs. 701-TA-253 (Final) and 731-TA-252 (Final), USITC Pub. 1810 (1986), at 49 (Additional Views of Commissioner Brunsdale).

<sup>6</sup>  
 Report of the Commission (Report) at a-18, n. 1.

<sup>7</sup>  
 Transcript of the conference (Tr.) at 18-19.

<sup>8</sup>  
Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, supra, at I-6 (table I-2) and II-4 (table II-2).

<sup>9</sup>  
 The respondent requests that the Commission define the like product as line pipe not over 8.625 inches outside diameter. Postconference brief of IPSCO, Inc. and IPSCO Steel, Inc., at 10. Nothing in the record suggests any differences between line pipe larger or smaller than 8.625 inches in terms of production, uses, or characteristics. That size designation is merely the limit of the petitioners' production capabilities, which is not necessarily relevant to those of the entire industry.

More relevant to the definition of the like product is the actual range of firms' production capabilities. U.S. producers can produce pipe up to 24 inches in outside

### Condition of the Domestic Industry

I join the section of Chairman Liebeler's views entitled "Condition of the Industry." Accordingly, I find that it is proper in this case to use product line analysis pursuant to 19 U.S.C. section 1677(4)(D) and also find that the domestic industry is materially injured.

### Causation

To analyze the effects of dumped imports on the domestic industry, it is necessary to consider, among other key factors, the import penetration ratio of the dumped imports and the  
<sup>10</sup>  
 alleged dumping margin. Canadian imports that were allegedly

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(Footnote continued from previous page)  
 diameter on the same equipment used to produce smaller sizes. Report at a-15. The Commission has traditionally found 16-inch pipe to be the largest size included in its like product definition. Yet the only difference between sizes over 16 inches and those under is that sales of the larger pipes tend to be by bids while the sales of the smaller ones are off-the-shelf as well as by bids. Tr. at 36, 39. This is not the rule for every firm, however. See Memorandum GC-K-070 (March 23, 1987), at 8. It appears, then, that the Commission's traditional definition of like product should be changed in favor of a definition that more accurately describes the products that the industry can supply to the market in response to various changes in demand--including changes caused by competition from imports. In this case, I will continue to adhere to the traditional definition of pipes up to 16 inches in diameter. In any future case, I will consider whether this definition should be changed.

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For a discussion of the role of the import penetration ratio and the dumping margin in assessing harm to a domestic industry, see Memorandum from the Office of Economics, EC-J-010 (January 7, 1986), at 29-31.

sold at less than fair value (dumped) held relatively small shares of apparent U.S. consumption during the period of investigation. On a quantity basis, these shares were approximately 1.0 percent in 1984, 0.7 percent in 1985, and 1.1 percent in 1986.<sup>11</sup> The average alleged dumping margin is 44.3 percent.<sup>12</sup>

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Data for 1984 are adjusted to correct apparent errors in official import statistics. Report at a-35. As I have explained elsewhere, I believe that it is generally more appropriate to analyze the effects of imports on the domestic market using market penetration on a value basis. See EPROMs from Japan, Inv. 731-TA-288 (Final), USITC Pub. 1927, at 32-39 (1986) (Additional Views of Vice Chairman Brunsdale). However, in this case there is little difference between the two measures. On a value basis, the share of allegedly dumped imports was approximately 1.0 percent in 1984, 0.9 percent in 1985, and 1.2 percent in 1986.

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I calculate this average by dividing the sum of the Canadian prices by the sum of the U.S. prices as alleged in the petition, at 7-8. (I note that petitioners made an error in calculation in their first allegation on page 8.)

The recent opinion of the Court of International Trade in Hyundai Pipe Co., Ltd., et al. v. U.S. International Trade Commission, et al., Slip Opinion 87-18 (February 23, 1987), makes clear that it is appropriate for the Commission to consider the magnitude of the subsidy or dumping margin in assessing causation. Indeed, there is substantial support in the legislative history for the proposition that the Commission should consider the subsidy or dumping margin in every case. The House Report to the Trade Act of 1979 states: "for one type of product, price may be the key factor in determining the amount of sales elasticity, and a small price differential resulting from the amount of the subsidy or the margin of dumping can be decisive; in others the margin may be of lesser significance." H.R. Rep. 317,

(Footnote continued on next page) 39

In order to estimate the effects of dumped Canadian imports on the U.S. industry, I will assume that the entire dumping margin was passed through to reduce the price of such imports.<sup>13</sup> A "fair" price for Canadian imports, then, would have been nearly 50 percent higher than their actual price, and would probably have meant that the imports would have been priced out of the market. For purposes of my analysis, I will assume that this was the case and that imports from Canada were zero.<sup>14</sup> As a result, some of the Canadian business would have gone to other foreign suppliers and the rest to domestic firms.<sup>15</sup> But, in order to determine the maximum that the U.S. industry could have been injured by Canadian imports, we must look at the maximum benefit it could have gained had Canadian

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(Footnote continued from previous page)

96th Cong., 1st Sess. at 47 (1979) (emphasis added). The Senate Report contains almost identical language. S. Rep. 249, 96th Cong., 1st Sess. at 88 (1979). See also H.R. Rep. 317 at 55; S. Rep. 249 at 57-58.

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If the entire margin was not passed through to imported goods, my analysis overstates the magnitude of the adverse effect on the domestic industry caused by dumped imports.

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Again, to the extent that this assumption is incorrect, the adverse effects on the U.S. industry are overstated.

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Note that there would also have been some reduction in total consumption because the average price of line pipe would have been higher. This reduction in consumption is ignored in the following analysis and does not affect the conclusion.



imports been sold at a fair price. Suppose, then, that all Canadian business would have gone to U.S. firms.

Both the volume and the market share of imports from Canada were highest in 1986.<sup>16</sup> Adding that volume, 7,255 tons, to U.S. producers' shipments, 389,731 tons, gives a total of 396,986 tons. Thus, U.S. producers' shipments would have been 1.9 percent higher in the absence of dumping. Alternatively, the dumped imports reduced U.S. producers' shipments by at most 1.9 percent.

It is also possible to determine an upper bound for the degree to which the dumped imports suppressed domestic prices. The best estimate of price sensitivity of domestic supply<sup>17</sup> in this case indicates that a 1 percent increase in domestic price will produce at least a 3.5 percent increase in the quantity supplied by domestic producers.<sup>18</sup> This also means that a 1.9

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Note that the increase in volume from 1985 to 1986 may have been in part the result of a decline in the ability of the U.S. industry to supply the market, caused by a strike at USX.

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Price sensitivity of domestic supply refers to the elasticity of supply, which, other things remaining the same, is defined as the percentage change in quantity supplied divided by the percentage change in price. See, e.g., P. Samuelson and W. Nordhaus, Economics at 380-84 (12th ed. 1985).

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I relied on the short-term supply elasticity of  
(Footnote continued on next page)

percent increase in demand for domestic product will lead to an increase in domestic price of only 0.6 percent (equals  $(1/3.5)$  times 1.9 percent). As explained above, this increase in domestic demand is precisely what would have occurred if the dumped imports from Canada were priced out of the domestic market. Thus the maximum degree of price suppression in this case is 0.6 percent.

Finally, since dumped imports reduced domestic shipments by 1.9 percent and suppressed domestic prices by 0.6 percent, this means that dumped imports reduced industry sales by only 2.5 percent (1.9 percent + 0.6 percent). In other words, lost sales by U.S. firms attributable to the dumped imports amounted to no more than 2.5 percent of total industry sales. Incidentally, I use the term "lost sales" here to mean the reduction in domestic industry sales, which I express as a percent of total industry

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(Footnote continued from previous page)  
 approximately 3.5 for carbon steel manufacturing. For line pipe, the supply elasticity is at least 3.5. The use of the lower bound estimate for supply elasticity gives the benefit of the doubt to the U.S. industry because it suggests greater price suppression by dumped imports from Canada. See Cold-Rolled Carbon Steel Plates and Sheets from Argentina, Inv. 731-TA-175 (Final) (Remand), USITC Pub. 1967 (1987), at 29-30 (Views of Vice Chairman Anne E. Brunsdale). For general consideration of U.S. steel supply elasticities, see R.W. Crandall, The U.S. Steel Industry in Recurrent Crisis, Policy Options in a Competitive World, The Brookings Institution (1981), at 132, and I. Walter, ed., Studies in International Economics, John Wiley & Sons (1976), at 93.

sales. Clearly this is always relevant in causation analysis.

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From the above, I conclude that the adverse effects of dumped imports from Canada on the domestic industry were too small to be a cause of material injury to that industry.

### Threat of Material Injury

Petitioners allege that the domestic industry is being threatened with material injury. They argue that there has been a rapid increase in market share of LTFV imports from Canada, that Canadian producers have underutilized capacity, and that there is a potential for product-shifting.

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Though imports from Canada increased in 1986, both in absolute terms and as a share of consumption, that increase occurred in the fourth quarter of 1986 and was partially in response to the decision by USX to shut down its Utah plant on

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Note that I use the term "lost sales" differently than the Report and some of my colleagues do. As I have explained before, I believe that the lost sales information in the Report almost always is a collection of anecdotes about the experience of individual firms with particular potential customers and transactions and in general is not probative on the issue of causation. That is, it almost never has anything to do with a causal relationship between dumped imports and material injury to the domestic industry. See, e.g., Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, Invs. 731-TA-271 through 273 (Final), USITC Pub. 1839, at 49-50 (Views of Vice Chairman Liebel and Commissioner Brunsdale) (1986).

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Petition at 20-21.

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August 1 because of a strike.<sup>21</sup> The major U.S. market area served by the principal Canadian producer, IPSCO, is the same as that served by the Utah plant.<sup>22</sup> Thus it appears that part of the increase in imports from Canada can be traced to the 1986 strike.

Imports of line pipe declined during the period of investigation. These declines are attributable to various agreements, including voluntary restraint agreements with a variety of countries and the European Community Pipe and Tube Agreement.<sup>23</sup> Canada is not affected by these agreements. Nevertheless, Canadian producers have not taken advantage of the decline in U.S. imports from other countries to increase their own market share. Rather, U.S. producers' market share has increased by over 8 percentage points during the period of investigation, while that held by Canadian imports has increased by less than 1 percentage point. At the same time, IPSCO's capacity utilization has declined. The U.S. industry alleges that IPSCO's low capacity utilization poses a threat to the U.S. industry. But intent to increase exports cannot be inferred from data on low capacity utilization. There must be independent

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<sup>21</sup> Tr. at 53. See also petition at 10.

<sup>22</sup> Tr. at 52.

<sup>23</sup> Report at a-8-a-9.

<sup>24</sup>  
evidence of such intent.

With outstanding dumping and countervailing duty orders in effect on oil country tubular goods (OCTG) from Canada, one might expect Canadian producers to shift their production from OCTG to line pipe.<sup>25</sup> However, the IPSCO mill that produces OCTG has reportedly not switched its production patterns, and there are no plans to convert its unused capacity to producing line pipe.<sup>26</sup> Petitioners' allegation that such product-shifting has taken place is buttressed only by their citation of IPSCO's high dumping duty on OCTG and its resulting incentive to shift products.<sup>27</sup> In my discussion above, I noted that Canadian producers have the capacity to increase exports, but capacity utilization rates have fallen and there is no intent to increase exports to the United States. Since I would expect producers to increase capacity utilization before engaging in product-shifting, it is not surprising to find no evidence of product-shifting.

