CERTAIN GRANITE FROM ITALY AND SPAIN

Determinations of the Commission in Investigations Nos. 701-TA-288 and 289 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

Determinations of the Commission in Investigations Nos. 731-TA-381 and 382 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

USITC PUBLICATION 2016

SEPTEMBER 1987

United States International Trade Commission / Washington, DC 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-288 and 289 (Preliminary)
and 731-TA-381 and 382 (Preliminary)

CERTAIN GRANITE FROM ITALY AND SPAIN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission unanimously determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. (1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury 2/ by reason of imports from Italy and Spain of certain granite, 3/ provided for in item 513.74 of the Tariff Schedules of the United States, that are alleged to be subsidized by the Governments of Italy and Spain.

Further, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. (1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury 2/ by reason of imports from Italy and Spain of certain granite, 3/ provided for in item 513.74 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value.

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

2/ Commissioner Lodwick determines than there is a reasonable indication of threat of material injury by reason of the subject imports.

3/ For purposes of these investigations, the term "certain granite" refers to products 3/8 inch to 2-1/2 inches in thickness and includes rough-sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, tiles, and crypt fronts; the term excludes monument stone, crushed granite, and curbing.

Background

On July 28, 1987, a petition was filed with the Commission and the Department of Commerce by the Ad Hoc Granite Trade Group, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports of certain granite from Italy and Spain, and by imports of certain granite from Italy and Spain which are being sold in the United States at less than fair value. Accordingly, effective July 28, 1987, the Commission instituted preliminary countervailing duty investigations Nos. 701-TA-288 and 289 (Preliminary) and antidumping investigations Nos. 731-TA-381 and 382 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of August 5, 1987 (52 F.R. 29080). The conference was held in Washington, DC, on August 18, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of finished granite from Italy and Spain that are allegedly subsidized and sold at less than fair value. [1/] [2/] This conclusion is primarily based on the declining profitability of the domestic industry, the significant and increasing market penetration of the subject imports, and indications that the domestic industry has been underbid by the subject imports on various construction projects during the period of investigation. [3/]

Like product/domestic industry

As a prerequisite to its material injury analysis, the Commission must first define the relevant industry against which to assess the impact of

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1/ Commissioner Lodwick determines that there is a reasonable indication of threat of material injury by reason of the subject imports. See his Additional Views.

2/ Chairman Liebeler joins with the Commission in its discussion of the like product, the domestic industry, cumulation, and condition of the industry. The Chairman provides Separate and Additional Views on causation.

3/ As part of the legal framework for his affirmative determination in these investigations, Commissioner Eckes refers to the standard for making preliminary negative determinations in Title VII investigations as established in American Lamb Co. v. United States, 785 F. 2d 994 (Fed. Cir. 1986), his colloquy with the General Counsel's Office during the Commission meeting of September 9, 1987 and his dissenting views in Portland Hydraulic Cement and Cement Clinker from Colombia, France, Greece, Japan, Mexico, the Republic of Korea, Spain, and Venezuela, Invs. Nos. 731-TA-356 through 363 (Preliminary), USITC Pub. No. 1925 (December 1986).

unfairly traded imports. The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major portion of the total domestic production of that like product. . . ." [4/] In turn, "like product" 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 investigation." [5/]

The imported product that is the subject of these investigations is granite products 3/8 inch to 2-1/2 inches in thickness. [6/] It includes rough sawed granite slabs, face-finished granite slabs, and finished dimensional granite. [7/] The product is used for, among other things, building facing, flooring, tiles, and crypt fronts. [8/]

In these preliminary investigations, petitioner has urged the Commission to find a single like product, consisting of all domestically produced finished granite like the product subject to the Commerce Department

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4/ 19 U.S.C. § 1677 (4)(A).
5/ 19 U.S.C. § 1677(10). The Commission's like product determination is essentially factual and is made on a case-by-case basis.
6/ The article "subject to investigation" is defined by the scope of the investigation initiated by the Department of Commerce (Commerce). See Notice of initiation of Department of Commerce investigations, 52 Fed. Reg. 31649-31653 (August 21, 1987).
7/ Rough sawed granite slab is nonstructural and may be affixed to exterior and interior building surfaces or used in surface applications for pedestrian traffic in sheltered and unsheltered areas. It may be further cut and finished to specifications. See Report of the Commission ("Report") at A-3. Face finished granite has varying surface finishes, with unfinished edges, and has the same applications as rough sawed granite slab. Id. at A-4. "Dimensional granite" refers to granite that has been quarried and shaped to certain specifications. See Id. at A-3. Limestone, sandstone, travertine, slate, and marble are other common types of dimension stone. Id. at A-3.
8/ In these investigations, granite products do not include monument stone, crushed granite, curbing, or highway and landscape products.

investigation, [9/] and respondents did not propose a different definition. [10/] We define the like product to consist of all such finished granite produced in the United States.

The Commission must also define the relevant domestic industry against which to measure the impact of unfairly traded imports. [11/] We determine in this case that there is one domestic industry consisting of the U.S. operations of companies producing such granite products. [12/]

9/ Conference Transcript ("Tr.") at 10.

10/ None of the parties has argued that other types of stone, such as marble or limestone, be included in the definition of the like product. While there may be some similar uses, common channels of distribution, or common manufacturing facilities for these other types of dimension stone, petitioner contends, and respondents do not dispute, that granite has "unique strength, durability, color and grain texture that differentiates" it from other building stones. Post-Conference Submission of the Ad Hoc Granite Trade Group at 22. Further, although there may be some overlap in markets and applications for all building stone materials, such overlap is limited and architects or general contractors specifying the use of granite will generally not accept the use of other materials. Id. See also Tr. at 25; Report at A-32. Cf., Tr. at 86-87, 115. Therefore, for purposes of these preliminary investigations, we determine that types of dimension or building stone other than granite are not included in the like product definition.

11/ 19 U.S.C. § 1677(4)(A).

12/ One type of enterprise which performs some granite and other stone finishing work is the so-called "marble shop." Report at A-10; Tr. at 106. It appears that marble shops generally are brokers or distributors who cut imported slab to smaller dimensions and finish it. These shops generally do not have the capacity to finish stone for very large projects and primarily produce custom-order items, including stone furniture, which are not subject to investigation. Report at A-10. None of the parties has urged that marble shops be included in the definition of the domestic industry. See, e.g., Post-Conference Submission of the Ad Hoc Granite Trade Group at 24-26. In any final investigation, the Commission will examine the issue of whether these firms constitute part of the domestic industry. In addition, the Commission will determine whether they import significant quantities of finished granite and therefore should be excluded from the domestic industry under the related parties provision. See 19 U.S.C. § 1677(4)(B). We note as background that these firms do not appear to account for any significant share of U.S. production. See Report at A-10; Post-Conference Submission of the Ad Hoc Granite Trade Group at 23.

Condition of the domestic industry [13/]

In evaluating the condition of the domestic industry, the Commission considers, among other factors, apparent consumption, domestic production, market share, capacity, shipments, inventories, employment, and financial performance. [14/]

While many industry indicators show positive trends, we find that declining profitability at a time of declining domestic market share indicates that the domestic industry is experiencing difficulties. Further, several industry indicators declined during the most recent period, January-June 1987, relative to the same period in 1986.

13/ Commissioner Lodwick does not join this section of the opinion.

14/ 19 U.S.C. § 1677(7)(C)(iii). No single factor is determinative of material injury and, in each investigation, the Commission must take into account the particular nature of the industry it is examining.

We note that although petitioner concedes that rough granite block from quarries is not a product "like" the granite under investigation, Tr. at 88; Post-Conference Submission of the Ad Hoc Granite Trade Group at 22, petitioner nonetheless urged that, for purposes of our analysis of the condition of the domestic industry, we include its members' quarrying operations. Petitioner argues that these quarrying activities are closely integrated with finishing operations and that the quarrying segment of its members' operations also experiences the adverse effects of alleged dumped and subsidized granite imports from Italy and Spain. See Post-Conference Submission of the Ad Hoc Granite Trade Group at 23. Generally, the Commission does not include upstream operations within the scope of the domestic industry. See H.R. Rep. No. 1156, 98th Cong., 2d Sess., at 188 (1984). For purposes of these preliminary investigations, we have determined not to include quarrying operations within the definition of the domestic industry.

Apparent U.S. consumption of finished granite rose from $134 million in 1984 to $177 million in 1985, or by 33 percent, [15/] and then rose another 23 percent to $217 million in 1986. Consumption declined 10 percent, however, in interim (January-June) 1987 as compared to the corresponding period in 1986. [16/] Data obtained in these investigations also show that domestic production of finished granite increased from 4.5 million square feet in 1984 to 5.1 million in 1985 and 5.7 million in 1986, for a total increase of 27 percent. [17/] We note that, at the same time, the domestic industry's market

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15/ Prior to the 1970's, domestic consumption of granite was in decline. Report at A-12. Commencing in 1979, with the selection of granite facing as the exterior surface for the American Telephone and Telegraph Company's headquarters in Manhattan, granite has enjoyed a resurgence in popularity, but as a non-structural, rather than load bearing, building material. The AT&T project helped bring back into vogue the cornices and arches of classical design which may be crafted from building stone. This architectural trend, which has come to be known as the Postmodern Movement, was facilitated by rising energy prices in the 1970's which made glass, steel, concrete, and other synthetic building products increasingly costly to produce and buildings constructed of such material more costly to heat and air-condition. In addition, there has been a trend toward the use of thinner granite for exterior and interior surfaces, as new stone cutting technology has enabled producers to cut granite into thinner, less costly veneer slabs and tiles and technical advances in the construction industry have improved the means and reduced the cost of adhering granite as an exterior building surface. Report at A-12; Conference Transcript ("Tr.") at 14-18, 26-27.

16/ Report at A-12-A-13.

17/ Id. at A-14-A-15. Production also increased 4 percent in interim 1987 as compared to interim 1986. Id.

share declined from 51.2 percent in 1984 to 40.8 percent in 1986. 18/ 19/

Total domestic shipments of granite under investigation (both intra-company transfers and open market sales) increased by 30 percent between 1984 and 1986. 20/ The aggregate value of total domestic shipments rose by approximately 20 percent from 1984 to 1985 and by another 7 percent in 1986. 21/ The unit value (dollars per square foot) of total domestic shipments increased from $15.50 per square foot in 1984 to $16.02 in 1985, but declined in 1986 to $15.50 per square foot. In January-June 1987, average unit value dropped to $13.71, down 12 percent from 1984. 22/

In the 1984-1986 period, the average number of production and related workers employed by U.S. producers increased from 1,088 to 1,188 23/ and the total hours worked rose by 34 percent. 24/ Available data show that in interim 1987, however, employment had fallen 18 percent from its interim 1986 level, 25/ and hours worked were down 8 percent. 26/

18/ See Id. at A-31.
19/ The parties agree that the market for finished granite is changing, as purchasers, primarily for reasons of cost, increasingly prefer products of thinner dimensions. See, e.g., Petition at 8; Post-Conference Brief of Italian Producers and Exporters of Finished Granite Products from Italy, and the Committee for the Preservation and Defense of the American Granite Industry at 2; Post-Hearing Brief Submitted on Behalf of Respondents Ingemar S.A. and Ingemar Corporation at 1. See also Tr. at 14, 18, 81-82, 116-117, 145-147. In any final investigations, the Commission will gather information on the relationship between the production of thin versus thick finished granite and how this relationship affects the condition of the domestic industry and the impact of imports on the domestic industry.
20/ Report at A-16.
21/ Id. at A-16-A-17.
22/ Id.
23/ Id. at A-17.
24/ Id. at A-18.
25/ Id. at A-17-A-18. This decline may be due in significant part to a 24 percent increase in productivity in interim 1987 as compared to 1986. Id.
26/ Id.

Firms accounting for 85.3 percent of the reported value of domestic finished granite shipments in 1986 provided income and loss data on their finished granite operations. 27/ The data show that net sales of finished granite increased about one-third from 1984 to 1986. 28/ Notwithstanding this increase in net sales, however, the industry's financial performance declined from an operating profit during 1984-1985 to an operating loss in 1986. 29/ The operating margin also has declined similarly. 30/ During the same period, two U.S. producers ceased their finished granite operations. 31/

Although the performance indicators are mixed, we conclude, primarily on the basis of declining profitability and market share, that there is a reasonable indication that the domestic industry is experiencing material injury.

