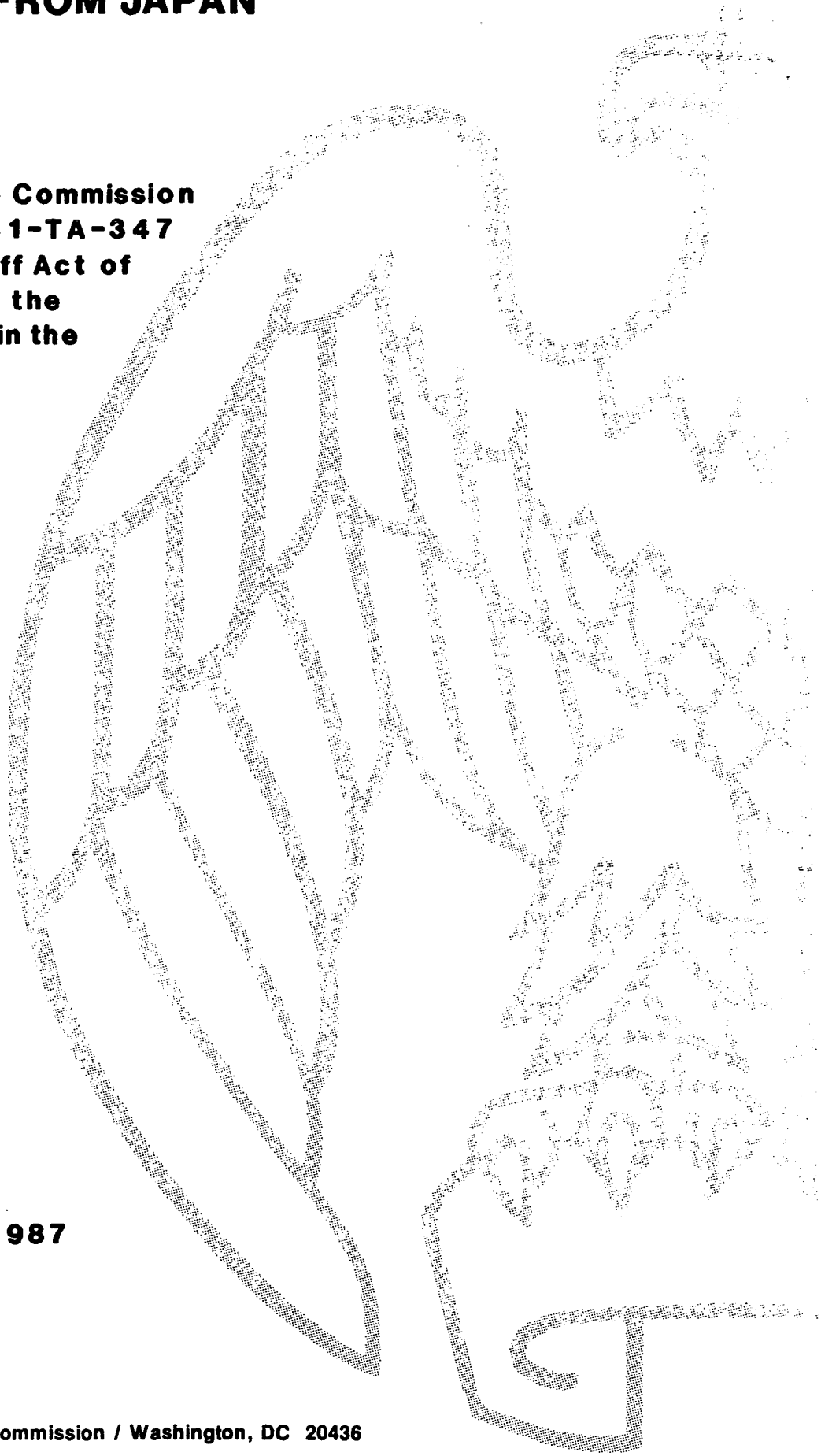
;ERTAIN MALLEABLE CAST-IRON
'IPE FITTINGS FROM JAPAN

etermination of the Commission
ı Investigation No. 731-TA-347
Final) Under the Tariff Act of
930, Together With the
ıformation Obtained in the
ıvestigation



;ITC PUBLICATION 1987

NE 1987

ted States International Trade Commission / Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Susan Liebeler, Chairman
Anne E. Brunsdale, Vice Chairman
Alfred E. Eckes
Seeley G. Lodwick
David B. Rohr

Martha Mitchell, Investigator
Catherine Beyer, Economist
Norbert Gannon, Industry Analyst
Debbie VonBeulen, Financial Analyst
Stephen McLaughlin, Attorney
Robert Eninger, Supervisory Investigator

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

C O N T E N T S

CONTENTS

Tables

CONTENTS

Tables--Continued

CONTENTS

Tables--Continued

Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-347 (Final)

CERTAIN MALLEABLE CAST-IRON PIPE FITTINGS FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Japan of certain malleable cast-iron pipe fittings, provided for in items 610.70 and 610.74 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted this investigation effective February 13, 1987, following a preliminary determination by the Department of Commerce that imports of certain malleable cast-iron pipe fittings from Japan were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 4, 1987 (52 F.R. 6631). The hearing was held in Washington, DC, on April 28, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

We determine that an industry in the United States is materially injured by reason of imports of certain malleable cast-iron pipe fittings from Japan that are sold at less than fair value (LTFV). [1/]

We base this determination on the continued decline in the condition of the domestic industry since our May 1986 investigation of imports of the same product [2/] and on our assessment of the volume and effect of cumulated imports from Japan and Thailand. These imports were present in significant volumes throughout the period of investigation, increased their market share in 1986, and consistently undersold the domestic product. [3/] [4/] As a result, the domestic industry, previously weakened by the impact of LTFV imports from Brazil, Korea and Taiwan, [5/] sustained further material injury.

Like product/domestic industry

The Commission is required to define the scope of the relevant domestic industry for the purpose of assessing material injury. The term "industry" is defined by statute as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." [6/]

1/ Material retardation is not an issue in this investigation and will not be discussed further.

2/ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. Nos. 731-TA-278 to 280 (Final), USITC Pub. 1845 (May 1986).

3/ Chairman Liebeler and Vice Chairman Brunsdale do not base their determination in this case on underselling. See n.41, infra.

4/ Commissioner Eckes and Commissioner Rohr believe that evidence of underselling is ordinarily of significant probative value, and that used properly as the Commission has used it in the past, such comparisons reflect an important aspect of competition in the marketplace.

5/ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, supra, n.2.

6/ 19 U.S.C. § 1677(4)(A).

"Like product," in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 7/ 8/

In previous investigations involving the same product, we found the like product to be malleable threaded cast-iron pipe fittings and the domestic industry to be the producers of malleable threaded cast-iron pipe fittings. 9/ Although respondents continued to argue that our like product definition should include grooved pipe fittings and/or nonmalleable pipe fittings, the information collected during this investigation reinforces the

---

7/ 19 U.S.C. § 1677(10). See also S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

8/ The "article subject to an investigation" is defined by the scope of the Department of Commerce's (Commerce) investigation. Commerce has defined the scope of this investigation as "malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, of cast iron other than alloy cast iron, as currently provided for in items 610.7000 and 610.7400 of the Tariff Schedules of the United States Annotated (TSUSA)." See 52 Fed. Reg. 13856 (Apr. 27, 1987).

9/ See, e.g., Certain Malleable Cast-Iron Pipe Fittings from Japan and Thailand, Invs. Nos. 731-TA-347 to 348 (Preliminary), USITC Pub. 1900 (Oct. 1986); Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. Nos. 731-TA-278 to 280 (Preliminary), USITC Pub. 1753 (Sept. 1985) and (Final), USITC Pub. 1845 (May 1986); Certain Cast-Iron Pipe Fittings from Brazil, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 (Apr. 1985) (finding that malleable and nonmalleable pipe fittings are separate like products and that there are separate domestic industries producing malleable and nonmalleable pipe fittings).

propriety of our previous like product definition. [10/] Accordingly, we adopt the definition of like product and domestic industry made in our earlier determinations.

Condition of the domestic industry

In assessing the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. [11/]

In our May 1986 decision, [12/] we found that, although some indicators suggested improvement during 1983-85, the domestic industry was materially injured. [13/] The data in the instant investigation reveal that the industry's difficulties worsened in 1986. Production, capacity utilization,

---

10/ Respondents presented two like-product arguments. First, the Japanese respondent maintained that both malleable and nonmalleable pipe fittings are "like" the imported product because they are interchangeable for many applications. However, the additional data available in this investigation indicate that malleable and nonmalleable pipe fittings are not interchangeable in their end uses and are significantly different in their material composition. Report of the Commission (Report) at A-43. Thus, we do not believe that nonmalleable pipe fittings should be included in the definition of the like product. Second, both the Thai and Japanese respondents insist that grooved pipe fittings are like the imported threaded pipe fittings. Again, however, the data regarding the lack of interchangeability between these two types of pipe fittings and their differences in physical characteristics and methods of production confirm our previous determinations. Respondents failed to submit any additional evidence in this final investigation on the like product issues and, instead, they suggested that the Commission would receive data in response to its questionnaires that "would allow it to make a fully informed determination concerning this crucial like product issue." Prehearing Brief of Thai Producers and Importers at 12. We have reviewed that data and find that they do not warrant a change in the Commissions previous like product definition.

11/ 19 U.S.C. § 1677(7)(C)(iii).

12/ Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, supra, n.2.

13/ Vice Chairman Brunsdale voted affirmatively in that case on the basis of threat of material injury.

shipments, employment, and the financial performance of the domestic industry all declined in 1986. 14/

Apparent U.S. consumption of malleable threaded cast-iron pipe fittings decreased from 71,842 tons in 1984 to 67,792 tons in 1985, or by 6 percent, and by 10 percent to 61,136 tons in 1986. 15/ U.S. production of malleable threaded cast-iron pipe fittings decreased from 48,737 tons in 1984 to 45,013 tons in 1985, or by 8 percent, and fell by 7 percent to 41,863 tons in 1986. 16/ Producers' domestic shipments also dropped steadily, decreasing by nearly 7 percent from 1984 to 1985 and by 6 percent from 1985 to 1986. 17/ Capacity was constant at 95,260 tons. 18/ Capacity utilization was low and declining throughout the period of investigation dropping from 51.2 percent in 1984 to 47.3 percent in 1985, and then to 43.9 percent in 1986. 19/

Four of the domestic producers reported significant layoffs of production and related workers during the period of investigation. 20/ The number of employees producing malleable cast-iron pipe fittings declined significantly,

---

14/ In the May 1986 investigation, see supra, n.2, Vice Chairman Brunsdale did not find material injury, but did find the threat of material injury due in large part to the weakened condition of the domestic industry. See Certain Cast-Iron Pipe Fittings from Brazil, Korea and Taiwan, supra, n.2 at 19. The data available for 1986 and 1987 in the instant investigation make it apparent that the threat of material injury anticipated in the earlier case has ripened into actual injury. As indicated, the financial and operating performance of the industry, as well as consumption of the product, all declined in 1986.

15/ Report at A-13.

16/ Id. at A-17, Table 6.

17/ Id. at A-17-A-18, Table 7.

18/ Id. at A-17, Table 6.

19/ Id.

20/ Id. at A-19.

from 1,925 in 1985 to 1,752 in 1986. [21/] Hours worked, wages paid, and total compensation also declined. [22/]

Financial data also reveal that the industry's condition has deteriorated. Net sales of malleable threaded cast-iron pipe fittings dropped from $125.8 million in 1984 to $121.7 million in 1985 and then to $110 million in 1986. [23/] Operating profits of $1.02 million in 1985 turned into operating losses of $2.64 million 1986. [24/] Such losses continued in interim 1987 for those firms reporting data. [25/] Operating margins followed a trend like that of operating income and loss. [26/]

On the basis of the record in this investigation we determine that the domestic malleable threaded cast-iron pipe fittings industry is currently experiencing material injury.

Cumulation

Petitioner urges the Commission to cumulate imports from Japan with those from Thailand. [27/] In the preliminary investigations involving imports from both Japan and Thailand, we determined that cumulation was appropriate. This final investigation involves only imports from Japan, since Commerce has postponed its final determination regarding imports from Thailand. [28/]

21/ Id. at A-20, Table 9.
22/ Id.
23/ Id. at A-25, Table 12.
24/ Id.
25/ Id. Two firms sustained operating losses during 1984-85, whereas four firms reported such losses in 1986. Id.
26/ Id.
27/ Petitioner did not request cumulation with imports from Brazil, Korea, and Taiwan. Since we find material injury by reason of cumulated imports from Japan and Thailand, it is not necessary to consider whether cumulation with imports from Brazil, Korea, and Taiwan would be appropriate.
28/ Report at A-1-A-4.

We must apply the cumulation provisions of the Trade and Tariff Act of 1984 if three requirements are met. The imports must (1) compete with each other and with the domestic like product, (2) be subject to investigation, and (3) be marketed within a reasonably coincidental period. 29/

Notwithstanding the postponement of a final determination by Commerce regarding imports from Thailand, the imports of pipe fittings from Japan and Thailand remain subject to investigation. Moreover, there is no dispute that imports from Japan and Thailand were marketed within a reasonably coincident period of time. Accordingly, the only issue with respect to the appropriateness of cumulation is whether those imports compete with each other and with the domestic like product. 30/ We determine that they do. Accordingly, we determine that cumulation is warranted.

29/ See 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. No. 1156, 98th Cong., 2nd Sess. 173 (1984); Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, Invs. Nos. 701-TA-261(A), 263(A), and 264(A) (Preliminary) and Invs. Nos. 731-TA-289(A) to 291(A) (Preliminary), USITC Pub. 1795 at 9 (Jan. 1986); Certain Steel Wire Nails from the People's Republic of China, Poland, and Yugoslavia, Invs. Nos. 731-TA-266 to 268 (Preliminary), USITC Pub. 1730 at 7 (1985).

30/ In determining whether the imported products compete with each other and with the like product in the U.S. market and whether the marketing of imports is reasonably coincident, the Commission has considered the following factors:

(1) the degree of fungibility between imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographical markets of imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution of imports from different countries and the domestic like product; and
(4) whether the imports are simultaneously present in the market.

This list is not exhaustive and no single factor is determinative. This analysis is designed to provide a basis on which to decide whether the statutory criterion regarding competition is established. See, e.g., Iron Construction Castings from Canada, Inv. No. 731-TA-263 (Final), USITC Pub. 1811 at 8, n.26 (Feb. 1986) (Stern, Eckes, Lodwick, and Rohr).

Although there is, as respondents argued, some evidence of quality differences between certain, but not necessarily all, Japanese imports and imports from Thailand, there is also evidence that the imports and the domestic like product are sufficiently comparable in quality to be interchangeable to many end-users. 31/ Further, all malleable threaded cast-iron pipe fittings meet the same minimum quality standards established by the American National Standards Institute. 32/ Finally, channels of distribution for the imports and the domestic product appear to be generally similar. 33/

Respondents further argued that the imports do not compete with each other or the domestic like product because they were not sold in the same geographic or end-user markets. There is evidence, however, of an overlap in the geographic and end-user markets in which the imports and the domestic like product are sold. 34/ Thai imports are marketed primarily in the Gulf and Western states, while Japanese imports are sold nationwide and are present in all regions of the country, including the Gulf and Western states. 35/ Moreover, imports from both countries are present in significant volumes in all sectors of the end-user market. 36/ Consequently, we find that the criteria for cumulation are satisfied 37/ and base our causation analysis on cumulating imports from Japan with those from Thailand.

31/ Report at A-16, A-42.
32/ Id. at A-5.
33/ Id. at A-14.
34/ Id. at A-13-A-16.
35/ Id. at A-16. Given the low levels of imports from Thailand in 1984 and their rapid growth in 1985 and 1986, it is hardly surprising that the Thai importers have not yet fully saturated all sectors of the U.S. market.
36/ Id.
37/ See, e.g., Iron Construction Castings from Canada, supra, n.30, at 8; Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, supra, n.29, at 11.

Material injury by reason of LTFV imports from Japan and Thailand [38]

In determining whether the domestic industry is materially injured "by reason of" LTFV imports from Japan and Thailand, the Commission considers, among other factors, the volume of imports, the effect of imports on prices in the United States for the like product, and the impact of such imports on the relevant domestic industry. [39]

We find that the substantial volume and increasing market penetration of imports from Japan and Thailand, together with evidence of consistent underselling by imports from Japan, demonstrate that the subject imports are a cause of the domestic industry's continued decline. [40] [41]

Market penetration, by quantity, of imports from Japan and Thailand rose from 16.9 percent in 1984 to 18.9 percent in 1986. [42] While apparent

---

38/ Chairman Liebeler does not join the rest of this opinion. See her Additional Views, infra.

39/ 19 U.S.C. § 1677(7)(B).

40/ Vice Chairman Brunsdale believes that the magnitude of the dumping margin is one factor, among others, that should be considered in determining whether LTFV imports are a cause of material injury. For a discussion of her views on the relevance of dumping margins to causation analysis, see Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada, Inv. No. 731-TA-254 (Final), USITC Pub. 1808 at 13-14 (1986). She notes that the dumping margin for Japanese imports, as determined by the Department of Commerce, is 57.39 percent of the entered value of those imports. Such a margin is sufficiently large to support an affirmative determination in this investigation. Large dumping margins are not by themselves sufficient to support an affirmative determination. See Certain Ethanol Alcohol from Brazil, Inv. No. 701-TA-239 (Final), USITC Pub. 1818 at 15-16 (1986). However, large margins coupled with relatively inelastic demand and import market penetration as large as the penetration in this case point to dumped imports as a cause of material injury to the domestic industry.

41/ Vice Chairman Brunsdale believes that the evidence of underselling in this investigation is not persuasive on the question of causation. For a more extensive discussion on some of the shortcomings of such evidence, see Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. Nos. 701-TA-258 to 260 (Preliminary) and 731-TA-283 to 285 (Preliminary), USITC Pub. 1771 at 34-36 (1985) (Additional Views of Vice Chairman Liebeler).

42/ Report at A-34, Table 17.

consumption declined steadily during the period of investigation, the volume of imports from Japan and Thailand remained at high levels. 43/ Thus, the subject imports succeeded in capturing a larger share of a declining market. 44/

The pricing data obtained by the Commission indicate consistent underselling by the subject imports for each of the four representative products studied. 45/ While domestic prices increased modestly during the period of investigation, the increase was more than offset by rising costs and was not sufficient to allow domestic producers to turn a profit in the face of declining demand. Thus, underselling by the subject imports was a direct cause of the continued erosion of the financial condition of the domestic industry.

Conclusion

For the foregoing reasons, we determine that the domestic industry producing malleable cast-iron pipe fittings is materially injured by reason of LTFV imports from Japan.

43/ Id.

44/ Vice Chairman Brunsdale notes that the Report also contains information concerning the market penetration by value of the subject imports. Report at A-34, B-30, Appendix E. That information also indicates an increasing percentage of market penetration by the subject imports and supports an affirmative determination. She believes that import penetration ordinarily should be measured by value data rather than by quantity data. These views are set forth more fully in Erasable Programmable Read Only Memories from Japan, Inv. No. 731-TA-288 (Final), USITC Pub. 1927 at 32-39 (1986) (Additional Views of Vice Chairman Brunsdale).

45/ Report at A-37-A-40, Tables 18-21.

ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Certain Malleable Cast-Iron Pipe Fittings

from Japan and Thailand (Final)

Inv. Nos. 731-TA-347, 348

I determine that that an industry in the United States is materially injured by reason of imports of certain malleable cast-iron pipe fittings from Japan and Thailand which the Department of Commerce has determined are being sold at less than fair value. I concur with the majority in its discussions of like product, condition of the domestic industry, and cumulation.[1/] This opinion presents my views with respect to causation.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a final investigation, the Commission must determine that

---

1/ I have determined to cumulate imports of the subject merchandise from Japan and Thailand. See Views of the Commission, supra at 7-9.

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

Before analyzing the data, however, the first question is whether the statute is clear or whether one must resort to the legislative history in order to interpret the relevant sections of the antidumping law. The accepted rule of statutory construction is that a statute, clear and unambiguous on its face, need not and cannot be interpreted using secondary sources. Only statutes that are of doubtful meaning are subject to such statutory interpretation.[2/]

2/ C. Sands, Sutherland Statutory Construction, § 45.02 (4th ed. 1985).

The statutory language used for both parts of the two-part analysis is ambiguous. "Material injury" is defined as "harm which is not inconsequential, immaterial, or unimportant."[3/] This definition leaves unclear what is meant by harm. As for the causation test, "by reason of" lends itself to no easy interpretation, and has been the subject of much debate by past and present commissioners. Clearly, well-informed persons may differ as to the interpretation of the causation and material injury sections of title VII. Therefore, the legislative history becomes helpful in interpreting title VII.

The ambiguity arises in part because it is clear that the presence in the United States of additional foreign supply will always make the domestic industry worse off. Any time a foreign producer exports products to the United States, the increase in supply, ceteris paribus, must result in a lower price of the product than would

---

3/ 19 U.S.C. § 1977(7)(A)(1980).

otherwise prevail. If a downward effect on price, accompanied by a Department of Commerce dumping or subsidy finding and a Commission finding that financial indicators were down were all that were required for an affirmative determination, there would be no need to inquire further into causation.