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C.f., American Spring Wire Corp. v. United States, 590 F.Supp 1273, at 1280 (C.I.T. 1984), aff'd sub. nom. Armco Inc. v. United States, 760 F.2d at 249 (Fed. Cir. 1985) (increased productive capacity is not a legally sufficient ground on which to base a finding of threat of material injury).

<sup>25</sup>

Petition at 21.

<sup>26</sup>

Report at a-10.

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<sup>27</sup>

Tr. at 9.

The record in this investigation contains no "positive evidence tending to show an intention to increase levels of importation."<sup>28</sup> I therefore conclude that there is no reasonable indication of a threat of material injury by reason of the allegedly dumped imports from Canada.

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Matsushita Elec. Indus. Co. v. United States, 569 F.Supp 853, at 857 (C.I.T. 1983), motion for rehearing denied, 573 F.Supp. 122 (C.I.T. 1983), rev'd on other grounds, 750 F.2d 927 (Fed. Cir. 1984).

## DISSENTING VIEWS OF COMMISSIONER ECKES

The negative determinations of my Commission colleagues in this investigation are both surprising and perplexing. In making determinations in preliminary Title VII investigations, the Commission is constrained to follow certain statutory guidelines and also to acknowledge the standards for judicial review set forth by the reviewing courts. In light of those guidelines and judicial review standards, the available information in this investigation does not, in my view, support a negative determination. I determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of line pipes and tubes from Canada allegedly sold at less than fair value (LTFV).

The Court of Appeals for the Federal Circuit (CAFC), in its opinion in American Lamb Co. v. United States, 1/ confirmed that the Commission should not make a negative determination in a preliminary investigation unless "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury, and (2) no likelihood exists that contrary evidence will arise in a final investigation."

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1/ 785 F. 2d 994, 1001 (Fed. Cir. 1986).

Seldom is the information gathered in a 45-day preliminary investigation sufficient to present "clear and convincing evidence" for a negative determination and offer assurance that contrary evidence will not arise in a final investigation. The CAFC observed that "Indeed, those guidelines weight the scales in favor of affirmative and against negative determinations."

2/ Individual Commissioners may find this weighting unfortunate and onerous, but the Commission must not ignore its obligation to follow the law and the guidance of the reviewing courts. 3/ Making a negative determination based on the record in this investigation, to my mind, is acting in a manner contrary to law.

#### Condition of the Industry

The domestic industry producing line pipe performed very poorly in recent years. Previous investigations have revealed that 1982 was a disastrous year for the industry; and although there was an upturn in some economic indicators in 1983 and 1984, the downward slide resumed in 1985. Decreased consumption of line pipe led to increased competition for a rapidly shrinking market. Apparent consumption decreased 22 percent between 1984 and 1985, and then fell an additional 26 percent in 1986.

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2/ Id.

3/ This issue is discussed more fully in my Dissenting Views on Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, The Republic of Korea, Spain, and Venezuela, Inv. Nos. 731-TA-356-363 (Preliminary) USITC Pub. No. 1925, December 1986, p. 35-57.



Domestic capacity decreased only 7 percent in 1985 and 4 percent in 1986; but these aggregate capacity figures mask an industry where entire mills of several producers closed. Capacity was added by some producers in late 1984 and 1985, and there was one new entrant to the industry in 1986. However, much of this added capacity did not reflect enthusiasm for the prospects of the line pipe industry, but rather retreat from the even more disastrous position of the oil country tubular goods industry. 4/ Capacity utilization, low at the beginning of the investigation period, dropped steadily to a mere 27 percent in 1986.

Production decreased 14 percent in 1985 and 19 percent in 1986. Shipments fell 15 percent in 1985 and 21 percent in 1986. Employment plummeted 53 percent between 1984 and 1986. And sales dropped 28 percent in 1985 and a further 24.5 percent in 1986.

Operating margins did improve somewhat, moving from a loss of 15.4 percent in 1984 to a loss of 2.0 percent in 1985, and a loss of 2.7 percent in 1986. However, this "improvement" from a very large loss to a relatively small loss resulted from the collapse of some particularly unprofitable mills. Labor and other production costs obviously are reduced when mills are closed. However, these changes in industry structure did not effect substantial operational improvements judging from the continued declines in other economic indicators.

It is clear that the line pipe industry has experienced and is experiencing material injury. This injury is sufficient to make it very vulnerable to further injury from unfairly traded imports.

Reasonable indication of threat of material injury

In a preliminary Title VII investigation, the Commission examines the information available to determine whether there is a reasonable indication that the allegedly unfair imports are materially injuring the domestic industry or that the subject imports threaten material injury to the industry. To assess injury causation, the Commission considers, among other factors, the volume of the subject imports, the effect of the imports on prices in the United States, and the impact of the imports on domestic producers of the like product.

The Commission then must consider additional factors for possible indication of threat, including: any addition to the production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the subject merchandise; any rapid increase in penetration of the U.S. market and the likelihood that penetration will increase to an injurious level; the probability that the subject imports will enter the United States at prices that will have a depressing or suppressing effect on domestic prices; any substantial increase in inventories of the imports in the United States; underutilized capacity for producing the merchandise in the exporting country; the potential for product shifting; and other adverse

trends indicating the imports are likely to cause material injury.

The data available at this time on the volume of imports and import penetration are questionable for the first investigation year, 1984. Respondents claim that official import statistics for that year are in error. 5/ If they are not in error, the volume of imports from Canada rose from 5,730 short tons in 1984, to 5,991 short tons in 1985, and 7,255 short tons in 1986. The penetration rate grew from 0.5 percent in 1984 to 0.7 percent in 1985 and 1.1 percent in 1986. If they are incorrect as respondents claim, the volume for 1984 would have been considerably higher, and the penetration rate that year, also higher. 6/ In the first instance, the volume and penetration trend lines accelerate upward during the investigation period; in the second, they are V-shaped. However, whether or not there was error in 1984 statistics, the volume and penetration rate direction in the most recent period is up.

And we know it will continue in an upward direction. The Canadian producer obtained a contract in late 1986 for 11,000 tons to be delivered in the first quarter of 1987. Notably, all the lost sales confirmed by the Commission are for 1987 delivery.

Respondents claim that the large 1986 contract for the Mountain Fuel Supply Company construction project reflects a

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5/ Respondent's Postconference Brief, p. 13.

6/ Report at a-25 and a-26.

special situation where the lowest bidder was on strike and another bidder was disqualified because its ability to produce according to contract specifications was questionable. 7/ However, the inability of two members of the domestic industry to supply the needed line pipe does not explain why Mountain Fuel decided to choose the Canadian supplier. A domestic industry producing at only 27 percent of capacity should have presented more opportunities to obtain pipe on this side of the border.

The relatively low import volume and penetration figures and the absence of petitioner claims that these imports suppressed or depressed prices mean that there is a low probability that the Canadian imports can be linked to the current injury of the domestic industry. However, there is a much higher probability that these imports threaten the weakened domestic industry with further injury.

This is one investigation in which we do have some information on the industry of the exporting country at the preliminary stage. 8/ Ipsco's line pipe production capacity has been stable during the investigation period. However, its production decreased substantially between 1984 and 1986. Capacity utilization was at a low level in 1984 and decreased further in 1985 and 1986. To say that there is substantial

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7/ Respondent's Postconference Brief, p. 19-20

8/ The specific figures are confidential.

unused capacity in the exporting country would be a gross understatement.

At the moment oil country tubular goods are produced by the Canadians at a facility separate from the facility for line pipe. The market for OCTG is very poor, and the Canadians face substantial 33 percent dumping duties on that product.

Conversion to line pipe production is possible (in fact the petitioner claims it has already taken place) 9/ but there is plenty of line pipe production capacity without making a shift.

The United States has been essentially the only market for Canadian exports of welded carbon steel pipes and tubes, including line pipe, in the past. There is no reason at this time to predict the development of other markets for Canadian pipe. The information we have on the quality of Canadian pipe indicates that it is high and fully competitive with U.S. pipe on a quality basis. In fact, one of the reasons given for the large 1986 contract sale of Canadian pipe was high quality. 10/

The Commission collected very little pricing data in this preliminary investigation. However out of 7 price comparisons, Canadian prices were lower in 5 instances.

Domestic prices generally fell during the period of investigation. The petitioners report that the main reasons for the price decreases were the price of steel and market conditions. However one market condition that could precipitate further price erosion would be the presence in the

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9/ Transcript of conference, p. 9.

10/ Report at a-31.

market of increasing quantities of high quality, unfairly traded Canadian pipe.

The President's program of voluntary restraints went into effect in September 1984. The signing of the VRA's and later in 1985, the European Community pipe and tube agreement should have had a positive effect on the domestic industry. It did result in an increase in the domestic share of a shrinking market. However, there is a reasonable indication on the basis of the information obtained in this preliminary investigation that allegedly LTFV imports of Canadian pipe will enter the U.S. market in such quantities and at such prices as to threaten further material injury to the struggling domestic industry.

## INFORMATION OBTAINED IN THE INVESTIGATION

### Introduction

On February 11, 1987, counsel for Tex-Tube Division of Cyclops Corp., Houston, TX, and Maverick Tube Corp., Chesterfield, MO, filed an antidumping petition with the U.S. International Trade Commission and the U.S. Department of Commerce. The petition alleges that an industry in the United States is materially injured or is threatened with material injury by reason of imports of line pipes and tubes 1/ from Canada that are sold at less than fair value (LTFV). Accordingly, effective February 11, 1987, the Commission instituted investigation No. 731-TA-375 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673(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 the subject merchandise.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of February 19, 1987 (52 F.R. 5201). 2/ The conference was held in the Commission's hearing room on March 5, 1987, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 3/ The statute directs the Commission to make its determination within 45 days after the receipt of a petition, or in this case by March 30, 1987.

### The Products

#### Description and uses

For the most part, the terms "pipes," "tubes," and "tubular products" can be used interchangeably. In some industry publications, however, a distinction is made between pipes and tubes. According to these publications, pipes are produced in large quantities in a few standard sizes, whereas tubes are made to customers' specifications regarding dimension, finish, chemical composition, and mechanical properties. Pipes are normally used as conduits for liquids or gases, whereas tubes are generally used for load-bearing or mechanical purposes. Nevertheless, there is apparently no clear line of demarcation in many cases between pipes and tubes.

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1/ For purposes of this investigation, the term "line pipes and tubes" covers welded carbon steel pipes and tubes of circular cross section, with walls not thinner than 0.065 inch, 0.375 inch or more but not over 16 inches in outside diameter, conforming to API specifications for line pipe, provided for in items 610.3208 and 610.3209 of the Tariff Schedules of the United States Annotated (1987) (TSUSA).

2/ Copies of the Commission's and Commerce's notices are presented in app. a.A.

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

Steel pipes and tubes can be divided into two general categories according to the method of manufacture--welded or seamless. Each category can be further subdivided by grades of steel: carbon, heat-resisting, stainless, or other alloy. This method of distinguishing between steel pipe and tube product lines is one of several methods used by the industry. Pipes and tubes typically come in circular, square, or rectangular cross section.