Material injury by reason of unfairly traded imports

Cumulation

The Commission is required to cumulatively assess the volume and the effects of imports subject to investigation from two or more countries if the imports (1) compete with other imports and the domestic like product, (2) are subject to investigation, and (3) are marketed within a reasonably coincident

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27/ Id. at 18.
28/ Id. at A-20. Net sales were down in interim 1987 from interim 1986. Id.
29/ Id.
30/ Id.
31/ Providence Granite Co. ceased production in 1984 and now operates as a broker of stone products. Georgia Granite Co., a substantial producer of finished granite during the period of investigation, declared bankruptcy and shut down its granite fabricating facilities in 1986, reportedly due to price competition from imports. See Tr. at 42-43, 128; Report at A-9.

period. 32/ In the instant investigations, both Italian and Spanish imports are simultaneously under investigation and have been marketed within the United States within a reasonably conincident period of time. 33/ Spanish respondents, however, argue that there is insufficient competition between Spanish and Italian imported granite and between the Spanish imports and the domestic like product, to warrant cumulation. 34/

They argue that within the broad range of different kinds of granite sold in the United States, there are numerous types of granite which they do not sell. 35/ Further, they claim that they have been unsuccessful in breaking into major markets in the Northeast United States and that they sell in areas "comprising considerably less than half of the United States geographically." 36/ It may be, as Spanish respondents claim, that the

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32/ 19 U.S.C. § 1677(7)(C)(iv); H.R. Rep. No. 725, 98th Cong., 2d Sess. 36-37 (1984). See, e.g., Welded Steel Wire Fabric for Concrete Reinforcement from Italy, Mexico, and Venezuela, Invs. Nos. 701-TA-261(A), 263(A) and 264(A) (Preliminary), USITC Pub. No. 1795 (Jan. 1986) at 9.

33/ Report at A-1, A-23-A-24.

34/ In determining whether imported products subject to investigation compete with one another and with products of the domestic industry sufficiently to warrant cumulation, the Commission previously has sought to determine whether there is competition between the imports and the like product "in any meaningful sense." Industrial Phosphoric Acid from Belgium and Israel, Invs. Nos. 701-TA-285 and 286 (Preliminary) and 731-TA-365 and 366 (Preliminary), USITC Pub. No. 1931 (Dec. 1986), at 12; Certain Carbon Steel Pipes and Tubes from the People's Republic of China, the Philippines, and Singapore, Invs. Nos. 731-TA-292 through 296 (Preliminary), USTIC Pub. No. 1796 (Dec. 1985) at 17.

35/ Tr. at 194.

36/ Post-Hearing Brief Submitted on Behalf of Respondents Ingemar S.A. and Ingemar Corporation at 2-3. Spanish respondents further claim that they compete with the Italians in the production and sale of Spanish Pink granite, which "comprises less than about one-third of the overall U.S. market for finished granite," id. as well as Carmen Red granite, Tr. at 194, and that they "compete with the domestics in things similar to that." Id. at 194-195.

Spanish imports, the Italian imports, and the domestic like product do not compete in some geographic market segments or markets for specific types of granite. However, there clearly is substantial overlap in the specific product lines and market segments in which they do compete. 37/ We thus are unable to find that Spanish and Italian imports of finished granite fail to compete with each other and with domestically produced finished granite "in any meaningful sense." Accordingly, we conclude that it is appropriate to cumulate all allegedly unfairly traded imports from Italy and Spain for the purpose of making our determinations.

Causation 38/

The statute provides that when determining whether there is a reasonable indication of material injury by reason of imports, the Commission shall consider, among other factors, the volume of imports of the merchandise that is the subject of the investigation, and the effect of those imports on prices in the United States for the like product and on domestic producers of the like product. 39/ In making our determinations that there is a reasonable indication of material injury by reason of the subject imports, we rely on the significant and increasing volume and market penetration of the imports from Italy and Spain, as well as evidence of other adverse effects by reason of those imports. 40/

37/ See Tr. at 93; Report at A-4-A-5.
38/ Commissioner Lodwick does not join this section of the opinion.
39/ See 19 U.S.C. § 1677(7)(B).
40/ Vice-Chairman Brunsdale notes that the dumping margins alleged by the petitioner are very large. These margins were estimated, however, using a constructed value basis. In this case, constructed value may not provide the most accurate measure of home market value. It is, however, the only information currently available. She considers these margins to be further evidence of a reasonable indication of material injury by unfair imports in this case.

We have considered the best available data pertaining to the cumulative volume and effect of imports from Italy and Spain. 41/ Those data indicate that Italian and Spanish imports increased from $54.4 million in 1984 to $115.9 million in 1986, or by 213 percent. 42/ Similarly, market penetration of finished granite from Italy and Spain, which accounted for 90 percent of all imports in 1986, 43/ increased 21 percent over the period of investigation, from 40.7 percent in 1984 to 53.4 percent in 1986. 44/ These penetration ratios indicate that the imports subject to investigation have had a significant and growing presence in the U.S. market throughout the period of investigation, at a time of declining market share by the domestic industry. 45/

41/ The amount of import data available to the Commission was somewhat limited in these preliminary investigations. Responses to Commission questionnaires were received from importers accounting for only roughly one-third of the imports from Italy and Spain, by value. Report at A-28. Official import statistics also do not offer a reliable measure of the quantity of imports. Finished granite is imported under a tariff classification, TSUSA item 513.74, which also includes granite products other than those subject to investigation. Further, official statistics measure the quantity of imports of finished granite by cubic feet. In this case, it is the square footage, or surface area that may be covered by the imported granite, that is the more significant measurement. To the extent that some imported granite is sold at thinner dimensions than that sold by domestic producers, see, e.g., Report at A-7, an analysis of imports by cubic foot volumes would underestimate increases in import volumes and market penetration. See fn. 19, page 8; Report at A-28. Therefore, in measuring import levels, we estimated the value of imports by adjusting the official statistics as to the aggregate value of imported granite to reflect imports of finished granite only, by using petitioner's estimates of the percent of total imports under TSUSA 513.74 which they found to be finished granite in 1986. See Report at A-54-A-55.
42/ Report at A-28.
43/ Id. at A-31.
44/ Id. at A-30.
45/ Id. at A-31.

In seeking to determine the effect of the imports on prices in the United States for the like product and on domestic producers of the like products, the available information as to pricing and lost sales does not lend itself to ready comparisons. 46/ The great majority of purchases of finished granite is of custom-designed material, as opposed to purchases of off-the-shelf rough slab or tiles. 47/ In addition, finished granite is most often sold through competitive bidding whereby the owner/developer or general contractor on a construction project solicits bids based on defined material and installation specifications. 48/ Even if the suppliers have granites that are roughly substitutable in terms of their physical characteristics and cost, the type of granite ultimately selected under such a procedure may depend on factors other than price, such as the architect's or developer's aesthetic preference and the perceived ability of particular suppliers to meet capacity or scheduling requirements. 49/ For these reasons, and because the available data pertain to only a small percentage of total construction project bids, 50/ it is

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46/ Id. at A-34 ("[B]oth the domestic and importing representatives agree that no two products can [for purposes of price comparisons] be matched head to head.); A-35 ("[D]ata about the total quantity of granite involved in the project[s] [investigated] and the square-foot price of the granite were generally not available.)
47/ Report at A-34.
48/ Id. at A-35.
49/ See, e.g., Id. at A-31-A-32; Post-Conference Brief on Behalf of Italian Producers and Exporters, Exhibit 3.
50/ Report at A-35 ("[T]hese bids represent only a small percentage of the total number of projects that have been, or are currently under construction.")

difficult to draw definitive conclusions as to the effect of the imports on domestic prices and as to lost sales. The record contains instances where purchasers selected imported finished granite over the domestic like product due to the lower bid price. 51/ 52/

Finally, respondents contend that the domestic industry is responsible for any injury it may be suffering because it has failed to respond to sales opportunities, has not used the most modern production technology, and has ignored segments of the domestic market. Respondents claim that the domestic industry fails to provide timely pricing data, 53/ has shipped goods late and out-of-sequence, 54/ submitted products of poor workmanship, 55/ and do not supply granite from quarries they do not own. 56/ They also claim that petitioners have not, until recently, used state-of-the-art cutting

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51/ See, e.g., Tr. at 29, 48; Report at A-35-A-36. We note that among the bid awards analyzed by the Commission, even in instances where contractors have claimed that imported material was selected due to non-price considerations, the importers' bids generally were priced lower than the competing bids of domestic suppliers. Id.

52/ In the absence of more complete price series data, Commissioner Eckes notes that the unit value data suggest declining trends in unit values for domestic shipments during the period covered by these investigations.

53/ Tr. at 132-133; Postconference Brief on Behalf of Italian Producers and Exporters, Exhibit 3; Report at A-25-A-26.

54/ See Post Conference Brief on Behalf of Italian Producers and Exporters, at 17; Tr. at 139-140, 208; Report at A-26. See also, August 14, 1987 Letter to the Commission from Joseph Farina, President of Titan-Metro Co.; August 19, 1987 Letter to the Commission from Harold Schiff, Managing Director of Schal Associates.

55/ See August 14, 1987 Letter to the Commission from Joseph Farina, President of Titan-Metro Co.

56/ See Report at A-27.

equipment that allows producers to produce the increasingly popular thin granite tiles and veneer. 57/ Finally, they argue that the domestic industry refuses to make sales of granite slab to "marble shops" and other distributors. 58/

In making its determination as to whether the domestic industry is materially injured, or threatened with material injury, "by reason of" the imports subject to investigation, the Commission considers any information demonstrating possible alternative causes of injury to the domestic industry, 59/ including a domestic industry's nonresponsive bidding or refusal to deal to a segment of the market, and claims that the domestic product cannot compete due to quality deficiencies. 60/ We note, however,

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57/ See, e.g., Tr. at 110-111, 131. There appears to be no dispute that in the early 1970's the Italian finished granite industry first developed the cutting technology to produce thin granite veneer. See, e.g., Tr. at 104-105, 107, 111, 149. Petitioner maintains that the domestic industry now is fully capable of producing, and does supply, thin tile and veneer. See Tr. at 21, 38.

58/ Post-Conference Brief on Behalf of Italian Producers and Exporters at 13. See also, Tr. at 106, 142, 150-153, 207; Report at A-25. Petitioner's members counter by claiming that they would supply granite slab if they could obtain a reasonable price for it in the marketplace. Report at A-25.

59/ See S. Rep. 249, 96th Cong., 1st Sess. 58 (1979); 19 C.F.R. § 207.27 (1987) ("Standard for determination"). Such alternative causes may include "the volume and prices of nonsubsidized imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry." S. Rep. 249, supra, at 57.

60/ See, e.g., Iron Bars from Brazil, Inv. No. 701-TA-208 (Preliminary), USITC Pub. No. 1472 (Dec. 1983) at 6-7; Egg Filler Flats from Canada, Inv. No. 731-TA-201 (Preliminary), USITC Pub. No. 1577 (Sept. 1984) at 7-8; Agricultural Tillage Tools from Brazil, Inv. No. 701-TA-223 (Final), USITC Pub. No. 1761 (Oct. 1985) at 7; Certain Commuter Airplanes from France and Italy, Invs. Nos. 701-TA-174-175 (Preliminary), USITC Pub. No. 1269 (July 1982) at 10-11; Certain Forged Steel Crankshafts from Brazil, the Federal Republic of Germany, Japan, and the United Kingdom, Invs. Nos. 701-TA-282 and 731-TA-351 through 353 (Preliminary), USITC Pub. No. 1917 (Nov. 1986) at 16-17.

that we do not weigh the various causes found to contribute to material injury. 61/ Rather, the Commission must determine whether imports of allegedly unfairly traded finished granite from Italy and Spain are a cause of injury, or the threat of injury, that is not "inconsequential, immaterial, or unimportant." 62/

We have noted respondents' various claims as to customer preferences, a lag in the domestic industry's utilization of new production technology, as well as claims concerning the domestic industry's poor quality service, refusals to deal in certain segments of the market, and other means whereby the domestic industry may be contributing to its own injury. 63/ Based on our examination of the evidence, we conclude that these claims warrant further evaluation in the context of causation in any final investigations. For the purpose of these preliminary investigations, however, we conclude that there

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61/ "Current law does not ... contemplate that the effects from the subsidized [or LTFV] imports be weighed against the effects associated with other factors (e.g., the volume and prices of nonsubsidized imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry. Nor is the issue whether subsidized [or LTFV] imports are a principal, a substantial, or a significant cause of material injury. Any such requirement has the undesirable result of making the relief more difficult to obtain for industries facing difficulties from a variety of sources, industries that are often the most vulnerable to subsidized [or LTFV] imports.

Of course, in examining the overall injury to a domestic industry, the ITC will consider information which indicates that harm is caused by factors other than the subsidized imports. However, the petitioner will not be required to bear the burden of proving the negative, that is, that material injury is not caused by such factors. Nor will the Commission be required to make any precise, mathematical calculations as to the harm associated with such factors and the harm attributable to subsidized [or LTFV] imports." S. Rep. No. 249, 96th Cong., 1st Sess. 57-58 (1979)

62/ 19 U.S.C. § 1677(7)(A).

63/ Report at A-25-A-26.

is a reasonable indication that the domestic industry producing finished granite subject to investigation is materially injured by reason of allegedly subsidized and dumped imports from Italy and Spain. 64/

64/ Finally, we note that on August 20, 1987, the Italian respondents submitted to the Commission and to Commerce a request that these investigations be terminated because of "a series of material inaccuracies and misstatements contained in the petition...." In accordance with prior Commission practice, we defer to the Commerce Department's statutory authority to determine the sufficiency of petitions filed under the statute and therefore do not rule on the Italian respondents' request.