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

> [T]he ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports.[4/]

The Finance Committee emphasized the need for an exhaustive causation analysis, stating, "the Commission must satisfy itself that, in light of all the information presented, there is a sufficient causal link between the

---

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

less-than-fair-value imports and the requisite injury."[5]

The Senate Finance Committee acknowledged that the causation analysis would not be easy: "The determination of the ITC with respect to causation, is under current law, and will be, under section 735, complex and difficult, and is matter for the judgment of the ITC."[6] Since the domestic industry is no doubt worse off by the presence of any imports (whether LTFV or fairly traded) and Congress has directed that this is not enough upon which to base an affirmative determination, the Commission must delve further to find what condition Congress has attempted to remedy.

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

> This Act is not a 'protectionist' statute designed to bar or restrict U.S. imports; rather,

---

5/ Id.

6/ Id.

> it is a statute designed to free U.S. imports from unfair price discrimination practices. * * * The Antidumping Act is designed to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry.[7]

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

> [T]he Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price.[8]

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

---

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

8/ Id.

to maximize profits.[9] Congress was obviously familiar with the economist's tools: "[I]mporters as prudent businessmen dealing fairly would be interested in maximizing profits by selling at prices as high as the U.S. market would bear."[10]

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

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

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

In many cases unfair price discrimination by a competitor would be irrational. In general, it is not rational to charge a price below that necessary to sell one's product. In certain circumstances, a firm may try to capture a sufficient market share to be able to raise its price in the future. To move from a position where the firm has no market power to a position where the firm has such power, the firm may lower its price below that which is necessary to meet competition. It is this condition which Congress must have meant when it charged us "to discourage and prevent foreign suppliers from using unfair price discrimination practices to the detriment of a United States industry."[11/]

In Certain Red Raspberries from Canada, I set forth a framework for examining what factual setting would merit an affirmative finding under the law interpreted in light of the cited legislative history.[12/]

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

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

> The stronger the evidence of the following . . . the more likely that an affirmative determination will be made: (1) large and increasing market share, (2) high dumping margins, (3) homogeneous products, (4) declining prices and (5) barriers to entry to other foreign producers (low elasticity of supply of other imports).[13/]

The statute requires the Commission to examine the volume of imports, the effect of imports on prices, and the general impact of imports on domestic producers.[14/] The legislative history provides some guidance for applying these criteria. The factors incorporate both the statutory criteria and the guidance provided by the legislative history. Each of these factors is evaluated in turn.

13/ Id. at 16.

14/ 19 U.S.C. § 1677(7)(B)-(C) (1980 & cum. supp. 1985).

Causation analysis

The Commission made an affirmative determination concerning imports of malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan in May, 1986.[15/] That determination has changed the trend in import penetration by the countries currently subject to investigation. The imposition of antidumping duties has also increased barriers to entry from countries not currently subject to investigation. These factors will be discussed further below.

Examining import penetration data is relevant because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. I have determined to cumulate imports from Japan and

---

15/ Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. Nos. 278-80(Final), USITC Pub. 1845 (May 1986).

Thailand.[16] On a quantity basis, 1986 cumulated imports from these countries accounted for 18.9 percent of apparent U.S. consumption, or nearly one-third more of U.S. consumption than in 1985.[17] Thus, import penetration is moderately large and increasing. Consequently, the first indicator is consistent with a finding of unfair price discrimination.

The second factor is a high margin of dumping or subsidy. The higher the margin, ceteris paribus, the more likely it is that the product is being sold below the competitive price[18] and the more likely it is that the domestic producers will be adversely affected. The

---

16/ See note 2 supra and Views of the Commission at 7-9.

17/ Report at Table 17. There was a decrease in penetration between 1984 and 1985, id., but as noted above, the Commission's affirmative determination in Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Invs. 278-80 (Final), USITC Pub. 1845 (May 1986) was an important intervening event.

18/ See text accompanying note 7, supra.

Department of Commerce has calculated the dumping margin for imported cast-iron pipe fittings from Japan to be 57.39 percent.[19/] The preliminary dumping margin for cast-iron pipe fittings from Thailand is 2.75 percent.[20/] Because the quantity of imports from Japan is higher than the quantity from Thailand, the weighted average margin for the two countries by quantity is closer to the (higher Japanese margin).[21/] This two country average is moderately high and not inconsistent with a finding of unfair price discrimination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the effect of any allegedly unfair practice on domestic producers of the like product. There is varied evidence regarding quality differences among the imports, and between some of the imports and the domestic like

---

19/ Report at A-7.

20/ Report at Id.

21/ Report at Table 17.

product.[22] Nevertheless, it appears that both Japanese and Thai fittings meet basic industry standards and are generally interchangeable with fittings made in the United States.[23] Thus, Japanese and Thai cast-iron fittings appear to be substitutes for domestic products, although imperfect ones. This factor is consistent with an affirmative determination.

As to the fourth factor, evidence of declining domestic prices, ceteris paribus, might indicate that domestic producers were lowering their prices to maintain market share. Over the period of investigation, prices rose for three of the four relevant products, and declined for one.[24] The price data are thus not consistent with a finding of unfair price discrimination.

The fifth factor in the five factor test is barriers to entry (foreign supply elasticity). If there are

---

22/ Report at A-15 to A-16.

23/ Id.

24/ Report at Tables 18 to 21.

barriers to entry (or low foreign elasticity of supply) it is more likely that a producer can gain market power. Imports from Japan and Thailand represent a significant and increasing share of all imports of cast-iron pipe fittings into the United States. In 1985, on a quantity basis, imports from these countries accounted for 43 percent of U.S. imports, and in 1986 they accounted for 62 percent--an increase of nearly one-half.[25/] Since May 12, 1986 Brazilian, Korean, and Taiwanese imports have been subject to outstanding dumping orders. In 1985 Brazilian, Korean, and Taiwanese imports accounted, on a quantity basis, for 47 percent of all imports of the subject merchandise entering the United States, while in 1986 imports from these countries accounted for only 19 percent of U.S. imports-- a decline of almost two-thirds.[26/] Thus it appears that the outstanding dumping orders pertaining to Brazil, Korea, and Taiwan,

---

25/ Report at Table 17.

26/ Official Statistics of Department of Commerce. Office of Investigations Memorandum, INV-K-069(June 12, 1987).

represent significant barriers to entry for these countries, and that these barriers have helped Japan and Thailand to increase sharply their share of the market. Thus, barriers to entry exist of a kind that make it possible for Japanese and Thai producers to gain market power. This factor is consistent with an affirmative determination.

These factors must be balanced in each case to reach a sound determination. While domestic product prices have increased slightly, all other factors tend to favor an affirmative determination. Cumulated import penetration is moderately high and increasing. Moreover, Japan and Thailand have been gaining a greater share of the import market. Indeed, while in 1985 imports from these countries accounted for about 40 to 45 percent of all imports, in 1986 they accounted for over 60 percent of those imports. This increase in market share is likely attributable, at least in part, to the barriers to entry existing because of the outstanding dumping orders against Brazil, Korea, and Taiwan. Finally, imports and domestic

products are generally homogeneous, and dumping margins are moderate to moderately high. Thus, the factors, on balance, weigh in favor of an affirmative determination.

Conclusion

Therefore, I conclude that an industry in the United States is materially injured by reason of dumped imports of certain malleable cast-iron pipe fittings from Japan and Thailand.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 13, 1987, the U.S. Department of Commerce (Commerce) published notice in the Federal Register (52 F.R. 4635) of its preliminary determinations that certain malleable cast-iron pipe fittings 1/ from Japan and Thailand are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Tariff Act of 1930. 2/ Accordingly, effective February 13, 1987, the U.S. International Trade Commission (Commission) instituted investigations Nos. 731-TA-347 and 348 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of March 4, 1987 (52 F.R. 6631). 3/

The Commission's final determinations in these investigations must be made before the later of the 120th day after the day on which Commerce makes its affirmative preliminary determination or the 45th day after the day on which Commerce makes its affirmative final determination. On March 16, 1987, at the request of counsel for Thai respondents, Commerce postponed the date for making its final LTFV determination in the investigation of the subject imports from Thailand 4/ from April 21, 1987, until not later than June 28, 1987. Accordingly, the Commission will make its final determination with respect to the subject imports from Thailand not later than August 12, 1987.

On April 27, 1987, Commerce published its final determination that malleable cast-iron pipe fittings from Japan are being, or are likely to be, sold in the United States at LTFV (52 F.R. 13855). 5/ The weighted-average LTFV margin for Japan was 57.39 percent. For further discussion of the LTFV average margins, see the section of this report entitled "Nature and Extent of Sales at LTFV."

In connection with the Commission's investigations, a public hearing was held in Washington, DC, on April 28, 1987. 6/ The Commission will transmit its final determination with respect to the subject imports from Japan to Commerce on June 15, 1987.

1/ The products covered by Commerce's determinations are described as "malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, of cast iron other than alloy cast iron, as currently provided for in items 610.7000 and 610.7400 of the *Tariff Schedules of the United States Annotated* (TSUSA)."

2/ A copy of Commerce's notices is presented in app. A.

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

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

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

6/ A list of witnesses appearing at the hearing is presented in app. C.

Background

On August 29, 1986, petitions were filed with the Commission and Commerce by counsel on behalf of the Cast Iron Pipe Fittings Committee, 1/ alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Japan and Thailand of certain nonalloy, malleable cast-iron pipe fittings that are being sold in the United States at LTFV. Accordingly, the Commission instituted preliminary antidumping investigations Nos. 731-TA-347 and 348 under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there was 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 such merchandise.

On October 7, 1986, the Commission unanimously determined that there was a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan and Thailand of such nonalloy, malleable cast-iron pipe fittings, 2/ whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, provided for in items 610.70 and 610.74 of the Tariff Schedules of the United States (TSUS), which were alleged to be sold in the United States at LTFV. 3/

Previous Commission Investigations

On April 13, 1977, the Commission instituted an investigation (No. TA-201-26) under section 201 of the Trade Act of 1974 concerning malleable cast-iron pipe and tube fittings, provided for in TSUS items 610.70, 610.71, and 610.74, in response to a petition filed by the American Pipe Fittings Association. On September 19, 1977, the Commission reported to the President its unanimous finding that malleable cast-iron pipe and tube fittings were not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing like or directly competitive articles.

Following Commerce's notification of its preliminary determination that certain malleable cast-iron pipe fittings exported from Japan might be subsidized, the Commission instituted, effective January 1, 1980, investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930 to determine whether an industry in the United States was materially

---

1/ The five member producers of this committee are Stanley G. Flagg & Co., Inc., Grinnell Corp. (successor to the fittings business of ITT Corp.), Stockham Valves & Fittings Co., U-Brand Corp., and Ward Manufacturing, Inc. (successor to Ward Foundry Division of Clevepak Corp.).

2/ Fittings with standard pressure ratings of 150 pounds per square inch (psi) and heavy-duty pressure ratings of 300 psi. Groove-lock fittings were not included.

3/ The Commission's preliminary determinations were published in the Federal Register of Oct. 22, 1986 (51 F.R. 37498).

injured or threatened with material injury, or the establishment of an industry was materially retarded, by reason of the importation of these pipe fittings into the United States. On March 20, 1980, the Commission terminated the investigation upon written request by counsel for the petitioners, the American Pipe Fittings Association.

On September 18, 1984, the Commission instituted investigations in response to petitions filed by the Cast Iron Pipe Fittings Committee, which alleged that an industry in the United States was materially injured, or threatened with material injury, by reason of imports of cast-iron pipe fittings that were allegedly subsidized by the Governments of Brazil and India. The investigation on India was terminated on October 9, 1984, following withdrawal of the petition. On March 5, 1985, the Department of Commerce made its final determination that the Government of Brazil was providing such subsidies. On April 17, 1985, the Commission determined that there were two domestic industries, producers of malleable cast-iron pipe fittings and producers of nonmalleable cast-iron pipe fittings, and that there was no material injury or threat thereof to these industries by reason of imports of nonalloy, malleable or nonalloy, nonmalleable cast-iron pipe fittings that were subsidized by the Government of Brazil (50 F.R. 16173, Apr. 24, 1985). 1/ This negative determination was "based on the lack of a causal nexus between the condition of the domestic industries and the subsidized imports from Brazil." 2/

On July 31, 1985, the Commission instituted preliminary antidumping investigations Nos. 731-TA-278, 279, and 280 in response to petitions filed by the Cast Iron Pipe Fittings Committee, 3/ which alleged that an industry in the United States was materially injured, or was threatened with material injury, by reason of imports from Brazil, the Republic of Korea (Korea), and Taiwan of nonalloy, malleable cast-iron pipe fittings alleged to be sold in the United States at LTFV. 4/ On September 11, 1985, the Commission made preliminary affirmative injury determinations. On January 13, 1986, following preliminary affirmative LTFV determinations by Commerce, the Commission instituted final antidumping investigations. On March 28, 1986, Commerce notified the Commission of its final determinations that nonalloy, malleable cast-iron pipe fittings from Brazil, Korea, and Taiwan were being, or were

---

1/ Commissioner Eckes determined that an industry in the United States was materially injured by reason of imports of malleable cast-iron pipe fittings.
2/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. 3.
3/ U-Brand Corp. did not join the other members of the Committee in filing the petitions.
4/ On the same day, a petition was also filed with respect to imports from Taiwan of nonalloy, nonmalleable cast-iron pipe fittings other than cast-iron soil pipe, provided for in TSUS items 610.62 and 610.65, which were alleged to be sold in the United States at LTFV (investigation No. 731-TA-281 (Preliminary)). The Commission made a preliminary affirmative injury determination in this investigation; however, Commerce made a preliminary negative LTFV determination. Subsequently, the petition was withdrawn and the investigation was terminated (51 F.R. 10648, Mar. 28, 1986).

likely to be, sold in the United States at LTFV; 1/ and on May 12, 1986, the Commission determined that an industry in the United States was materially injured by reason of imports from Brazil, Korea, and Taiwan of the subject merchandise. 2/

The Products

Description and uses

Cast-iron pipe and tube fittings are used to join pipes in straight lines; to change, divert, divide, or direct the flow of liquid, gas, or steam in piping systems; to provide access for cleaning and permit branching in piping systems; and to reduce or increase the diameter of piping systems. Cast-iron fittings fall into two general categories: nonmalleable fittings, which have little tensile strength, and malleable fittings, which are lighter in weight and have more tensile strength than nonmalleable fittings. Malleable fittings are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. Only malleable cast-iron fittings are included within the scope of these investigations. 3/

Malleable fittings are available in hundreds of configurations, the most common being 90-degree elbows, tees, couplings, and unions. They are produced in both black (ungalvanized) and galvanized form and have inside diameters generally ranging from 1/2 inch to 6 inches; other sizes are available on special order. Malleable fittings may be threaded and attached to pipes by screwing, or they may have grooved ends that attach to pipes with a locking device. The grooved fittings are generally found in larger sizes than the threaded fittings. Grooved fittings are not included within the scope of these investigations. 4/

1/ Commerce also determined that "critical circumstances" did not exist with respect to such imports from Taiwan.

2/ Chairman Liebeler dissented. Vice Chairman Brunsdale determined that an industry in the United States was threatened with material injury and that no material injury would have been found "but for the suspension of liquidation of entries of the merchandise."

3/ Counsel for Japanese respondents alleged that malleable and nonmalleable pipe fittings are "like" the imported product because they are interchangeable for many applications. On. p. 4 of the Japanese respondents' posthearing brief, it is alleged that "Not only can foreign malleable fittings be sold where cast-iron fittings are sold, they are in fact being sold in direct competition with domestic cast-iron fittings in the United States market. They are therefore clearly 'like products'."

4/ Counsel for Thai respondents alleged that grooved fittings are like the imported threaded pipe fittings. On p. 12 of the Thai respondents' prehearing brief, it is alleged that "...the products are interchangeable, produced in a similar fashion using the same materials, equipment, and labor, sold within the same systems of distribution, and may be used interchangeably by purchasers." See sections entitled "Market Factors" and app. D for discussions of these issues.

Malleable cast-iron fittings have a minimum performance rating of 150 psi for the standard pressure class, which accounts for approximately 93 percent of sales, 1/ and 300 psi for the heavy-duty pressure class. The fittings are generally manufactured to meet standards established by the American Society for Testing and Materials and the American National Standards Institute. The principal uses of malleable cast-iron fittings are in gas lines, piping systems of oil refineries, and gas and water systems of buildings.

Manufacturing process 2/

The manufacturing process for cast-iron pipe fittings begins with the making of molten iron, usually in a cupola furnace. The principal raw materials are scrap steel, pig iron, and other materials such as ferrosilicon, coke, and limestone. The molten iron for malleable fittings contains approximately 2.5 percent carbon, 1.4 percent silicon, and 0.4 percent manganese by weight. 3/

Sand-casting is the predominant method used in the making of cast-iron fittings. The casting process begins with the making of a pattern, which is the same configuration as the desired fitting. Molding sand is mixed with a binder, spread around the pattern in a mold, and then rammed by a machine to compact the sand. The pattern is withdrawn, leaving a cavity in which molded cores are inserted to form the internal shape of the fitting. To produce the actual fitting, the two mold halves (called the "cope" and the "drag") are put together with the core in the center, and the molten iron is poured into the cavity. After the iron solidifies, the red-hot fitting is shaken out of the sand on a shaker table or belt, allowed to cool, and cleaned. Malleable fittings, unlike nonmalleable fittings, must be annealed. Annealing consists of rapidly heating the fittings to approximately 1,750° F., followed by a quick cooling and then a slower cooling. The overall cooling process, which takes from 25 to 40 hours, improves the ductility and durability of the metal by reducing its brittleness. Almost all malleable cast-iron fittings are advanced (machined) after the casting stage. Advancement usually involves threading or other similar operations.

1/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-4.
2/ See app. D for further discussion.
3/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-4.

U.S. tariff treatment

The cast-iron pipe fittings covered by these investigations are subject to the following most-favored-nation (MFN) (col. 1) rates of duty: 1/

TSUS item	Rate of duty
610.70	5.1 percent ad valorem
610.74	6.2 percent ad valorem

The above rates of duty are the final rates in the series of staged reductions that began in 1980 and ended in 1987. Imports of cast-iron pipe fittings have been eligible for duty-free treatment under the Generalized System of Preferences (GSP) since January 1, 1976. 2/ The Thai articles are eligible to receive such GSP treatment.

During final investigations Nos. 731-TA-278 through 280, national import specialists of the U.S. Customs Service reported that because of the implementation of the by-pass system for handling entries under TSUS items 610.70 and 610.74, products may have been entered under these TSUS items that should have been classified elsewhere. The product coverage of the by-pass system varies from port to port. A port may determine that a product will be put on by-pass if the shipment is below a specified dollar value, classified in a particular TSUS item, from a specified country, entered by a particular importer, or subject to a combination of conditions. Under the by-pass arrangement, the entry documents for covered products are generally not presented to a U.S. Customs import specialist at the U.S. port of entry; the documents are instead immediately liquidated by a clerk.

Staff has contacted national import specialists of the U.S. Customs Service in New York, NY; Los Angeles, CA; and Baltimore, MD, the major ports of entry for the subject imports from Japan and Thailand. U.S. Customs officials reported that no steel products, including malleable cast-iron pipe fittings, are currently on the by-pass system. However, the same percentage of misclassifications with respect to the subject merchandise that occurred during 1984-86 may continue despite the removal of these products from by-pass, because of the need of Customs to rely on the importers choice of the correct tariff provision. Discussion of staff inquiries into TSUS misclassifications is found in the "U.S. Imports" section of this report.

1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. Imports from the latter countries are assessed the col. 2 duty rates of 20 percent ad valorem for TSUS item 610.70 and 45 percent ad valorem for TSUS item 610.74. These products, if from designated beneficiary countries, are also eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA) and the U.S.-Israel Free Trade Area Implementation Act.

2/ The GSP, enacted as title V of the Trade Act of 1974, provides duty-free entry to specified eligible articles imported directly from designated beneficiary developing countries. The GSP, implemented in Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and before the close of July 4, 1993.

Nature and Extent of Sales at LTFV

Japan

On April 27, 1987, Commerce published notice of its final determination that certain malleable cast-iron pipe fittings from Japan are being, or are likely to be, sold in the United States at LTFV. 1/

Commerce made fair value comparisons based on United States price and foreign market value during the period of March 1, 1986, through August 31, 1986. Commerce presented a questionnaire to Hitachi Metals, Ltd., which accounted for approximately 75 percent of all sales of the subject merchandise from Japan. Commerce found a weighted-average LTFV margin for Hitachi and all other manufacturers, producers, and exporters of 57.39 percent.

The United States purchase price was used when the merchandise was purchased by an unrelated U.S. customer directly from the foreign manufacturer prior to importation. Commerce compared *** purchase price transactions with weighted-average home market transactions and found *** percent of the purchase price transactions to have LTFV margins. The exporter's sales price was used to represent the United States price when the merchandise was imported into the United States by a party related to the exporter and subsequently sold to unrelated purchasers in the United States. Commerce compared *** export sales price transactions with weighted-average home market transactions and found *** percent of the export sales price transactions to have LTFV margins.