The American Iron & Steel Institute (AISI) distinguishes among the various types of pipes and tubes according to six end uses: line pipe, standard pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods. 1/

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM), the American Society of Mechanical Engineers, and the American Petroleum Institute (API). The API states that the purpose of its specifications is to "provide standards for pipe suitable for use in conveying gas, water, and oil in both the oil and natural gas industries." 2/ API specifications may be used by anyone. However, in order to stamp the API monogram on line pipes and tubes, a mill must first obtain certification from the API. It takes a minimum of 6 months for the API to process an application for certification. The API monogram is a warranty that the licensee has obtained a valid license to use the monogram and that each individual item which bears the monogram conforms, in every detail, with the applicable API specification at the time of manufacture. Certain end users, however, require more stringent specifications and inspection procedures than those required by API. 3/ Comparable organizations in Canada, Japan, West Germany, the United Kingdom, the U.S.S.R., and other countries have also developed standard specifications for steel pipes and tubes. Standard specifications developed by the Canadian Standard Association (CSA) are comparable to API specifications for line pipes and tubes.

The line pipes and tubes that are the subject of this investigation are welded carbon steel pipes and tubes of circular cross section, with walls not thinner than 0.065 inch, 0.375 inch (3/8 inch) or more but not over 16 inches in outside diameter (O.D.), provided for in items 610.3208 and 610.3209 of the TSUSA. Line pipes and tubes (hereafter line pipe) are used for the transportation of gas, oil, or water, generally in pipeline or utility

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1/ For a full description of these items, see Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea: Determination of the Commission in Investigation No. 701-TA-168 (Final) . . . , USITC Publication 1345, February 1983.

2/ American Petroleum Institute, API Specification for Line Pipe, 35th ed., May 31, 1985, p. 4.

3/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), pp. 57-58, p. 64, and pp. 91-92, and telephone conversations with \* \* \*, on Mar. 6, 1987, and \* \* \*, on Mar. 19, 1987. According to \* \* \*, almost everyone that purchases substantial quantities of line pipe writes their own specifications for the pipe. This is because API specifications are loosely written and, as API states, its specifications are only "intended to supplement rather than replace individual engineering judgement." Also see portion of report entitled "Lost Sales."



distribution systems. They are most commonly produced to API Specification 5L. There are at least 10 grades of API 5L line pipe. 1/ Requirements concerning chemical and mechanical properties for API line pipe differ for the various specifications and grades.

There is no significant difference in the end uses of line pipe under 16 inches in O.D. and those of line pipe over 16 inches in O.D. Generally, line pipe of any size O.D. is used to transport natural gas and oil (as opposed to oil country tubular goods, which are generally used in drilling operations). As a general rule, smaller sized line pipe is used in collection lines at an oil or gas field, and larger sized line pipe (over 16 inches in O.D.) is used for transporting large volumes of natural gas and oil over long distances (greater than 20 miles). There are, however, many exceptions to this rule. 2/

#### Manufacturing process

The manufacture of welded line pipe begins with coils of flat-rolled steel, known as skelp, 3/ which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of tubing. The slit coils are fed into the tube mills where they are formed by rollers and welded along the joint axis.

There are various types of welding methods used in the manufacture of line pipe. These include electric weld, submerged-arc weld, gas metal-arc weld (MIG), combination gas MIG and submerged-arc weld, and butt-weld. By far the most common methods of welding line pipe are continuous welding (CW), a subset of butt-welding, and electric resistance welding (ERW), a subset of electric welding.

In the CW method, skelp is heated in a furnace to approximately 2,600° F, and then it is hot-formed by tapered rolls into a cylinder. The heat in combination with the pressure of the rolls forms the weld. CW mills are generally only able to produce grade A25 line pipe up to approximately 5-1/2 inches O.D.

In the ERW method, skelp is cold-formed by tapered rolls into a cylinder. The weld is formed when the two joining edges are heated to approximately 2,600° F. Pressure exerted by rolls squeezes the heated edges together to form the weld. The ERW method may be used to produce line pipe

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1/ For a full description of the various grades of API Specification 5L line pipe, see the API's publication entitled API Specification for Line Pipe, 35th ed., May 31, 1985.

2/ Based on a telephone conversation with \* \* \*, on Mar. 18, 1987.

3/ Skelp is a flat-rolled, intermediate product used as the raw material in the manufacture of pipes and tubes. It is typically an untrimmed band of hot- or cold-rolled sheet.

between 3/8 inch and 24 inches in O.D. 1/

ERW mills are designed according to the specified maximum outside diameter, wall thickness and yield strength for the pipe to be produced. Most of the ERW mills operating today were installed in the 1950's when market conditions indicated that line pipe with a maximum O.D. of 16 inches would be the largest size needed. American, USX, and Stupp operate the only ERW mills in the United States that can produce line pipe of an O.D. over 16 inches.

In an ERW mill, there is no difference in the equipment used to produce line pipe with an O.D. of 16 inches or under, and line pipe with an O.D. of over 16 inches other than the size of the equipment. The welding process is exactly the same regardless of the size of pipe being produced, but the actual welder will vary in the amount of energy it produces.

The rolls that form the skelp into pipe are fixed to a cylindrical shaft. There are top and bottom rolls in each shaft. The cylindrical shaft is set in a vertical stand. The maximum O.D. for the pipe to be produced is determined by the size of the diameter of the cylindrical shaft, the bearing design, the gear box, and the electrical motor that drives the rolls. Producing different sized pipe within the range possible on a mill involves replacing rolls of one size with rolls of another. A complete set of rolls necessary for a given size pipe costs about \$250,000, and there is at least a 9-month wait if they must be ordered from the manufacturer.

The main advantage of the CW method over the ERW method is that line pipe can be produced by the CW method at a rate of 1,200 feet per minute versus 110 feet per minute by the ERW method. The ERW method, on the other hand, can produce larger diameter pipe, and it requires significantly less energy per pipe length produced since only the joining edges of the skelp are heated.

Immediately after welding, regardless of the welding method used, sizing rolls shape the tube to accurate diameter tolerances. The product is cooled and then cut at the end of the tube mill by a flying shear or saw. The ends of the pipe may be left plain, or finished by such means as beveling, threading, or coupling.

API line pipe is inspected and tested at various stages in the production process to ensure strict conformity to API specifications. As noted earlier,

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1/ Other products of circular cross section, such as standard and mechanical pipes and tubes, and oil country tubular goods, may be produced on the same ERW mills as line pipe. However, on ERW mills, oil country tubular goods are the most common companion product to line pipe. There are some minor differences in the production of line pipe and oil country tubular goods. For example, line pipe is generally cut to lengths that are longer than those of oil country tubular goods, and oil country tubular goods are produced to a greater variety of outside diameters than line pipe. In addition, wall thickness and yield strength are different between the two types of products. These factors, however, affect the type of steel used but not the actual production process.

certain end users require more stringent specifications and inspection procedures than those required by API. 1/

#### U.S. tariff treatment

Imports of line pipe are classified in TSUS item 610.32 and are statistically reported in TSUSA items 610.3208 and 610.3209. 2/ As of January 1, 1987, the most-favored-nation (MFN) (column 1) rate of duty, applicable to imports from Canada, was 1.9 percent ad valorem for TSUS item 610.32. This duty rate applies to imports from all countries other than the Communist countries enumerated in TSUS general headnote 3(d) except where such imports qualify for preferential tariff programs.

Countervailing duties are currently in effect with respect to imports of line pipe from Turkey. These imports are subject to a duty of 17.8 percent ad valorem (51 F.R. 7984, Mar. 7, 1986). Selected data on the instant investigation and recent title VII investigations on line pipe are presented in table 1. Countries that have signed voluntary restraint agreements (VRAs) that include the steel pipes and tubes under investigation are presented in the section of the report entitled "The President's Program on Voluntary Restraints of Exports to the United States."

#### Nature and Extent of Alleged Sales at LTFV

Petitioners made allegations of sales at LTFV on imports from Canada based on comparisons of home-market sales with the U.S. purchase price of the Canadian product. Several U.S. sales by IPSCO, a Canadian producer/exporter, were examined. 3/ The resulting alleged dumping margins ranged from 36.6 to 60.0 percent.

#### The President's Program on Voluntary Restraints of Exports to the United States

In September 1984, the President outlined a nine-point program designed to assist the U.S. steel industry in a number of areas, including trade. Under this program, the U.S. Government would negotiate surge-control arrangements (and self-initiate proceedings under the trade laws, if necessary) with understandings, or suspension agreements, with countries "whose exports to the United States have increased significantly in recent years due to an unfair surge in imports." Unfair surges were described in the President's decision as dumping, subsidization, or diversion from other

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1/ Some U.S. producers do not have the equipment to perform additional tests and must hire an independent inspection agency to perform the tests and obtain the necessary certification. For a further discussion of these testing requirements see the portion of the report entitled "Lost Sales."

2/ Line pipe not over 4-1/2 inches in O.D. is reported in TSUSA item 610.3208, and line pipe over 4-1/2 inches in O.D. but not over 16 inches in O.D. is reported in TSUSA item 610.3209.

3/ \* \* \*.

Table 1.--Line pipe: Title VII investigations since January 1984, most recent dumping and subsidy margins, and import-to-consumption ratios, by countries, 1984-86

Item	Weighted- average margin	Date of bond or order 1/	Ratio of imports to apparent U.S. consumption		
			1984 2/	1985	1986
Antidumping investigations:					
Pending:					
Canada (instant in- vestigation)... 3/		3/	0.5	0.7	1.1
Negative final injury findings:					
Taiwan..... 27.98		Dec. 30, 1985	.4	1.3	0.5
Turkey.....4/ 40.23		Jan. 3, 1986	-	.6	.1
Terminated:					
Venezuela 5/.... 55.7		Aug. 13, 1985	7.2	5.1	2.5
Countervailing duty investigations:					
Outstanding countervailing duty order:					
Turkey.....6/ 17.80		Mar. 3, 1986	-	.6	.1
Terminated:					
Mexico 7/..... 0.67-23.65		Jan. 31, 1985	6.6	3.7	4.5
Venezuela 8/.... 76.00		Nov. 13, 1985	7.2	5.1	2.5
Yugoslavia 9/... 74.50		Dec. 31, 1985	-	-	-

1/ Date the countervailing duty order was issued for the affirmative case on Turkey. The dates for negative and terminated cases are those for bonding requirements.

2/ IPSCO contends that its confidential data and Canadian export data, clearly show that the Census figure for imports of line pipe from Canada in 1984 is significantly too low (see respondents' postconference brief, p. 13). Imports and, therefore, apparent consumption of line pipe are understated by approximately \* \* \* tons in 1984 due to imports from Canada \* \* \* missing from the official import statistics (see IPSCO's questionnaire response and confidential docket 87-50). Accordingly, in 1984 the ratio of Canadian imports to apparent U.S. consumption should be approximately \* \* \* percent. \* \* \*.

3/ The antidumping petition concerning imports of line pipe from Canada was filed on Feb. 11, 1987; hence no preliminary decisions by the Commission or the Department of Commerce are available.

4/ This is the margin for Mannesmann and Erkrboru. The margin for a third firm, Borusan, is de minimis. The margin for all other firms is 14.81 percent.