ADDITIONAL VIEWS OF CHAIRMAN LIEBELER

Certain granite from Italy and Spain
Invs. Nos. 701-TA-288 and 289 (Preliminary)
and 731-TA-381 and 382 (Preliminary)

I determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, by reason of imports of granite from Italy and Spain which are allegedly being sold at less than fair value and are receiving benefit of subsidy.[1]

I concur with the Commission in its discussion of the like product, the domestic industry, cumulation and the condition of the industry. Because my views on causation differ from those of the other Commissioners, I offer these additional views.

Material Injury by Reason of Imports

In order for a domestic industry to prevail in a preliminary investigation, the Commission must determine that there is a reasonable indication that the dumped or

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[1] Material retardation was not an issue in these investigations and will not be discussed further.

subsidized imports cause or threaten to cause material injury to the domestic industry producing the like product. The Commission must determine whether the domestic industry producing the like product is materially injured or is threatened with material injury, and whether any injury or threat thereof is by reason of the dumped or subsidized imports. Only if the Commission finds a reasonable indication of both injury and causation, 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 import relief law. In general, 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]

The statutory language used for both parts of the analysis is ambiguous. "Material injury" is defined as

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[2] Sands, Sutherland Statutory Construction § 45.02 (4th ed.).

"harm which is not inconsequential, immaterial, or unimportant."[3] 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 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.

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[3] 19 U.S.C. (1977(7)(A)(1980).

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 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 a matter for the judgment of the

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

[5] Id.

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, 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

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[6] Id.

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

> 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 "complex and difficult" 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 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

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[8] Id.

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

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

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.

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

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

an affirmative finding under the law interpreted in light of the cited legislative history.[12]

> 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.

Causation analysis

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

[13] Id. at 16.

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

Examining import penetration is important because unfair price discrimination has as its goal, and cannot take place in the absence of, market power. The cumulated import penetration ratio was 41 percent in 1984. It rose to 47 percent in 1985, 53 percent in 1986,[15] and dropped slightly during January-June 1987. Such a large import penetration ratio is consistent with an affirmative determination.

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 and the more likely it is that the domestic producers will be adversely affected. In a preliminary investigation, the Commerce Department has not yet calculated any margins. I therefore generally give the petitioner the benefit of the doubt and rely on the alleged margins. The margins are large and consistent with an affirmative preliminary determination.

The third factor is the homogeneity of the products. The more homogeneous the products, the greater will be the

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[15] Report at Table 15.

effect of any allegedly unfair practice on domestic producers. The ability of a quarry to meet capacity, scheduling, dimensional, and color-consistency requirements was cited as the primary consideration in selecting a granite.[16] This ability varies with the location of the quarry, type of granite, a quarry's other shipment obligations, as well as management practices of individual firms.

Aesthetic characteristics also play an important role in selecting granite. The aesthetic characteristics of granite vary considerably by source. Certain colors are more plentiful in the United States and other colors are more plentiful elsewhere. Moreover, the trend in construction techniques is toward thinner slabs and veneers, and imported products tend to be thinner. This is made possible by a stone cutting technology pioneered by Italian finishers and, until recently, not used by the domestic industry. While there is some degree of substitutability among granites, they are imperfect substitutes. The differences are important and minimize the effect of any unfair practice.

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[16] Report at A-32.

As to the fourth factor, evidence of declining domestic prices ceteris paribus might indicate that domestic producers were lowering their prices in order to maintain market share. The Commission only has limited information on prices--unit values (dollars per square foot) of domestic shipments were more or less flat from 1984 through 1986, and then fell 12 percent in the first half of 1987.[17] This may reflect the shift to thinner slabs, which cost less per square foot of facing. At the preliminary stage of this investigation, the Commission does not have very good information on granite prices, and the pricing data we do have is inconclusive.[18] More and better pricing data gathered in the final investigation should enable the Commission to analyze pricing trends more precisely.

The fifth factor is foreign supply elasticity (barriers to entry). If there is a low foreign elasticity of supply (or high barriers to entry) it is more likely

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[17] Report at A-16.

[18] Report at A-34.

that a producer can gain market power. Although Italy and Spain have been the principal sources of U.S. imports of finished granite, supplying, on a value basis,[19] 83 percent of total imports in 1984, 88 percent of total imports in 1985, and 90 percent of total imports in 1986,[20] imports from other countries not subject to investigation have accounted for between 10 and 17 percent of total imports. Moreover, a significant portion of Italian shipments are rough granite block from all over the world which has been shipped to Italy for finishing. Presumably, it can be finished elsewhere. The evidence on foreign supply elasticity is inconclusive.

In summary, these five factors must be considered in each case to reach a sound determination. Because of the large market share held by imported granite and the alleged high margins, I reach an affirmative determination in this preliminary investigation. I am hopeful that the Commission can obtain additional information in its final investigation which will enable me to do a better analysis

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[19] Market shares by value were presented in the Report. See note 2 of the Report at A-13.

[20] Report at A-13.

of pricing trends, product homogeneity and supply elasticity.

Conclusion

Therefore, I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of granite from Italy and Spain.

Additional Views of Commissioner Lodwick

I determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of finished granite from Italy and Spain, which are allegedly subsidized and sold at less than fair value.

The threat factors that I find relevant to these investigations relate to increases in the volume and market penetration of the subject imports and the available capacity in the foreign industries, and the probability that the imports will enter at prices that will depress or suppress domestic prices.

Between 1984 and the twelve month period from mid 1986 to mid 1987, combined imports from Italy and Spain doubled in value. Due to trends toward thinner material, square footage of imports probably increased even more rapidly. Since apparent consumption in the U.S. rose roughly 50 percent over the same period, the increase in import penetration was not as substantial as would have occurred in a more stable market. Nonetheless, combined import penetration increased from 41 percent to 53 percent, which is significant in both absolute level and growth.

Looking prospectively, demand may be leveling off. Apparent domestic consumption fell 10 percent from the first half of 1986 to the first half of 1987. Further, a survey of architects indicates that they generally

perceive a flattening of demand.1/

Turning to the available capacity of the foreign industries, the data on the Italian industry during 1984-1986 shows the following: (1) a huge industry capacity relative to the size of the U.S. industry and relative to U.S. consumption, (2) apparently flat domestic demand, and (3) rather large declines in non-U.S. exports. The Spanish industry is much smaller than the Italian industry, but appears to be comparable in size to the U.S. industry. Though the Spanish industry maintained high utilization rates throughout 1984-mid 1987, it added massive capacity. U.S. imports from Spain in first half 1987 roughly equaled full year 1984 imports.

Pricing is a limited factor in granite purchase decisions. However, I note that producers, importers, and purchasers of granite agree that the technological advances in the fabrication of granite, particularly in the ability to cut granite below 1-1/2 inches, have had a "tremendous downward pressure on the square-foot price of finished granite".2/ This downward pressure on domestic square-foot prices has been accompanied by declines in domestic profit margins. Some of this downward price pressure, and concomitant declines in profit margins, may be attributable to aggressive pricing by these very large foreign competitors.

1/ Report at A-12.
2/ Report at A-34.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 28, 1987, petitions were filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel for the Ad Hoc Granite Trade Group 1/ alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Italy and Spain of certain finished granite 2/ that are alleged to be subsidized by the Governments of Italy and Spain and that are alleged to be sold in the United States at less than fair value (LTFV). Accordingly, effective July 28, 1987, the Commission instituted countervailing duty (CVD) investigations Nos. 701-TA-288 and 289 (Preliminary), under section 703 of the Tariff Act of 1930, and investigations Nos. 731-TA-381 and 382 (Preliminary), under section 733 of the same act, to determine whether or not there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

The statute directs the Commission to make its determinations within 45 days after receipt of petitions for preliminary CVD and antidumping investigations or, in these investigations, by September 11, 1987. Notice of the institution of these investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of August 5, 1987 (52 F.R. 29080). Commerce published its notices of initiation in the Federal Register of August 21, 1987 (52 F.R. 31649). 3/ The Commission held a public conference in Washington, DC, on August 18, 1987, at which time all interested parties were allowed to present information and data for consideration by the Commission. 4/ The Commission voted on these investigations on September 9, 1987.

Previous Investigations Concerning Granite Products

Granite products have been the subject of four previous investigations conducted by the Commission. Reports were issued in 1921 and 1929 on building

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1/ Members of the Ad Hoc Granite Trade Group are Capitol Marble and Granite Co. (Capitol), Marble Falls, TX; Cold Spring Granite Co. (Cold Spring), Cold Spring, MN; and The North Carolina Granite Corp. (North Carolina Granite), Mt. Airy, NC.

2/ For purposes of these investigations, the term "finished granite" refers to products 3/8 inch to 2-1/2 inches in thickness and includes rough-sawed granite slabs; face-finished granite slabs; and finished dimensional granite, including, but not limited to, building facing, flooring, tiles, and crypt fronts; the term excludes monument stone, crushed granite, and curbing.

3/ Copies of the Commission's and Commerce's Federal Register notices are presented in app. A.

4/ A list of witnesses who appeared at the public conference is presented in app. B.

and monumental granite. "Manufactured granite," which was defined as building and monumental granite, was investigated by the Commission in 1974 (TEA-F-63) and in 1975 (TEA-F-67). In the latter investigation, conducted under section 301 of the Trade Expansion Act of 1962, the Commission reported to the President that, partly as a result of concessions granted under trade agreements, articles like or directly competitive with manufactured granite produced by Joseph Weiss & Sons, Inc. (the petitioner), were being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm. In the current investigations, the product category under review is defined more narrowly than in previous investigations; specifically, monument stones and products that are more than 2-1/2 inches in thickness were included in previous investigations and are excluded from the current investigations.

Nature and Extent of the Alleged Subsidies and Sales at LTFV

Subsidies

Italy.--The petitioner alleges that Italian producers and exporters of finished granite benefit from a number of countervailable regional development programs. As described in the petition, these include corporate tax exemptions and reduced Social Security contributions for firms with production facilities or headquarters located in the Mezzogiorno region (roughly the southern half of Italy). In addition, firms that make certain investments in the Mezzogiorno are awarded construction and expansion programs that the petitioner alleges constitute countervailable benefits. Another regional development plan described in the petition exempts eligible new enterprises located in designated depressed areas of northern and central Italy from local income tax; the Massa Carrara, where the majority of Italian granite finishing plants are located, is among the designated areas. Subsidized financing is reportedly also available to qualifying industrial projects in northern and central Italy.

In addition, the petitioner alleges that Italian finished granite producers and exporters benefit from subsidized low-interest loans, rebates of customs duties and certain indirect taxes, and medium-term financing for export sales of Italian products. Finally, Italian granite producers reportedly receive preferential freight rates from the State-owned railroad.

Spain.--The petitioner similarly alleges that Spanish producers and exporters of finished granite receive countervailable benefits. The Privileged-Circuit Export Credit Program reportedly offers a variety of short-term loans at preferential credit rates to exporters. Grants may also be available to exporters of granite in the Basque region of Spain, if they purchase energy-efficient machinery and pollution-control equipment. Other allegedly countervailable preferential medium- and long-term financing is available to certain industries in Spain at the direction of the Government. Finally, the petition alleges that preferential financing to construct warehouses near export loading zones, if received by Spanish exporters of finished granite, is countervailable.

Sales at LTFV

On the basis of comparisons of U.S. prices with the estimated foreign market value, petitioner alleges that finished granite from Italy and Spain is being sold in the United States at LTFV margins * * *. The petitioner reports that home-market sales and third-country sales of the subject foreign products are too minimal to constitute a reasonable basis for calculation of foreign-market value. Thus, in the petition, foreign-market value is based on a constructed cost of production. The estimated cost of rough granite block (other than from Italian quarries) used was the price of the same product available to U.S. fabricators. Other costs of production were estimated using available information on Italian and Spanish input prices. The petitioner applied the statutory minimum percentages for general, selling, and administrative costs and profit margins. The U.S. prices used were based on bids reported to the petitioner's members by customers of Italian and Spanish finished granite producers.

The Products

Description and uses

The term "dimension stone" refers to natural rock that has been quarried, shaped, and finished to certain specifications. 1/ The U.S. Bureau of Mines' definition of dimension stone also includes blocks and slabs of specified dimensions. 2/ Approximately one-half of the dimension stone produced in 1985 was granite; limestone, sandstone, travertine, slate, and marble are other common dimension stone types. 3/ These other stones are somewhat less resistant to weather extremes and pollution than is granite. Granite is defined by the U.S. Bureau of Mines as "all feldspathic crystalline rocks of predominantly interlocking texture and with mineral grains visible to the naked eye; these include igneous and metamorphic rocks including quartz diorites, syenites, quartz porphyries, gabbros, schists, and gneisses. White, gray, black, pink, and red are the common colors for granite; greens, browns, and other shades are produced in some localities." 4/ The products subject to these investigations include only those dimension granite products, which, for the purposes of this report, are termed "finished granite," as defined above.

The different stone cuts and appropriate applications are as follows:

Rough-sawed granite slab--unfinished cut stone of varying thicknesses and physical dimensions. It is nonstructural and may be affixed to exterior and interior building surfaces through a variety of mechanical means, or used in surface applications for pedestrian traffic in sheltered and unsheltered areas. It may be further cut and finished.