In accordance with section 733(d) of the Tariff Act of 1930, Commerce directed the U.S. Customs Service to continue to suspend liquidation of all entries of the subject merchandise from Japan that are entered, or withdrawn from warehouse, for consumption, on or after April 27, 1987, and to collect a cash deposit or bond for each entry equal to 57.39 percent of the entered value of the merchandise.

Thailand

On February 13, 1987, Commerce published in the Federal Register its preliminary determination that certain malleable cast-iron pipe fittings from Thailand are being, or are likely to be, sold in the United States at LTFV. 2/ Commerce presented a questionnaire to Siam Fittings Co., Ltd., which accounted for approximately 70 percent of all sales of the subject merchandise from Thailand. Commerce preliminarily found a weighted-average LTFV margin for Siam and all other manufacturers, producers, and exporters of 2.75 percent.

On March 16, 1987, Commerce published notice of the postponement of its final determination with respect to malleable cast-iron pipe fittings from Thailand until not later than June 28, 1987. 3/

1/ A copy of Commerce's notice is presented in app. A.
2/ Commerce's preliminary determination is presented in app. A.
3/ A copy of Commerce's notice is presented in app. A.

On March 19, 1987, counsel for petitioners amended the petition to allege that "critical circumstances" exist with regard to imports of malleable cast-iron pipe fittings from Thailand, and requested Commerce to extend the effect of its determination to all unliquidated entries of Thai malleable pipe fittings that entered the customs territory of the United States, or were withdrawn from warehouse, on or after November 17, 1986. On April 24, 1987, Commerce published notice in the Federal Register that it had preliminarily determined that critical circumstances do not exist with respect to the subject imports from Thailand. 1/

The U.S. Industry

The following five firms produce malleable pipe fittings subject to these investigations: Grinnell Corp. (a subsidiary of Tyco Laboratories, Inc.), with headquarters in Exeter, NH, and a plant in Columbia, PA; Stanley G. Flagg & Co., Inc. (a subsidiary of Amcast Industrial Corp.), Stowe, PA; Stockham Valves & Fittings Co., Birmingham, AL; U-Brand Corp. (a subsidiary of Worthington Industries, Inc.), Ashland, OH; and Ward Manufacturing, Inc., Blossburg, PA. 2/

The shares of U.S. production and apparent U.S. consumption of malleable threaded cast-iron pipe fittings accounted for by each firm in 1986 are presented in table 1. ***, the largest producer, accounted for *** percent of U.S. production in 1986, followed by ***, with *** percent.

Each of these firms has been producing cast-iron pipe fittings for at least 35 years and offers an essentially complete line of fittings. 3/ Clevepak Corp. offered its Ward Foundry operation for sale in October 1984 and sold it to executives at Ward on March 10, 1986. 4/ On January 31, 1986, Grinnell Corp. became a 100-percent-owned subsidiary of Tyco Laboratories, Inc.

One U.S. producer, ***, imported malleable cast-iron pipe fittings from *** during 1984-86. In 1986, ***'s imports were equivalent to *** percent of the firm's production of malleable threaded cast-iron pipe fittings.

U.S. Importers

Japan

The Commission received questionnaire responses from 19 U.S. importers of malleable cast-iron pipe fittings from Japan; they accounted for 90 percent of

---

1/ A copy of Commerce's notice is presented in app. A.
2/ Additional information concerning operations by these firms on other types of pipe fittings is contained in app. D.
3/ Malleable Cast-Iron Pipe and Tube Fittings . . .,Investigation No. TA-201-26 . . ., USITC Publication 835, September 1977, p. A-12; Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221 . . ., USITC Publication 1681, April 1985, p. A-8.
4/ During a staff conversation with *** Apr. 15, 1986, *** reported that ***. Investigations Nos. 731-TA-278 through 280 (Final).

Table 1
Malleable threaded cast-iron pipe fittings: U.S. producers' shares of U.S. production and apparent U.S. consumption, by firms, 1986

(In percent)

Firm	Share of U.S. production	Share of apparent U.S. consumption 1/
Grinnell Corp.	***	***
Stanley G. Flagg & Co., Inc.	***	***
Stockham Valves & Fittings Co.	***	***
U-Brand Corp.	***	***
Ward Manufacturing, Inc.	***	***
Total	100.0	69.3

1/ Shares are based on U.S. producers' domestic shipments.

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

official statistics on imports under TSUS item 610.74 in 1986. Hitachi Metals America Division of Hitachi Metals International, Ltd., Purchase, NY, (Hitachi Metals America) ***, accounting for *** percent of reported imports from Japan in 1986. Calsak Corp., Compton, CA, ***, accounting for *** percent of such imports in 1986. *** is ***, accounting for *** percent of imports in 1986.

Thailand

The Commission received questionnaire responses from 12 U.S. importers of the subject merchandise from Thailand, reporting more tons of imports than reported in official statistics on imports under TSUS item 610.74 in 1986. 1/ Calsak Corp., Compton, CA, ***, accounting for *** percent of reported imports in 1986. *** is ***, accounting for *** percent of reported imports in 1986, *** Barnett Brass & Copper, Inc., Jacksonville, FL, accounting for *** percent.

The Foreign Industries

Japan

The five known Japanese manufacturers that export malleable cast-iron pipe fittings to the United States 2/ are Hitachi Metals, Ltd.; Nippon Kokan Pipe Fitting Mfg. Co., Ltd.; C-K Metals, Ltd.; Higashio Pipe Fitting Mfg. Co.,

1/ For further discussion see section entitled "U.S. imports," pp. 30-31.
2/ According to Mr. Ruebens, Director of Piping Components of Hitachi Metals America, there may be 8 Japanese manufacturers of malleable pipe fittings. Transcript of the conference in investigations Nos. 731-TA 347 and 348 (Preliminary), p. 56.

Ltd.; and Awaji Sangyo, k.k. Mr. Hertzberg, counsel for Hitachi Metals America, alleged that "Except for Hitachi Metals the other suppliers have withdrawn from the U.S. as a result of the exchange rate changes." 1/

Hitachi Metals, Ltd. is the largest producer, accounting for *** percent of Japanese production of malleable cast-iron pipe fittings in 1986 and for *** percent of the industry's exports to the United States in 1986 (tables 2 and 3).

Table 2
Malleable cast-iron pipe fittings: Japanese production 1/ and export shipments, 2/ 1984-86

Item	1984	1985	1986
Production 3/.....tons..	132,276	130,071	114,639
Export shipments to--			
United States.....tons..	13,766	11,270	11,396
Other countries.....do....	22,237	24,484	14,971
Total.....do ...	36,003	35,754	26,366

1/ Data include an undetermined amount of malleable products other than cast-iron pipe fittings. Staff requested an estimate of the percent of these products that are subject to investigation from counsel for Hitachi Metals America, but counsel did not provide an estimate.
2/ Data include malleable pipe fittings and certain other products. Staff requested an estimate of the percent of these products that are subject to investigation from counsel for Hitachi Metals America, but counsel did not provide an estimate.
3/ Unless otherwise noted, the term "ton" refers to a short ton (2,000 pounds).

Source: Compiled from data submitted by counsel for Hitachi Metals America.

Note.--Counsel for Hitachi Metals America provided data on the Japanese industry's capacity and capacity utilization under a request for confidential treatment. The Commission denied these data confidential treatment. Such data were subsequently retracted by counsel for Hitachi Metals America.

Japanese production of malleable cast-iron pipe fittings decreased by 13 percent from 1984 to 1986, decreasing by less than 2 percent from 1984 to 1985 and dropping by 12 percent from 1985 to 1986. Hitachi Metals' production *** by *** percent from 1984 to 1985, then *** by *** percent from 1985 to 1986. Hitachi Metals' capacity utilization *** from *** percent in 1984 to *** percent in 1985, but *** to *** percent in 1986, as a result of ***.

1/ Transcript of the hearing, p. 46.

Table 3
Malleable cast-iron pipe fittings: Hitachi Metals, Ltd.'s production, capacity, capacity utilization, home-market shipments, and export shipments, 1/ 1984-86

Item	1984	1985	1986
Production.....tons..	***	***	***
Capacity.....do....	***	***	***
Capacity utilization.....percent..	***	***	***
Home-market shipments.....tons..	***	***	***
Export shipments to--			
United States.....tons..	***	***	***
Other countries.....do....	***	***	***
Total.....do....	***	***	***

1/ Data on production and capacity reflect total production and capacity of the Hitachi Metals plant in which malleable pipe fittings are produced. Relatively small quantities of other products such as specialty malleable fittings and malleable gas fittings are also produced in this plant. Data on home-market shipments represent approximate Japanese market sales by Hitachi Metals, Ltd. of malleable products; malleable threaded cast-iron pipe fittings are estimated to be 40 percent to 50 percent of these malleable products.

Source: Compiled from data submitted by counsel for Hitachi Metals America.

From 1984 to 1985, Japanese exports remained relatively steady despite an 18-percent decline in export shipments to the United States. As a result of a 39-percent decline in export shipments to all other countries from 1985 to 1986, total Japanese export shipments fell by 26 percent during that time period. The United States, the largest export market for malleable cast-iron pipe fittings produced in Japan, accounted for 38 percent of such exports in 1984, 32 percent in 1985, and 43 percent in 1986.

Hitachi Metals' total export shipments *** by less than *** percent from 1984 to 1985, then *** by *** percent from 1985 to 1986. The firm's export shipments to the United States *** by *** percent from 1984 to 1985, and *** by *** percent from 1985 to 1986. Hitachi Metals' home-market shipments *** from 1984 to 1986, *** by *** percent from 1984 to 1985 and then *** by *** percent from 1985 to 1986.

Thailand

All of the three known Thai manufacturers of malleable cast-iron pipe fittings, Siam Fittings Co., Ltd.; Thai Malleable Iron and Steel Co., Ltd.; and BIS Pipe Fitting Co., Ltd., export these fittings to the United States. Siam Fittings Co., Ltd., ***, accounted for *** percent of Thai production of malleable pipe fittings in 1986 (table 4).

Table 4
Malleable cast-iron pipe fittings: Thai production, capacity, capacity utilization, export shipments, and home-market shipments, 1984-86

Item	1984	1985	1986
Production:			
Siam Fittings.....tons..	***	***	***
Thai Malleable.....do....	***	***	***
BIS Pipe Fitting.....do....	***	***	***
Total.....do....	4,389	5,658	9,362
Capacity:			
Siam Fittings.....do....	***	***	***
Thai Malleable.....do....	***	***	***
BIS Pipe Fitting.....do....	***	***	***
Total.....do....	11,791	12,783	13,444
Capacity utilization:			
Siam Fittings.....percent..	***	***	***
Thai Malleable.....do....	***	***	***
BIS Pipe Fitting.....do....	***	***	***
Average.....do....	37.2	44.3	69.6
Export shipments to:			
United States.....tons..	***	***	***
All other.....do....	***	***	***
Total exports.....do....	***	***	***
Home-market shipments....do....	***	***	***
Total shipments.....do....	***	***	***

Source: Compiled from data submitted by counsel for Siam Fittings Co., Ltd.; Thai Malleable Iron and Steel Co., Ltd.; and BIS Pipe Fitting Co., Ltd.

Thai production of malleable cast-iron pipe fittings increased steadily from 1984 to 1986, rising by 29 percent from 1984 to 1985 and by 65 percent from 1985 to 1986. Thai capacity to produce malleable pipe fittings increased by 14 percent during 1984-86. As a result of the increases in production, capacity utilization rose from 37.2 percent in 1984 to 44.3 percent in 1985 and to 69.6 percent in 1986. During 1984-85, capacity utilization for *** was ***.

Export shipments to the United States, accounting for roughly *** percent of Thai exports of malleable pipe fittings in 1986, *** from 1984 to 1986. Total exports *** than exports to the United States because *** and *** from 1985 to 1986. Home-market shipments *** by *** percent during 1984-86. Despite the *** in home-market shipments, total shipments of malleable cast-iron pipe fittings produced in Thailand *** by *** percent from 1984 to 1985, and by *** percent from 1985 to 1986.

The Domestic Market

Apparent U.S. consumption 1/ 2/

Apparent U.S. consumption of malleable cast-iron pipe fittings covered by these investigations decreased by 6 percent from 1984 to 1985 and decreased by 10 percent from 1985 to 1986 (table 5).

Table 5
Malleable threaded cast-iron pipe fittings: Imports, U.S.-produced domestic shipments, and apparent U.S. consumption, 1984-86

(In tons)

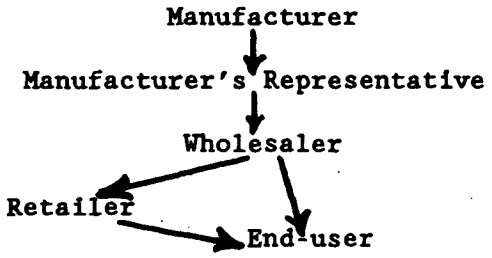
Item	1984	1985	1986
Imports 1/	23,742	22,821	18,753
U.S.-produced domestic shipments	48,100	44,971	42,383
Apparent U.S. consumption	71,842	67,792	61,136

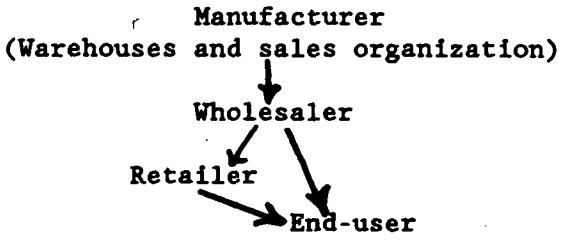
1/ Official statistics for imports are under TSUS item 610.74.

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

Channels of distribution

U.S.-produced cast-iron pipe fittings are generally sold through one of two similar channels of distribution, diagrammed as follows:





1/ Apparent U.S. consumption as presented in this section is calculated by adding official import statistics under TSUS item 610.74 to U.S. producers' domestic shipments. During the current investigations and final investigations Nos. 731-TA-278 through 280, responses to staff inquiries into the products being imported under TSUS item 610.70 revealed that no imports of the subject products have entered the United States under this item. Consequently, imports under this item have been excluded from calculations in this report (see the section entitled "U.S. imports" for a description of these items).
2/ Apparent U.S. consumption calculated by eliminating items that are not covered by these investigations but that may be included in official import statistics under TSUS item 610.74 is presented in app. E. See the section entitled "U.S. imports" for a description of these items.

A U.S. producer generally sells either through a manufacturer's representative or through a sales arm of its own organization. Sales generally consist of a full line of pipe fittings, including a range of the most common configurations and sizes. The manufacturer's representative is responsible for a defined territory, and the U.S. producer will usually sell to no other distributor in that territory. 1/ One manufacturer, for example, ***. This manufacturer ***. 2/ Manufacturer's representatives or manufacturer's warehouses stock pipe fittings (as well as other products) for large territories. The fittings are then sold to approximately 10,000 wholesalers across the country, 3/ and are resold again to retailers (such as hardware stores) or directly to large end-users (such as contractors). 4/ All U.S. producers sell throughout the United States, maintaining warehouses in various locations and selling from inventory. 5/

There are exceptions to the general statements presented above, as a review of the practices of domestic producers shows. In 1986, *** of the five U.S. producers sold all reported products exclusively to unrelated distributors. ***. 6/

Channels of distribution for malleable cast-iron pipe fittings imported from Japan tend to be similar to those for U.S.-produced fittings. In 1986, responding importers of malleable pipe fittings from Japan sold 92 percent of the subject merchandise to unrelated distributors. The remaining 8 percent were sold to unrelated end-users. Hitachi Metals America, the exclusive distributor of Hitachi, Ltd.'s pipe fittings in the United States, in turn sold *** percent of its 1986 imports to unrelated distributors and *** percent to unrelated end-users. Hitachi Metals America supplies pipe fittings nationwide through nine warehouses in the United States and provides sales and engineering support. 7/

In 1986, responding importers of the subject merchandise from Thailand sold 91 percent of their imports to unrelated distributors and 9 percent to unrelated end-users. Calsak Corp., *** importer of Thai pipe fittings, accounting for *** percent of reported imports from Thailand in 1986, sold *** percent of its imports to unrelated distributors in 1986. ***, accounting for *** percent of reported Thai imports in 1986, reported selling *** percent of its imports of Thai malleable cast-iron pipe fittings to unrelated distributors.

1/ Transcript of the conference in investigations Nos. 731-TA-278 through 281, pp. 57-58.
2/ Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan: Determinations of the Commission in Investigations Nos. 731-TA-278 through 280 (Final), USITC Publication 1845, May 1986, p. A-20.
3/ Ibid.
4/ Transcript of the conference in investigations Nos. 731-TA-278-281, p. 57.
5/ Certain Cast-Iron Pipe Fittings from Brazil: Determinations of the Commission in Investigation No. 701-TA-221, USITC Publication 1681, April 1985, p. A-7.
6/ ***.
7/ Transcript of the conference in investigations Nos. 731-TA-347 and 348 (Preliminary), p. 44.

Market factors

The petitioners in these investigations argued that imported malleable cast-iron pipe fittings compete directly with U.S.-produced fittings. 1/ Respondents, arguing that imports from Japan and Thailand do not compete with each other, alleged that imports from Japan are primarily sold to the industrial sector of the U.S. market, whereas imports from Thailand are sold primarily to residential markets. 2/ Respondents further alleged that imports from Japan are generally sold nationwide, whereas Thai imports are limited to certain geographic regions. 3/ The available data, as reported in response to the Commission's questionnaires, are discussed below.

*** is the only U.S. producer that provided estimates of the firm's domestic shipments to specified end-user markets. These shipments accounted for less than 4 percent of total U.S.-produced domestic shipments in 1986. These data are presented in the tabulation below (in percent):

	Shipments to end-users in the--			
Firm	Residential construction market	Nonresidential construction market	Hardware/do-it-yourself market	Other markets
***	***	***	***	*** 1/

1/ Includes original equipment manufacturers (OEM's) and industrial end users.

1/ "Japanese, Thai and U.S. fittings are fungible products. They are all made to industry standards, and are, therefore, functionally interchangeable. They are also comparable in terms of commercial interchangeability. It should be noted that Thai fittings, which are relatively new in the U.S. marketplace, are gaining wider acceptance among industrial users and are already well-established in other market segments." Petitioners' posthearing brief, p. 4.
2/ On p. 3 of Hitachi Metals America's prehearing brief, it is alleged that "Thai and Japanese pipe fittings are not fungible because they are not of equal quality or price and meet different customer requirements; a Thai pipe fitting simply is not practically interchangeable with a Japanese pipe fitting in the marketplace." On p. 9 of Hitachi's prehearing brief it is alleged that "HMA sells primarily in the industrial market. Thai fittings are sold primarily in the hardware market where HMA fittings are almost never sold." On p. 40 of counsel for Thai respondents' prehearing brief it is alleged that "The Japanese product is of the highest quality and competes with the domestic industry in the industrial market; i.e. utilities, oil and gas, nuclear power plants, chemicals, etc. The Thai product is of merchantable quality and is sold mainly in markets where price is the major consideration and only standard quality is needed."
3/ On p. 43 of counsel for Thai respondents' prehearing brief it is alleged that "The questionnaire responses submitted by our client importers all show that they are mainly regional marketers. Between 70 and 75% of their sales [are] limited to sales made within 500 miles of their warehouse." On p. 12 of Hitachi Metals America's prehearing brief it is alleged that "...HMA's distribution system (with nine warehouses) is nationwide (Tr. at 44); the Thai imports are limited to certain narrow geographic regions in the West and Northeast."

As stated above, in 1986, 92 percent of the Japanese fittings and 91 percent of the Thai fittings were sold to unrelated distributors. Eight U.S. importers of the subject merchandise from Japan reported sales of 539 tons, or 8 percent of domestic shipments of Japanese imports, to unrelated end-users in 1986. 1/ Four U.S. importers of imports from Thailand reported domestic shipments of 438 tons, or 9 percent of domestic shipments of Thai imports, to unrelated end-users in 1986. Ten U.S. purchasers of Japanese fittings reported sales of 205 tons to unrelated end-users in 1986. Four U.S. purchasers of Thai fittings reported sales of 130 tons to unrelated end-users. The data in the following tabulation are for 1986 (in percent):

	Shipments to end-users in the--			
Country and source	Residential construction market	Nonresidential construction market	Hardware/do-it-yourself market	Other markets
Japan:				
Importers	0.8	0.9	14.7	83.6 1/
Purchasers	22.5	24.0	5.9	47.5 2/
Thailand:				
Importers	0	0.2	68.7	31.1 3/
Purchasers	62.4	11.0	26.6	0

1/ Shipments to the following: OEM's including water heater, irrigation equipment, air compressor, mobile home and heating/ventilating manufacturers; paper mills; municipalities and gas utilities.
2/ Shipments to the following: Industrial-oil and petrochemical refineries, and irrigation equipment.
3/ Shipments to the following: OEM's including water heater, irrigation equipment, and mobile home manufacturers; paper mills and municipalities. ***.