5/ Terminated by the Commission, effective Dec. 4, 1985, following withdrawal of petition prior to a final determination by Commerce.

6/ In its final determination, Commerce found the subsidy to be 18.81 percent, but the bonding or cash deposit rate was adjusted to 17.80 percent to take into account changes that occurred after the review period.

7/ Terminated by Commerce, effective Apr. 2, 1985, following withdrawal of petition.

8/ Terminated by Commerce, effective Nov. 27, 1985, following withdrawal of petition. The Commission did not institute a final investigation.

9/ The petition was withdrawn on Mar. 27, 1986. On Aug. 30, 1985, the Commission issued a negative preliminary antidumping determination with respect to line pipe from Yugoslavia. Yugoslavia did not export line pipe to the United States during 1984-86.

a-6

Source: Margins and date of bond or order, obtained from the U.S. Department of Commerce; ratio of imports to consumption, compiled from official statistics of the U.S. Department of Commerce and data submitted in response to questionnaires of the U.S. International Trade Commission.

importing countries that have restricted access to their markets. The countries that have signed voluntary restraint agreements (VRAs) that include the line pipe under investigation as of December 31, 1986, are as follows: 1/

Australia	Mexico
Austria	Poland
Brazil	Portugal
Czechoslovakia	Republic of Korea
East Germany	Romania
Finland	South Africa
Hungary	Spain
Japan	Venezuela
	Yugoslavia

#### The European Community Pipe and Tube Agreement

On December 11, 1985, the European Community (EC) agreed through an exchange of letters to limit EC exports of pipes and tubes to the United States. The agreement, which extends a January 1, 1985, U.S.-EC pipe and tube accord through September 30, 1989, is intended to limit the EC share of the U.S. pipe and tube market to 7.6 percent. This agreement coincides with the duration of the VRAs.

#### The Producers in Canada

Petitioners state that there are five producers in Canada that are certified to use the API monogram on line pipe: Algoma Steel Corp, IPSCO, Inc., Prudential Steel, Ltd., Sonco Steel Tube, Ltd., and Stelco, Inc. 2/

IPSCO (Interprovincial Steel Co.) is the only Canadian producer that participated as an interested party to the investigation. It is an integrated producer that melts its own steel from scrap, and manufactures a wide range of steel products including hot-rolled coil, sheet, and plate; hollow structural sections; standard pipe; oil country tubular goods; large-diameter pipe; and line pipe. 3/ IPSCO Steel, Inc., Houston, TX, a fully owned subsidiary of IPSCO, Inc., is involved in importing line pipe into the United States.

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1/ In December 1986, Taiwan announced a unilateral export restraint program that limits its exports of steel products to the United States to between 20,000 and 25,000 net tons per month through 1987. The People's Republic of China signed a VRA effective February 25, 1987.

2/ Petition for investigation No. 731-TA-375 (Preliminary), pp. 5-6.

3/ According to American Metal Market, IPSCO signed a \$47 million contract for a modernization program that will increase its annual rolling mill capacity to 750,000 tons from 650,000 tons at its Regina mill. The article quotes IPSCO spokesman John Sparks as saying; "[i]ts conceivable our tonnage won't change if we're doing something like controlled rolled steel, but our costs will be lower. If we're doing something like line pipe, yes, our output may increase." See American Metal Market, Feb. 21, 1985, p. 2.

Table 3.--Line pipe: U.S. producers, 1/ their shares of domestic shipments, mill locations, and size range of production, by firms, 1986

Firm	Share of reported 1986 domestic shipments --Percent--	Mill locations	Size range of production --Inches O.D.--
Petitioning firms:			
Cyclops Corp.:			
Tex-Tube Div.....	***	Houston, TX.	2-3/8 to 8-5/8
Maverick Tube Corp.....	***	Union, MO. <u>2/</u>	up to 5
Non-petitioning firms:			
American Cast Iron Pipe Co. <u>3/</u> .	***	Birmingham, AL.	8-5/8 to 20
California Steel Industries <u>3/</u> .	<u>4/</u>	Fontana, CA.	4-1/2 to 16
Cyclops Corp.:			
Sawhill Tubular Div. <u>3/</u> <u>5/</u> ...	***	Sharon, PA.	up to 4-1/2
Kaiser Pipe & Casing <u>3/</u> ..... <u>6/</u>	***	Fontana, CA.	4-1/2 to 16
LTV Corp. <u>3/</u> .....	***	Cleveland, OH.	2-3/8 to 4-1/2
		Youngstown, OH. <u>7/</u>	6-5/8 to 16
		Aliquippa, PA. <u>8/</u>	1/2 to 12-3/4
		Counce, TN.	4-1/2 to 8-5/8
Laclede Steel Co. <u>5/</u> <u>9/</u> .....	***	Alton, IL.	up to 4-1/2
Lone Star Steel Co., Inc. <u>3/</u> ...	***	Lone Star, TX.	up to 16
		Fort Collins, CO. <u>10/</u>	up to 8-5/8
National Pipe & Tube <u>3/</u> .....	***	Houston, TX.	*** to ***
Newport Steel Corp. <u>3/</u> .....	***	Newport, KY.	4-1/2 to 16
Paragon Industries <u>3/</u> .....	***	Sapulpa, OK.	4-1/2 to 8-5/8
Stupp Corp. <u>9/</u> .....	***	Baton Rouge, LA.	8-5/8 to 24
USX Corp. <u>3/</u> .....	***	Fairless, PA.	1/2 to 4-1/2
		Lorain, OH.	4-1/2 to 6-5/8
		Geneva, UT. <u>11/</u>	4-1/2 to 16
		National, PA. <u>11/</u>	6-5/8 to 20
Wheatland Tube Corp. <u>3/</u> <u>5/</u> .....	***	Collingswood, NJ.	up to 4-1/2

1/ In addition, there is another U.S. producer that produces minimal amounts of line pipe on an order-by-order basis. It is estimated that this producer accounted for less than \* \* \* percent of total domestic shipments in 1986.

2/ \* \* \*. For more details see report at p. a-9.

3/ \* \* \*.

4/ \* \* \*.

5/ This company produces line pipe only on a continuous weld (CW) mill. For more details, see section of report entitled "Manufacturing process."

6/ Kaiser ceased producing this product in mid-1986. Kaiser represented \*\*\* percent of domestic shipments of U.S.-produced line pipe in 1985.

7/ LTV idled its CW mill in Youngstown in November 1985. \* \* \* (see report at p. a-11). \* \* \*. It continues to operate an ERW mill in Youngstown.

8/ LTV idled both its CW and ERW mills in Aliquippa in December 1984. \* \* \* (see report at p. a-11). \* \* \*.

9/ \* \* \*.

10/ \* \* \*.

11/ Not scheduled to reopen following strike that began Aug. 1, 1986. For more details see report at p. a-11.

Source: Share of domestic shipments, compiled from data submitted in response to a-8 questionnaires of the U.S. International Trade Commission, size range of production from the World Steel Industry Data Handbook: USA 1985, and "Equipment Survey of Manufacturers Authorized to use the API Monogram on Casing, Tubing, Drill Pipe or Line Pipe", compiled and issued by the American Petroleum Institute, Dallas, TX.

Note.--Because of rounding, shares of reported 1986 shipments may not add to 100 percent.

As noted above, Kaiser Pipe and Casing of Fontana, CA., sold its mill to California Steel Industries in September 1986. \* \* \*.

In December 1984, LTV closed its CW and ERW mills in Aliquippa, PA, and in November, 1985, it closed its CW mill in Youngstown, OH, that produced line pipe. \* \* \* 1/ \* \* \*. Currently, LTV is capable of producing line pipe up to 16 inches in O.D.

Laclede Steel Co.'s mill in Alton, IL, produces line pipe on a CW weld mill which limits the size of pipe it is capable of producing to 4-1/2 inches in O.D. or smaller. \* \* \*.

Lone Star Steel produces both oil country tubular goods and line pipe and tube at its mills in Fort Collins, CO, and Lone Star, TX. \* \* \*. Its mill in Lone Star, TX, produces line pipe up to 16 inches in O.D. \* \* \*.

National Pipe & Tube, a domestic producer of line pipe not named in the petition, produces line pipe between \* \* \* and \* \* \* inches in O.D. at its mill in Houston, TX. \* \* \*.

Newport Steel Corp. reported that \* \* \* ERW line pipe mill to produce line pipe between 4-1/2 and 16 inches in O.D. It also operates another ERW mill at the same location that produces line pipe between 4-1/2 and 8-5/8 inch O.D. \* \* \*.

Paragon Industries, another domestic producer of line pipe not named in the petition, produces line pipe \* \* \*. \* \* \*, Paragon's mill is capable of producing line pipe between 4-1/2 and 8-5/8 inches in O.D. and has an estimated total annual capacity of \* \* \*.

Stupp Corp.'s ERW mill in Baton Rouge, LA, produces line pipe between 8-5/8 and 24 inches in O.D. \* \* \*.

USX Corp. had been involved in a strike from August 1, 1986, to January 31, 1987, which affected all four of its mills producing line pipe as well as its mills producing flat-rolled steel used by other U.S. producers in the production of line pipe. 2/ A Wall Street Journal article reports USX chairman Roderick as saying USX "won't permit competitors to take customers away by undercutting it in price." 3/ The article also reports senior company officials saying that there is virtually no chance that its mill in Baytown, TX, or its mills in Geneva (Provo), UT, that produce line pipe, would reopen. 4/ The Geneva mill has a annual capacity of approximately 150,000

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1/ Based on a telephone conversation with \* \* \*, on Mar. 11, 1987.

2/ For a discussion of the USX strike and its affects on the U.S. steel industry, see PaineWebber's World Steel Intelligence, Steel PriceTrack #19-#20, Sept. 19, 1986, pp. 1-3, and pp. 6-9, and the "Monthly Import/Business Review," U.S. International Trade Commission, February 1987, pp. 11-13.

3/ J. Ernest Beazley, "USX to Reduce Its Steelmaking Capacity by 27%," Wall Street Journal, Feb. 5, 1987, sec. 1, p. 2.

4/ Ibid. In addition to the closures reported in the article, the closure of USX's National, PA, mill was confirmed in a telephone conversation with<sup>a-9</sup> \* \* \*, on Mar. 11, 1987.

tons of 4-1/2 to 16 inch O.D. line pipe. 1/

Wheatland Tube produces line pipe up to 4-1/2 inches in O.D. on its CW mill in Collingswood, NJ. \* \* \*.

#### U.S. Importers

Questionnaires were sent to 6 U.S. firms, which, according to the U.S. Customs Service's net import file, imported virtually all of the line pipe from Canada during the period covered by the investigation. 2/ \* \* \* of these firms responded to the questionnaire indicating that they do not import the subject products from Canada. IPSCO Steel, Inc., Houston, TX, a fully owned subsidiary of IPSCO, Inc., Saskatchewan, Canada, \* \* \*. \* \* \*. IPSCO maintains that it increased its imports of line pipe in late 1986 to fill a gap caused by the strike at USX. 3/

#### The U.S. Market

##### Channels of distribution

In the U.S. market, sales of pipes and tubes are made directly to end users or to steel service centers/distributors, which in turn sell to end users. Service centers/distributors are middlemen that buy large quantities of pipes and tubes, typically from both domestic producers and importers, warehouse the product, and sell smaller quantities to end users.