1/ Industrial Minerals, July 1984, p. 19.
2/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Mineral Facts and Problems, 1985 ed., p. 2.
3/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Yearbook, preprint for the 1985 ed., p. 1.
4/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Mineral Facts and Problems, 1985 ed., p. 2.

Face-finished granite slab--face-finished stone of varying thicknesses, physical dimensions, and surface finishes, with unfinished edges. This product has the same applications as the rough-sawed granite slab described above. Face-finished slab may also be further processed into smaller dimensions.

Building facing--slab stone of varying thicknesses, physical dimensions, and surface finishes. It is nonstructural and is affixed to exterior building surfaces through a variety of mechanical means.

Flooring--stone of varying thicknesses, physical dimensions, and surface finishes generally used for floor surfaces for pedestrian traffic in sheltered areas.

Paving--stone of varying thicknesses, physical dimensions, and surface finishes generally for pedestrian and vehicular traffic in unsheltered areas.

Tile--smaller stone of varying thicknesses, physical dimensions, and surface finishes. It is nonstructural and may be affixed to interior building surfaces through a variety of mechanical means or used in surface applications for pedestrian traffic in sheltered areas.

Crypt fronts--slab stone of varying thicknesses, physical dimensions, and surface finishes. It is nonstructural and is affixed to crypt structures through a variety of mechanical means.

According to a trade publication, 60 percent of all dimension stone is used in exterior applications, 25 percent is for interior walls, 10 percent for interior floors, and 5 percent for table tops and counter surfaces. 1/

U.S. producers and importers of the subject products were requested to report their 1986 shipments by color, market, finish, and thickness. Although the import data were reported by importers accounting for less than one-third of 1986 imports, in terms of value, these percentages provide a basis of comparison between the specific types of finished granite supplied by the domestic industry and those offered by Italian and Spanish suppliers. Shipments by color are presented in the following tabulation:

1/ "The Return of Marvelous Marble," Dimensional Stone, Oct./Nov. 1983, p. 46.

Color	U.S. producers 1,000 sq ft	U.S. producers Percent of total	Imports from Italy and Spain 1,000 sq ft	Imports from Italy and Spain Percent of total
White.....	150	2.6	60	2.3
Grey.....	1,158	20.5	276	10.4
Buff.....	***	***	33	1.3
Beige.....	***	***	38	1.4
Pink.....	488	8.6	799	30.2
Red.....	***	***	838	31.6
Blue.....	***	***	32	1.2
Green.....	***	***	137	5.2
Brown.....	***	***	121	4.6
Black.....	176	3.1	300	11.3
Other 1/.....	***	***	14	0.5
Total 2/..	5,657	100.0	2,646	100.0

1/ Other colors reported by domestic producers were multicolored granites.
2/ These figures do not correspond exactly to U.S. shipment data presented in table 3 * * *.

Importers supplied particularly important quantities of pink and black granite to the U.S. market. Producers were also asked to report shipments to related and nonrelated firms and to building contractors and others. The vast majority * * * of all 1986 U.S. shipments were to unrelated building contractors. * * *. Finally, U.S. producers and importers reported that roughly one-half of all 1986 shipments were sold with a polished finish and the other one-half had honed, thermal-flamed, or bush-hammered finishes. Shipments by thickness are presented in the following tabulation for 1986:

Product and thickness	U.S. producers Quantity (1,000 sq ft)	U.S. producers Percent of total	Imports from Italy and Spain Quantity (1,000 sq ft)	Imports from Italy and Spain Percent of total
Tile:				
3/8 inch.....	***	***	427	14.7
1/2 inch.....	***	***	***	***
Other.....	***	***	***	***
Subtotal....	***	***	625	21.6
Slab, cladding, veeneers, panels:				
3/8 inch.....	***	***	***	***
3/4 inch.....	***	***	348	12.0
1 inch.....	***	***	155	5.3
1-1/8 inches..	***	***	1,290 1/	44.6 1/
1-1/4 inches..	3,118	55.1	***	***
1-1/2 inches..	***	***	***	***
2 inches.....	***	***	***	***
2-1/2 inches..	104	1.8	***	***
Other.....	725	12.8	***	***
Subtotal....	***	***	2,271	78.4
Total 2/....	5,657	100.0	2,896	100.0

1/ Includes imports 1-3/16 inches and 3 cm in thickness.
2/ These figures do not correspond exactly to U.S. shipment data presented in table 3 * * *.

These data show that U.S.-produced finished granite is relatively thicker than finished granite imported from Italy and Spain. Also, a larger percentage of tile is supplied by importers than is supplied by the domestic industry. The most common product thickness offered by Italian and Spanish fabricators is 1-3/16 to 1-1/8 inches in thickness, whereas the most common U.S. thickness is 1-1/4 inches. The second most popular imported product thickness is 3/8 inch and the next most common U.S. product is 2 inches thick.

Production process

The three principal production stages for dimension granite are (1) quarrying, in which the granite rock is extracted from the ground; (2) secondary cutting, to cut the extracted stone into sizes that are convenient for transporting the rough block to the finishing mill; and (3) shaping and finishing work, to cut, smooth, polish, and edge the stone for the finished product.

Quarrying.--The kind of quarry operation established at each site is based on information gathered from geological studies, physical exploration, core samples, market projections, and capital requirements. The quarry may be a simple or multiple shelf or step-like face in a hillside, an open pit, an underground mine, or a combination of the aforementioned, depending on various geological and economic factors. The quarrying plan is influenced principally by the orientation and thickness of the stone unit to be quarried; the stones' dimensions, dip, and internal structural features; and the directional features of the grain of individual blocks within the virgin deposit. If the rock deposits to be quarried lie flat and are relatively thin, the quarry will tend to be wide and shallow; if beds lie flat and are thick, it will probably be a deep open pit; and if stone beds dip beneath waste rock, underground quarrying may be required. In many cases, the internal structures of the stone such as orientation of joints, fractures, cleavage planes, or other lines along which natural breakage tends to occur, will determine the direction from which the extraction process is initiated. 1/

Open pits are of two types, the shelf quarry and the pit quarry. Where the ledge of stone forms a hill, the floor of a quarry worked on a hillside may be only slightly, if at all, lower than the surrounding country. In such openings, known as shelf quarries, both transportation and drainage are simplified. Pit quarries are more common. They are sunk below ground level; access is gained by stairs, ladders, or mechanical hoists; and the material is conveyed from the quarry by derricks, a cable hoist system, or by front-end loaders and trucks along inclined tracks. 2/

Underground mining has several favorable and unfavorable inherent characteristics. Selective mining can be accomplished by following the most desirable beds. No stripping of the outer cover is required and the workers are not exposed to the weather. On the other hand, the cost of making a primary opening is high, and much stone must be left for roof support. A method of quarrying known as "undercutting," an intermediate technique between

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1/ U.S. Department of the Interior, Bureau of Mines, Information Circular 8391, "Dimension Stone," pp. 83-84.
2/ Ibid.

the open pit and the tunnel, is occasionally used. Channel cuts, or separations made by wire saws or other means along the quarry walls, are slanted outward; thus, the floor space is enlarged gradually. Wings or buttresses of stone may be left at intervals for wall support. 1/

The first step in any quarrying operation requires a primary cut to separate a block of stone from the rock mass. This may be accomplished by jet channeling, sawing, and/or drilling, and separating the stone from the rock mass by small explosive charges. 2/ The released stone may then be lifted and moved to the secondary cutting site by a derrick, cable hoist, or front-end loading vehicle.

Secondary cutting.--When the large stone is separated from the solid rock mass, the next step is to subdivide it into blocks measuring about 10 feet by 5 feet by 4 feet, a size that is convenient to transport from the quarry to the finishing mill. In the United States, this is typically accomplished with a wire saw.

Shaping and finishing.--Quarry cut stone arriving at a finishing mill is fed through the mill's primary saw. There are three types of saws: the diamond circular saw, the gang shot saw, and the wire saw. Although the rotary diamond saw is revolutionary in this industry, each saw type represents a fairly common technology. However, technological improvements in gang and wire saw designs along with the introduction of the rotary diamond saws have advanced the production of slabs 3/8 to 2-1/2 inches thick. Computerized workstations allow round-the-clock cutting operations by allowing the presetting of the height and length of blocks to be cut and the required slab thickness. Much of the newer equipment is fully automated and will automatically shut down during a machine malfunction, limiting the damage to an order and controlling waste. 3/ Most of the current advanced technology has been introduced into the United States from Europe during the past three years.

For finishes smoother than sawed, cut, or quarried faces, it is necessary to rub, grind, and polish to the specified finish. Almost all grinding, rubbing, and polishing is done on slab. Flat surfaces may be ground with a large horizontal cast-iron wheel called a rubbing bed; a water-sand mixture is used as an abrasive. Some polishing may be done by conventional grinding-polishing machines that move a spindle over the stone surface. Wheels using successively finer abrasives are set on the spindle, until the specified finish is produced. 4/ More modern plants have replaced rubbing beds with automatic surfacing machines using impregnated diamonds. The stone slabs are fed via a conveyer belt under a series of successively finer horizontal wheels. One face of the slab is polished, followed by squaring the edges. The slabs are then cut to the desired width and length; the semifinished cuts continue along the conveyer system for calibration to exact thickness and edge

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1/ U.S. Department of the Interior, Bureau of Mines, Information Circular 8391, "Dimension Stone," pp. 83-84.

2/ The Quarrying & Manufacturing Process, Elberton Granite Association, Inc., pp. 1-2.

3/ Ibid., p. 3.

4/ Society of Mining Engineers, Industrial Minerals and Rocks, 5th ed., vol. 1, 1983, p. 177.

shaping, after which they are dried and waxed (if required), offloaded with a vacuum suction cup, and packaged for shipment. 1/

U.S. tariff treatment

The scope of these investigations, as defined in the Commission's notice of institution, covers most of the products classified in item 513.74 of the Tariff Schedules of the United States (TSUS)--namely, granite and granite articles suitable for use as monumental, paving, or building stone that are pitched, lined, pointed, hewn, sawed, dressed, polished, or otherwise manufactured. The column 1 rate of duty 2/ is 4.2 percent ad valorem. The column 2 rate of duty is 60 percent ad valorem and is applicable to imports from those Communist countries and areas specified in general headnote 3(d) of the TSUS. Other granite products and their applicable 1987 column 1 rates of duty are presented in the following tabulation:

Product	TSUS item No.	Rate of duty (percent ad valorem)
Granite and granite articles not manufactured and not suitable for use as monumental, paving, or building stone.....	513.61	Free
Granite and granite articles suitable for use as monumental, paving, or building stone; not pitched, not lined, not pointed, not hewn, not sawed, not dressed, not polished, and not otherwise manufactured.....	513.71	Free
Granite and granite articles not specifically provided for; not decorated.....	513.81	4.9
Granite and granite articles not specifically provided for; decorated.....	513.84	6.9

U.S. Producers

The Bureau of Mines reported that 602,000 tons of dimension granite was produced by 74 companies at 115 quarries in the United States in 1985. Georgia, Vermont, and New Hampshire accounted for more than one-half of the total, with additional production in 17 other States. Total production declined slightly to an estimated 600,000 tons in 1986; other Bureau of Mines data are not available for 1986. 3/ The large majority of these operations,

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1/ "Precision in Granite," Dimensional Stone, May/June 1986, p. 38.

2/ The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS, unless a preferential tariff program affords a lower duty rate.

3/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Mineral Yearbook, 1985 ed., p. 1; and Mineral Commodity Summaries 1987, January 1987, p. 152.

however, produce only rough granite block and manufactured products not subject to investigation (monument stones, curbing, and highway and landscape products). The equipment necessary to produce finished granite is technologically sophisticated and costly. At least 12 firms are known to have produced finished granite in the United States during the period of these investigations.

Petitioner's members

Capitol Marble and Granite Co., Inc., is the * * * producer of finished granite in the United States, accounting for * * *. 1/ Capitol began as a stone installation business in the 1950's, and steadily expanded its activities into the finishing and quarrying of marble and granite. The company quarries granite at * * * locations and fabricates granite in Marble Falls, TX. Capitol fabricates * * *; it quarries * * * of the rough granite block it finishes. According to the petition, beginning in 1981, the company made substantial investments in modern machinery and equipment. * * *.

Cold Spring Granite Co., is the largest producer of finished granite in the United States and also claims to be the world's leading supplier of structural and monumental granite products. The company's share of U.S. domestic shipments * * *. Cold Spring was founded in 1889 by the same family that currently directs it. Cold Spring maintains 25 quarrying operations in the United States and Canada and 4 finishing facilities in the United States. The company's headquarters are located at Cold Spring, MN. Fully owned subsidiaries include Cold Spring Granite (Canada) Ltd., Lac du Bonnet, Manitoba; the Lake Placid Granite Co., Au Sable Forks, NY; the Raymond Granite Co., Raymond, CA; and the Texas Granite Corp., Marble Falls, TX. Cold Spring has acquired * * *.

The North Carolina Granite Corp., founded in 1904, is the * * * producer of finished granite in the United States, accounting for * * * of U.S. domestic shipments during the period of investigation. The company operates two quarries, including one at Mt. Airy, NC, which the petition describes as the largest open-face granite quarry in the world, in operation since 1889. * * *.