Questionnaire responses from purchasers indicated that both Japanese and Thai fittings are sold in a variety of markets (see above tabulations). Opinions on the comparative product quality of malleable cast-iron pipe fittings varied. Spokesmen for several purchasers stated that they maintain separate inventories of Japanese and other imports and U.S.-produced fittings in order to service customers that request specific fittings. In contrast, some purchasers believe that there is no difference between the quality of fittings produced in the United States, Japan, and Thailand; therefore, these purchasers maintain only one inventory and sell any fitting to their customers.

***, accounting for *** percent of domestic shipments of Japanese imports in 1986, and ***, accounting for *** percent of domestic shipments of imports from Thailand in 1986, reported sales nationwide. ***, accounting for *** percent of Thai domestic shipments in 1986, reported sales to the Western and Gulf States. ***, accounting for *** percent and *** percent of domestic shipments of Japanese and Thai fittings respectively in 1986, reported sales in the West and Gulf Coast States.

1/ During investigation No. 731-TA-347 (Preliminary), Hitachi Metals America estimated that *** percent of its 1985 domestic shipments were to the nonresidential construction market, *** percent to OEM's and gas utility companies, *** percent to the residential construction market, and *** percent to the hardware/do-it-yourself (DIY) market.

Consideration of Material Injury to an Industry in the United States

In order to evaluate the condition of the U.S. industry producing non-alloy, malleable cast-iron pipe fittings, other than grooved fittings, the Commission surveyed all known U.S. producers of such items. These producers are the five firms discussed above in the section entitled "The U.S. Industry." The information in all sections of this report describing the condition of the domestic industry includes data on all five producers, unless otherwise noted.

U.S. production, capacity, and capacity utilization

U.S. production of the subject malleable threaded cast-iron pipe fittings decreased by 8 percent from 1984 to 1985 and decreased again, by 7 percent, from 1985 to 1986. Capacity to produce such fittings remained stable at 95,260 tons during 1984-86. As a result of the decreases in production, capacity utilization decreased from 51.2 percent in 1984 to 47.3 percent in 1985, then declined to 43.9 percent in 1986 (table 6).

Table 6
Malleable threaded cast-iron pipe fittings: U.S. production, capacity, and capacity utilization, 1984-86

Item	1984	1985	1986
Production.....tons..	48,737	45,013	41,863
Capacity.....do....	95,260	95,260	95,260
Capacity utilization.....percent..	51.2	47.3	43.9

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

U.S. producers' shipments and inventories

Domestic shipments of U.S.-produced malleable threaded cast-iron pipe fittings decreased by nearly 7 percent from 1984 to 1985 and by 6 percent from 1985 to 1986 (table 7). Export shipments of U.S.-produced malleable fittings *** by *** percent from 1984 to 1985, then *** by *** percent from 1985 to 1986. During 1984-86, end-of-period inventories *** both in nominal terms and as a percent of total shipments of U.S.-produced malleable fittings. End-of-period inventories *** by *** percent during 1984-86. Such end-of-period inventories as a ratio to total shipments *** from *** percent in 1984 to *** percent in 1986.

The unit values of domestic and export shipments of malleable pipe fittings as reported by four of the five producers are presented in table 8.

Table 7
Malleable threaded cast-iron pipe fittings: U.S.-produced domestic shipments, export shipments, and end-of-period inventories, 1984-86

Item	1984	1985	1986
Domestic shipments.....tons..	48,100	44,971	42,383
Export shipments.....do....	***	***	***
Total.....do....	***	***	***
End-of-period inventories.....do....	***	***	***
Ratio of inventories to total shipments.....percent..	***	***	***

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

Table 8
Malleable threaded cast-iron pipe fittings: Domestic and export shipments of 4 U.S. producers, 1/ 1984-86

Item	1984	1985	1986
	Quantity (tons)		
Domestic shipments.....	***	***	***
Export shipments.....	***	***	***
Total.....	***	***	***
	Value (1,000 dollars)		
Domestic shipments.....	***	***	***
Export shipments.....	***	***	***
Total.....	***	***	***
	Unit value (per pound)		
Domestic shipments.....	***	***	***
Export shipments.....	***	***	***
Average.....	***	***	***

1/ ***. These 4 producers accounted for *** percent of domestic shipments and for *** percent of export shipments in 1986. ***, accounting for *** percent of domestic shipments and for *** percent of exports in 1986, ***.

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

U.S. producers' domestic purchases and imports

During the period covered by these investigations, two U.S. producers, *** and ***, purchased U.S.-produced malleable fittings; *** also imported pipe fittings from ***. The ratio of the two U.S. producers' domestic purchases of the subject merchandise to their production of malleable pipe fittings ranged from *** percent to *** percent during the period of investigation.

The ratio of ***'s imports from *** to the firm's production was *** percent in 1984, *** percent in 1985, and *** percent in 1986. Data on the producers' domestic purchases and imports, as reported in their questionnaire responses, are presented in the following tabulation (in tons):

* * * * * * *

Employment and productivity

The total number of employees in the establishments in which malleable cast-iron pipe fittings are produced decreased by 5 percent from 1984 to 1985, and fell by 4 percent from 1985 to 1986 (table 9). The number of production and related workers producing all cast-iron pipe fittings, accounting for roughly 49 percent of all establishment employees during the period of investigation, decreased steadily, by 9 percent, from 1984 to 1986. The number of production and related workers producing malleable threaded cast-iron pipe fittings, accounting for roughly 38 percent of all establishment employees during the period of investigation, increased by less than 2 percent from 1984 to 1985, and then decreased by 9 percent from 1985 to 1986.

Four unions represent the workers in this industry: the United Steel Workers of America (AFL-CIO), the International Molders and Allied Workers Union (AFL-CIO), the International Association of Machinists, and the Pattern Makers Association (AFL-CIO).

Four U.S. producers reported significant layoffs during the period of investigation. All of the layoffs were attributed to decreased orders. The dates of each layoff and the number of workers involved are shown in the following tabulation:

* * * * * * *

Total wages paid to production and related workers producing all cast-iron pipe fittings decreased by 4 percent from 1984 to 1985, and decreased again, by 2 percent, from 1985 to 1986. Total wages paid to production and related workers producing malleable threaded cast-iron pipe fittings also decreased steadily, dropping by 2 percent from 1984 to 1985 and by 7 percent from 1985 to 1986. Total compensation paid to production and related workers producing all cast-iron pipe fittings followed a similar pattern, decreasing by 4 percent from 1984 to 1985 and by 3 percent from 1985 to 1986. Total compensation paid to production and related workers producing malleable

Table 9
Cast-iron pipe fittings: Number of employees in producing establishments and hours worked by, average wages and total compensation paid to, and productivity of production and related workers, 1984-86 1/

Item	1984	1985	1986
Average employment:			
All employees	5,189	4,926	4,720
Production and related workers producing--			
All products	4,028	3,843	3,549
All cast-iron pipe fittings	2,552	2,511	2,326
Malleable threaded cast-iron pipe fittings	1,894	1,925	1,752
Hours worked by production and related workers producing--			
All cast-iron pipe fittings 1,000 hours	4,847	4,733	4,438
Malleable threaded cast-iron pipe fittings do	3,632	3,639	3,368
Wages paid to production and related workers producing--			
All cast-iron pipe fittings 1,000 dollars	47,618	45,994	44,858
Malleable threaded cast-iron pipe fittings do	36,414	35,693	33,111
Total compensation paid to production and related workers producing--			
All cast-iron pipe fittings 1,000 dollars	58,537	55,993	54,287
Malleable threaded cast-iron pipe fittings do	44,650	43,300	39,657
Average hourly wages paid to production and related workers producing--			
All cast-iron pipe fittings	$9.82	$9.72	$10.11
Malleable threaded cast-iron pipe fittings	$10.03	$9.81	$9.83
Average hourly compensation paid to production and related workers producing--			
All cast-iron pipe fittings	$12.08	$11.83	$12.23
Malleable threaded cast-iron pipe fittings	$12.29	$11.90	$11.77
Productivity in producing malleable threaded cast-iron pipe fittings tons per 1,000 hours worked	13.42	12.37	12.43

1/ ***.

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

threaded cast-iron pipe fittings also decreased steadily, dropping by 3 percent from 1984 to 1985 and by 8 percent from 1985 to 1986. From 1984 to 1986, both average hourly wages paid and average hourly compensation paid to production and related workers producing all cast-iron pipe fittings increased less than 3 percent. Average hourly wages paid to production and related workers producing malleable threaded cast-iron pipe fittings decreased by 2 percent from 1984 to 1985, then increased by less than 1 percent from 1985 to 1986. Average hourly compensation paid to such workers decreased by 3 percent from 1984 to 1985, and by 1 percent from 1985 to 1986.

The productivity of workers producing malleable threaded cast-iron pipe fittings decreased irregularly, dropping by 8 percent from 1984 to 1985 and then increasing by 1 percent from 1985 to 1986.

Financial experience of U.S. producers

All five firms provided usable income-and-loss data on the overall operations of their establishments within which cast-iron pipe fittings are produced, as well as on their operations producing only malleable threaded cast-iron pipe fittings and all cast-iron pipe fittings. The five firms accounted for all known U.S. production of malleable threaded cast-iron pipe fittings during 1984-86.

Overall establishment operations.--Aggregate income-and-loss data on overall establishment operations are presented in table 10. Overall establishment sales of the five firms rose from $333.9 million in 1984 to $336.1 million in 1985, an increase of 0.7 percent. In 1986; however, sales declined to $316.4 million, or by 5.9 percent.

Operating income increased from $13.5 million in 1984 to $15.6 million in 1985, or by 15.4 percent, but then fell to $5.1 million in 1986, or by 67.1 percent. The operating margins for the firms during the 1984-86 period were 4.0 percent, 4.6 percent, and 1.6 percent, respectively. Two producers experienced operating losses in 1984 and 1986, and one producer incurred a loss in 1985.

During the interim period ended February 28, 1987, aggregate net sales by two producers totaled *** million, up *** percent from net sales of *** million reported during interim 1986. Aggregate operating income *** from *** during interim 1986 to a *** of *** during interim 1987. The operating income (loss) margins for the 1986 and 1987 interim periods were *** percent and *** percent, respectively. *** reported ***.

Operations producing all cast-iron pipe fittings.--Sales of all cast-iron pipe fittings accounted for 50.5 percent of the five U.S. producers' overall establishment sales in 1986.

Aggregate income-and-loss data for the five firms on their operations producing all cast-iron pipe fittings are presented in table 11. Aggregate net sales declined from $175.9 million in 1984 to $174.2 million in 1985, or by 0.9 percent, then fell further to $159.8 million in 1986, or by 8.3 percent.

Table 10
Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which cast-iron pipe fittings are produced, accounting years 1984-86, and interim periods ended Feb. 28, 1986, and Feb. 28, 1987

Item	1984	1985	1986	Interim period ended Feb. 28 2/-- 1986	1987
Net sales....1,000 dollars..	333,915	336,124	316,431	***	***
Cost of goods sold....do....	276,665	274,801	264,290	***	***
Gross profit.....do....	57,250	61,323	52,141	***	***
General, selling, and administrative expenses 1,000 dollars..	43,742	45,738	47,017	***	***
Operating income or (loss) 1,000 dollars..	13,508	15,585	5,124	***	***
Interest expense .....do....	7,685	9,764	8,794	***	***
Other income or (expense), net.....1,000 dollars..	1,656	5,032	(637)	***	***
Net income or (loss) before income taxes 1,000 dollars..	7,479	10,853	(4,307)	***	***
Depreciation and amortization expense included above.....1,000 dollars..	16,355	17,747	15,247	***	***
Cash flow.....do....	23,834	28,600	10,940	***	***
As a share of net sales:					
Cost of goods sold percent..	82.9	81.8	83.5	***	***
Gross profit.....do....	17.1	18.2	16.5	***	***
General, selling, and administrative expenses percent..	13.1	13.6	14.9	***	***
Operating income or (loss).....percent..	4.0	4.6	1.6	***	***
Net income or (loss) before income taxes percent..	2.2	3.2	(1.4)	***	***
Number of firms reporting operating losses.....	2	1	2	***	***
Number of firms reporting...	5	5	5	2	2

1/ The firms are Stanley G. Flagg & Co., Inc., Grinnell Corp., U-Brand Corp., Ward Manufacturing, Inc., and Stockham Valves & Fittings Co.
2/ 1 firm provided 9-month interim data (June 1-Feb. 28), and 1 firm provided 6-month interim data (Sept. 1-Feb. 28).

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

Table 11
Income-and-loss experience of U.S. producers 1/ on their operations producing all cast-iron pipe fittings, accounting years 1984-86, and interim periods ended Feb. 28, 1986, and Feb. 28, 1987

Item	1984	1985	1986	Interim period ended Feb. 28 2/-- 1986	1987
Net sales....1,000 dollars..	175,857	174,244	159,831	***	***
Cost of goods sold....do....	149,393	145,718	137,783	***	***
Gross profit or (loss) 1,000 dollars..	26,464	28,526	22,048	***	***
General, selling, and administrative expenses 1,000 dollars..	27,128	25,578	24,137	***	***
Operating income or (loss) 1,000 dollars..	(664)	2,948	(2,089)	***	***
Interest expense .....do....	4,941	4,789	3,537	***	***
Other income or (expense), net.....1,000 dollars..	(421)	(313)	(556)	***	***
Net income or (loss) before income taxes 1,000 dollars..	(6,026)	(2,154)	(6,182)	***	***
Depreciation and amortization expense included above.....1,000 dollars..	9,239	8,571	6,909	***	***
Cash flow.....do....	3,213	6,417	727	***	***
As a share of net sales:					
Cost of goods sold percent..	85.0	83.6	86.2	***	***
Gross profit or (loss) percent..	15.0	16.4	13.8	***	***
General, selling, and administrative expenses percent..	15.4	14.7	15.1	***	***
Operating income or (loss).....percent..	(0.4)	1.7	(1.3)	***	***
Net income or (loss) before income taxes percent..	(3.4)	(1.2)	(3.9)	***	***
Number of firms reporting operating losses.....	3	2	3	***	***
Number of firms reporting...	5	5	5	2	2

1/ The firms are Stanley G. Flagg & Co., Inc., Grinnell Corp., U-Brand Corp., Ward Manufacturing, Inc., and Stockham Valves & Fittings Co.
2/ 1 firm provided 9-month interim data (June 1-Feb. 28), and 1 firm provided 6-month interim data (Sept. 1-Feb. 28).

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

Operating income improved to $2.9 million in 1985, up from a loss of $664,000 incurred in 1984, but then fell in 1986 to a loss of $2.1 million. The operating income (loss) margins during the 1984-86 period were as follows: (0.4) percent, 1.7 percent, and (1.3) percent, respectively. Three of the producers reported operating losses in 1984 and 1986, and two firms experienced operating losses in 1985.

Net sales by two producers *** from *** million in interim 1986 to *** million in interim 1987, *** of *** percent. Operating losses; however, *** from *** million during interim 1986 to *** million during interim 1987. The operating (loss) margins for the 1986 and 1987 interim periods were *** percent and *** percent, respectively. *** reported ***.

The sales, operating-income, and operating-margin data for all cast-iron pipe fittings basically followed the same trends displayed in overall establishment operations. However, operations on all cast-iron pipe fittings (which account for approximately 50 percent of 1986 overall establishment sales value) seem to be doing much worse than the overall establishment operations--showing no operating profitability whatsoever in most of the periods surveyed.

Operations producing malleable threaded cast-iron pipe fittings.--Sales of malleable threaded cast-iron pipe fittings accounted for approximately 35 percent of the 1986 sales value of overall establishment operations, and 69 percent of the 1986 sales value of all cast-iron pipe fittings.

Aggregate income-and-loss data for the five firms on their operations producing malleable threaded cast-iron pipe fittings are presented in table 12. Aggregate net sales declined from $125.8 million in 1984 to $121.7 million in 1985, or by 3.3 percent, then fell further to $110.0 million in 1986, or by 9.6 percent.

Operating income improved to $1.0 million in 1985, up from a loss of $237,000 incurred during 1984, but then fell to a loss of $2.6 million in 1986. The operating income (loss) margins during the 1984-86 period were as follows: (0.2) percent, 0.8 percent, and (2.4) percent, respectively. Two of the firms reported operating losses in 1984 and 1985 and four firms reported losses in 1986.

Net sales by two producers *** from *** million in interim 1986 to *** million in interim 1987, *** of *** percent. Operating losses; however, *** from *** million in interim 1986 to *** million during interim 1987. The operating (loss) margins for the 1986 and 1987 interim periods were *** percent and *** percent, respectively. *** reported ***.

Table 12
Income-and-loss experience of U.S. producers 1/ on their operations producing malleable threaded cast-iron pipe fittings, accounting years 1984-86, and interim periods ended Feb. 28, 1986, and Feb. 28, 1987

Item	1984	1985	1986	Interim period ended Feb. 28 2/-- 1986	1987
Net sales....1,000 dollars..	125,799	121,680	109,993	***	***
Cost of goods sold....do....	107,677	102,837	96,768	***	***
Gross profit or (loss) 1,000 dollars..	18,122	18,843	13,225	***	***
General, selling, and administrative expenses 1,000 dollars..	18,359	17,819	15,863	***	***
Operating income or (loss) 1,000 dollars..	(237)	1,024	(2,638)	***	***
Interest expense .....do....	3,301	3,280	2,400	***	***
Other income or (expense), net.....1,000 dollars..	(418)	(305)	(429)	***	***
Net income or (loss) before income taxes 1,000 dollars..	(3,956)	(2,561)	(5,467)	***	***
Depreciation and amortization expense included above.....1,000 dollars..	5,798	5,899	4,722	***	***
Cash flow.....do....	1,842	3,338	(745)	***	***
As a share of net sales:					
Cost of goods sold percent..	85.6	84.5	88.0	***	***
Gross profit or (loss) percent..	14.4	15.5	12.0	***	***
General, selling, and administrative expenses percent..	14.6	14.6	14.4	***	***
Operating income or (loss).....percent..	(0.2)	0.8	(2.4)	***	***
Net income or (loss) before income taxes percent..	(3.1)	(2.1)	(5.0)	***	***
Number of firms reporting operating losses.....	2	2	4	***	***
Number of firms reporting...	5	5	5	2	2

1/ The firms are Stanley G. Flagg & Co., Inc., Grinnell Corp., U-Brand Corp., Ward Manufacturing, Inc., and Stockham Valves & Fittings Co.
2/ 1 firm provided 9-month interim data (June 1-Feb. 28), and 1 firm provided 6-month interim data (Sept. 1-Feb. 28).

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

The sales, operating-income, and operating-margin data for malleable threaded cast-iron pipe fittings followed very closely the same trends as did such indicators of operations on all cast-iron pipe fittings.

The value, 1/ quantity, and unit value of sales of malleable threaded cast-iron pipe fittings are shown in the following tabulation:

Item	1984	1985	1986
Value.....1,000 dollars..	123,413	117,414	106,757
Quantity.....tons..	50,572	46,848	44,352
Unit value.....per ton..	$2,440	$2,516	$2,430

Value of plant, property, and equipment.--The data provided by the five firms on their end-of-period investment in productive facilities in which cast-iron pipe fittings are produced are shown in table 13. The aggregate investment in productive facilities for malleable threaded cast-iron pipe fittings, valued at cost, increased from $97.6 million in 1984 to $102.6 million in 1985 but then fell to $97.4 million in 1986. 2/ The book value of such assets increased from $46.3 million in 1984 to $46.7 million in 1985, then fell to $38.9 million in 1986. 3/

The aggregate investment by two of the five firms in productive facilities for malleable threaded cast-iron pipe fittings, valued at original cost, increased from *** million as of February 28, 1986, to *** million as of February 28, 1987. The book value of such assets similarly increased from *** million at the end of interim 1986 to *** million at the end of interim 1987.

Capital expenditures.--The data provided by the five firms relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of cast-iron pipe fittings are shown in table 14. Capital expenditures relating only to malleable threaded cast-iron pipe fittings declined from $6.4 million in 1984 to $6.1 million in 1985 and then to $3.8 million in 1986.

Total capital expenditures by two of the producers relating to malleable threaded cast-iron pipe fittings declined from *** during the interim period ended February 28, 1986, to *** during interim 1987.

1/ The value reported for shipments (domestic shipments plus exports) do not exactly match the value reported for sales in table 12 because ***.
2/ The asset valuations of *** were ***.
3/ Ibid.

Table 13
Cast-iron pipe fittings: Value of property, plant, and equipment of U.S. producers, 1/ accounting years 1984-86, and interim periods ended Feb. 28, 1986, and Feb. 28, 1987

Item	1984	1985	3/ 1986	Interim period ended Feb. 28 2/-- 1986	1987
All products of establishment:					
Original cost..1,000 dollars..	274,440	285,000	267,544	***	***
Book value.....do....	131,348	132,196	113,346	***	***
Number of firms reporting.....	5	5	5	***	***
All cast-iron pipe fittings:					
Original cost..1,000 dollars..	163,104	162,062	155,544	***	***
Book value.....do....	80,645	77,973	67,139	***	***
Number of firms reporting.....	5	5	5	***	***
Malleable threaded cast-iron pipe fittings:					
Original cost..1,000 dollars..	97,615	102,578	97,395	***	***
Book value.....do....	46,266	46,655	38,872	***	***
Number of firms reporting.....	5	5	5	2	2

1/ The firms are Stanley G. Flagg & Co., Inc., Grinnell Corp., U-Brand Corp., Ward Manufacturing, Inc., and Stockham Valves & Fittings Co.
2/ 1 firm provided 9-month interim data (June 1-Feb. 28), and 1 firm provided 6-month interim data (Sept. 1-Feb. 28).
3/ The asset valuations of *** were ***.