##### Apparent U.S. consumption

Total apparent U.S. consumption of line pipe decreased by 22 percent from 1984 to 1985, and then decreased by an additional 26 percent from 1985 to 1986 (table 4).

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1/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary,) p. 55, and respondents' postconference brief, p. 14.

2/ In addition, the net import file listed \* \* \* as importers of record.

3/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), pp. 51-57, pp. 99-100, and conference exhibit 2.



Table 4.--Line pipe: U.S. producers' domestic shipments, imports for consumption, and apparent U.S. consumption, 1984-86

Item	U.S. producers' domestic shipments	Imports	Apparent consump- tion	Ratio to apparent consumption of--	
				Producers' shipments	Imports
				-----Percent-----	-----Percent-----
		-----Short tons-----			
1984 1/.....	579,892	519,308	1,099,200	52.8	47.2
1985.....	491,319	366,290	857,609	57.3	42.7
1986.....	389,731	249,188	638,919	61.0	39.0

1/ IPSCO contends that its confidential data, and Canadian export data, clearly show that the Census figure for imports of line pipe from Canada in 1984 is significantly too low (see respondents' postconference brief, p. 13). Imports and, therefore, apparent consumption of line pipe are understated by approximately \* \* \* tons in 1984 due to imports from Canada \* \* \* (see IPSCO's questionnaire response and confidential docket 87-50). On this basis, total imports in 1984 should be approximately \* \* \* tons and apparent U.S. consumption in 1984 should be approximately \* \* \* tons. Producers' shipments and imports accounted for approximately \* \* \* percent and \* \* \* percent, respectively, of apparent U.S. consumption in 1984.

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

Consideration of Alleged Material Injury  
to an Industry in the United States 1/

U.S. production, capacity, and capacity utilization

As shown in table 5, total U.S. production of line pipe decreased from 527,388 tons in 1984 to 455,982 tons in 1985, or by 14 percent. Such production fell by an additional 19 percent in 1986 to 371,243 tons. Reported U.S. capacity to produce line pipe decreased steadily during the period covered by the investigation, falling 7 percent from 1984 to 1985 and by 4 percent from 1985 to 1986. This decrease in capacity is a result of changes in capacity reported by \* \* \*. As noted earlier, \* \* \*. \* \* \*. Counteracting these overall declines in capacity were increases in reported capacity by \* \* \* and \* \* \*, and the entrance into the line pipe business by Maverick. As noted earlier, \* \* \*. \* \* \*. Maverick's entrance into the line pipe market in 1986 added \* \* \* tons to the annual production capacity for line pipe in the United States. Capacity utilization steadily decreased from 33 percent in 1984 to 27 percent in 1986.

Table 5.--Line pipe: U.S. production, capacity,  
and capacity utilization, 1/ 1984-86

Item	1984	1985	1986
Production..short tons..	527,388	455,982	371,243
Capacity.....do....	1,509,622	1,407,922	1,353,922
Capacity utilization percent..	33	32	27

1/ Capacity utilization rates were calculated using data from firms that provided information on both production and capacity. 3 firms accounting for 6.7 percent of reported domestic shipments in 1986 did not provide production figures. 4 firms accounting for 8.4 percent of reported domestic shipments in 1986 did not provide data on capacity. Also excluded from capacity figures and capacity utilization calculations are \* \* \*.

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

1/ Information in this section of the report was compiled from data submitted in response to questionnaires of the Commission in connection with the instant investigation. Capacity, production, domestic shipments, and end-of-period inventory figures are different from those presented in the final report for investigations Nos. 731-TA-271 through 273 (Final), Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, because of questionnaire revisions by several U.S. producers. \* \* \*.

U.S. producers' domestic shipments

U.S. producers' domestic shipments of line pipe fell from 579,892 tons in 1984 to 491,319 tons in 1985, or by 15 percent (table 6). In 1986, domestic shipments fell an additional 21 percent to 389,731 tons.

Table 6.--Line pipe: U.S. producers' domestic shipments, 1984-86

Item	1984	1985	1986
Quantity.....short tons..	579,892	491,319	389,731
Value.....1,000 dollars..	297,921	222,616	169,957
Unit value.....per ton..	\$514	\$453	\$436

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

\* \* \* was the only domestic producer of line pipe that reported intracompany transfers of its production. \* \* \*. The following tabulation presents intracompany transfers as reported by \* \* \* in its questionnaire response (in tons):

	<u>1984</u>	<u>1985</u>	<u>1986</u>
Intracompany transfers.....	***	***	***

U.S. exports

\* \* \* and \* \* \* were the only U.S. producers of line pipe that reported exports during the period covered by the investigation. 1/ \* \* \*.

U.S. producers' inventories

U.S. producers' yearend inventories of line pipe decreased by 7 percent during 1984-86. During the period covered by the investigation, these inventories varied between 13 and 18 percent of annual shipments, as shown in the following tabulation:

As of Dec. 31--	<u>Inventories</u> <u>(tons)</u>	<u>Ratio of inventories</u> <u>to domestic shipments <u>1/</u></u> <u>(percent)</u>
1984.....	70,162	15
1985.....	60,284	13
1986.....	65,200	18

1/ Ratios were calculated using data from firms that provided information on both inventories and shipments. 3 firms, accounting for 6 to 12 percent of shipments during the period covered by the investigation, did not provide inventory data. \* \* \*. a-13

U.S. producers' imports

U.S. producers of line pipe did not report imports, or purchases of imported products subject to investigation during the period covered by the investigation.

U.S. employment and wages 1/

The number of workers employed in the production of line pipe steadily declined from 1,827 in 1984 to 857 in 1986, representing a decrease of 53 percent (table 7). Hours worked by such workers fell by 62 percent during the same period. Labor productivity, as measured by tons produced per hour, dramatically increased by 87 percent between 1984 and 1986. The hourly wages earned by these workers fell by 7 percent during 1984-86. U.S. producers' unit labor costs fell dramatically from \$123 per ton in 1984 to \$62 per ton in 1986, representing a 50 percent decline.

Productivity and unit labor costs can vary greatly between companies depending on the nature of the finishing processes involved and the size ranges produced. For example, threaded and coupled ends require significantly more finishing than does a plain-end line pipe. As a result, a company that threads and/or couples a large portion of its production may have experienced lower productivity (measured in tons of line pipe produced per hour worked), and significantly higher unit labor costs (measured in dollars of compensation paid per ton of line pipe produced) than a company that produces large quantities of plain-end line pipe of the same diameters. Similar differences also exist between companies that produce large quantities of small-diameter line pipe as opposed to large-diameter line pipe that weighs correspondingly more per foot.

In its questionnaire, the Commission requested U.S. producers to provide detailed information concerning reductions in the number of production and related workers producing line pipe occurring between January 1984 and December 1986. Five domestic producers responded.

*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

---

1/ The number of production and related workers producing line pipe, hours worked, wages and total compensation paid to such employees, and hence labor productivity, hourly compensation, and unit labor production costs are different from those presented in the final report for investigations Nos. 731-TA-271 through 273 (Final), Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, because of questionnaire revisions by several U.S. producers. \* \* \*

Table 7.--Average number of production and related workers producing line pipe, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor production costs, 1984-86 3/

Item	1984	1985	1986
Production and related workers:			
Number.....	1,827	1,265	857
Percentage change.....	-	-31	-32
Hours worked by production and related workers:			
Number...1,000 hours..	2,858	2,144	1,100
Percentage change.....	-	-25	-49
Wages paid to production and related workers:			
Value..1,000 dollars..	40,603	26,910	13,802
Percentage change.....	-	-34	-49
Total compensation paid to production and related workers:			
Value..1,000 dollars..	58,357	39,278	20,362
Percentage change.....	-	-33	-48
Labor productivity: <u>4/</u>			
Quantity			
tons per hour..	0.176	0.208	0.328
Percentage change.....	-	+19	+57
Hourly compensation: <u>5/</u>			
Value.....	\$14.59	\$13.03	\$13.52
Percentage change.....	-	-11	+4
Unit labor costs: <u>6/</u>			
Value.....per ton..	\$123	\$95	\$62
Percentage change.....	-	-23	-35

1/ Includes hours worked plus hours of paid leave time.

2/ Includes wages and contributions to Social Security and other employee benefits.

3/ Firms providing employment data accounted for 85 percent of domestic shipments of line pipe in 1986. Excluded from these data are data regarding \* \* \*.

4/ Calculated using data from firms that provided information on both production and hours worked.

5/ Based on wages paid excluding fringe benefits. Calculated using data from firms that provided information on both wages paid and hours worked.

6/ Based on total compensation paid. Calculated using data from firms that provided information on both total compensation paid and production.

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

### Financial experience of U.S. producers

Operations on welded carbon steel pipes and tubes.--Five U.S. producers supplied usable income-and-loss data for all carbon steel pipe and tube operations of their establishments within which line pipe is produced. Net sales decreased by 6.4 percent from \$619.2 million in 1984 to \$579.6 million in 1985 (table 8). Sales totaled \$479.7 million in 1986, a decline of 17.2 percent from 1985 sales. Operating losses of \$53.2 million and \$12.5 million were incurred in 1984 and 1985, respectively. Operating loss margins, as a share of sales, were 8.6 percent in 1984 and 2.2 percent in 1985. Operating income of \$3.7 million, or 0.8 percent of sales, was achieved in 1986. Two firms reported operating losses in each of the reporting periods.

Operations on line pipe.--Five producers, which accounted for 58 percent of domestic shipments of line pipe in 1986, as reported in the Commission's questionnaires, furnished usable income-and-loss data (tables 9 and 10). Net sales decreased by 28.5 percent from \$189.5 million in 1984 to \$135.6 million in 1985. In 1986, sales totaled \$102.4 million, a decline of 24.5 percent from 1985 sales. Operating losses were \$29.2 million in 1984, and \$2.7 million in 1985 and 1986. Operating loss margins, as a share of sales, were 15.4 percent in 1984, 2.0 percent in 1985, and 2.7 percent in 1986. One firm reported an operating loss in 1984, and two firms reported operating losses in 1985 and 1986. The accounting year for all firms ends December 31, except for \* \* \*, whose accounting year ends February 28.

*	*	*	*	*	*	*
*	*	*	*	*	*	*

As shown in table 10, \* \* \*. \* \* \*.