Other U.S. producers

Two companies no longer produce the subject products. Providence Granite Co. ceased production in 1984 and now operates as a broker of stone products. Georgia Granite Co., the * * * producer during the period of investigation, declared bankruptcy, shut down its granite fabricating facilities and most of its * * * quarries in late 1986, and is seeking new ownership. The nonpetitioning U.S. producers of finished granite during the period of investigation, their share of 1986 U.S. shipments, by value, and their position in these investigations are presented in the following tabulation:

1/ Market share by value is presented in this section as more complete data are available on the value of shipments than on the quantity of shipments.

Company	Share of 1986 U.S. shipments 1/	Position in these investigations
Barretto Granite Corp.....	***	***
Castellucci & Sons, Inc.....	***	***
Castellucci/Savema Venture....	***	***
Fletcher Granite Co.....	***	***
Georgia Granite Co.....	***	***
Granite Panelwall Co.....	***	***
New England Stone Industries..	***	***
Providence Granite Co.....	***	***
Rock of Ages Corp.....	***	***
Total.....	***	

1/ Certain companies did not respond to the questionnaire but did estimate their 1986 sales of finished granite in telephone conversations with staff.

* * * produced primarily the products subject to investigation; they account for * * * of 1986 U.S. shipments. These producers own and lease * * * quarries and operate * * * gang saws.

The other U.S. producers * * * supply the U.S. market mostly with monument stone, highway and landscape products, and certain heavy building stone, with only a small amount of their total production measuring less than 2-1/2 inches in thickness. However, Castellucci & Sons also is a partner in a joint-venture operation with Savema Corp. in the newest U.S. granite fabrication facility, located in North Kingston, RI. This plant became operational in late 1986 and is designed specifically for the production of thin granite.

Another type of enterprise that does some stone finishing work is the so-called marble shop. These are generally brokers or distributors who cut imported slab to smaller dimensions and finish it. Marble shops have neither the capacity to slab stone nor the capacity to finish stone for very large projects; they produce primarily custom-ordered items including stone furniture, which is not subject to investigation. Although none of the parties in these investigations have included marble shops within the category of domestic producer, a spokesman at * * * estimated that 10 to 20 percent of his company's installation business consists of products imported as slab and finished by such companies in the United States. Marble shops specialize in fulfilling short-term orders at a premium price. No data on their activities were collected or are presented in this report.

Importers

Several hundred firms were identified * * * as importers of granite classified under TSUS item 513.74 during the period of investigation. The petitioner also named 44 importers, based on an analysis of ships' manifests during 1986. Although some firms imported products from only one of the subject foreign countries, many of the larger importers handled both Italian and Spanish finished granite. Questionnaires were sent to the 50 largest importers, based on reported customs value, of granite imported from Italy and/or Spain under the subject TSUS item. These 50 firms account for an estimated 80 percent of imports from Italy, and 90 percent of imports from

Spain, of finished granite. Questionnaire responses were received from 21 importers, accounting for 35.3 percent of 1986 imports from Italy and Spain, by value, 1/ under TSUS item 513.74. Importers include developers, general contractors, stone installers, trader/brokers, tile distributors, and subsidiaries of foreign producers.

The largest volume of imports is accounted for by firms that do not resell the products. These end users include building owners or developers, general contractors for a construction project, and subcontracting installers. Few owners/developers imported large enough quantities of the subject products to have received a questionnaire. However, a significant number of general contractors were identified as importers. Sometimes when a general contractor was named as the importer, a subcontractor actually handled the purchase. General contractors reported that they tend to receive bids on a granite project in a lump sum, including products not subject to investigation, not specifying unit prices, and sometimes including installation costs. Some general contractors, therefore, could not provide a complete questionnaire response.

Granite installation companies accounted for a large quantity of imports. Installers purchase granite for a specific building project for which they have won the stone installation contract. The granite will already have been specified by the architect and the installer merely purchases the specified stone. If the specified stone is quarried by a domestic producer of finished granite, the installer purchases the finished product from the domestic producer. However, if the stone specified comes from a foreign quarry, the installer may determine which company does the fabrication. At other times, however, the finisher will also already have been determined by the general contractor.

Other major importers are brokers and tile distributors. Brokers typically service large-scale construction projects. These firms may also offer the products of some domestic producers. An importer/broker offers a variety of stone, including stone other than granite, to architects and owners to consider in designing a building. The material is not available in inventory but rather samples from numerous quarries are stocked. When a stone that the broker handles is chosen for a project, the broker arranges for the quarrying and fabrication from the supplier(s), whether this is a domestic supplier with its own quarries or a foreign quarrier and unrelated foreign finisher. The broker assures timely delivery of the finished product at the job site. His fee is generally a percentage of the value of the delivered material. Tile distributors typically service smaller scale projects than a broker because tile is limited in use to interior spaces. A tile distributor likewise stocks sample tile products, including foreign and domestic products and stone other than granite, for clients to consider in making a purchase decision. Although some inventories of tile may be held, the distributor frequently arranges for a purchase from the source.

Several importing firms are subsidiaries of foreign producers * * *. These firms account for * * *.

1/ Imports by value are presented throughout this report as more complete and accurate data are available on the value than on the quantity of imports. See the discussion on p. A-28.

Apparent U.S. Consumption

Granite has been used as a building stone since ancient times. However, with the advent of lower cost steel and concrete construction, the use of massive granite blocks as load-bearing structural members in buildings has become almost nonexistent in modern architecture. Consumption of granite declined through the first three quarters of this century as other building products became available and popular. However, during the 1970's, rising energy prices made glass, steel, concrete, and other synthetic building products increasingly costly to produce. Buildings made from these materials were also more expensive to heat and cool. Stone, on the other hand is relatively energy efficient, both to fabricate and, with proper installation, to use as a building material.

In 1979, leading architects Philip Johnson and John Burgee designed the AT&T Building in New York City with a domestic granite exterior. This monumental construction project is considered by industry spokesmen to have sparked the revival of stone architecture. The Postmodern Movement, with its classic design, detail, and natural building materials, began to replace the International Style, identified with minimalist lines and glass and steel construction materials. In the early years of revival, granite continued to be a relatively expensive building material to use, and granite projects were considered to be "prestige" or "monumental" buildings, often designed for large corporations. However, advances in stone cutting technology have both increased the supply and variety of finished granite available and also reduced the cost of these products. The finished granite industry adapted to market demands by producing thin veneer slabs and tiles. Simultaneously, developments by the construction industry have reduced the cost of using granite in building.

Producers and consumers agree that consumption of finished granite has experienced spectacular growth during the 1980's. A 1985 Dimensional Stone article estimated that granite consumption had grown 675 percent from 1980 to 1984; this is three times faster than the rate of growth of marble during the same period. 1/ A survey conducted by the same publication in July 1985 showed that, of 353 architects, 46 percent felt that use of granite would remain the same in the next 5 years and 25 percent felt that consumption would increase moderately. Less than 2 percent of the architects surveyed felt that granite would decline in use. * * * told staff members that he felt demand for granite would remain strong although several general contractors were of the opinion that there would be some return to the use of synthetic materials in building in the near future.

No parties to these investigations were able to identify a public source of data on consumption of finished granite. Apparent consumption has therefore been calculated using available data on the value of U.S. shipments and imports.

Apparent consumption, as reported in table 1, rose from $134 million in 1984 to $177 million in 1985, representing a 33-percent increase. Consumption

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1/ "Dimensional Stone Usage Sets All-time Record," Dimensional Stone, Summer 1985, p. 13.

rose another 23 percent, to $217 million, in 1986. There was a 10-percent decline in consumption during January-June 1987 compared with that during January-June 1986. These figures were determined by taking the percentage of Italian (87 percent), Spanish (47 percent), and total (76 percent) imports under TSUS 513.74 that petitioners found to be finished granite. 1/ This percentage was applied to the value of imports in each period under investigation.

Table 1
Finished granite: U.S. shipments, imports, and apparent consumption, 1984-86, January-June 1986, and January-June 1987

(In thousands of dollars)

Item	1984	1985	1986	January-June-- 1986	January-June-- 1987
U.S. shipments 1/.....	68,452	82,342	88,672	46,143	40,926
Imports from--					
Italy 2/.....	52,105	78,480	109,715	54,199	46,750
Spain 2/.....	2,313	5,038	6,228	2,587	2,930
Subtotal.....	54,418	83,518	115,943	56,786	49,680
All other countries.....	10,804	11,360	12,679	6,479	7,569
Total imports 2/.....	65,222	94,878	128,622	63,265	57,249
Apparent consumption.....	133,674	177,220	217,294	109,408	98,175

1/ U.S. producers' company transfers and domestic shipments.
2/ Import values have been adjusted based on petitioner's calculation of the percentage of imports in 1986 under TSUS 513.74 that were finished granite.

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

U.S. producers' shipment data presented in table 3 indicate that unit values rose in 1985 and have since declined. Available data on unit values of imports, presented in table 14, show the reverse trend. The calculation of consumption in terms of value presented here does not necessarily parallel trends in consumption measured in terms of quantity. On the basis of unit value, however, it is not possible to determine how these trends differ.

Consideration of Alleged Injury to an Industry in the United States

The information presented in this section of the report was obtained from responses to questionnaires of the U.S. International Trade Commission. Eight producers, accounting for 97 percent of the value 2/ of 1986 U.S. shipments of

1/ Petition of the Ad Hoc Granite Trade Group, pp. 55-57, and staff discussions with counsel for petitioners.
2/ Market share by value is presented in this section since more complete data are available on the value rather than the quantity of U.S. shipments.

finished granite provided capacity, production, shipment and employment information. The responses of three of these eight producers were based on estimates or allocations. * * * responded to the questionnaire based on their production of all dimension granite; allocations for finished granite production have been made based on discussions with company officials. * * * officials could not provide a complete questionnaire response but estimated most of the information requested. When such allocations and estimates may distort the data, an explanation is provided.

* * * * * * *

Petitioners assert that quarrying activities by producers of finished granite should be considered part of the subject U.S. industry. Therefore, selected data on the quarrying operations of U.S. producers of finished granite were requested in the questionnaire and are presented in this report. Data on the operations of quarriers not associated with U.S. finishers are not presented. However, U.S. producers of finished granite reported both their production and purchases of rough block. The data presented on quarrying includes the bulk of rough block used in the production of finished granite. Data for quarrying operations and finished granite production are not aggregated but are instead presented separately.

U.S. producers' capacity, production, and capacity utilization

Some finished granite is produced in production facilities that are used in the production of other dimension stone products. For example, rough granite block may be cut into slabs and polished using the same pieces of equipment. Likewise, the quarries that yield granite for building facing may also be sources for granite used in monuments. However, as * * * noted, "most equipment is used primarily for one type of product or another" and producers therefore reported capacity allocated as appropriate.

U.S. capacity to produce finished granite rose steadily from 1984 to 1986 as producers installed newer, more efficient machinery (table 2). Such capacity rose from 6.3 million square feet in 1984 to 8.0 million square feet in 1985, representing an increase of 26 percent. Capacity rose again in 1986, by 5 percent, to 8.3 million square feet. From January-June 1986 to January-June 1987, capacity remained near 4.3 million square feet; ***.

* * * * * * *

U.S. producers were asked to report their machinery employed in the sawing and polishing of granite in 1986. Responding firms reported operating * * * wire saws, with 1 to * * * wire saws working within a single frame. There were also * * * gang saws, most of which were acquired during the period of investigation. These machines hold an average of 100 separate cutting blades.

U.S. production of finished granite rose somewhat more than did capacity during the period of investigation. Production totaled 4.5 million square feet in 1984 and rose by 14 percent, to 5.1 million square feet, in 1985. Production increased again in 1986 to 5.7 million square feet, or by

Table 2
Finished granite: U.S. capacity, production, and capacity utilization, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Capacity:					
1,000 square feet.....	6,340	7,971	8,350	4,294	4,262
Percentage change.....	-	25.7	4.8	-	(0.7)
Production:					
1,000 square feet.....	4,451	5,052	5,675	2,970	3,074
Percentage change.....	-	13.5	12.3	-	3.5
Capacity utilization:					
Percent.....	70.2	63.4	68.0	69.2	72.1
Percentage change.....	-	(9.7)	7.3	-	4.3

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

12 percent. From January-June 1986 to January-June 1987, production increased 4 percent, from 3.0 million square feet to 3.1 million square feet. * * *.

Since U.S. production of finished granite increased slightly more than productive capacity, the rate of capacity utilization has also risen marginally during the period of investigation. Capacity utilization was 70 percent in 1984 and fell to 63 percent in 1985 when production increases lagged behind capacity increases. During 1986, this rate rose to 68 percent. Capacity utilization was running at a rate of 69 percent during January-June 1986 and at 72 percent in the corresponding period of 1987. * * *.

The capacity of U.S. producers of finished granite to quarry rough granite block likewise rose during the period of investigation. This capacity increased from 6.0 million cubic feet in 1984 to 6.8 million cubic feet in 1985, representing a 14-percent rise. Capacity increased again, by 7 percent, to 7.2 million cubic feet in 1986. From January-June 1986 to January-June 1987, capacity increased from 3.6 million cubic feet to 3.9 million cubic feet, or by 8 percent.