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

Research and development expenses.--Research and development expenses relating to cast-iron pipe fittings for four reporting firms 1/ are shown in the following tabulation for 1984-86 and interim periods 1986-87 (in thousands of dollars):

	1984	1985	1986	Interim period ended Feb. 28 1/-- 1986	1987
All cast-iron pipe fittings..	***	***	***	***	***
Malleable threaded cast-iron pipe fittings.....	***	***	***	***	***

1/ Two firms provided interim data.

1/ One producer was unable to break out its research and development expenses.

Table 14
Cast-iron pipe fittings: Capital expenditures by U.S. producers, 1/ accounting years 1984-86, and interim periods ended Feb. 28, 1986, and Feb. 28, 1987

Item	1984	1985	1986	Interim period ended Feb. 28 2/-- 1986	1987
All products of the establishments:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do...	***	10,461	10,585	***	***
Total.....do....	12,297	11,163	11,070	***	***
Number of firms reporting..	5	5	5	2	2
All cast iron pipe fittings:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do....	***	***	6,884	***	***
Total.....do....	9,957	8,308	7,119	***	***
Number of firms reporting..	5	5	5	2	2
Malleable threaded cast-iron pipe fittings:					
Land and land improvements 1,000 dollars..	***	***	***	***	***
Building or leasehold improvements.....do....	***	***	***	***	***
Machinery, equipment, and fixtures.....do....	6,119	***	***	***	***
Total.....do....	6,366	6,113	3,838	***	***
Number of firms reporting..	5	5	5	2	2

1/ The firms are Stanley G. Flagg & Co., Inc., Grinnell Corp., U-Brand Corp., Ward Manufacturing, Inc., and Stockham Valves & Fittings Co.
2/ 1 firm provided 9-month interim data (June 1-Feb. 28), and 1 firm provided 6-month interim data (Sept. 1-Feb. 28).

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

The Question of Threat of Material Injury to an Industry in the United States

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

A discussion of the rates of increase in imports of certain malleable cast-iron pipe fittings from Japan and Thailand and of the U.S. market penetration by such imports is presented in the section of this report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Imports Sold at LTFV." Information regarding the capacity of producers in Japan and Thailand to generate exports was discussed in the section of this report entitled "Foreign Industries." The following discussion addresses inventories in the United States of imported malleable cast-iron pipe fittings from Japan and Thailand.

Japan

Nine importers of Japanese fittings reported end-of-period inventories of malleable cast-iron pipe fittings. Such end-of-period inventories of Japanese fittings decreased by 24 percent from 1984 to 1985, and by 9 percent from 1985 to 1986 (table 15). The ratio of end-of-period inventories to reported imports from Japan of malleable cast-iron pipe fittings increased irregularly from *** percent in 1984 to *** percent in 1986.

Referring to U.S. importers' inventories of Japanese pipe fittings, counsel for Hitachi Metals America has alleged that "...because all other Japanese importers ceased shipping in approximately mid-1986 inventories of all Japanese pipe fittings have clearly declined." 1/

Thailand

Nine importers of malleable threaded cast-iron pipe fittings from Thailand reported end-of-period inventories during the period of investigation. From 1984 to 1986, end-of-period inventories of Thai fittings increased steadily, rising by 78 percent from 1984 to 1985, and rising again by 30 percent from 1985 to 1986. The ratio of end-of-period inventories to reported imports from Thailand decreased irregularly from *** percent in 1984 to *** percent in 1986.

1/ Hitachi Metals America's prehearing brief, p. 22.

Table 15
Malleable threaded cast-iron pipe fittings: U.S. end-of-period inventories of reported imports from Japan and Thailand, and reported imports from Japan and Thailand, 1984-86

Item	1984	1985	1986
End-of-period inventories of reported imports from--			
Japan.....tons..	***	***	***
Thailand.....do....	***	***	***
Total.....do....	***	***	***
Reported imports from--			
Japan.....do....	***	***	***
Thailand.....do....	***	***	***
Total.....do....	***	***	***
Ratio of end-of-period inventories to reported imports from--			
Japan.....percent..	***	***	***
Thailand.....do....	***	***	***
Average.....do....	***	***	***

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

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

U.S. imports

U.S. imports of malleable cast-iron pipe fittings covered by these investigations are presented in table 16. These data, compiled from official statistics, include certain products that do not meet the definition of the articles covered by the investigations. These investigations include imports of malleable cast-iron pipe fittings, not of alloy cast-iron, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, other than grooved fittings, as provided for in TSUS items 610.70 and 610.74. As stated in the "U.S. tariff treatment" section of this report, U.S. Customs import specialists informed staff that TSUS items 610.70 and 610.74 have been treated as by-pass items at most U.S. ports of entry and product misclassifications may be frequent.

During the current investigations, the Commission received questionnaire responses from more than 18 firms that appeared on the U.S. Customs net import file as being the importers of record for products entering under TSUS item 610.70, which is intended to include products not further processed after casting. Unthreaded, unfinished malleable pipe fittings, if any, should enter

Table 16
Malleable cast-iron pipe fittings: U.S. imports for consumption, 1/ 1984-86

Source	1984	1985	1986
	Quantity (tons)		
Japan	10,870	7,047	6,919
Thailand	1,266	2,794	4,631
Taiwan	4,388	5,516	1,905
India	1,543	1,224	1,350
Republic of Korea	3,395	5,048	1,333
China	160	216	597
All other	2,120	976	2,018
Total	23,742	22,821	18,753
	Customs value (1,000 dollars)		
Japan	14,838	9,479	10,189
Thailand	1,425	3,114	5,074
Taiwan	5,721	7,346	2,593
India	812	736	778
Republic of Korea	3,191	4,869	1,374
China	65	86	224
All other	2,648	1,791	2,540
Total	28,700	27,421	22,772
	Unit value (per pound)		
Japan	$0.68	$0.67	$0.73
Thailand	.56	.56	.54
Taiwan	.65	.67	.68
India	.26	.30	.28
Republic of Korea	.47	.48	.52
China	.20	.20	.19
All other	.62	.92	.63
Average	.60	.60	.61
	Percent of total quantity		
Japan	45.8	30.9	36.9
Thailand	5.3	12.2	24.7
Taiwan	18.5	24.2	10.2
India	6.5	5.4	7.2
Republic of Korea	14.3	22.1	7.1
China	0.7	0.9	3.2
All other	8.9	4.3	10.8
Total	100.0	100.0	100.0

1/ Includes imports entered under TSUS item 610.74. Data for Japan, India, Korea, Taiwan, and Thailand include certain products not covered by these investigations.

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

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

under this item. Not one of the responding firms reported importing malleable pipe fittings that were not further processed after casting, or that would be properly classified under TSUS item 610.70. 1/ Accordingly, for the purposes of this report, official and adjusted import statistics relate only to imports under TSUS item 610.74.

In addition, during other recent final investigations, responses to Commission questionnaires indicated that some imports from Korea and Taiwan entering the United States under TSUS item 610.74 were not products covered by the investigations. These imports included tea, flanges, couplings, brass, and ductile products. In 1985, such unrelated products accounted for 6 percent of imports from Taiwan and 5 percent of imports from Korea, as reported in official statistics. Similarly, during the instant investigations, responses to the Commission questionnaires revealed that some imports from Japan and Thailand entering under this TSUS item were not malleable cast-iron pipe fittings. 2/

According to official import statistics (table 16), the quantity of imports of malleable cast-iron pipe fittings from Japan declined by 35 percent from 1984 to 1985 and decreased by 2 percent from 1985 to 1986. The subject imports from Thailand increased steadily during the period of investigation, rising by 121 percent from 1984 to 1985 and by 66 percent from 1985 to 1986. Imports of the subject merchandise from all other countries rose by 12 percent from 1984 to 1985, and then plunged by 45 percent from 1985 to 1986.

Imports of malleable cast-iron pipe fittings from Japan entered the United States through 15 customs districts in 1986. Three of the 15 districts accounted for 61 percent of all such imports from Japan in 1986. Imports of the subject pipe fittings from Thailand mainly entered through three customs districts in 1986. The following tabulation presents data on the percentage

---

1/ During investigations 731-TA-278 through 280 (Final), the Commission received questionnaire responses from more than 25 firms that appeared on the U.S. Customs net import file as being the importers of record for products entering under TSUS item 610.70. Firms reported importing ductile products, valve boxes, tires, brass, and other products under TSUS item 610.70. In the petitions to the instant investigations (at p. 3), petitioners recognized the Commission's misclassification findings but, nevertheless, included imports entered under TSUS item 610.70 because "merchandise properly classified in TSUSA item 610.7000 (i.e., unfinished malleable iron pipe fittings) is the same class or kind as finished malleable iron pipe fittings imported under Item 610.7400" and "an Antidumping Duty Order limited to Item 610.7400 could easily be circumvented merely by importing unfinished pipe fittings and performing the process of advancing them beyond casting in the United States."

2/ Official statistics (reported in table 16) on imports from India, Korea, and Taiwan, may overstate actual imports of cast-iron pipe fittings under TSUS item 610.74. In app. E, apparent U.S. consumption and market penetration of imports are calculated using official import statistics under TSUS item 610.74 adjusted to exclude any known imports of products not subject to these investigations.

distribution of the quantity of such imports entered through the principal districts under TSUS item 610.74 in 1986 (in percent):

Source and port	Percentage distribution
Japan:	
New York	29
Los Angeles	21
Baltimore	11
Houston	9
11 other districts	30
Total	100
Thailand:	
Los Angeles	63
New York	8
Tampa	8
12 other districts	21
Total	100

Pursuant to section 304(a)(3)(J) of the Tariff Act of 1930 and Treasury Decision 71-89, imported cast-iron pipe fittings covered by the investigations were, until recently, excepted from country-of-origin marking requirements. This exception was revoked under section 207 of the Trade and Tariff Act of 1984, which requires that imports of these articles entering on or after November 14, 1984, have country-of-origin markings by means of die stamping, cast-in-mold lettering, etching, or engraving.

Market penetration of imports 1/

U.S.-produced domestic shipments of the subject merchandise as a share of apparent U.S. consumption increased irregularly during the period of investigation (table 17). The market penetration of imports from Japan dropped from 15.1 percent in 1984 to 10.4 percent in 1985, but rose to 11.3 percent in 1986, and the market penetration of imports from Thailand increased steadily, from 1.8 percent in 1984 to 7.6 percent in 1986. The combined share of the U.S. market held by imports from Japan and Thailand increased irregularly, from 16.9 percent in 1984 to 18.9 percent in 1986.

1/ Market penetration information calculated by eliminating items that are not covered by these investigations, but which may be included in official import statistics for TSUS item 610.74, is presented in app. E. See the section entitled "U.S. imports" for a description of these items.

Table 17
Malleable threaded cast-iron pipe fittings: Ratios of imports and of U.S.-produced domestic shipments 1/ to apparent U.S. consumption, calculated on the basis of quantity and value, 2/ 1984-86

Item	1984	1985	1986
	By quantity		
Imports from: 1/			
Japan.....tons..	10,870	7,047	6,919
Thailand.....do....	1,266	2,794	4,631
Subtotal.....do....	12,136	9,841	11,550
All other countries.....do....	11,606	12,980	7,203
Total, all imports.....do....	23,742	22,821	18,753
U.S.-produced domestic shipments.....do....	48,100	44,971	42,383
Apparent U.S. consumption...do....	71,842	67,792	61,136
Imports from:			
Japan.....percent..	15.1	10.4	11.3
Thailand.....do....	1.8	4.1	7.6
Subtotal.....do....	16.9	14.5	18.9
All other countries.....do....	16.2	19.1	11.8
Total, all imports.....do....	33.0	33.7	30.7
U.S.-produced domestic shipments.....do....	67.0	66.3	69.3
Total.....do....	100.0	100.0	100.0
	By value		
Imports from: 2/			
Japan.....1,000 dollars..	17,284	11,083	11,667
Thailand.....do....	1,552	3,396	5,534
Subtotal.....do....	18,836	14,479	17,201
All other countries.....do....	14,454	17,381	8,551
Total, all imports....do....	33,290	31,860	25,752
U.S.-produced domestic shipments 3/.....do....	119,779	101,520	93,553
Apparent U.S. consumption.do....	153,069	133,380	119,305
Imports from:			
Japan.....percent..	11.3	8.3	9.8
Thailand.....do....	1.0	2.5	4.6
Subtotal.....do....	12.3	10.8	14.4
All other countries.....do....	9.4	13.0	7.2
Total, all imports....do....	21.7	23.9	21.6
U.S.-produced domestic shipments.....do....	78.3	76.1	78.4
Total.....do....	100.0	100.0	100.0

1/ Import quantities are U.S. official statistics under TSUS item 610.74.
2/ Import values are C.I.F. duty-paid under TSUS item 610.74.
3/ Data are understated to the extent that values for domestic shipments ***.

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

Prices

Domestic producers and importers of malleable cast-iron pipe fittings quote prices on both f.o.b. and delivered bases, with actual transaction prices generally discounted from the published list prices. All domestic producers and most importers discount from the list price on all sales. Within the industry, producers and importers apply a complex discounting structure on sales of pipe fittings. A base discount of 55 percent is commonly applied to all sales. Trailing discounts, in intervals of 5, 7.5, or 10 percent, can then be added to the base discount; for example, a discount of "55 plus 4 10's" applied to a $100 list price would equal a final transaction price of $29.52. 1/ All 5 U.S. producers and 14 importers reported that the discounting structure is related to the quantity of the sale, with the trailing discount increasing as the quantity of pipe fittings that are purchased increases. 2/

Some producers and importers maintain minimum quantity purchase policies, based on weight, container load, or dollar value of the purchase. In addition, seven importers reported price premiums on sub-minimum purchases ranging from 5 to 30 percent added to the transaction price, with three of the seven reporting premiums in the range of *** percent. While lead times on orders from producer or importer warehouses vary depending on inventories, they generally average 2 days to 2 weeks. Indent orders, which are produced to a customer's specification and shipped direct from the production location, average 1 to 4 months.

The Commission requested f.o.b. and delivered price data from U.S. producers and importers of cast-iron pipe fittings, for each firm's largest sale to distributors in each quarter during 1984-86. Producers and importers generally were not able to provide f.o.b. price data; thus, only delivered price data were compiled. Specifications of pipe fittings for which price data were requested include:

Product 1: 1/2-inch, malleable, black, threaded, standard pressure (150 psi), 90-degree elbow ("L").

Product 2: 1/2-inch, malleable, galvanized, threaded, standard pressure (150 psi), 90-degree elbow ("L").

Product 3: 1/2-inch, malleable, black, threaded, standard pressure (150 psi), "T"-fitting.

Product 4: 1/2-inch, malleable, black, standard pressure (150 psi), union. 3/

1/ More specifically, the following formula would be used in calculating the transaction price: price=$100(.45)(.9)(.9)(.9)(.9).
2/ For example, a discount of "55 plus 3 10's" may be applied to sales of 1,000-5,000 pounds and the discount may then increase to "55 plus 4 10's" for a sale of 5,000-10,000 pounds.
3/ Standard unions are commonly referred to as ground joint or brass seated unions.

Questionnaires with usable price data were received from 5 domestic producers and 11 importers. Price data for Japanese imports were received from seven importers, which accounted for 5,768 tons or 83 percent of official imports from Japan in 1986, and price data for Thai imports were received from six importers, which accounted for 5,058 tons or more than 100 percent of official imports from Thailand in 1986. 1/

Summary.--During the period of investigation, January 1984 to December 1986, domestic prices increased for three of the four products (tables 18-21). Weighted-average prices for product 1 increased by 5 percent and prices for both product 3 and product 4 increased by 8 percent. Domestic prices for product 2 fluctuated throughout the period and had an overall decrease of 5 percent. Japanese and Thai fittings for which prices were collected showed price increases during most of 1984-86, but these imports consistently undersold domestic fittings.

Domestic price trends.--U.S. producers' weighted-average prices for 1/2-inch 90° black "L's" (product 1) increased by *** per unit during the investigation period. Prices were *** per unit during 1984 and increased to *** in July-September 1985. Prices remained stable at *** for the rest of the period, for an overall increase of 5 percent.

Weighted-average prices for U.S.-produced 1/2-inch galvanized 90° "L's" (product 2) decreased by 10 percent from the initial price of *** per unit in January-March 1984 to *** in July-September 1984. Prices increased in October-December 1985 to *** and then declined to a level of *** in January-March 1986, where they remained for most of the year for an overall decrease of 5 percent during the period of investigation.

Prices for domestically-produced 1/2-inch black "T" fittings (product 3) moved from *** in 1984 to *** per unit by April-June 1985, and remained at that level throughout 1985. After a slight increase of *** in January-March 1986 to *** per unit, prices declined to a level of *** per unit, for an overall increase of 8 percent.

U.S. producers' weighted-average prices for 1/2-inch black, standard unions (product 4) were stable at *** per unit throughout 1984 and increased to a level of *** in April-June 1985. Prices increased by *** in January-March 1986 to *** per unit and remained at that level throughout 1986 for an overall increase of 8 percent.

Japanese price trends and comparisons.--Weighted-average prices for Japanese 1/2-inch black 90° "L's" (product 1) decreased by 11 percent from *** per unit in October-December 1984 to *** in January-March 1985. Prices moved upward in July-September 1985 and continued this trend until they reached a level of *** per unit by the end of the investigation period, for an overall increase of 16 percent. The Japanese fittings were priced below the domestic fittings in 10 of the 11 quarters in which comparisons were possible, with margins ranging from 2 percent above the domestic price to 22 percent below.

1/ For further discussion see section entitled "U.S. imports," pp. 30-31.

Table 18
Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, black, threaded, standard pressure (150 psi), 90 degree elbows (product 1), by quarters, 1984-86

(Per unit)

Period	U.S. product	Japanese product	Imports' margin of underselling Amount	Imports' margin of underselling Percent	Thai product	Imports' margin of underselling Amount	Imports' margin of underselling Percent
1984:							
Jan.-Mar...	***	***	***	8.8	***	***	37.3
Apr.-June..	***	***	***	8.4	***	***	38.8
July-Sept..	***	***	***	22.1	***	***	39.0
Oct.-Dec...	***	***	***	8.0	***	***	41.9
1985:							
Jan.-Mar...	***	***	***	22.0	***	***	36.4
Apr.-June..	***	***	***	-	***	***	36.0
July-Sept..	***	***	***	20.7	***	***	39.4
Oct.-Dec...	***	***	***	21.0	***	***	39.2
1986:							
Jan.-Mar...	***	***	***	20.0	***	***	36.4
Apr.-June..	***	***	***	16.8	***	***	39.4
July-Sept..	***	***	***	3.0	***	***	33.0
Oct.-Dec...	***	***	***	(1.9) 1/	***	***	34.3

1/ Parentheses indicate overselling.

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the table.

Table 19
Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, galvanized, threaded, standard pressure (150 psi), 90 degree elbows (product 2), by quarters, 1984-86

(Per unit)

Period	U.S. product	Japanese product	Imports' margin of underselling		Thai product	Imports' margin of underselling	
			Amount	Percent		Amount	Percent
1984:							
Jan.-Mar...	***	***	***	-	***	***	42.8
Apr.-June..	***	***	***	20.0	***	***	37.2
July-Sept..	***	***	***	14.9	***	***	32.9
Oct.-Dec...	***	***	***	20.3	***	***	38.4
1985:							
Jan.-Mar...	***	***	***	8.3	***	***	30.5
Apr.-June..	***	***	***	14.2	***	***	34.0
July-Sept..	***	***	***	-	***	***	33.1
Oct.-Dec...	***	***	***	17.4	***	***	33.9
1986:							
Jan.-Mar...	***	***	***	10.8	***	***	36.3
Apr.-June..	***	***	***	30.8	***	***	40.7
July-Sept..	***	***	***	1.5	***	***	28.0
Oct.-Dec...	***	***	***	7.7	***	***	28.4

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the table.

Table 20
Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, black, threaded, standard pressure (150 psi), "T" fittings (product 3), by quarters, 1984-86

(Per unit)

Period	U.S. product	Japanese product	Imports' margin of underselling Amount	Imports' margin of underselling Percent	Thai product	Imports' margin of underselling Amount	Imports' margin of underselling Percent
1984:							
Jan.-Mar...	***	***	***	-	***	***	30.5
Apr.-June..	***	***	***	-	***	***	31.3
July-Sept..	***	***	***	24.2	***	***	31.2
Oct.-Dec...	***	***	***	12.6	***	***	31.2
1985:							
Jan.-Mar...	***	***	***	17.1	***	***	27.4
Apr.-June..	***	***	***	20.3	***	***	30.7
July-Sept..	***	***	***	12.8	***	***	32.5
Oct.-Dec...	***	***	***	17.4	***	***	29.0
1986:							
Jan.-Mar...	***	***	***	23.8	***	***	32.1
Apr.-June..	***	***	***	18.1	***	***	32.2
July-Sept..	***	***	***	14.2	***	***	26.9
Oct.-Dec...	***	***	***	20.2	***	***	29.7

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the table.