Investment in productive facilities.--None of the producers were able to supply specific data concerning their investment in productive facilities employed in the production of line pipe. Three producers did supply information on all welded pipes and tubes produced in their establishment(s) within which line pipe is produced. Their investment in such facilities, valued at cost, increased from \$39.6 million at yearend 1984 to \$42.5 million at yearend 1985. At yearend 1986, these facilities were valued at \$40.5 million, representing a decline of \$2.1 million from 1985. The book value of such assets was \$12.9 million at yearend 1986. One producer, \* \* \*, whose accounting year ends February 28, provided data as of December 31, 1985 and 1986. The original cost and book value of \* \* \*'s fixed assets as of December 31, 1986, were \$\* \* \* million and \$\* \* \* million, respectively. These data are shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Original cost</u>	<u>Book value</u>
1984.....	39,579	13,783
1985.....	42,539	14,425
1986.....	40,464	12,885
As of Dec. 31--		
1985.....	***	***
1986.....	***	***

Table 8.--Income-and-loss experience of 5 U.S. producers 1/ on their operations on all welded carbon steel pipes and tubes produced in their establishments within which line pipe is produced, accounting years 1984-86 2/

Item	1984 3/	1985	1986
Net sales.....1,000 dollars..	619,152	579,644	479,721
Cost of goods sold.....do....	631,910	551,069	441,350
Gross profit or (loss).....do....	(12,758)	28,575	38,371
General, selling, and administrative expenses.....do....	40,400	41,080	34,687
Operating income or (loss).....do....	(53,158)	(12,505)	3,684
Interest expense.....do....	1,997	1,708	4,200
Other income or (expense), net.....do....	1,237	802	1,516
Net income or (loss) before income taxes.....do....	(53,918)	(13,411)	1,000
Depreciation and amortization expense included above.....do....	6,396	6,665	5,974
Cash flow or (deficit) from operations.....do....	(47,522)	(6,746)	6,974
Ratio to net sales--			
Cost of goods sold.....percent..	102.1	95.1	92.0
Gross profit or (loss).....do....	(2.1)	4.9	8.0
General, selling, and administrative expenses.....do....	6.5	7.1	7.2
Operating income or (loss).....do....	(8.6)	(2.2)	0.8
Net income or (loss) before income taxes.....do....	(8.7)	(2.3)	0.2
Number of firms reporting--			
Operating losses.....	2	2	2
Net losses.....	2	2	2
Data.....	5	5	5

1/ These 5 firms are \* \* \*. \* \* \*.

2/ The accounting year for all companies ends Dec. 31 except for \* \* \*, whose accounting year ends Feb. 28.

3/ The large operating loss for 1984 was mainly attributable to \* \* \*.

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

Table 9.--Income-and-loss experience of 5 U.S. producers 1/ on their operations producing line pipe, accounting years 1984-86 2/ 3/

Item	1984 4/	1985	1986
Net sales.....1,000 dollars..	189,507	135,570	102,404
Cost of goods sold.....do....	207,329	126,575	95,003
Gross profit or (loss).....do....	(17,822)	8,995	7,401
General, selling, and administrative expenses.....do....	11,381	11,723	10,124
Operating income or (loss).....do....	(29,203)	(2,728)	(2,723)
Depreciation and amortization expense included above.....do....	2,267	2,335	1,931
Cash flow or (deficit) from operations.....do....	(26,936)	(393)	(792)
Ratio to net sales:			
Cost of goods sold.....percent..	109.4	93.4	92.8
Gross profit or (loss).....do....	(9.4)	6.6	7.2
General, selling, and administrative expenses.....do....	6.0	8.6	9.9
Operating income or (loss).....do....	(15.4)	(2.0)	(2.7)
Number of firms reporting--			
Operating losses.....	1	2	2
Data.....	5	5	5

1/ These five firms are \* \* \*. \* \* \*.

2/ The accounting year for all companies ends Dec. 31 except for \* \* \*, whose accounting year ends Feb. 28.

3/ The income-and-loss experience of these producers are different from those presented in the final report for investigations Nos. 731-TA-271 through 273 (Final), Certain Welded Carbon Steel Pipes and Tubes from India, Taiwan, and Turkey, because of questionnaire revisions by several U.S. producers. The effect of these changes on operating income (loss) is indicated below (in thousands of dollars):

\* \* \* \* \*

4/ The large operating loss for 1984 was mainly attributable to \* \* \*. \* \* \*.

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



Table 10.--Income-and-loss experience of 5 U.S. producers on their operations producing line pipe, by nonintegrated producers and by specified integrated producers, accounting years 1984-86 1/ 2/

Item	1984	1985	1986
	Value (1,000 dollars)		
Net sales:			
Nonintegrated firms.....	***	***	***
* * *.....	***	***	***
* * *.....	***	***	***
Total.....	189,507	135,570	102,404
Gross profit or (loss):			
Nonintegrated firms.....	***	***	***
* * *.....	***	***	***
* * *.....	***	***	***
Total.....	(17,822)	8,995	7,401
Operating income or (loss):			
Nonintegrated firms.....	***	***	***
* * *.....	***	***	***
* * *.....	***	***	***
Total.....	(29,203)	(2,728)	(2,723)
	Share of net sales (percent)		
Gross profit or (loss):			
Nonintegrated firms.....	***	***	***
* * *.....	***	***	***
* * *.....	***	***	***
Weighted average.....	(9.4)	6.6	7.2
Operating income or (loss):			
Nonintegrated firms.....	***	***	***
* * *.....	***	***	***
* * *.....	***	***	***
Weighted average.....	(15.4)	(2.0)	(2.7)

1/ \* \* \*.

2/ \* \* \*.

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

Capital expenditures and research and development expenses.--Only one producer, \* \* \*, provided information concerning its capital expenditures incurred exclusively in the production of line pipe. These expenditures are shown in the following tabulation (in thousands of dollars):

<u>Period</u>	<u>Capital expenditures</u>
1984.....	***
1985.....	***
1986.....	***
Interim period ended--	
Dec. 31, 1985.....	***
Dec. 31, 1986.....	***

None of the firms reported research and development expenses in connection with subject products.

Capital and investment.--The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of line pipe from Canada on their firm's growth, investment, and ability to raise capital. Two firms provided comments as follows:

*	*	*	*	*	*	*
*	*	*	*	*	*	*

## The Question of the Threat of Material Injury

### Consideration factors

In its examination of the question of the threat of material injury to an industry in the United States, the Commission considers, among other factors, any increase in production capacity or existing unused capacity in the exporting country likely to result in an increase in exports of the subject merchandise to the United States, any rapid increase in U.S. market penetration and the likelihood that the penetration will increase to an injurious level, the probability that the price of the subject imported product will have a depressing or suppressing effect on the domestic price of the merchandise, any substantial increase in inventories of the merchandise in the United States, any other demonstrable trends that indicate that the importation (or sale for importation) of the merchandise will be the cause of actual injury, and the potential for product shifting.

Information on the market penetration of the subject products is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and LTFV Imports." Available information on the depressing or suppressing effect of the imported products on domestic prices is presented in the pricing section of this report. Available information on Canadian capacity, production, and exports of line pipe, and the potential for product shifting, is presented in the portion of the report entitled "The Producers in Canada."

### U.S. importers' inventories

IPSCO Steel, Inc. reported \* \* \*. \* \* \*. 1/ The following tabulation presents IPSCO's end-of-period inventories (in tons) as reported in its questionnaire response:

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
End-of-period inventories.....	***	***	***	***

---

1/ To the best of IPSCO's knowledge, it does not believe that any other Canadian producer of line pipe maintains more than token inventory in the United States (see respondents' postconference brief, p. 32).

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

U.S. imports 1/

Total U.S. imports of line pipe fell steadily from 1984 to 1986, falling from 519,308 tons in 1984 to 366,290 tons in 1985, or by 29 percent, and then falling by an additional 32 percent in 1986 to 249,188 tons (table 11). The Republic of Korea was the largest exporter of these pipes and tubes to the United States in 1986, accounting for 32 percent of total imports.

Imports from Canada of line pipe increased from 5,730 tons in 1984 to 5,991 tons in 1985, a 5-percent increase. Imports from Canada then increased by 21 percent, to 7,255 tons, in 1986. As noted earlier, IPSCO Steel, Inc., which accounted for \* \* \* percent of imports of line pipe from Canada in 1986, maintains that it increased its imports of line pipe in late 1986 to fill a gap caused by the strike at USX. 2/ Canada's share of total imports was 1.1 percent in 1984, 1.6 percent in 1985, and 2.9 percent in 1986.

Market penetration 3/

Imports of line pipe from Canada accounted for 0.5 percent of consumption in 1984 and 0.7 percent in 1985 (table 12). In 1986, market penetration by imports from Canada increased to 1.1 percent. Market share held by imports from all countries decreased from 47.2 percent in 1984 to 42.7 percent in 1985. In 1986, the market share held by imports from all countries fell to 39.0 percent.

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1/ As noted earlier, imports of line pipe from Canada are believed to be understated by approximately \* \* \* tons in 1984 due to imports \* \* \* (see IPSCO's questionnaire response and confidential docket 87-50). Accordingly, imports from Canada in 1984 should be approximately \* \* \* tons and total imports from all countries in 1984 should be approximately \* \* \* tons. On this basis, import trends will also differ from 1984 to 1985; imports of line pipe from Canada fell \* \* \* percent from 1984 to 1985, and total imports fell \* \* \* percent from 1984 to 1985. IPSCO reports that similar errors were found for merchandise from Canada entered in 1985 and 1986 but that the magnitude of those errors appears to be insignificant. \* \* \*.

2/ Report at p. a-12. It should be noted that IPSCO believes it secured a contract in late 1986 for approximately 11,000 tons of line pipe to Mountain Fuel Supply Co., Salt Lake City, UT., as a result of the strike at USX. The order is for first quarter 1987 delivery (see respondents' postconference brief, p. 17). For IPSCO's delivery schedule for this order, see confidential docket 87-55.

3/ As noted earlier, counsel for IPSCO stated in its postconference brief that official import statistics regarding line pipe from Canada in 1984 are in error and that total imports, apparent consumption, and market penetration for that year are understated. On that basis, market penetration (calculated on a quantity basis) of imports from Canada in 1984 should be approximately \* \* \* percent, and market penetration by imports from all sources in 1984 should be approximately \* \* \* percent. Counsel for Petitioners contends that as a result of the Mountain Fuel Supply contract won by IPSCO, import penetration of line pipe from Canada may reach 10 percent of apparent U.S. consumption in the first quarter of 1987 (see petitioners' postconference brief, pp. 1-2).

Table 11.--Line pipe: 1/ U.S. imports for consumption, by principal sources, 1984-86

Source	1984	1985	1986
Quantity (short tons)			
Canada 2/.....	5,730	5,991	7,255
Taiwan.....	4,610	11,511	3,093
Turkey.....	0	5,201	549
Republic of Korea.....	137,692	102,313	80,371
Venezuela.....	79,451	43,546	16,248
Mexico.....	72,997	31,511	28,957
Japan.....	129,075	80,343	57,729
Brazil.....	25,645	28,629	25,489
France.....	8,890	22,381	154
All other.....	55,219	34,865	29,344
Total.....	519,308	366,290	249,188
Value (1,000 dollars) 3/			
Canada 4/.....	2,773	3,460	3,055
Taiwan.....	1,860	4,402	1,234
Turkey.....	-	2,611	178
Republic of Korea.....	52,201	40,670	30,954
Venezuela.....	26,555	17,428	6,038
Mexico.....	24,777	12,064	9,678
Japan.....	54,435	35,746	24,815
Brazil.....	9,973	10,635	8,527
France.....	3,694	11,445	58
All other.....	21,883	14,846	11,034
Total.....	198,150	153,307	95,571
Unit value (per ton) 5/			
Canada 6/.....	\$474.93	\$566.86	\$413.25
Taiwan.....	396.93	376.12	392.38
Turkey.....	-	493.61	318.67
Republic of Korea.....	372.92	390.97	378.84
Venezuela.....	328.91	393.63	365.46
Mexico.....	333.10	376.11	328.00
Japan.....	414.79	437.57	422.82
Brazil.....	382.44	365.41	328.92
France.....	408.61	502.73	368.47
All other.....	389.77	419.24	370.14
Average.....	375.21	411.62	377.15

1/ Includes imports in TSUSA items 610.3208 and 610.3209.