U.S. producers of finished granite both quarry and purchase rough granite block. Their sources of rough block are presented in the following tabulation (in thousands of cubic feet):

* * * * * * *

Quarries operated by producers of finished granite operated at a sharply lower rate of capacity utilization during the period of investigation. The capacity utilization of rough granite block producing facilities remained at * * * during 1984-86 and declined 16 percent to * * * during January-June 1987.

U.S. producers' shipments

Inventories held by this industry are relatively unimportant as production is generally custom designed for a particular project. Shipments, therefore, followed production trends very closely. U.S. shipments of finished granite increased in volume from 4.3 million square feet in 1984 to 5.0 million square feet in 1985, representing a 17-percent rise. Shipments rose another 11 percent to 5.6 million square feet in 1986. From January-June 1986 to the corresponding period of 1987, U.S. shipments remained steady at 2.9 million square feet (table 3).

Table 3
Finished granite: U.S. producers' company transfers, domestic shipments, U.S. shipments, export shipments, and total shipments, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
	Quantity (1,000 square feet)				
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments 1/.....	4,315	5,044	5,603	2,944	2,918
Export shipments.....	***	***	***	***	***
Total shipments 2/.....	***	***	***	***	***
	Value (1,000 dollars)				
Company transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments 1/.....	68,452	82,342	88,672	46,143	40,926
Export shipments.....	***	***	***	***	***
Total shipments 2/.....	***	***	***	***	***
	Unit value (per square foot) 3/				
Intracompany transfers.....	***	***	***	***	***
Domestic shipments.....	***	***	***	***	***
U.S. shipments 1/.....	$15.50	$16.02	$15.50	$15.38	$13.71
Export shipments.....	***	***	***	***	***
Total shipments 2/.....	***	***	***	***	***

1/ U.S. shipments include company transfers and domestic shipments.
2/ Total shipments include U.S. and export shipments.
3/ Unit values cannot be computed from the above quantities and values because * * * unit values are based on shipments by companies reporting both values and quantities.

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

Trends in the values and unit values of such shipments show less growth than do changes in volume during the period of investigation. U.S. shipments of finished granite in 1984 totaled $68 million and in 1985 were valued at $82 million, representing an increase of 21 percent. This is a larger increase than is observed in terms of volume, and unit values therefore rose 3.4 percent from 1984 to 1985. However, 1986 shipments totaled $89 million, only an 8-percent increase in terms of value compared with those in 1985. This relatively smaller increase in the value of shipments is evidenced by a 3.2 percent decline in unit values from 1985 to 1986. The value of shipments declined more steeply than did the volume from January-June 1986 to the corresponding period of 1987. Values fell by 11.7 percent and unit values by 10.9 percent.

Production of finished granite is primarily custom made for a specific building project. Most producers did not report inventories because such material is generally awaiting shipment rather than available for sale. However, reported end-of-period inventories did increase both in volume and as a percent of shipments, as shown in the following tabulation:

* * * * * * *

Employment

Producers accounting for 97 percent by value of 1986 shipments supplied data on employment in the production of finished granite. 1/ Such employment rose during 1984-86 and then fell during January-June 1987, for a slight overall decline during the period of investigation (table 4). The number of workers rose 9 percent, from 1,088 in 1984 to 1,188 in 1985 and totaled 1,184 in 1986. Employment fell by 18 percent from January-June 1986 to January-June 1987, from 1,251 to 1,027 production workers. Hours worked increased overall, rising from 1.8 million hours in 1984 to 2.4 million hours in 1986, but declined 8 percent during January-June 1987 compared with the number of hours during the corresponding period of 1986. Productivity varied little except for a noticeable increase during January-June 1987 compared with January-June 1986. Hourly wages and total compensation fluctuated slightly but the former declined slightly and the latter rose very marginally during the overall period of investigation.

1/ * * * provided data only on * * *.

Table 4
Finished granite: Average number of production and related workers, hours worked, productivity, wages and total compensation paid, and unit labor costs, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
Average employment:					
Number of workers.....	1,088	1,188	1,184	1,251	1,027
Percentage change.....	-	9.2	(0.3)	-	(17.9)
Hours worked:					
1,000 hours.....	1,828	2,147	2,446	1,210	1,113
Percentage change.....	-	17.5	13.9	-	(8.0)
Productivity:					
Square feet per hour.....	2.23	2.16	2.18	2.23	2.71
Percentage change.....	-	(3.3)	1.2	-	21.4
Hourly wages:					
Dollars per hour.....	8.90	8.81	9.02	9.00	8.55
Percentage change.....	-	(1.0)	2.3	-	(5.0)
Hourly compensation:					
Dollars per hour.....	10.13	9.91	10.56	10.56	10.57
Percentage change.....	-	(2.2)	6.6	-	0.1
Unit labor cost:					
Dollars per square foot...	4.54	4.60	4.84	4.73	3.9
Percentage change.....	-	1.2	5.3	-	(17.5)

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

Employment in quarrying activities varied somewhat from employment in the finishing of granite. Available data are presented in the following tabulation:

Period	Number of workers	Hours worked (1,000)	Productivity (cu. ft./hr)	Hourly wage	Hourly compensation	Unit labor costs (per cu. ft.)
1984.....	584	1,227	2.05	$8.26	$9.95	$4.85
1985.....	554	1,162	2.49	8.72	10.10	4.05
1986.....	565	1,140	2.80	9.10	10.94	3.91
Jan.-June--						
1986.....	568	574	2.68	8.66	10.45	3.90
1987.....	532	538	2.65	8.49	10.57	3.98

Financial experience of U.S. producers

* * * producers, accounting for 85.3 percent of the value of shipments of finished granite in 1986, furnished income-and-loss data for both their overall establishment operations and finished granite operations.

Overall establishment operations. 1/--As shown in table 5, aggregate net sales of all establishment operations increased by 32.5 percent, from $119.8 million in 1984 to $158.8 million in 1986. Operating income was $10.5 million

Table 5
Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which finished granite is produced, accounting years 1984-86 and interim periods ended June 30, 1986 and June 30, 1987

Item	1984	1985	1986	Interim period ended June 30-- 1986	1987
	Value (1,000 dollars)				
Net sales	119,843	155,403	158,754	78,762	80,354
Cost of goods sold	93,542	117,787	119,146	59,678	60,980
Gross profit	26,301	37,616	39,608	19,084	19,374
General, selling, and administrative expenses	15,830	22,629	26,506	12,807	11,520
Operating income	10,471	14,987	13,102	6,277	7,854
Interest expense	3,561	5,519	5,708	2,990	2,637
Other income or (expense), net	248	935	(143)	448	(212)
Net income before income taxes	7,158	10,403	7,251	3,735	5,005
Depreciation and amortization expense	4,690	5,326	6,107	2,852	3,127
Cash-flow from operations	11,848	15,729	13,358	6,587	8,132
	Percent of net sales				
Cost of goods sold	78.1	75.8	75.1	75.8	75.9
Gross profit	21.9	24.2	24.9	24.2	24.1
General, selling, and administrative expenses	13.2	14.6	16.7	16.2	14.3
Operating income	8.7	9.6	8.2	8.0	9.8
Net income before income taxes	6.0	6.7	4.6	4.7	6.2
	Number of firms				
Operating losses reported	***	***	***	***	***
Net losses reported	***	***	***	***	***
Data reported	***	***	***	***	***

1/ These producers include * * *.

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

1/ Overall establishment operations includes production of all granite products, quarrying operations (whether or not physically separate from the establishments), finished granite installation, and other granite-related activities.

in 1984, $15.0 million in 1985, and $13.1 million in 1986. Operating income margins, as a percent of sales, were 8.7, 9.6, and 8.2 in 1984, 1985, and 1986, respectively. For the interim period ended June 30, 1987, net sales were $80.4 million, an increase of 2.0 percent compared with the June 30, 1986, interim period sales of $78.8 million. Operating income margins, as a percent of sales, were 8.0 and 9.8 in interim 1986 and interim 1987, respectively. * * * reported operating losses in * * *.

Establishment income-and-loss data for each of the * * * producers are presented in table 6. Profitability of establishment operations was, in the aggregate, significantly greater than finished granite operations.

* * * * * * *

Table 6
Income-and-loss experience of U.S. producers on the overall operations of their establishments within which finished granite is produced, by producers, accounting years 1984-86 and interim periods ended June 30, 1986 and June 30, 1987

* * * * * * *

Operations producing finished granite 1/.--The income-and-loss experience of the * * * U.S. producers on their operations producing finished granite is presented in table 7. Net sales increased * * * from * * * in 1984 to * * * in 1986. Operating income was * * * in 1984 and * * * in 1985. An operating loss of * * * was incurred in 1986. Operating income or (loss) margins, as a percent of sales, were * * *. Interim 1987 net sales were * * *, representing a decline of * * * from the 1986 interim net sales of * * *. Operating income margins, as a percent of sales, were * * * in the 1986 and 1987 interim periods, respectively. * * * reported operating losses in * * *.

Table 7
Income-and-loss experience of U.S. producers on their operations producing finished granite, accounting years 1984-86 and interim periods ended June 30, 1986 and June 30, 1987

* * * * * * *

Finished granite income-and-loss data for each of the * * * producers are presented in table 8. Operating income subsequent to 1985 was, in the aggregate, down sharply from prior levels.

1/ Finished granite operations cover domestic production of the products subject to investigation. Quarrying costs applicable to finished granite are included as part of the cost of goods sold.

Table 8
Income-and-loss experience of U.S. producers on their operations producing finished granite, by producers, accounting years 1984-86 and interim periods ended June 30, 1986 and June 30, 1987

* * * * * * *

Investment in productive facilities.--The investment in productive facilities for overall establishment and finished granite operations is shown in table 9. The investment in such facilities for the establishments, valued at cost, was $61.5 million at yearend 1984 and rose to $87.6 million at yearend 1986. The book value of such assets was $50.8 million as of December 31, 1986. Total assets were $88.9 million as of June 30, 1987, compared with $79.1 million as of June 30, 1986. Book value as of June 30, 1987, was $49.6 million. Total reported investment in productive facilities for finished granite, valued at cost, was $33.7 million at yearend 1984 and rose to $51.8 million at yearend 1986. The book value was $29.8 million as of December 31, 1986. Total assets were $52.4 million as of June 30, 1987, compared with $46.0 million as of June 30, 1986. Book value was $29.7 million as of June 30, 1987.

Table 9
U.S. producers' end-of-period valuation of fixed assets for establishments within which finished granite was produced, accounting years 1984-86 and interim periods ended June 30, 1986 and June 30, 1987

				Interim period ended June 30--	
	1984	1985	1986	1986	1987
Overall establishment:					
Original cost.....1,000 dollars..	61,522	73,039	87,574	79,099	88,923
Book value.....1,000 dollars..	35,545	42,101	50,788	45,865	49,589
Number of firms providing data...	***	***	***	***	***
Finished granite:					
Orignal cost.....1,000 dollars..	33,656	42,763	51,793	45,974	52,390
Book value.....1,000 dollars..	20,296	25,050	29,794	27,508	29,719
Number of firms providing data...	***	***	***	***	***

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

Capital expenditures.--Capital expenditures for the overall establishment were * * *. Finished granite capital expenditures were * * *. These data are presented in table 10.

* * * * * * *

Table 10.
Capital expenditures for establishments within which finished granite was produced, accounting years 1984-86, and interim periods ended June 30, 1986, and June 30, 1987

* * * * * * *

Research and development expenses.--

* * * * * * *

The Question of the Threat of Material Injury

In its examination of the question of threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the nature of the subsidy, the rate of increase of the subject imports, the rate of increase in U.S. market penetration by such imports, the rate of increase of imports held in inventory in the United States, the capacity of producers in the exporting country to generate exports (including the existance of underutilized capacity and the availability of export markets other than the United States), and the price depressing or suppressing effect of the subject imports on domestic prices. Information on the nature of the alleged subsidies is presented on p. A-2 and discussions of rates of increase in imports and their U.S. market penetration, as well as available information on their prices, are presented in the section of the report entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged injury." Available information on inventories of the subject imports in the United States and the ability of the foreign producers to generate exports is presented in the following sections.

U.S. importers' inventories

As discussed above in connection with U.S. producers' inventories, stocks of finished granite are not generally held because the vast majority of production is custom ordered. Although some stocking distributors hold slab and tile in inventory, reported inventories generally consist of material awaiting shipment. The ratio of importers' inventories to shipments is slightly higher than that for U.S. producers. Inventories increased relative to shipments during 1984-86 but declined from January-June 1986 to January-June 1987. Importers' end-of-period inventories and the ratio of inventories to shipments are presented in the following tabulation:

* * * * * * *

Foreign producers

Italy.--The Italian granite fabricating industry is based in the marble-producing region of Massa Carrara. Years ago, Italian stone workers began to use their surplus marble-cutting equipment to slab granite and other stone. Granite being a much harder stone, more durable and sophisticated machinery

was needed to accomplish this task and produce commercial quantities of granite. U.S. stone producers and importers alike acknowledge that the Italian industry has consistently been at the forefront in stone production technology. Most of the machinery used by the U.S. industry today comes from Italy.