Table 21
Weighted-average delivered prices reported by U.S. producers and importers of the foreign-made product for sales to distributors of 1/2-inch malleable, black, standard pressure (150 psi), unions 1/ (product 4), by quarters, 1984-86

(Per unit)

Period	U.S. product	Japanese product	Imports' margin of underselling Amount	Imports' margin of underselling Percent	Thai product	Imports' margin of underselling Amount	Imports' margin of underselling Percent
1984:							
Jan.-Mar...	***	***	***	18.2	***	***	-
Apr.-June..	***	***	***	4.8	***	***	-
July-Sept..	***	***	***	11.1	***	***	-
Oct.-Dec...	***	***	***	13.0	***	***	-
1985:							
Jan.-Mar...	***	***	***	8.0	***	***	9.8
Apr.-June..	***	***	***	10.3	***	***	11.8
July-Sept..	***	***	***	11.3	***	***	16.2
Oct.-Dec...	***	***	***	8.5	***	***	12.8
1986:							
Jan.-Mar...	***	***	***	19.2	***	***	18.5
Apr.-June..	***	***	***	12.7	***	***	18.4
July-Sept..	***	***	***	10.7	***	***	14.5
Oct.-Dec...	***	***	***	6.8	***	***	16.2

1/ Standard unions are commonly referred to as ground joint or brass seated unions.

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

Note.--Percentage margins are calculated from unrounded figures, thus margins cannot always be directly calculated from the rounded prices in the table.

Prices of Japanese 1/2-inch galvanized 90° "L's" (product 2) increased by 10 percent during the period April-June 1984 through January-March 1986 before dropping by 15 percent in April-June 1986. Prices then rose to a level of *** per unit in October-December 1986, for an increase of 15 percent over the period of investigation. Margins by which the Japanese fittings were priced below U.S. fittings ranged from 2 to 31 percent.

Prices for Japanese 1/2-inch black "T" fittings (product 3) showed an overall increase of 16 percent, rising from *** per unit in July-September 1984 to *** per unit in October-December 1986. As with product 2, Japanese fittings were priced below the domestic fittings in all comparable quarters, with margins ranging from 13 to 24 percent.

Weighted-average prices for Japanese 1/2-inch standard unions (product 4) increased by 24 percent during the period of investigation, rising from the initial level of *** per unit in January-March 1984 to *** in October-December 1986. Japanese unions were priced below U.S. unions in all 12 quarters, with margins ranging from 5 to 19 percent.

Thai price trends and comparisons.--Thai 1/2-inch black 90° "L's" (product 1) prices increased from *** to *** per unit from January-March 1984 to the corresponding quarter in 1986, an increase of 17 percent, and remained relatively stable at that level throughout the rest of the investigation period. Thai fittings were priced below U.S. fittings in all quarters in which comparisons could be made, with margins ranging from 33 to 42 percent.

Prices for Thai 1/2-inch galvanized 90° "L's" (product 2) fluctuated throughout the period of investigation, moving from an initial level of *** per unit in January-March 1984 to *** in the first quarter of 1985. Prices then increased to *** in July-September 1986 and remained at that level, for an overall increase of 15 percent. As with product 1, these fittings were priced lower than domestic fittings in all quarters, with margins ranging from 28 to 43 percent.

Prices for 1/2-inch black "T" fittings (product 3) produced in Thailand increased 12 percent during the investigation period. Prices moved from *** per unit in January-March 1984 to *** in January-March 1985 and generally remained at that level through 1986. Margins by which the Thai fittings were priced below the domestic product ranged from 27 to 33 percent.

Thai 1/2-inch black, standard union prices (product 4) decreased irregularly by 4 percent, from *** per unit in January-March 1985 to *** in January-March 1986. Prices rose back to the initial level of *** by the end of the investigation period. These fittings were priced below the domestic product in all eight quarters in which comparisons could be made. Margins ranged from 10 to 18 percent.

Purchaser responses.--Purchaser questionnaires were sent to approximately 80 establishments thought to be purchasers of malleable cast-iron pipe fittings. Questionnaire responses were received from 24 of these establishments; 15 provided usable data. These purchasers, 14 of which are wholesalers/distributors and 1 of which is a manufacturer of lawn sprinklers, reported purchases of 205 tons of Japanese fittings and 130 tons of Thai fittings in 1986. Data were also reported on fittings produced in the United States and Korea.

Purchasers were asked to rank several factors that were considered in most purchasing decisions. Thirteen of these purchasers listed price and quality as the two most important factors. Two other purchasers gave more consideration to prompt delivery, reliability of vendor firm, and warranty or service terms. Other factors listed include vendor being a traditional or alternative source of supply, complete product line, and transport costs.

Eleven purchasers reported that they had no specific "Buy American" policy with respect to malleable threaded cast-iron pipe fittings. Of the four purchasers that claimed to have a "Buy American" policy, two stated that they would buy domestic products if the price and quality were the same as the imports. Other reasons given for purchasing domestic fittings included fulfilling the customers' requests for U.S.-produced fittings, availability, and the ability to purchase domestic fittings in smaller quantities and thus avoid the necessity for large inventories.

Purchasers were requested to provide information concerning prices, quality, and competition between U.S.-produced pipe fittings and imported fittings. Of the 15 purchasers who responded, all but 1 reported that import prices were generally lower than U.S. producers' prices for comparable products; 10 firms stated that Japanese prices were below U.S. prices; 6 firms found Thai prices lower than domestic prices; and 1 purchaser reported that Japanese prices were about the same as U.S. prices. Many purchasers stated that it is difficult to remain competitive if other companies are purchasing lower-priced imports. However, several purchasers commented that recently the gap between domestic prices and import prices has been closing because of increases in the prices of imports.

Purchasers were also asked if they had purchased domestic fittings during 1986 when either Japanese or Thai fittings of comparable quality were available at lower delivered prices. Seven purchasers reported purchasing domestic fittings when lower priced, comparable Japanese products were available. Five purchasers stated that Japanese fittings were less expensive by approximately 20 percent or more per unit. Reasons given for buying domestic fittings included availability, customer request for domestic product, and traditional use of vendor firm as a source of supply. Three purchasers reported buying domestic fittings when Thai products were available at lower delivered prices of approximately 20 percent or more. Only one of these purchasers stated that in general the quality of Thai fittings was equal to that of domestic fittings; however, the domestic fittings purchased were types that are not typically available as imports, such as locknut fittings. 1/ One purchaser commented that although the quality of the Thai fitting was not the same as the domestic fitting, it was not a significant difference whereas the price differential between the two was large.

Information was also obtained concerning malleable grooved fittings, nonmalleable grooved fittings, and nonmalleable threaded fittings. Only one of these purchasers indicated that malleable grooved fittings were purchased by their company. Several purchasers commented that grooved and threaded fittings are not interchangeable because of the different applications for the two fittings. Malleable grooved fittings are normally used on sprinkler systems and for fire protection, whereas malleable threaded fittings are most

1/ Staff conversation with ***, on May 14, 1987.

commonly used for gas applications. Additional information obtained from telephone interviews with purchasers supported the same conclusions. Only one purchaser claimed that there may be some interchangeability between the grooved and threaded fittings, but stated that this is only true for larger sized pipes because grooved fittings are not made in smaller sizes.

Nonmalleable pipe fittings, both threaded and grooved, were reported as being different from malleable threaded fittings in usage and in material composition. None of the purchasers stated that malleable and nonmalleable fittings were interchangeable; therefore, none would offer a customer a nonmalleable fitting in place of a malleable one. One purchaser commented that nonmalleable fittings have a somewhat higher incidence of cracks and leaks and therefore can not be used on gas piping, which is the most common application of malleable iron fittings. Instead, nonmalleable threaded fittings are usually used on steam piping and nonmalleable grooved fittings are used on sprinkler systems.

Transportation costs

Trucks provide the primary mode of transportation for producers and importers to deliver pipe fittings to customers. Transportation costs average 5 to 7 percent of the delivered price. Data obtained through questionnaire responses indicate that producers and importers absorb most freight costs--all five producers and five importers reported that they absorb such costs for at least 75 percent of total shipments. Domestic producers indicated no specific geographic market area for their firms' sales of pipe fittings, whereas importers often ship within a specific market area, such as the southeast, northeast, east coast, or west coast. Ten importers reported that at least 95 percent of their shipments are delivered to customers located within a 500-mile radius of their warehouse. One importer of Japanese fittings and two importers of Thai fittings did report nationwide sales.

Exchange rates

Exchange-rate indexes of the Japanese yen and the Thai baht, presented in table 22, indicate that during the interval January 1984-December 1986 the quarterly nominal value of the yen advanced sharply by 44.1 percent against the U.S. dollar, whereas the value of the baht depreciated 12.2 percent relative to the dollar.

Because the level of inflation in Thailand was similar to that in the United States over the 12-quarter period, changes in the real value of the baht were not significantly different from those in the nominal value. 1/ In contrast, significantly lower levels of inflation in Japan relative to those in the United States over the same period resulted in the appreciation of the Japanese currency in real terms by 29.2 percent relative to the dollar--significantly less than the apparent appreciation of 44.1 percent represented by the nominal Japanese exchange rate.

1/ The real Thai exchange-rate data for October-December 1986, the last quarter for which data were collected, was derived from the Thai Producer Price Index covering October only.

Table 22
Nominal and real exchange-rate indexes of the Japanese yen and Thai baht in U.S. dollars, and producer price indexes in the United States, Japan, and Thailand, 1/ by quarters, January 1984-December 1986

(January-March 1984=100)

Period	U.S. Producer Price Index	Japan Producer Price Index	Japan Nominal-exchange-rate index (US dollars/yen)	Japan Real-exchange-rate index 2/ (US dollars/yen)	Thailand Producer Price Index	Thailand Nominal-exchange-rate index (US dollars/baht)	Thailand Real-exchange-rate index 2/ (US dollars/baht)
1984:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.7	99.9	100.6	99.8	99.0	100.0	98.3
July-Sept..	100.4	100.7	94.9	95.1	98.6	100.0	98.2
Oct.-Dec...	100.2	100.4	93.9	94.1	98.0	90.0	88.1
1985:							
Jan.-Mar...	100.0	100.8	89.7	90.4	97.7	82.8	80.9
Apr.-June..	100.1	100.1	92.1	92.1	98.6	83.8	82.6
July-Sept..	99.4	99.0	96.8	96.4	99.3	85.3	85.3
Oct.-Dec...	100.0	96.7	111.6	107.9	99.8	86.9	86.7
1986:							
Jan.-Mar...	98.5	94.4	123.0	117.8	99.1	86.8	87.3
Apr.-June..	96.6	90.4	135.8	127.1	98.0	87.2	88.5
July-Sept..	96.2	87.9	148.3	135.6	98.3	88.0	90.0
Oct.-Dec...	96.5	86.6	144.1	129.2	3/ 98.6	87.8	89.6

1/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
2/ The indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producer Price Index in the United States and the respective foreign country. Producer prices in the United States decreased 3.5 percent during January 1984-December 1986, compared with decreases of 13.4 percent in Japan and 1.4 percent in Thailand during the same period.
3/ Thai producer price data for the final quarter presented above is reported for October only.

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

Lost sales and lost revenue

One U.S. producer, ***, reported 10 lost sales and 3 instances of lost revenues allegedly resulting from competition from Thai and Japanese fittings. 1/ *** alleged seven lost sales to competition from Japanese fittings, totaling *** and three lost sales to Thai suppliers for a total of ***; these lost sales involved *** and *** tons, respectively. *** reported three lost revenue allegations from Japanese competition totaling *** and involving *** tons. These three allegations are said to have occurred in 1986 and early 1987. Staff was able to contact 9 of the 10 purchasers named in these allegations; a summary of information obtained on the allegations follows.

*** cited a lost sale of *** to *** in 1986 that involved *** tons of malleable cast-iron pipe fittings allegedly purchased from a supplier of Japanese fittings. A spokesman for *** stated that the firm purchases both domestically-produced and Japanese pipe fittings. The spokesman could not recall a single purchase of *** tons, and added that this figure would represent ***'s yearly purchases of Japanese fittings. With respect to quality, the representative from *** commented that Japanese products were as good as, and sometimes better than, domestic fittings. The spokesman explained that the company's purchasing decisions are based on both price and availability. In addition, the spokesman stated that Japanese fittings are lower priced than comparable domestic fittings. *** has recently placed an order for domestic fittings because the company likes to have alternative sources of supply. The representative stated that the price differential was not large, but domestic fittings were still higher priced.

*** was cited by *** in a *** lost sales allegation that involved *** tons of malleable cast-iron pipe fittings purchased in 1986 from Japanese suppliers. *** could not recall any specific purchase for that amount but did verify that the company purchases Japanese pipe fittings. *** stated that there was no quality difference between Japanese and domestic products and that the Japanese fittings are much lower priced. If there were no price differential, *** stated that he would purchase the domestic product; however, a price differential of 5 to 10 percent would cause him to purchase Japanese fittings. *** reported that the company bases its purchasing decisions on price, quality, and reliability of delivery, and he added that there have been problems getting orders filled by U.S. producers.

*** cited *** in a *** lost sales allegation that involved *** tons of malleable cast-iron pipe fittings purchased from Thai suppliers in 1986. The spokesman for *** reported that it was a good possibility that the company did

---

1/ Lost sales and lost revenue allegations were reported in the preliminary investigations by two domestic producers. *** alleged 14 lost sales valued at a total of *** to Japanese fittings, and 1 lost sale of *** to Thai fittings; these lost sales totaled *** tons. *** and *** alleged lost revenue from Japanese competition totaling *** and from Thai competition totaling ***. Lost sales and lost revenue reported by *** are said to have occurred during June-December 1986. Certain Malleable Cast-Iron Pipe Fittings: Determinations of the Commission in Investigations Nos. 731-TA-347 and 348 (Preliminary), USITC Publication 1900, October 1986, pp. 40-41.

purchase that amount of Thai pipe fittings in 1986. This representative stated that Thai products are less expensive than comparable domestic products and that there is not too much difference in the quality. The major purchasing determinants for *** are price, quality, and availability.

*** named *** in a lost revenue allegation in *** that involved *** tons of pipe fittings allegedly purchased from Japanese suppliers. *** claimed that it was necessary to reduce the price of the fittings from *** to *** to match the price of the Japanese product. A spokesman for *** stated that the company has never purchased such a large amount of pipe fittings at one time. The spokesman explained that *** used to buy Japanese fittings but has now begun to purchase domestic fittings because the Japanese product is no longer competitive. This representative added that the company bases its purchasing decisions on quality, delivery, and reliability of the supplier. If all these factors are equal then prices are compared.

*** was named by *** in an allegation involving *** of lost revenue because of competition from lower-priced Japanese imports. This allegation involved *** tons of malleable cast-iron pipe fittings and allegedly occurred ***. ***, a spokesman for ***, did not recall this exact transaction, but believed that the domestic producers probably had to lower their prices because the entire market for malleable cast-iron pipe fittings was shrinking. This spokesman stated that *** purchases domestic, Japanese, and Thai fittings. In reference to prices, *** commented that Japanese prices have increased and are now higher than domestic prices, but Thai fittings are still lower-priced than comparable domestic fittings by approximately 40 to 50 percent. *** stated that he has found the quality of Japanese fittings to be very good, whereas he believes the Thai fitting is a lower grade product. *** stated that *** bases its purchasing decisions on price and quality, and if prices of domestic and imported products are the same or within 5 percent of each other, then the company buys the domestic product. Another factor that influences the purchasing decision is customer demand. *** explained that some customers, for example gas utilities, insist on domestic fittings.

*** alleged that revenue of *** was lost on a sale to *** as a result of price competition from Japanese imports. This lost revenue allegedly occurred ***, and involved *** tons of pipe fittings. ***, a spokesman for ***, confirmed that the company purchases from both domestic and Japanese sources. However, *** stated he would not be able to confirm this lost revenue allegation without knowing the name of the U.S. producer who made this claim, because *** purchases from *** of the domestic producers. *** stated that both the price and the quality of the Japanese fittings were about the same as the domestic product. In addition, *** stated that if there were no price differential between the domestic and imported product it really would not matter which fitting was purchased, and thus the company would probably purchase the domestic product.

*** was named by *** in an *** lost sale allegation that involved *** tons of malleable cast-iron pipe fittings allegedly purchased in *** from Japanese suppliers. *** a spokesman for *** stated that it was possible the company had purchased that amount from Japanese suppliers. In December 1985, *** began to purchase Japanese fittings. *** commented that the competition in the market often forces a company to buy imports because of their lower

price. This representative stated that there was no difference in the quality of the Japanese fitting compared with the domestic product, and that the Japanese product was about 20 percent less expensive than the corresponding U.S.-produced fitting. *** also stated that if there were no price differential between the domestic and imported product the company would purchase the domestic fitting.

*** was cited by *** in a *** lost sale allegation that involved *** tons of pipe fittings allegedly purchased in 1986 from Thai suppliers. ***, purchasing representative for ***, stated that he was not with the company in 1986, and the person in charge of purchasing at that time ***. Staff was therefore unable to further check this lost sale allegation.

*** cited a lost sale of *** to *** in 1986 that involved *** tons of malleable cast-iron pipe fittings allegedly purchased from Thai suppliers. The spokesman for *** stated that the company does not make purchases of that size at one time; however, this amount could represent yearly purchases for the company. The spokesman reported that *** does purchase malleable cast-iron pipe fittings from Thailand, and those fittings are lower priced than comparable domestic products by approximately 30 to 40 percent. The spokesman stated that if the price were right then the company would purchase the domestic product. The representative added that the gap between the domestic prices and import prices was closing.

*** was named by *** in a *** lost sale allegation that involved *** tons of malleable cast-iron fittings allegedly purchased from Japanese suppliers ***. A representative for *** stated that the company has always purchased fittings from Hitachi and has never purchased domestic fittings. The spokesman added that the quality of Hitachi's fitting has always been good and that they have been priced lower than the domestic product.

*** named *** in a *** lost sale allegation which involved *** tons of malleable cast-iron pipe fittings allegedly purchased from Japanese suppliers ***. *** a spokesman for *** did not confirm this specific purchase but did verify that the company purchases Japanese fittings. *** explained that *** purchases both domestic and Japanese fittings, with imports generally being sold to their customers at lower prices than domestic products. *** added that the company's business with *** has been steady over the past few years and that its import purchases have increased. He attributes a large portion of this to lower-priced imports. *** added that for some end-users in the industrial market more emphasis is placed on the quality of the fitting. *** stated three reasons why the firm purchases Japanese fittings: slightly lower price, better quality, and a more diversified line of available products.

APPENDIX A

COMMERCE'S FEDERAL REGISTER NOTICES

[A-588-605]

Malleable Cast Iron Pipe Fittings From Japan; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that certain malleable cast iron pipe fittings (pipe fittings) from Japan are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination, and have directed the U.S. Customs Service to suspend the liquidation of all entries of pipe fittings from Japan that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make our final determination by April 21, 1987.

EFFECTIVE DATE: February 13, 1987.

FOR FURTHER INFORMATION CONTACT: Steven Lim or 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) 377-5332 or 377-5288.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that pipe fittings from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act) (19 USC 1673b(b)). The weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

On August 29, 1986, we received a petition filed in proper form by the Cast Iron Pipe Fittings Committee on behalf of the domestic manufacturers of pipe fittings. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on September 18, 1986 (51 FR 34110, September 25, 1986), and notified the

ITC of our action. On October 14, 1986, the ITC found that there is a reasonable indication that imports of pipe fittings from Japan are materially injuring a U.S. industry (USITC Pub. No. 1900).

On October 16, 1986, we presented an antidumping duty questionnaire to Hitachi Metals, Ltd. (Hitachi). We requested a response in 30 days. On October 30, 1986, respondent requested an extension of the due date for the questionnaire response. We granted the respondent a two-week extension. We received a response on December 8, 1986. On December 24, 1986, the Department requested supplemental information. A supplemental response was received on January 8, 1987.

Scope of Investigation

The products covered by this investigation are malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, of cast iron other than alloy cast iron, as currently provided for in items 610.7000 and 610.7400 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Fair Value Comparisons

We investigated sales of pipe fittings to the United States during the period March 1 through August 31, 1986. Because Hitachi accounted for approximately 75 percent of all sales of this merchandise from Japan, we limited our investigation to it. Because a satisfactory explanation of difference in merchandise claims was received too late to allow us to consider it for this preliminary determination, we have based this determination on comparisons of identical merchandise.

If verified, we will use the difference in merchandise information in making our final determination.

To determine whether sales of the subject merchandise in the Unites States were made at less than fair value, we compared the United States price with the foreign market value for the company under investigation using data provided in the response.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price for certain sales since the merchandise was purchased by the unrelated U.S. customer directly from the foreign manufacturer prior to importation. As provided in section 772(c) of the Act, we used the exporter's sales price of the subject merchandise to represent the United States price for other sales, because the merchandise was sold to unrelated purchasers after importation into the United States.