2/ Because official import statistics regarding line pipe from Canada in 1984 are believed to be in error, the quantity of imports from Canada in 1984 should be approximately \* \* \* tons, and the total quantity of imports in 1984 should be approximately \* \* \* tons.

3/ Import values are C.I.F. duty-paid values.

4/ Because official import statistics regarding line pipe from Canada in 1984 are believed to be in error, the value of imports from Canada in 1984 should be approximately \$\* \* \* million, and the total value of imports in 1984 should be approximately \$\* \* \* million.

5/ Based on C.I.F. values.

6/ From figures provided, the additional line pipe from Canada had a unit value of \$\* \* \*; as the additional pipe represents close to \* \* \* of the revised total for Canada, overall unit value would be \* \* \* accordingly (exact figures cannot be calculated due to the different value bases used to compute unit values).

a-23

Table 12.--Line pipe: Apparent U.S. consumption, imports, and market penetration, calculated on the basis of quantity and value, 1/ 1984-86

Item	1984	1985	1986
Total apparent U.S. consumption..tons.. <u>2/</u>	1,099,200	857,609	638,919
Imports from Canada			
tons..	5,730	5,991	7,255
Imports from all sources.....tons..	519,308	366,290	249,188
Market penetration by imports from Canada....percent..	0.5	0.7	1.1
Market penetration by imports from all sources			
percent..	47.2	42.7	39.0
Total apparent U.S. consumption			
1,000 dollars.. <u>3/</u>	496,071	375,923	265,528
Imports from Canada			
1,000 dollars..	2,773	3,460	3,055
Imports from all sources			
1,000 dollars..	198,150	153,307	95,571
Market penetration by imports from Canada....percent..	.6	.9	1.2
Market penetration by imports from all sources			
percent..	39.9	40.8	36.0

1/ Import values are C.I.F. duty-paid values.

2/ Because official import statistics regarding line pipe from Canada in 1984 are believed to be in error, total imports and apparent consumption of line pipe are understated in 1984. The quantity of apparent consumption in 1984 should be approximately \* \* \* tons, and imports from Canada and total imports in 1984 should be approximately \* \* \* tons and \* \* \* tons, respectively.

Thus, market penetration (calculated on a quantity basis) of imports from Canada in 1984 should be approximately \* \* \* percent, and market penetration by imports from all sources in 1984 should be approximately \* \* \* percent.

3/ Because official import statistics regarding line pipe from Canada in 1984 are believed to be in error, total imports and apparent consumption of line pipe are understated in 1984. The value of apparent consumption in 1984 should be approximately \$\* \* \* million, and imports from Canada and total imports in 1984 should be approximately \$\* \* \* million and \$\* \* \* million, respectively. Thus, market penetration (calculated on a value basis) of imports from Canada in 1984 should be approximately \* \* \* percent, and market penetration by imports from all sources in 1984 should be approximately \* \* \* percent.

a-24

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

## Prices

Both domestic and imported line pipe is either sold directly to end users or to distributors. According to petitioners, sales are split approximately in half between end users and distributors. 1/ However, both producers and distributors ultimately compete for sales to end users.

The methods of purchasing line pipe by end users generally depend upon the quantity that is needed. If this quantity is relatively small, an order is normally placed either through a distributor or directly with a producer without requesting formal bids. 2/ For smaller sales, prices are quoted f.o.b. with varying levels of quantity discounts. However, if there is a pipeline project requiring large quantities, the end user requests formal bids from producers, distributors, or both. The purchaser generally contacts a minimum of three firms that are believed able to provide the pipe meeting the required specifications. The awarding of a contract generally depends upon both price and delivery schedules. Bid tenders are usually on a delivered basis so that the end user can directly compare the total price of each of the bids.

Price trends are influenced by a number of variables. According to petitioners, "the factors influencing price the most have been the overall market conditions and the price of steel. The poor market for line pipe resulted in prices reaching their lowest level in years around the third quarter of 1986. The market did not improve in the fourth quarter, but steel price increases necessitated pipe price increases." 3/ Petitioners go on to say that "to date, petitioners are unaware of direct instances of price depression or price suppression due to imports of line pipe from Canada." 4/ The trend in domestic prices can also be affected by the ability of producers to shift productive capacity away from the production of pipes in low demand to the production of pipes that are in relatively higher demand. According to petitioners, productive capacity of oil country tubular goods was converted to line pipe capacity because demand for line pipe, while declining in recent years, is relatively greater than the demand for oil country tubular goods. 5/ This increase in supply may have caused some downward pressure on line pipe prices. The trend in prices might also be affected by substitutable products. According to \* \* \* of \* \* \* and \* \* \* of \* \* \*, plastic pipe has been replacing line pipe in many instances where pressure requirements are below 160 psi, or where pipe of no greater than 4 inches in O.D is called for.

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1/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), p. 13

2/ According to \* \* \* of \* \* \*, and \* \* \* of \* \* \*, the Federal Energy Regulatory Commission requires utility companies to accept bids on all projects over \$1,000.

3/ Petition for investigation No. 731-TA-375 (Preliminary), p. 13, and transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), p. 12. For a discussion of U.S. spot steel price history, see PaineWebber's World Steel Intelligence, Steel PriceTrack #19-#20, Sept. 19, 1986, p. 19.

4/ Petition for investigation No. 731-TA-375 (Preliminary), p. 13.

5/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), p. 8. a-25

All domestic producers quote prices on an f.o.b. mill basis; a few also quote prices on a delivered basis. Some producers establish a transaction price by discounting from a list price, while others establish prices by surveying prices of competitors. Most producers provide "net period with cash discounting" schemes similar to the common "2 percent/10 net 30" program that many industries offer. 1/ Minimum quantity orders vary from zero minimum to a 21 ton minimum. The average lead time between a customer's order and the shipment date is from 1-5 days if the order can be filled from stock, and from 3-9 weeks if a production run is required. Absorption of freight charges by producers varies from zero to 95 percent of the total freight charges, while three producers practice freight equalization.

IPSCO, a Canadian producer/exporter, \* \* \*. \* \* \*. 2/

\* \* \* \* \*

U.S. producers and importers of line pipe were asked to provide selling price data for line pipe of the dimensions listed in the following tabulation, by quarters, from January-March 1984 through October-December 1986. Prices were collected on an f.o.b. basis. 3/ Separate prices were requested for sales to distributors and to end users. Producers and importers were also requested to provide descriptions of all forms of discounts they provide to purchasers of line pipe. The Commission received usable price data from seven producers and one of the importers listed in the U.S. Customs Service's net import file.

- Product 1: API 5L-grade X42 line pipe, carbon welded, black, plain end, 2-3/8 inch O.D., 0.125 inch wall thickness.
- Product 2: API 5L-grade X42 line pipe, carbon welded, black, plain end, 4-1/2 inch O.D., 0.188 inch wall thickness.
- Product 3: API 5L-grade X42 line pipe, carbon welded, black, plain end, 6-5/8 inch O.D., 0.280 inch wall thickness.
- Product 4: API 5L-grade X42 line pipe, carbon welded, black, plain end, 8-5/8 inch O.D., 0.250 inch wall thickness.
- Product 5: API 5L-grade X42 line pipe, carbon welded, black, plain end, 10-3/4 inch O.D., 0.365 inch wall thickness.

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1/ This particular discounting method means that payment of the full amount is due in 30 days, but a purchaser can receive 2 percent off the sale price if payment is made within 10 days.

2/ \* \* \*.

3/ \* \* \*.



Domestic prices.--Domestic average prices were calculated for selected line pipe sales to distributors and end users (tables 13 and 14, respectively). Domestic prices to distributors for product 1 varied only a few dollars during the 3-year period from 1984 through 1986, ranging from \$\* \* \* to \$\* \* \* per hundred feet. After an increase of nearly 53 percent to \$312 per hundred feet from January-March 1984 to April-June 1985, the price of product 2 declined by 42 percent to \$180 per hundred feet through October-December 1986. The price of product 3 increased 10 percent through the first three quarters of 1984 to \$475 per hundred feet, and then declined by 19 percent to \$385 per hundred feet through October-December 1986. After increasing by 6 percent to \$514 per hundred feet from January-March 1984 to October-December 1984, the price of product 4, though fluctuating, generally declined through October-December 1986. The price of product 5 generally declined from \$1,028 per hundred feet in April-June 1984 to \$736 per hundred feet in October-December 1985. Prices for product 5 jumped substantially in 1986, ranging between \$916 and \$922 per hundred feet.

There were only 3 reported prices on sales to end users for product 1. These prices varied only a few dollars. The price of product 2, although fluctuating, generally declined during the period of investigation, decreasing 11 percent from \$\* \* \* per hundred feet in April-June 1984 to \$\* \* \* per hundred feet in October-December 1986. The price of product 3 generally declined throughout the period of investigation, decreasing by 30 percent from \$\* \* \* per hundred feet in April-June 1984 to \$\* \* \* per hundred feet in October-December 1986. The price of product 4 also generally declined during the period of investigation, decreasing by 17 percent from \$\* \* \* per hundred feet in April-June 1984 to \$\* \* \* per hundred feet in October-December 1986. There were only three reported prices for product 5 of \$\* \* \*, \$\* \* \*, and \$\* \* \* per hundred feet during January-October 1984.

Canadian prices.--There were \* \* \* prices reported by IPSCO on sales to either distributors or end users of line pipe in the United States. <sup>1/</sup> There were \* \* \* prices reported for product \* \* \*, \* \* \*. There was one other price on sales to end users, this price was \$\* \* \* per hundred feet in \* \* \* for product \* \* \*.

There were \* \* \* reported sales to distributors, \* \* \*; these prices were \* \* \*.

IPSCO's prices to end users were lower than domestic producers' prices in \* \* \* of the \* \* \* reported instances. IPSCO's prices were lower than domestic prices by approximately \* \* \* percent, \* \* \*. The \* \* \* cases where IPSCO's prices were higher than domestic prices involved products \* \* \* during \* \* \*, when each was priced higher by approximately \* \* \* percent.

\* \* \* IPSCO's prices to distributors were lower than domestic prices. IPSCO's price for product \* \* \* was about \* \* \* percent below the domestic price in \* \* \*. Their price for product \* \* \* was approximately \* \* \* percent below the domestic price, also in \* \* \*.

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<sup>1/</sup> \* \* \*. Some of IPSCO's sales are discussed in the portion of the report entitled "Lost Sales."

Table 13.--Line pipe: Weighted average f.o.b. prices to distributors of U.S.-produced line pipe, January 1984-December 1986

(Per hundred feet)					
Period	Product 1	Product 2	Product 3	Product 4	Product 5
1984:					
Jan.-Mar.....	<u>1/</u>	\$204	\$430	\$484	\$963
Apr.-June....	\$***	203	453	493	1,028
July-Sept....	***	215	475	490	991
Oct.-Dec.....	***	214	472	514	993
1985:					
Jan.-Mar.....	<u>1/</u>	254	438	484	941
Apr.-June....	***	312	432	466	830
July-Sept....	<u>1/</u>	226	439	458	732
Oct.-Dec.....	***	243	414	469	736
1986:					
Jan.-Mar.....	<u>1/</u>	212	425	456	922
Apr.-June....	<u>1/</u>	225	434	434	922
July-Sept....	<u>1/</u>	172	425	447	916
Oct.-Dec.....	***	180	385	450	919

1/ No prices reported.