The Italian industry is structured very differently than the U.S. industry. Whereas most producers in the United States own and work their own quarries, Italian producers purchase the bulk of the rough granite block they finish. There are certain deposits of granite in Sardinia, but Italy imports huge quantities of rough granite block from all over the world. Thus, Italian fabricators offer finished granite products from a wide variety of sources. Also, there are many fabricators with a combined sawing capacity much greater than that in the United States. Counsel for the Italians reported that capacity utilization, reported by 13 foreign producers, accounting for * * * exports of finished granite to the United States, was 98.3 percent during the period of these investigations (table 11). These producers operated * * *

Table 11.
Trade data for Italy on finished granite: 1/ Production and exports, 1984-86

Item	1984	1985	1986
Production:			
1,000 metric tons.....	766.9	757.8	732.4
Percentage change.....	-	(1.2)	(3.4)
Available for Italian market: 2/			
1,000 metric tons.....	220.6	175.5	222.0
Percentage change.....	-	(20.4)	26.5
Export shipments:			
Exports to the United States:			
1,000 metric tons.....	23.9	67.7	85.0
Percentage change.....	-	183.3	25.5
Exports to West Germany:			
1,000 metric tons.....	137.7	112.7	108.6
Percentage change.....	-	(18.2)	(3.6)
Exports to Saudi Arabia:			
1,000 metric tons.....	127.1	148.5	65.1
Percentage change.....	-	16.8	(56.2)
Exports to other countries:			
1,000 metric tons.....	210.4	225.0	196.8
Percentage change.....	-	6.9	(12.5)
Total exports: 3/			
1,000 metric tons.....	524.6	582.0	489.3
Percentage change.....	-	10.9	(15.9)

1/ These data include small quantities of products other than those under investigation.
2/ These data were submitted with this description; quantities do not account for all the balance between production and total exports as data were drawn from different sources.
3/ Figures do not add to the totals shown; no explanation was offered for this.

Source: Compiled from data submitted by counsel for the Italian respondents.

gang saws in * * *. Available data on the Italian industry show that, during the period of investigation, exports to the United States rose sharply, sales in the home market fluctuated with no overall change, and exports to other countries declined. A spokesman for the Italian industry reported generally low inventory levels.

Spain.--The fabrication of granite is a relatively new industry in Spain. Petitioners report that gang saw technology was introduced in Spain later than it was in the United States. Although the Spanish product is not as well known as the Italian in the United States, a spokesman at * * *, a major installation company, described the quality of Spanish finished granite to be better than the Italian. Spain has large deposits of a common and popular granite known as Porrino or Spanish Pink. This is the major type of granite produced in Spain. Counsel for Ingemar S.A. and Ingemar Corp. (Ingemar) described this company as the largest Spanish exporter of finished granite to the United States, accounting for a majority of exports during the past 3 years. He stated in Ingemar's postconference brief that the company is operating near full capacity and one-half of its production serves the domestic Spanish market, which has been growing rapidly.

Counsel for Ingemar provided data, as shown in table 12, on the company's capacity, production, and shipments of fabricated granite, including products not subject to investigation. Counsel noted that Ingemar's capacity to produce finished granite represents less than 15 percent of the company's total capacity to produce fabricated granite products, explaining that more product-specific data could not be prepared in the time available. These data support Ingemar's claims of * * *. 1988 annual capacity is forecasted to be * * *; no further increase in the company's capacity is anticipated. * * *. No information on inventories of finished granite in Spain is available. Data were also requested from * * *.

Table 12
Trade data for Ingemar, S.A. and Ingemarga, S.A. on all fabricated granite: Capacity, production, domestic shipments, and exports to the United States and selected other countries, 1984-86, January-June 1986, and January-June 1987

* * * * * * *

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

Discussion of market relationships

Petitioners maintain that unfairly traded finished granite from Italy and Spain is the cause of material injury experienced by U.S. producers of the subject product. In particular, they stress the damaging effect of low import prices on the financial performance of the U.S. industry. Also, they argue that the increased volume of imports has reduced U.S. producers' share of the domestic market. Respondents, besides disputing the fact that the domestic industry is suffering injury, allege that any injury experienced by individual U.S. producers is the result of their not properly supplying the demands of

the marketplace. Rather, they assert that color, quality, availability, and installed cost, rather than price alone, are the determining factors in selecting and purchasing granite.

These conflicting views are detailed below, along with relevant comments from purchasers. Input was sought from firms that work with both domestic and foreign suppliers. Concerning the U.S. industry, few references were made to producers other than Cold Spring. The examples discussed below, therefore, invariably involve that company to the near exclusion of others. This is not meant to indicate that other producers are insignificant in the marketplace; rather, purchaser comments are reported as communicated and happen mostly to relate to one, albeit major, producer. Cold Spring's share of the domestic market is presented on page A-9.

Respondents argue that U.S. producers refuse to sell merchandise to U.S. customers. First of all, Cold Spring reportedly will not sell rough-sawed slab and face-finished slab to U.S. marble shops; * * *.

* * * * * * *

Also, Cold Spring has been cited as not supplying tile to distributors.

* * * * * * *

Cold Spring has been criticized repeatedly for being slow to supply builders with the thin granite products that the construction industry claims are cheaper to produce, transport, handle manually, install, and support.

* * * * * * *

Now, however, consumers acknowledge the company's ability to produce 3/8-inch thick granite slabs and tiles. In certain applications, Cold Spring questions the structural integrity of thin granite and will not offer the product that is specified in a project. Petitioner notes that the building code of New York City limits building facing to not less than 1-1/4 inches. A construction industry consultant at * * * termed these concerns as "archaic" thinking, maintaining that engineering developments allow progressively thinner veneer to be safely used in building applications. Facing thinner than 1-1/4 inches is reportedly acceptable under the New York City Code in certain cases. 1/

Respondents allege that Cold Spring is operating at such a high rate of capacity utilization, and orders are so backlogged, that the company is often unable to provide timely delivery of material, resulting in costly delays in construction. Capacity utilization calculations show Cold Spring to have operated at approximately * * *. Petitioner notes that "backlog" is a term referring to orders, not late orders, and that delays in delivery result from any number of reasons beyond the control of the producer (including changes in designs by the architect). A spokesman at * * *, an installation company * * *, reported that the company was late on * * *. Similar criticism is leveled at foreign suppliers, although not to the same degree. The fast-track approach of U.S. builders seems very frequently to cause delivery problems for

1/ See p. 206 of the transcript of the conference.

material suppliers. An official at * * * explained that quarrying stone, as U.S. producers do, requires somewhat more time than using inventoried block, as Italian finishers do. Also, the greater cutting capacity of Italian suppliers allows them to subcontract jobs if necessary whereas U.S. producers have more limited capacity. The official reported a number of difficulties in working with foreign suppliers but late delivery was not the major one. Cold Spring and * * * were requested to report to the Commission claims (back-charges) against them from customers since January 1, 1986. This information showed that * * * for reasons other than late delivery.

* * * * * * *

Respondents allege that Cold Spring is unresponsive to requests for price quotes on finished granite and that such practices make it impossible for many builders to rely on this producer. Petitioner maintains that U.S. producers service every legitimate request for cost information.

* * * * * * *

Some domestic purchasers have criticized the quality of U.S.-produced finished granite. Specifically, Georgia Granite and Cold Spring are named in respondents' brief as having caused difficulties for builders with poor workmanship and out-of-sequence deliveries. Other firms have reported delivery problems in their dealings with Georgia Granite, which * * *. For the most part, however, consumers praise the quality of Cold Spring's products. Besides the typically longer time period that occurs between order from, and delivery by, a domestic producer, installers and general contractors report that they encounter many more problems dealing with foreign suppliers.

Several firms that do business primarily with the Italians reported an absolute dislike of Cold Spring. Conversely, another builder much prefers domestic suppliers, mentioning Cold Spring in particular, because of the high quality of both the product and service they provide and the honesty with which they conduct business relations. * * * went so far as to say that he detested doing business with the Italians but disliked Cold Spring equally; he relies on foreign suppliers because he feels that they are better able to supply the needs of U.S. builders.

Respondents insist that any injury experienced by U.S. producers is not because of import volumes or prices. Specifically, they blame the financial difficulties of Georgia Granite on mismanagement. Several references were made by purchasers to irresponsible pricing by Georgia Granite. Company officials responded to these allegations by * * *.

Finally, respondents argue that factors other than price are the primary determinants in the selection of granite. First of all, color is of primary concern to the architect, who is most frequently the person who specifies the stone to be used. U.S. producers of finished granite quarry nearly every color available, yet architects stress that every quarry in the world yields a slightly different stone. 1/ Petitioner brought samples of domestic and

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1/ Exceptions to this rule are large homogeneous granite deposits with several quarries extracting virtually the same stone.

imported granite to the conference that appear commercially interchangeable, in terms of color and grain. Some architects, however, reportedly insist on the subtleties in one granite over another that is nearly identical. Also, architects working in granite often prefer unusual stones, as this sets their work apart. The quarries of domestic producers yield beautiful granite but in a relatively familiar range of colors and shades. Although nothing prevents U.S. fabricators from supplying finished granite produced from quarries other than their own, they tend to offer their own granite.

* * * * * * *

Generally, an architect or owner will specify several granites within a color range when soliciting price bids. Although the "specified" (first choice) granite may be the preferred stone of the architect, other considerations usually play a role in selection. Industry sources report that "you don't switch stone on I.M. Pei or Philip Johnson," but that specifications are negotiable in the majority of projects.

Other nonprice factors important in the selection of granite are quality and supply of the stone. For example, some granite has a difficult texture to work with. Also, sufficient stone must be available for the particular project; some quarries are capable of producing limited quantities of block in a given period because of size, equipment, or weather conditions. A granite deposit may be difficult to work because of veins or extrusions in the rock. A boulder quarry can yield stones of limited dimension, for example. Availability of the stone is also influenced by the ability of the finisher to fabricate and delivery it. Foreign fabricators independent of quarries are less able to ensure sources, whereas a fabricator associated with a quarry can determine the supply of rough block.

Finally, although cases may be cited where the cost of granite may have been considered immaterial to the buyer, purchasers generally acknowledge that cost is a major consideration in purchasing any building material. The "skin" of a building is a significant component in the overall cost of construction. In the words of one general contractor, "there is a lot of money to be saved in pricing stone." This cost, however, is more complex than merely the price per square foot of the surface material. For example, the thickness of the stone affects the method of installation; a heavier piece of granite may need to be hand set, whereas lighter stone can be assembled in panels at an installation facility and trucked to the job site ready for placement on the building frame. Also, a lighter weight exterior material may allow savings in the supporting structure--less steel and concrete, which builders argue is a major savings in terms of an entire project. Timely delivery is also a cost consideration because delays in a construction project invariably cost somebody something.

Petitioners do not claim that the price of finished granite is the only factor in a purchase decision, just as respondents do not claim that such a consideration is irrelevant. However, parties disagree on the importance of price in the purchase of material. Specific examples and allegations are presented in the pricing section of this report.

U.S. imports

Finished granite is classified under TSUS item 513.74, which also includes products other than those subject to investigation. Questionnaires were sent to 50 importers believed to represent some 80 to 90 percent of the imports of the subject products; responses, however, account for an estimated 35.3 percent of imports from Italy and Spain, by value. Although questionnaire data may be significant in measuring trends and unit values, they are clearly inadequate for a determination of absolute import levels, consumption, and market penetration. In addition, the petitioner has questioned the reliability of official statistics as a measure of the quantity of imports. 1/ Also, official statistics measure the quantity of imports of finished granite in terms of cubic feet, whereas it is the surface area, or square footage, which is more important for the purposes of these investigations. Because of the trend toward thinner granite, an analysis of cubic foot volumes would underestimate increases in import volumes and market penetration. The primary measure of imports presented in this report, therefore, is imports by value, based on official statistics and adjusted using petitioner's estimates of the percent of total imports under TSUS 513.74 that they found to be finished granite in 1986. These estimates were prepared after a thorough analysis of ship's manifests for all imports under the subject TSUS item and are the best available data on imports. 2/ Because of different trends in unit values of U.S.-produced and import shipments observed in questionnaire responses, market penetration by quantity will vary somewhat from market penetration by value. Available data on market penetration by quantity is presented in appendix C.

As shown in table 13, U.S. imports of finished granite rose from $65 million in 1984 to $95 million in 1985, or by 45 percent. Import levels rose by another 36 percent, to $129 million, in 1986. Imports declined in value from $63 million during January-June 1986 to $57 million in the corresponding period of 1987; this represents a 10-percent decrease. Imports from Italy followed a similar trend, increasing from $52 million in 1984 to $78 million in 1985 and to $110 million in 1986, percentage changes of 51 and 40 percent, respectively. Italian imports fell 14 percent from $54 million during January-June 1986 to $47 million during the corresponding period of 1987. Spanish import volumes more than doubled in value from 1984 to 1985, from $2.3 million to $5.0 million, and increased by another 24 percent, to $6.2 million, in 1986. Imports from Spain continued to rise from January-June 1986 to January-June 1987, from $2.6 million to $2.9 million, representing a 13 percent increase.