We calculated purchase price based on the packed, c.i.f. delivered, duty paid, prices to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, brokerage, U.S. duty, and U.S. inland freight. We calculated exporter's sale price by deducting, where appropriate, foreign inland freight, ocean freight, marine insurance, Japanese brokerage, U.S. duty, U.S. brokerage, U.S. inland freight, discounts and commissions. We also made a deduction for credit expenses and other selling expenses.

Foreign Market Value

In accordance with section 773(a) of the Act, we used home market delivered prices of such or similar merchandise to determine foreign market value. Hitachi had made a small portion of sales to its related firm in Japan. We found the prices between Hitachi and its related purchaser to be "arms-length." Accordingly, we based our calculation of foreign market value on delivered, packed, prices to all purchasers. When comparing purchase price to foreign market value, we made deductions, where appropriate, for discounts, rebates, and inland freight. We made an adjustment for differences in circumstances of sales in accordance with § 353.15 of our regulations for differences in advertising and credit expenses between the two markets. Where sales involved unrelated party commissions, indirect selling expenses were granted as an offset for the cost of the U.S commission expenses in accordance with § 353.15(c) of the Commerce Regulations.

When comparing exporter's sales price to the home market price, we made deductions, where appropriate, for discounts, rebates, and inland freight. We also deducted advertising, credit expenses and indirect selling expenses from the home market price but limited the deduction for home market indirect selling expenses to the amount of the U.S. indirect selling expenses.

We have disallowed Hitachi's claim for warehousing expenses. The claimed adjustment included expenses such as rent, inventory checking and preparation of bills of lading, and fees for loading into and out of warehouse which we do not consider direct selling expenses. Since these expenses were not individually itemized, we could not separate them from the total claim and so have disallowed the total claims at this time.

We have also preliminarily disallowed Hitachi's liability insurance premium expense claim as a circumstance-of-sale adjustment, because we cannot determine at this time whether this expense is directly related to sales.

We deducted home market packing costs and added the packing costs incurred on sales to the United States.

Currency Conversion

For comparisons involving purchase price transactions, when calculating foreign market value, we made currency conversions from Japanese yen to U.S. dollars in accordance with § 353.56(a)(1) of our regulations, using the certified daily exchange rates furnished by the Federal Reserve Bank of New York. For comparisons involving exporter's sales price transactions, we used the official exchange rate for the date of purchase, pursuant to section 615 of the Tariff and Trade Act of 1984. We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations, as it supersedes that section of the regulations.

Verification

We will verify all information used in making our final determination in accordance with section 776(a) of the Act. We will use standard verification procedures, including examination of relevant sales and financial records of the company under investigation.

Suspension of Liquidation

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

Manufacturer/producer/exporter	Margin percentage
Hitachi	77.75
All others	77.75

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information either publicly or under administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a United States industry, before the later of 120 days after our preliminary affirmative determination or 45 days after our final determination.

Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 1:00 p.m. on March 18, 1987, at the U.S. Department of Commerce, Room 1414, 14th Street & Constitution Avenue NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room B099, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by March 6, 1987. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, not less than 30 days before the final determination or, if a hearing is held, within 7 days after the hearing transcript is available, at the above address in at least 10 copies.

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

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

February 5, 1987.

[FR Doc. 87-3060 Filed 2-12-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-549-601]

Malleable Cast Iron Pipe Fittings From Thailand; Preliminary Determination of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that certain malleable cast iron pipe fittings (pipe fittings) from Thailand are being, or are likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to suspend the liquidation of all entries of pipe fittings from Thailand that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice. If this investigation proceeds normally, we will make our final determination by April 21, 1987.

EFFECTIVE DATE: February 13, 1987.

FOR FURTHER INFORMATION CONTACT: James Riggs or 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) 377-4929 or 377-5288.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We have preliminarily determined that pipe fittings from Thailand are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673b(b)). The weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

On August 29, 1986, we received a petition filed in proper form from the Cast Iron Pipe Fittings Committee on behalf of the domestic manufacturers of pipe fittings. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Thailand are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on September 18, 1986 (51 FR 34111, September 25, 1986), and notified the ITC of our action. On October 14, 1986, the ITC determined that there is reasonable indication that imports of pipe fittings from Thailand are materially injuring a U.S. industry (US ITC Pub. No. 1900).

On October 15, 1986, we presented an antidumping duty questionnaire to counsel for Siam Fittings Co., Ltd. and requested a response in 30 days. On October 31, 1986, respondent requested an extension of the due date for the questionnaire response. We granted the respondent a two-week extension. We received a response on December 1, 1986. On December 22, 1986, the Department requested supplemental information. A supplemental response was received on January 2, 1987.

Scope of Investigation

The products covered by this investigation are malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, of cast iron other than alloy cast iron, as currently provided for in items 610.7000 and 610.7400 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Fair Value Comparisons

We investigated sales of pipe fittings to the United States during the period March 1 through August 31, 1986. Because Siam Fittings Co., Ltd. accounted for approximately 70 percent of all sales of this merchandise from Thailand, we limited our investigation to this company.

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value for the company under investigation using data provided in the response.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent United States price since the merchandise was purchased by the unrelated U.S. customer directly from the foreign manufacturer prior to importation. We calculated purchase price based on the packed, f.o.b., c. & f., or c.i.f. prices to

unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight and insurance, handling charges, ocean freight, and marine insurance. We made additions to purchase price for duty drawback (i.e., import duties which were rebated, or not collected, by reason of the exportation of the merchandise to the United States) pursuant to section 772(d)(1)(B), and for taxes rebated upon export, pursuant to section 772(d)(1)(C) of the Act. We also made a deduction for bank charges on U.S. sales.

Foreign Market Value

In accordance with section 773(a) of the Act, we used home market prices of such or similar merchandise to determine foreign market value. We based our calculations of foreign market value on delivered, packed prices to unrelated purchasers. We made deductions, where appropriate, for inland freight. We made an adjustment for differences in circumstances of sale in accordance with § 353.15 of our regulations for differences in credit terms between the two markets. We disallowed a claim for home market advertising expenses as these do not appear to be an assumption by Siam Fittings Co., Ltd. of a purchaser's advertising expenses.

We deducted home market packing costs and added the packing costs incurred on sales to the United States.

Where there was no identical product in the home market with which to compare a product sold in the United States, we made an adjustment to account for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act. These adjustments were based on differences in costs of materials, labor and directly related factory overhead.

Currency Conversion

We made currency conversions from Thai baht to U.S. dollars in accordance with § 353.56(a) of our regulations, using the certified quarterly exchange rates furnished by the Federal Reserve Bank of New York.

Verification

We will verify all information used in making our final determination in accordance with section 776(a) of the Act. We will use standard verification procedures, including examination of relevant sales and financial records of the companies under investigation.

Suspension of Liquidation

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

Manufacturer/Producer/Exporter	Margin percentage
Siam Fittings Co., Ltd.	2.75
All Others	2.75

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and proprietary information in our files, provided the ITC confirms that it will not disclose such information either publicly or under administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration. The ITC will determine whether these imports materially injure, or threaten material injury to, a United States industry, before the later of 120 days after our preliminary affirmative determination or 45 days after our final determination.

Public Comment

In accordance with section 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on March 19, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary, Import Administration, Room B-099, at the above address within 10 days of this notice's publication.

Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by March 6, 1987. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, not less than 30 days before the final determination, or, if a hearing is held, within 7 days after the hearing transcript is available, at the above address in at least 10 copies.

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

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 87-3061 Filed 2-12-87; 8:45 am]

BILLING CODE 3510-DS-M

Notices

Federal Register
Vol. 52, No. 50
Monday, March 16, 1987

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF COMMERCE

International Trade Administration

[A-549-601]

Postponement of Final Antidumping Duty Determination; Malleable Cast Iron Pipe Fittings From Thailand

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: This notice informs the public that we have received a request from the respondent in this investigation that the final antidumping duty determination be postponed for not less than 105, and not greater than 135, days from publication of our antidumping duty preliminary determination, as provided for in section 735d(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)); and that we have postponed our final determination as to whether sales of malleable cast iron pipe fittings from Thailand have occurred at less than fair value until not later than June 28, 1987. In addition, we are rescheduling the public hearing in this investigation.

EFFECTIVE DATE: March 16, 1987.

FOR FURTHER INFORMATION CONTACT: James Riggs or Charles Wilson, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4929 or 377-5288.

Case History

On August 29, 1986, we received an antidumping duty petition filed by the Cast Iron Pipe Fittings Committee on malleable cast iron pipe fittings from Thailand. In compliance with the filing requirements of § 353.36 of our regulation (19 CFR 353.36), the petition alleged that imports of malleable cast iron pipe fittings from Thailand 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.

We found that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation, and on September 18, 1986, we initiated such an investigation (51 FR 34111, September 25, 1986). The preliminary affirmative determination in this antidumping investigation was made on February 5, 1987 (52 FR 4637, February 13, 1987).

On February 17, 1987, counsel for respondent requested that the Department extend the period for the final determination on this investigation to not less than 105 days, and not more than 135 days from the publication date of our preliminary antidumping duty determination in accordance with section 735(a)(2)(A) of the Act.

The respondent is qualified to make such a request since it accounts for the majority of exports of the merchandise under investigation. If a qualified exporter properly requests an extension after an affirmative preliminary determination, the Department is required, absent compelling reasons to the contrary, to grant the request. Accordingly, the Department will issue its final determination in this case not later than June 28, 1987.

The public hearing in this case is being postponed until 10:00 a.m. on April 27, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

Accordingly, prehearing briefs must be submitted to the Deputy Assistant Secretary by April 17, 1987. Oral presentations in these hearings will be limited to issues raised in the briefs. Posthearing briefs are due no later than 10 days after transcripts of these hearings are made available. All written views should be filed in accordance with 19 CFR 46, no later than 30 days before the final determination is due, at the above address in at least 10 copies.

This notice is published pursuant to section 745(d) of the Act.

Gilbert B. Kaplan,
Deputy Assistant Secretary for Import Administration.
March 9, 1987.

[FR Doc. 87-5620 Filed 3-13-87; 8:45 am]
BILLING CODE 3510-DS-M

Notices

Federal Register
Vol. 52, No. 80
Monday, April 27, 1987

DEPARTMENT OF COMMERCE

International Trade Administration

[A-588-605]

Final Determination of Sales at Less Than Fair Value; Malleable Cast Iron Pipe Fittings From Japan

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We have determined that certain malleable cast iron pipe fittings from Japan (pipe fittings) are being, or are likely to be, sold in the United States at less than fair value, and have notified the U.S. International Trade Commission (ITC) of our determination. We have also directed the U.S. Customs Service to continue to suspend liquidation of all entries of pipe fittings from Japan that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice, and to require a cash deposit or bond for each entry in an amount equal to the estimated dumping margin as described in the "Continuation of Suspension of Liquidation" section of this notice.

EFFECTIVE DATE: April 27, 1987.

FOR FURTHER INFORMATION CONTACT: Steven Lim or 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) 377-5332 or 377-5288.

SUPPLEMENTARY INFORMATION:

Final Determination

We have determined that pipe fittings from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)). We made fair value comparisons on sales of the class or kind of merchandise to the United States by Hitachi Metals Limited (Hitachi) during the period of investigation, March 1, 1986 through August 31, 1986. Comparisons were based on United States price and foreign market value, which was based on home market prices. The weighted-average margins are listed in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On August 29, 1986, we received a petition filed in proper form by the Cast Iron Pipe Fittings Committee on behalf of the domestic manufacturers of pipe fittings. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of the subject merchandise from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that these imports are materially injuring, or threaten material injury to, a U.S. industry.

We determined that the petition contained sufficient grounds upon which to initiate an antidumping duty investigation. We initiated such an investigation on September 18, 1986 (51 FR 34110, September 25, 1986), and notified the ITC of our action. On October 14, 1986, the ITC found that there is a reasonable indication that imports of pipe fittings from Japan are materally injuring a U.S. industry (USITC Pub. No. 1900).

On October 16, 1986, we presented an antidumping duty questionnaire to Hitachi. We requested a response in 30 days. On October 30, 1986, respondent requested an extension of the due date for the questionnaire response. We granted a two-week extension. We received a response on December 8, 1986. On December 24, 1986, the Department requested supplemental information. A supplemental response was received on January 8, 1987.

On January 15 and February 9, 1987, we requested further information from Hitachi. On February 20, 1987, supplemental responses were received from that company. On February 5, 1987, we made an affirmative preliminary determination (52 FR 4635, February 13, 1987).

As required by the Act, we afforded interested parties an opportunity to submit oral and written comments addressing the issues arising in this investigation. A public hearing was scheduled on April 3, 1987, as requested by the respondent. On March 26, 1987, respondent withdrew its request for a public hearing. Written comments on the issues arising in this investigation were submitted by both interested parties.

Scope of Investigation

The products covered by this investigation are malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, of cast iron other than alloy cast iron, as currently provided for in items 610.7000 and 610.7400 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Fair Value Comparisons

In order to determine whether sales of the subject merchandise to the United States were made at less than fair value, we compared the United States purchase price and exporter's sales price with the foreign market value, based on home market prices.

United States Price

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price for certain sales since the merchandise was purchased by the unrelated U.S. customer directly from the foreign manufacturer prior to importation. As provided in section 772(c) of the Act, we used the exporter's sales price of the subject merchandise to represent the United States price when the merchandise was imported into the U.S. by a party related to the exporter and subsequently sold to unrelated purchasers in the United States.

We calculated purchase price based on the packed, c.i.f. delivered, duty paid, prices to unrelated purchasers in the United States. We made deductions, where appropriate, for foreign inland freight, ocean freight, marine insurance, brokerage, U.S. duty, and U.S. inland freight. We calculated exporter's sales price by deducting, where appropriate, foreign inland freight, ocean freight, marine insurance, Japanese brokerage, U.S. duty, U.S. brokerage, U.S. inland freight and discounts. We also made a deduction for credit expenses and other selling expenses.

Foreign Market Value

In accordance with section 773(a) of the Act, we used home market delivered prices of such or similar merchandise to determine foreign market value. Hitachi had made a small portion of sales to its related firm in Japan. We found the prices between Hitachi and its related purchaser to be "comparable" to prices to its unrelated purchasers. Accordingly, we based our calculation of foreign market value on delivered, packed, prices to all purchasers. When comparing purchase price to foreign market value, we made deductions, where appropriate, for discounts, rebates, and inland freight. We made an adjustment for differences in circumstances of sales in accordance with § 353.15 of our regulations for differences in advertising and credit expenses between the two markets. Where sales involved unrelated party commissions, indirect selling expenses were granted as an offset for the cost of the U.S. commission expenses in accordance with § 353.15(c) of the Commerce Regulations.

When comparing exporter's sales price to the home market price, we made deductions, where appropriate, for discounts, rebates, and inland freight. We also deducted advertising, credit expenses and indirect selling expenses from the home market price but limited the deduction for home market indirect selling expenses to the amount of the U.S. indirect selling expenses.

For those pipe fittings where there were no identical products in the home market with which to compare products sold to the United States, we made adjustments to similar merchandise to account for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

Hitachi claimed an adjustment for the cost of pre- and post-sale loading of the merchandise at the warehouse. We do not allow adjustments for pre-sale costs of loading merchandise into the warehouse as this is viewed as an indirect expense which occurs prior to sale. Accordingly, since we would only allow the post-sale loading charge from the warehouse as an adjustment, and because Hitachi was unable to separate that portion of the overall costs associated with this loading, we have not allowed this claim. Respondent has withdrawn the claim for an adjustment for other warehousing expenses.

We did not allow a claim for Hitachi's liability insurance premium expense as a circumstance of sale adjustment because the claimed costs were not directly related to sales as required by § 353.15 of the Commerce Regulations.

We deducted home market packing costs and added the packing costs incurred on sales to the United States.

Currency Conversion

For comparisons involving purchase price transactions, when calculating foreign market value, we made currency conversions from Japanese yen to U.S. dollars in accordance with § 353.15(a)(1) of our regulations. For comparisons involving exporter's sales price transactions, we used the official certified Federal Reserve exchange rate on the date of sale to the first unrelated purchaser pursuant to section 615 of the Trade and Tariff Act of 1984 (the 1984 Act). We followed section 615 of the 1984 Act rather than § 353.56(a)(2) of our regulations, as it supersedes that section of the regulations.

Verification

As provided in section 776(a) of the Act, we verified all information provided by the respondent, using standard verification procedures, including examination of accounting records and original source documents containing relevant information on selected sales.

Petitioner's Comments

Comment. The petitioner urges the Department to use the monthly average packing cost instead of the average cost for the entire investigative period. Also, since the contractor who performs packing is related to Hitachi, it is not clear whether the packing costs are derived from "arm's length transactions."

DOC Position. It is our usual practice to use the verified average packing cost for the period of investigation. We verified that the slightly higher cost for domestic packing is due to increased labor costs, since domestic cartons are larger and there is greater automation in export packing.

Comment 2. The petitioner urges the Department to correct the errors on the credit cost and discounts found during the verification before making its final determination.

DOC Position. We agree and have made these corrections.

Respondent's Comments

Comment 1. Hitachi argues that, for converting the yen to dollars in calculating exporter's sales price (ESP), the Department should use the exchange rate on the date of exportation of the merchandise. The respondent argues that the Department should follow § 353.56(a)(2) of the regulations to govern the currency conversion rather than section 615 of the 1984 Act because the Department has not changed its regulation to comply with the 1984 Act.

Moreover, Commerce cannot modify its practice without following the notice and comment requirements of the Administrative Procedure Act (APA).

DOC Position. We disagree. Section 615 of the 1984 Act has superseded 19 CFR 353.56(a)(2). Section 615 requires us to use a comparison home market price at the time of the ESP sale to an unrelated purchaser. Respondent would have us apply the exchange rate in effect on the date of export to a home market sale transaction made at a much later date. This result could not have been intended by Congress. Since the effective date of the 1984 Act, the Department has consistently followed section 615 in order to give effect to Congressional intent. In accordance with the APA, the Department has proposed an amendment to 19 CFR 353.56(a)(2) to bring it into compliance with section 615 (Proposed 353.60, 51 FR 29048, 29074, August 13, 1986).

Comment 2. Hitachi claims that the Department should apply § 353.56(b) of the Regulations, the "special rule" for temporary exchange rate fluctuation.

DOC Position. The period of investigation was characterized by a substantial depreciation of the dollar against the yen. Indeed, this trend was apparent for at least several months prior to the period of investigation. The dollar/yen exchange rate was clearly subject to a sustained change during the period of investigation. The regulation provides that respondents "will be expected to act within a reasonable period of time to take into account price differences resulting from sustained changes in prevailing exchange rates." The Department will consider lagging the exchange rates used in fair value investigations when respondents can show that they have acted within a reasonable period of time to adjust their prices in response to the change. In this case, application of the "special rule" is not warranted because the respondent failed to adjust its prices.

Because respondent has alleged that the period of investigation was characterized by temporary exchange rate fluctuations, we have also considered the second part of § 353.56(b) which provides that "no differences between the prices being compared resulting solely from such [temporary] exchange rate fluctuations will be taken into account in fair value investigations." We have determined that the margins in this investigation did not result solely from any temporary fluctuations. (We have considered temporary exchange rate fluctuations to have taken place on any day on which the exchange rate varied by five percent or more from the quarterly rate.)

Comment 3. Respondent argues that since sales are made under confirmed orders in U.S. dollars between Hitachi Metals, Ltd (HML) in Japan and its importer, Hitachi Metals International (HMI) in the United States, the only exchange rates that would be relevant would be the rates in effect on the date of order and the date of payment.

DOC Position. We disagree. Section 615 of the 1984 Act requires us to determine foreign market value by reference to the home market price at the time of the sale in the United States to the first unrelated purchaser. Since HMI is a wholly-owned subsidiary of HML, HMI is a related party to the exporter, and we must use the date of sale to the first unrelated purchaser as the date for comparison with home market sales. For the reasons explained in response to respondent's Comment 2, we used the exchange rate in effect on the date of the home market comparison sale.

Comment 4. Respondent argues that we should allow a "stock distribution discount" because the sales agreement shows this discount was verified.

DOC Position. We agree.

Comment 5. Hitachi argues that the charge for unloading merchandise at the warehouse and the charge for loading merchandise onto delivery trucks should be allowed as adjustments because they are both direct selling expenses, especially the loading charge which is a post-sale expense included in the delivered price charged to customers.

DOC Position. We disagree. The unloading charge is not a direct selling expense, since it is incurred whether the sale is made or not. We cannot grant an adjustment for the loading expense because respondent's submission combined unloading and loading charges, and we have no way to identify the amount attributable to loading charges.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of pipe fittings from Japan that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register, in accordance with section 733(d) of the Act. The United States Customs Service shall require a cash deposit or the posting of a bond on all

such entries equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

Manufacturer/seller/exporter	Weighted-average margins (percentage)
Hitachi	67.39
All Others	67.39

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC 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. The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 45 days of the publication of this notice. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, we will issue an antidumping duty order directing Customs officers to assess an antidumping duty on pipe fittings from Japan entered, or withdrawn from warehouse, for consumption on or after the suspension or liquidation, equal to the amount by which the foreign market value exceeds the United States price.