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

Table 14.--Line pipe: Weighted average f.o.b. prices to end users of U.S.-produced line pipe, January 1984-December 1986

(Per hundred feet)					
Period	Product 1	Product 2	Product 3	Product 4	Product 5
1984:					
Jan.-Mar.....	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	\$***
Apr.-June....	<u>1/</u>	\$***	\$***	\$***	***
July-Sept....	<u>1/</u>	***	***	<u>1/</u>	***
Oct.-Dec.....	<u>1/</u>	***	<u>1/</u>	***	<u>1/</u>
1985:					
Jan.-Mar.....	<u>1/</u>	***	***	***	<u>1/</u>
Apr.-June....	\$***	***	***	***	<u>1/</u>
July-Sept....	<u>1/</u>	***	***	***	<u>1/</u>
Oct.-Dec.....	***	***	***	***	<u>1/</u>
1986:					
Jan.-Mar.....	<u>1/</u>	***	***	***	<u>1/</u>
Apr.-June....	<u>1/</u>	***	***	***	<u>1/</u>
July-Sept....	<u>1/</u>	***	***	***	<u>1/</u>
Oct.-Dec.....	***	***	***	***	<u>1/</u>

1/ No prices reported.

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

Lost Sales

The Commission received five quantifiable lost sales allegations from U.S. producers involving alleged lost sales to \* \* \*. In each of the five allegations, bids were requested by the purchasing firm, and, in each case, \* \* \* was awarded the contract. The reasons purchasers gave for buying from \* \* \* were price, availability, quality, a desire to try imported line pipe, and the strike at USX.

Mountain Fuel Supply, a utility company located in Utah, requested bids in the fall of 1986 for a line pipe project that included both 10-3/4 and 8-5/8 inch pipe. 1/ \* \* \*. 2/ \* \* \*. 3/

The 8-5/8 inch line pipe portion of the Mountain Fuel Supply contract was for \* \* \* feet. Both \* \* \* and \* \* \* alleged that they lost this sale to IPSCO. \* \* \*. 4/ 5/ 6/

*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

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1/ Transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), p. 55.

2/ \* \* \*. The petition names \* \* \* as another domestic producer that lost this particular sale to \* \* \*. (\* \* \* made no allegations of lost sales in its questionnaire response). See Petition for inv. No. 731-TA-375 (Preliminary), p. 13. Other producers such as \* \* \* bid on the 8-5/8 inch line pipe, but not the 10-3/4 inch line pipe because they do not have the capability to produce 10-3/4 inch pipe.

3/ Based on telephone conversations between the investigative staff and \* \* \*, on Mar. 11-12, 1987, and Mar. 19, 1987.

4/ \* \* \*.

5/ A lower carbon content makes the welding of steel easier and generally forms a stronger weld than steel of a higher carbon content. This becomes an important factor in welding pipe sections together in the field.

6/ Based on telephone conversations between the investigative staff and \* \* \*, on Mar. 11-12, 1987, and Mar. 19, 1987, and \* \* \*, on Mar. 19, 1987. For more information on the Mountain Fuel Supply sale, see transcript of the conference held in connection with investigation No. 731-TA-375 (Preliminary), pp. 55-60, conference exhibit 2, and letter from Paragon Industries.

Exchange rates

Exchange-rate indexes of the Canadian dollar, presented in table 15, indicate that during January 1984–December 1986, the quarterly nominal value of the Canadian dollar depreciated by 9.3 percent against its U.S. counterpart. After adjustment for the relative rates of inflation in Canada and the United States, the real value of the Canadian currency remained relatively stable, depreciating by less than 2 percent relative to the U.S. dollar through September 1986.

Table 15.--Exchange rates: 1/ Nominal-exchange-rate equivalents of the Canadian dollar in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Canada, 2/ indexed by quarters, January 1984–December 1986

Period	U.S. Producer Price Index	Canada Producer Price Index	Nominal- exchange- rate index	Real- exchange- rate index 3/
-----US dollars/Can\$-----				
1984:				
Jan.-Mar.....	100.0	100.0	100.0	100.0
Apr.-June.....	100.7	101.2	97.1	97.6
July-Sept.....	100.4	101.9	95.5	96.9
Oct.-Dec.....	100.2	102.1	95.2	97.0
1985:				
Jan.-Mar.....	100.0	103.3	92.8	95.8
Apr.-June.....	100.1	103.9	91.7	95.1
July-Sept.....	99.4	103.9	92.3	96.5
Oct.-Dec.....	100.0	104.8	91.0	95.3
1986:				
Jan.-Mar.....	98.5	105.8	89.4	96.0
Apr.-June.....	96.6	104.4	90.7	98.0
July-Sept.....	96.2	104.3	90.6	98.3
Oct.-Dec.....	96.5	4/	90.7	4/

1/ Exchange rates expressed in U.S. dollars per Canadian dollar.

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

3/ The indexed real exchange rate represents the nominal exchange rate adjusted by the Producer Price Indexes in the United States and Canada. Producer prices in the United States decreased 3.8 percent during the period January 1984 through September 1986, compared with a 4.3-percent increase in Canadian producer prices during that period.

4/ Data not available.

Source: International Monetary Fund, International Financial Statistics, February 1987.

Note.--January–March 1984=100.0.

APPENDIX A

FEDERAL REGISTER NOTICES

tubes<sup>1</sup> which are alleged to be sold in the United States at less than fair value.

As provided in section 733(a), the Commission must complete preliminary antidumping investigation in 45 days, or in this case by March 30, 1987. For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subpart A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** February 11, 1987.

**FOR FURTHER INFORMATION CONTACT:** Brian Walters (202-523-0104), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contracting the Commission's TDD terminal on 202-724-0002.

**SUPPLEMENTARY INFORMATION:**

**Background**

This investigation is being instituted in response to a petition filed on February 11, 1987, by counsel for Tex-Tube Division of Cyclops Corp., Houston, TX, and Maverick Tube Corp., Chesterfield, Mo.

**Participation in the investigation**

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than (7) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service list**

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3),

<sup>1</sup> For purposes of this investigation, the term "line pipes and tubes" covers welded carbon steel pipes and tubes of circular cross section, with walls not thinner than 0.065 inch, 0.375 inch or more but not over 16 inches in outside diameter, conforming to API specifications for line pipe, provided for in items 610.3208 and 610.3209 of the Tariff Schedules of the United States Annotated (TSUSA) 1987.

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.

**Conference**

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 9:30 a.m. on March 5, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Brian Walters (202-523-0104) not later than March 2, 1987, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

**Written submissions**

Any person may submit to the Commission on or before March 11, 1987, a written statement of information pertinent to the subject of the investigation, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). 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 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 submission 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 § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: February 13, 1987.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-3551 Filed 2-18-87; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 731-TA-375  
(Preliminary)]

**Import Investigation; Certain Line  
Pipes and Tubes From Canada**

**AGENCY:** International Trade  
Commission.

**ACTION:** Institution of a preliminary  
antidumping investigation and  
scheduling of a conference to be held in  
connection with the investigation.

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-375 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of line pipes and

will make its preliminary determination on or before March 30, 1987, and we will make ours on or before July 21, 1987.

**EFFECTIVE DATE:** March 10, 1987.

**FOR FURTHER INFORMATION CONTACT:** Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230, telephone (202) 377-5286.

**SUPPLEMENTARY INFORMATION**

**The Petition**

On February 11, 1987, we received a petition filed in proper form by the Maverick Tube Corporation and Tex-Tube Division of Cyclops Corporation, on behalf of the U.S. industry producing certain welded carbon steel API line pipe. In compliance with the filing requirements of section 353.36 of the Commerce Regulations (19 CFR 353.36), the petitioners allege that imports of certain welded carbon steel API line pipe from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, a U.S. industry.

The petitioners based the United States price on invoices and price quotes to U.S. purchasers less estimated foreign inland freight. Petitioners based foreign market value on Canadian ex-factory price lists. Based on a comparison of United States prices and foreign market value, petitioners allege dumping margins ranging from 36.60 to 60.0 percent. Petitioners also allege that "critical circumstances" exist with respect to imports of certain welded carbon steel API line pipe from Canada.

**Initiation of Investigation**

Under section 732(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioners supporting the allegations.

We examined the petition on certain welded carbon steel API line pipe from Canada and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of certain welded carbon steel API line pipe from

[A-122-702]

**Initiation of Antidumping Duty Investigation; Certain Welded Carbon Steel API Line Pipe from Canada**

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of certain welded carbon steel API line pipe from Canada are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of this product materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC

Canada are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by July 21, 1987.

#### Scope of Investigation

The product covered by this investigation is welded carbon steel API line pipe, .375 inch or more but not over 16 inches in outside diameter, currently provided for under item numbers 610.3208 and 610.3209 of the *Tariff Schedules of the United States Annotated* (TSUSA). Under the proposed Harmonized System of classification, we believe the new tariff classification numbers will be 7306.10.1010 and 7306.10.1050. The Department welcomes any comments regarding this anticipated classification under the Harmonized System.

#### Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. He will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will also allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing 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.

#### Preliminary Determination by ITC

The ITC will determine by March 30, 1987, whether there is a reasonable indication that imports of certain welded carbon steel API line pipe from Canada materially injure, or threaten material injury to, a U.S. industry. If its determination is negative the investigation will terminate; otherwise it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

Gilbert B. Kaplan,

*Deputy Assistant Secretary for Import Administration.*

[FR Doc. 87-4925 Filed 3-9-87; 8:45 am]

BILLING CODE 3510-05-M



APPENDIX B

LIST OF WITNESSES APPEARING  
AT THE COMMISSION'S CONFERENCE

Calendar of Public Conference

Investigation No. 731-TA-375 (Preliminary)

CERTAIN LINE PIPES AND TUBES FROM CANADA

Those listed below appeared at the United States International Trade Commission's conference in connection with the subject investigation on March 5, 1987, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington, DC.

In support of the imposition of antidumping duties

Schagrin Associates—Counsel  
Washington, DC  
on behalf of—

Tex-Tube Division of Cyclops Corp., Houston, TX, and  
Maverick Tube Corp., Chesterfield, MO.

David Biggers, President, Tex-Tube Division of Cyclops Corp.

Bill Frasher, Customer Service Manager, Tex-Tube Division of  
Cyclops Corp.

Roger B. Schagrin) —OF COUNSEL  
Paul W. Jameson )

In opposition to the imposition of antidumping duties

Barnes, Richardson & Colburn—Counsel  
Washington, DC  
on behalf of—

IPSCO, Inc., Regina, Saskatchewan, Canada, and  
IPSCO Steel, Inc., Kingwood, TX.

John Tulloch, Vice President Marketing, IPSCO, Inc.

Rufus E. Jarman ) —OF COUNSEL  
Matthew J. Clark )