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

Lee W. Mercer,

Acting Assistant Secretary for Trade Administration.

April 21, 1987.

[FR Doc. 87-9452 Filed 4-24-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-549-601]

Malleable Cast Iron Pipe Fittings From Thailand; Preliminary Negative Determination of Critical Circumstances

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: We have preliminarily determined that "critical circumstances" do not exist with respect to imports of malleable cast iron pipe fittings from Thailand. We have notified the U.S. International Trade Commission (ITC) of our determination.

EFFECTIVE DATE: April 24, 1987.

FOR FURTHER INFORMATION CONTACT: James Riggs (202-377-4929), Office of Investigations, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

Case History

On February 13, 1987, we published a preliminary determination of sales at less than fair value with respect to the subject merchandise (52 FR 4637). On March 19, 1987, petitioner alleged that "critical circumstances" exist with respect to imports of malleable cast iron pipe fittings from Thailand.

Critical Circumstances

In determining whether critical circumstances exist, section 733(e)(1) of

the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673b(e)) requires that we examine whether:

(A)(i) there is a history of dumping in the United States or elsewhere of the class or kind of merchandise which is the subject of the investigation; or

(ii) the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was spelling the merchandise which is the subject of the investigation at less than fair value; and

(B) there have been massive imports of the class or kind of merchandise which is the subject of the investigation over a relatively short period.

Pursuant to section 733(e)(1)(B), we generally consider the following data in order to determine whether massive imports have taken place: (1) The volume and value of the imports; (2) seasonal trends; and (3) the share of domestic consumption accounted for by the imports. Based on our analysis of recent import statistics, we find that there is no reasonable basis to believe imports of the subject merchandise from Thailand have been massive over a short period. Accordingly, we do not have to consider whether section 733(e)(1)(A) of the Act applies in this case.

For the reasons described above, we have preliminarily determined that "critical circumstances" do not exist with respect to malleable cast iron pipe fittings from Thailand.

Scope of Investigation

The products covered by this investigation are malleable cast iron pipe fittings, advanced in condition by operations or processes subsequent to the casting process other than with grooves, or not advanced, or cast iron other than alloy cast iron currently classified under the *Tariff Schedules of the United States Annotated* (TSUSA) items 610.7000 and 610.7400.

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. This determination is published pursuant to section 733(f) of the Act (19 U.S.C. 1671b(f)).

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

April 20, 1987.

[FR Doc. 87-8304 Filed 4-23-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

THE COMMISSION'S FEDERAL REGISTER NOTICE

[Investigations Nos. 731-TA-347 and 348 (Final)]

Certain Malleable Cast-Iron Pipe Fittings From Japan and Thailand

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigations Nos. 731-TA-347 and 348 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is

materially retarded, by reason of imports from Japan and Thailand of nonalloy, malleable cast-iron pipe fittings,[1] whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process, provided for in items 610.70 and 610.74 of the Tariff Schedules of the United States, which have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). Unless the investigations are extended, Commerce will make its final LTFV determinations on or before April 21, 1987 and the Commission will make its final injury determinations by June 15, 1987 (see sections 735(a) and 735(b) of the Act (19 U.S.C. 1673d(a) and 1673(b))).

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

EFFECTIVE DATE: February 13, 1987.

FOR FURTHER INFORMATION CONTACT: Martha Mitchell (202-523-0291), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by accessing the Office of Investigation's remote bulletin board system for personal computers at 202-523-0103.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted as a resut of affirmative preliminary determinations by the Department of Commerce that imports of certain malleable cast-iron pipe fittings from Japan and Thailand are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigations were requested in petitions filed on August 29, 1986 by the Cast-Iron Pipe Fittings Committee.[2] In response to those petitions the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (FR 37498, October 22, 1986).

Participation in the Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the 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 these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

Staff Report

A public version of the prehearing staff report in these investigations will be placed in the public record on April 17, 1987, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on April 28, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on April 20, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on April 21, 1987, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 21, 1987.

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

Written Submissions

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on May 5, 1987. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigation on or before May 5, 1987.

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

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

Authority

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

Issued: February 24, 1987.

[1] The malleable cast-iron pipe fittings covered by these investigations are those with standard pressure ratings of 150 pounds per square inch (psi) or heavy-duty pressure ratings of 300 psi. Groove-lock fittings are not included.

[2] The 5 member producers of this committee are Stanley G. Flagg & Co., Inc., Grinnell Corp. (successor to the fittings business of ITT Corp.), Stockham Valves & Fittings Co., U-Brand Corp., and Ward Manufacturing, Inc. (successor to Ward Foundry Division of Clevepak Corp.)

By order of the Commission.
Kenneth R. Mason,
Secretary.
[FR Doc. 87-4542 Filed 3-3-87; 8:45 am]
BILLING CODE 7020-02-M

APPENDIX C

CALENDAR OF PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

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

Subject : Certain Malleable Cast-Iron Pipe Fittings from Japan and Thailand

Inv. Nos. : 731-TA-347 and 348 (Final)

Date and time: April 28, 1987 - 9:30 a.m.

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

In support of the imposition of antidumping duties:

Rose, Schmidt, Chapman, Duff & Hasley--Counsel
Washington, D.C.
on behalf of

Cast-Iron Pipe Fittings Committee

Robert G. Vick, Vice President - Marketing, Stockham Valves & Fittings Co.

Bruce F. Eilenberger, President - Ward Manufacturing, Inc.

Dennis Bunting, Vice President of Manufacturing, Grinnell Corporation

Ray E. Carey, Vice President of Sales, Grinnell Corporation

George M. Moser, Vice President, Marketing and Planning, Stanley G. Flagg & Co., Inc.

Peter Buck Feller)
Lawrence J. Bogard)
Michael K. Tomenga)--OF COUNSEL
John C. Lindsey)

- more -

In opposition to the imposition of antidumping duties:

Graham and James--Counsel
Washington, D.C.
on behalf of

Hitachi Metals America Division of Hitachi Metals International, Ltd.

Neil Ruebens, Director of Piping Components, Hitachi Metals America Division of Hitachi Metals International, Ltd.

Michael A. Hertzberg)
Mary Dennison)--OF COUNSEL
Stuart E. Benson)

Brownstein, Zeidman and Schomer--Counsel
Washington, D.C.
on behalf of

Siam Fittings Co., Ltd.

Richard Hummel, Vice President, Norca Corporation

David R. Amerine)--OF COUNSEL
Ronald M. Wisla)

APPENDIX D

ADDITIONAL INFORMATION CONCERNING THE PRODUCTS

Counsel for Thai respondents argued that, "..the like product in this case should include both threaded malleable cast-iron pipe fittings and malleable cast-iron groove lock pipe fittings (prehearing brief of Thai respondents, p. 12). Counsel for Hitachi Metals America stated that "because groove lock fittings compete with threaded fittings, excluding data on domestic production of groove-lock fittings will artificially understate domestic production" (postconference brief of Hitachi Metals America, p. 26). Counsel for Hitachi Metals America stated that "The Commission must include domestic cast-iron fittings (nonmalleable) as a 'like product' in the domestic industry because malleable pipe fitting imports compete directly with them." (Posthearing brief of Hitachi Metals America, p. 3).

The products

End users use malleable, nonmalleable, and ductile pipe fittings in piping systems to do three specific things: (1) change, divert, divide, or direct the flow of liquid, gas or steam; (2) provide access for cleaning and branching; and (3) reduce or increase the diameter of the systems.

Although malleable and nonmalleable pipe fittings are made from the same type of gray iron, malleable pipe fittings have gone through an annealing process, making them lighter in weight and giving them greater tensile strength.

Ductile pipe fittings can either be annealed or nonannealed. They are different from both malleable and nonmalleable pipe fittings because they are made from molten iron that has been treated with magnesium alloys. This treatment gives ductile pipe fittings relatively higher strength, more corrosion resistance, and better ductility than fittings made from ordinary gray iron. Ductile fittings can be made in the same molds as both malleable and nonmalleable fittings so the size ranges for all three types of fittings are comparable.

All malleable, nonmalleable, and ductile fittings are either grooved or threaded. Grooved fittings are bolted together around pipes. Threaded fittings are machined in such a way that pipe with threaded ends can be screwed into the fittings. Grooved fittings require no onsite finishing operations other than assembly, and they are primarily used in sprinkler systems. For large commercial construction projects, the installation of threaded fittings is labor intensive and requires an onsite threading operation.

Nonmalleable fittings have little or no ductility and can be broken with the blow of a hammer. These fittings will not stretch when a piping system is assembled and consequently are not likely to leak. They are usually available in inside diameters ranging from 1/4 inch to 6 inches. Common varieties of nonmalleable fittings include bends, branches, traps, drains, and reducers.

Although there are thousands of individual patterns for such fittings, fewer than 50 basic patterns account for the vast majority of nonmalleable fittings manufactured. Nonmalleable fittings are produced to pressure ratings of 125 psi for the standard pressure class, which accounts for approximately 99 percent of sales of nonmalleable fittings, and 250 psi for the heavy-duty pressure class, as established by the American Society for Testing and Materials (ASTM) and the American National Standards Institute (ANSI). Nonmalleable fittings are almost entirely used as pressure pipe fittings for cast-iron pipes, although some are used with steel pipes. The predominant use of nonmalleable fittings is in sprinkler and heating systems for commercial buildings.

Malleable fittings can be machined and subjected to stress with less likelihood of fracture than nonmalleable fittings. The major advantages of malleable fittings are that they are lighter in weight and more ductile than nonmalleable fittings. They are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. Malleable fittings are available in hundreds of configurations, the most common being 90-degree elbows, tees, couplings, and unions. They are produced in both black (ungalvanized) and galvanized form. Malleable fittings are commonly produced with inside diameters of 1/2 inch to 6 inches; other sizes are available on special order. Malleable fittings have a minimum performance rating of 150 psi for the standard pressure class, which accounts for approximately 93 percent of sales of malleable fittings, and 300 psi for the heavy-duty pressure class, as rated by the ASTM and the ANSI. The principal uses of malleable cast-iron fittings are in gas lines, piping systems of oil refineries, and gas and water systems of buildings.

Ductile iron is used for fittings having sections from 1/8 inch up to 40 inches thick. Ductile fittings are usually used where environmental conditions are likely to be harsh, such as underground water and waste water distribution systems. Ductile fittings are also used by the petroleum and chemical industries because of their corrosion resistance. A standard specification for ductile iron is ASTM A 536.

"The vast majority of [threaded] malleable iron fittings produced in the United States are 2 inches or less in diameter, while the vast majority of malleable groove-lock fittings are 4 inches and over in diameter. The quantity of these two types of fittings sold in common sizes is very small" (Investigations Nos. 731-TA-347 and 348 (P), petitioners' postconference brief, p. 6). In certain circumstances, grooved fittings compete directly with threaded fittings for certain types of sprinkler systems and water treatment applications (Investigations Nos. 731-TA-347 and 348 (P), petitioners' postconference brief, attachment A). Such competition may be characterized as "peripheral," occurring in "very limited circumstances" (Investigations Nos. 731-TA-347 and 348 (P), petitioners' postconference brief, attachment A).

Manufacturing processes

The manufacturing process for cast-iron pipe fittings begins with the making of molten iron, usually in a cupola furnace. The raw materials are scrap steel, pig iron, and other materials, such as ferrosilicon, coke, and limestone. The molten iron for malleable fittings contains approximately 2.5 percent carbon, 1.4 percent silicon, and 0.4 percent manganese by weight.

Sand-casting is the predominant method used in the making of pipe fittings. The casting process begins with the making of a pattern, which is the same configuration as the desired pipe fitting. Molding sand is mixed with a binder, spread around the pattern in a mold, and then rammed by a machine to compact the sand. Because the final pipe fitting must be hollow, a special mold (called a "core") is required to produce the cavity in the filling.

To produce the actual pipe fitting, the two mold halves (called the "cope" and the "drag") are put together with the core in the center, and the molten iron is poured into the cavity. After the iron solidifies, the red-hot fitting is shaken out of the sand on a shaker table or belt, allowed to cool, and cleaned. Malleable pipe fittings, unlike nonmalleable pipe fittings, must be annealed.

Annealing consists of rapidly heating the pipe fittings to approximately 1,750° F., followed by a quick cooling and then a slower cooling. The overall cooling process, which takes from 25 to 40 hours, improves the ductility and durability of the metal by reducing its brittleness. Atmospherically controlled annealing in which no oxygen is present, is considered the state-of-the-art method for annealing malleable pipe fittings.

Almost all malleable pipe fittings are advanced (machined) after the casting and annealing stages. Advancement usually involves threading or other similar operations. Advanced methods of finishing include an automated process that combines leak testing, threading, and facing (smoothing the end of the fitting).

At the public hearing, Dennis Bunting, a representative of Grinnell Corp., described some changes in a producer's operations that are necessary in order to switch from producing threaded to grooved fittings. He stated that while the foundry melting, foundry molding, cleaning, etc., are very similar, the core machines and pattern configurations may be different. The major difference is in the finishing processes. "Obviously, the machines one would need to thread products such as screwed malleable pipe fittings are altogether different than the machines one would need to make a grooved lock product, rolled grooves and fittings, coin grooved block and so on." 1/

1/ Transcript of the hearing, pp. 34-35.

Cast-iron pipe fittings are produced in English dimensions for the North American market, and metric dimensions for most other markets. English-sized and metric-sized fittings differ in overall dimensions, wall thicknesses, and threadings. Metric-sized fittings are uncommon in the United States, because metric-sized pipe is rarely used in U.S. construction. Foreign producers that export cast-iron fittings to the United States often produce both metric and English-sized fittings. The patterns, core-boxes, and tooling for the threading machines used in the production process are different for English and metric standards; thus retooling a metric plant to produce English fittings, or vice versa, requires the building or acquisition of additional equipment. The more capital intensive equipment (e.g. furnaces, molding lines, sand systems, and threading machines) does not change. Since metric fittings use less hot metal than English fittings, a conversion requires a rescheduling of the furnace to account for the fittings' particular iron requirements. The costs of patterns, core boxes, threading taps, and furnace reschedulings preclude frequent conversions of production facilities between English and metric fittings. However, these costs are small enough to make a conversion attractive if the alternatives were an extended plant shutdown and/or a long term shift in the relative profitability of english and metric fittings.

U.S. producers of malleable threaded pipe fittings

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

Table B-1
Nonmalleable threaded and malleable grooved cast-iron pipe fittings: Petitioners' reported U.S. production, domestic shipments, export shipments, total shipments, and end-of-period inventories, 1984-86 1/

Item	1984	1985	1986
Nonmalleable threaded cast-iron pipe fittings 2/			
Production.....tons..	31,917	37,118	34,875
Domestic shipments.....do....	***	***	***
Export shipments.....do....	***	***	***
Total shipments.....do....	35,295	37,189	36,235
End-of-period inventories...do....	10,073	10,002	8,642
Ratio of inventories to total shipments.....percent..	28.5	26.9	23.8
Malleable grooved cast-iron pipe fittings 3/			
Production.....tons..	***	***	***
Domestic shipments.....do....	***	***	***
Export shipments.....do....	***	***	***
Total shipments.....do....	***	***	***
End-of-period inventories...do....	***	***	***
Ratio of inventories to total shipments.....percent..	***	***	***

1/ Data are for petitioners in these investigations only and do not include other U.S. producers of these products; therefore totals are not for the U.S. industries.
2/ Petitioners reporting data are: Stanley G. Flagg & Co., Inc., Grinnell Corp., Stockham Valves & Fittings Co., U-Brand Corp., and Ward Manufacturing, Inc.
3/ Petitioners reporting data are: ***.

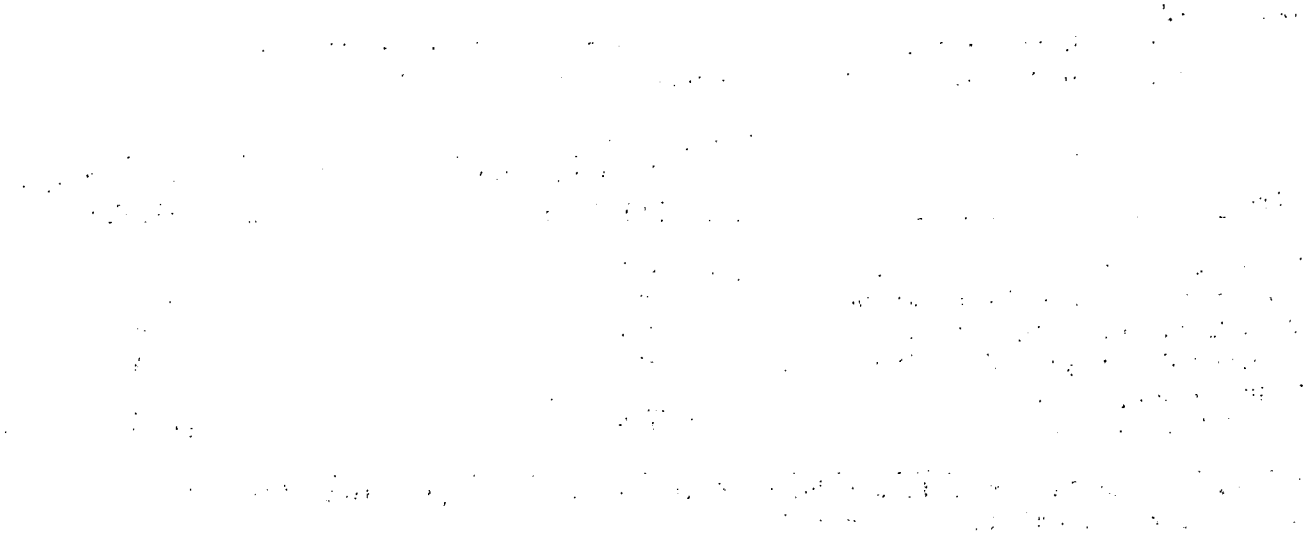
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table B-2
Nonmalleable threaded and malleable grooved cast-iron pipe fittings: Petitioners' shares of reported production, 1986

(In percent)

Firm	Nonmalleable threaded	Malleable grooved
Grinnell Corp.	***	***
Stockham Valves & Fittings Co.	***	***
Ward Manufacturing, Inc.	***	***
Stanley G. Flagg & Co., Inc.	***	***
U-Brand Corp.	***	***
Total	100.0	100.0

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



APPENDIX E

ALTERNATIVE CALCULATION OF APPARENT U.S. CONSUMPTION AND MARKET PENETRATION OF IMPORTS

Table B-3
Malleable threaded cast-iron pipe fittings: Ratios of imports and of U.S.-produced domestic shipments 1/ to apparent U.S. consumption, by selected sources, calculated on the basis of quantity and value, 1984-86

Item	1984	1985	1986
	By quantity		
Imports from Japan.....tons..	***	***	***
Imports from Thailand do....	***	***	***
Subtotal.....do....	***	***	***
Imports from other countries.....do....	***	***	***
Total, all imports.do....	***	***	***
U.S.-produced.....do....	***	***	***
Apparent U.S. consumption tons..	***	***	***
Imports from Japan..percent..	***	***	***
Imports from Thailand do....	***	***	***
Subtotal.....do....	***	***	***
Imports from other countries.....do....	***	***	***
Total, all imports.do....	***	***	***
U.S.-produced.....do....	***	***	***
Total.....do....	100.0	100.0	100.0
	By value		
Imports from:			
Japan 2/....1,000 dollars..	***	***	***
Thailand 2/.....do....	***	***	***
Subtotal 2/.....do....	***	***	***
All other countries 3/ 1,000 dollars..	***	***	***
Total, all imports.do....	***	***	***
U.S.-produced domestic shipments 4/.....do....	***	***	***
Apparent U.S. consumption 1,000 dollars..	***	***	***
Imports from:			
Japan.....percent..	***	***	***
Thailand.....do....	***	***	***
Subtotal.....do....	***	***	***
All other countries..do....	***	***	***
Total, all imports.do....	***	***	***
U.S.-produced domestic shipments.....do....	***	***	***
Total.....do....	100.0	100.0	100.0

See footnotes on next page

1/ Imports for Japan and Thailand are data submitted in response to questionnaires of the U.S. International Trade Commission. Imports from all other countries are official import statistics under TSUS item 610.74, and are adjusted to eliminate known misclassifications for India, Korea, and Taiwan. These adjusted import statistics are shown below:

	1984	1985	1986
Imports from India.....tons..	241	191	211
Imports from Korea.....do....	3,208	5,023	1,260
Imports from Taiwan....do....	3,743	5,196	1,795

2/ Import values are data submitted in response to questionnaires of the U.S. International Trade Commission.

3/ Import values from all other countries are C.I.F. duty-paid under TSUS item 610.74 and are adjusted to eliminate known misclassifications for India, Korea, and Taiwan. These adjusted import statistics are shown below (in 1,000 dollars):

	1984	1985	1986
Imports from India.....	127	115	121
Imports from Korea.....	3,205	4,980	1,399
Imports from Taiwan.....	5,157	7,450	2,614

4/ Data are understated to the extent that values for domestic shipments ***.

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

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