1/ See p. 55 of the petition.

2/ See app. C. for a more complete explanation of petitioner's adjustment calculations.

Table 13
Finished granite: U.S. imports for consumption, from Italy, Spain, and all other countries, 1984-86, January-June 1986, and January-June 1987.

(In thousands of dollars)

Source	1984	1985	1986	January-June-- 1986	1987
Italy 1/	52,105	78,480	109,715	54,199	46,750
Spain 2/	2,313	5,038	6,228	2,587	2,930
Subtotal	54,418	83,518	115,943	56,786	49,680
All other countries	10,804	11,360	12,679	6,479	7,569
Total imports 3/	65,222	94,878	128,622	63,265	57,249

1/ Equal to 87 percent of the value of imports in each year. In 1986, petitioner found this to be the percentage of imports from Italy under TSUS item 513.74 that were finished granite.
2/ Equal to 47 percent of the value of imports in each year. In 1986, petitioner found this to be the percentage of imports from Spain under TSUS 513.74 that were finished granite.
3/ Equal to 76 percent of the value of imports in each year. In 1986, petitioner found this to be the percentage of total imports under TSUS 513.74 that were finished granite.

Source: Official statistics of the Department of Commerce, as adjusted.

Data compiled from questionnaires regarding the quantity, value, and unit value of U.S. imports of finished granite from Italy and Spain are presented in table 14.

Table 14
Finished granite: U.S. imports from Italy and Spain, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
	Quantity				
Italy:					
1,000 square feet	1,600	1,968	2,494	955	900
Percentage change	-	23.0	26.7	-	(5.8)
Spain:					
1,000 square feet	243	458	661	142	157
Percentage change	-	88.7	44.2	-	10.9

Continued

Table 14
Finished granite: U.S. imports from Italy and Spain, 1984-86, January-June 1986, and January-June 1987--continued

Item	1984	1985	1986	January-June-- 1986	1987
	Value				
Italy:					
1,000 dollars.....	20,653	20,407	31,123	14,186	13,490
Percentage change.....	-	(1.2)	52.5	-	(4.9)
Spain:					
1,000 dollars.....	1,637	2,811	4,327	992	1,354
Percentage change.....	-	71.7	53.9	-	36.5
	Unit value 1/				
Italy:					
Dollars per sq. ft.....	12.46	9.02	9.48	10.53	11.89
Percentage change.....	-	(27.6)	5.1	-	13.0
Spain:					
Dollars per sq. ft.....	6.75	6.09	6.48	6.48	8.45
Percentage change.....	-	(9.7)	6.4	-	23.6

1/ Unit values cannot be calculated from quantities and values given because some companies reported one or the other, whereas unit values are calculated based on data from companies reporting both quantities and values.

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

Market penetration by Italian and Spanish imports

In terms of value, Italian and Spanish imports of finished granite have steadily increased their penetration of the U.S. market, with the exception of a decline for the Italian product during January-June 1987 (table 15). Italian imports represented 39 percent of 1984 consumption, 44 percent of the 1985 market, and 51 percent of 1986 consumption. Market penetration, by value, declined from 50 percent to 48 percent from January-June 1986 to January-June 1987. Market penetration by imports from Spain represented 1.7 percent in 1984, 2.8 percent in 1985, 2.9 percent in 1986, 2.4 percent during January-June 1986, and 3.0 percent during January-June 1987.

Table 15
Finished granite: Share of U.S. consumption supplied by Italy, Spain, all other countries, and U.S. producers, 1984-86, January-June 1986, and January-June 1987

Item	1984	1985	1986	January-June-- 1986	1987
U.S. consumption..1,000 dollars..	133,674	177,220	217,294	109,408	98,175
Share of U.S. consumption supplied by--					
Italy.....percent..	39.0	44.3	50.5	49.5	47.6
Spain.....percent..	1.7	2.8	2.9	2.4	3.0
Subtotal.....percent..	40.7	47.1	53.4	51.9	50.6
All other countries...percent..	8.1	6.4	5.8	5.9	7.7
All imports.....percent..	48.8	53.5	59.2	57.8	58.3
U.S. shipments.....percent..	51.2	46.5	40.8	42.2	41.7
Total.....percent..	100.0	100.0	100.0	100.0	100.0

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

Prices

The granite products subject to investigation are supplied in three basic forms: rough slabs, tiles, and custom designed and sized. Rough slabs are not surface finished and they are not cut to any specific size. Tiles are finished and ready to be purchased in the market. Custom designed is the predominant method by which finished granite is purchased. Industry sources estimate that more than 90 percent, by quantity, of all purchases of granite are custom designed based on the interior and exterior design of the building, as well as the structural support system to which the granite is to be applied.

Prices vary widely for granites, depending on the uniqueness of the color and texture, size of grain, the ease with which the granite can be quarried, and finishing that is done to the granite slabs, e.g., thickness of the finished piece, anchoring systems, edging, and type of finish (polished or flamed). Finished granite is sold on a square-foot basis.

Granite is usually priced f.o.b. job site, although domestic companies report some prices f.o.b. plant. Most importers ship foreign granite to the port closest to the job location, priced either c.i.f. dock or f.o.b. job site. One domestic producer stressed the importance of freight costs as a consideration when purchasing granite, pointing out that it is more expensive to ship from New England to San Francisco by land than it is to ship from Italy to San Francisco by water. Another domestic producer reported that U.S. inland tranportation costs from the fabricating plant average 10 to 20 percent of the square-foot cost of the granite.

Granite is primarily sold through a bid process in which the owner/developer or general contractor solicits bids based on defined material and installation specifications. Of those producers and importers responding to

Commission questionnaires, the majority of 1986 sales were accounted for by commercial, institutional, and Government construction projects awarded through a bid process.

In the process of awarding a contract, the owner and architect of the project prepare plans and specifications, consulting with suppliers and installers of finished granite. Generally, the architect specifies the preferred type of granite to be used, and may include alternate, acceptable granites. The choice of the type of granite to be applied to the building exterior depends on many factors, most notably the aesthetics desired by, or personal preference of, the owner and architect, the shape of the building, the exterior of other buildings in the immediate area of the planned project, regional and environmental factors, 1/ and the overall budget estimated for the project. One importer/purchaser pointed out that the primary consideration in selecting a granite, however, depends on whether or not the quarry is capable of meeting capacity, scheduling, dimensional, and color-consistency requirements. If these considerations are met, as well as the design considerations of the owners and architects, then the price of the granite is taken into consideration. 2/

Suppliers of finished granite indicated that during the initial stages of building design, architects and owners consult stone 'libraries,' or collections of different stones available for use in building interiors and exteriors; stones in these libraries include granite, marble, travertine, limestone, and other types of building stone.

Granite is one of several natural stone materials that can be used for building exteriors, competing with those stones mentioned above, as well as manmade materials such as glass, steel, and aluminum. However, many architects and builders prefer the aesthetic effect of granite over other products. Granite is available in more colors than almost any other building product, and many colors are unique to one quarry. Granite is also considered to be a prestige material, and is often used on highly visible projects such as the AT&T building in New York.

Architects commented that they sometimes select their preferred granite, receive the approval of the owner, and give the responsibility for fitting the cost into the overall budget to the general contractor. Architects with the firms of * * * and * * * commented that it is not unusual for a general contractor to cut costs elsewhere in the project so that the owner and architect can achieve the desired image from the building's exterior. 3/

Several purchasers of granite indicated that after, or even during, the selection of the granite, suppliers of granite are often brought in on a consulting basis to assist in determining necessary thicknesses, availability of different types of granite, and other special considerations important to

---

1/ * * * explained, as an example, that in the Pacific Northwest, because of the number of 'non-sunny' days, very few buildings are constructed in darker shades of granite, such as black and dark reds, with architects and owners preferring lighter colors such as pinks, beiges, or whites.

2/ Questionnaire response of * * *.

3/ Meetings with * * * and * * *.

working with a natural product such as granite. 1/ In the experience of architects and purchasers surveyed by the staff, this consulting is more common for representatives of Italian industries, and some suppliers of both domestic and imported granite and other stone products, than it is for representatives of the domestic industry. These architects agreed that this prior knowledge of the project may give these companies an edge when the invitation to bid is issued. By that time, many of the consultants have convinced the owner and/or architect to use a particular granite that they either fabricate or are able to purchase.

Although the bid process is the predominant method by which granite is sold, there are instances when an owner negotiates directly with a granite fabricator or supplier. This can occur if the owner must have a particular granite that can be supplied by only one firm. For example, one construction company * * * was constructing * * * of a project begun * * *; this company directly negotiated with the * * * fabricator that supplied the granite for the previous building in order to keep a consistent appearance between the * * * buildings.

General contractors indicate that they may tend to be more cost conscious than architects when awarding a job, if there has been no definitive specification written for granite, or if the specified granite can be purchased from several different fabricators. For example, one general contractor indicated that if an architect was to select three granites, all of which met not only the acceptable color palette, but also the necessary strength specifications, the general contractor would probably award the contract to the firm with the lowest bid. Another contractor added that it is important to take into account the delivery schedule arranged by the fabricator of the selected granite. 2/

General contractors usually reduce the field of contending suppliers to two or three before beginning bid negotiations. At this time, general contractors invite these suppliers to introduce areas where costs can be reduced. According to project managers with * * * and * * *, these savings generally involve the use of a thinner granite, as well as different approaches in the application of the granite. * * *, in technical research and advice for the construction industry, commented that the use of thinner granite (3 to 4 cm or approximately 1-1/4 to 1-3/4 inches) and new methods for applying the granite to the building exteriors, have reduced costs drastically. He estimated that costs saved, not only on the granite itself but also on the structural steel, the labor costs of construction, and the time needed for construction, can add up to 10 percent of the total cost of a project, and can cut 2 months off the time previously needed for construction of a similar project.

Staff requested producers and importers of finished granite to provide information on the three largest bids submitted by each firm, but not necessarily awarded to the firm, and to provide quarterly price data for a standard size of flooring tile. * * * producers and 11 importers responded to bid information and additional questions in the pricing section. These responses represented 85.3 and 18.3 percent, respectively, of 1986 shipments by U.S. producers and importers.

1/ Conversations with representatives of * * *.
2/ Meetings with * * *, * * *, and * * *.

Price trends.--Staff requested producers and importers to report prices for their largest quarterly sale prices for granite flooring tiles, sized 12" by 12" by 3/8", or the closest size produced if this was not available, that is the firm's largest selling grey, red/pink, or white granite tile. * * * provided quarterly prices for * * *, but the specification of granite was not consistent from one quarter to another, and no trends could be determined. * * * was able to provide prices for granite imported from * * *.

* * * * * * *

* * * * * * *

Although no trends can be determined from * * *, it does show that prices vary depending on the finish (polished, honed, or thermal), whether the granite was a standard size or custom made, the number of pallets ordered, and the type of purchaser-stocking distributor, contractor, or nonstocking distributor, as well as the specific type of granite.

In general, although tiles are produced extensively by Italian and Spanish fabricators and domestic companies have been introducing the technology in their plants, most tiles are still sold within an overall bid package. Thus, quantity and square-foot price information are not generally available. According to questionnaire responses, however, importers of Italian granite indicated generally increasing prices because of the appreciation of the Italian lira against the U.S. dollar. Producers, importers, and purchasers of granite also agreed that the technological advances in the fabrication of the granite, particularly in the ability to cut granite below 1-1/2 inches, have had a tremendous downward pressure on the square-foot price of finished granite.

Price comparisons.--Because of the way in which granite is sold, i.e., customized dimensions, and the extensive variety of granite available in the market, price comparisons similar to those generated in most Commission reports are not possible. Because most transactions are through bid negotiations, the discussion of prices is organized according to projects. However, both the domestic and importing representatives agree that no two products can be matched head to head. 1/ Producers and importers reported that even with granites that may appear similar in color and texture, prices can vary for many reasons. Even when stone from the same quarry is being used on two separate projects, prices can vary according to thickness, size of the panel, finish, method of attachment, or even appearance of the stone. All parties agree that cost is always an important factor, but that price comparisons are only one element of the purchasing decision.

Bid competition.--Domestic producers and importers believe it is necessary to examine specific projects on which more than one party submitted bids and determine the reasons, including price, why one supplier was chosen over

1/ Conversations with counsel for petitioners, Aug. 19, 1987, and counsel for respondents, Aug. 21, 1987.

another as a source of granite of the required specification. After receiving bid information in the questionnaires, the staff followed up on these responses by contacting producers, importers, and other involved parties, such as architects, general contractors, construction managers, and subcontractors. The following information details bids on specific projects during the period of the investigations, with comments from companies involved in the projects, when appropriate. Table 16 briefly summarizes each of the projects included in this section.

Table 16
Finished granite: Selected project and bid information.

* * * * * * *

It is important to consider several factors when reviewing the project information. First, these bids represent only a small percentage of the total number of projects that have been, or are currently under construction. When in the bid stage, many details of the projects are not available. Rarely were both winning and losing bids available from questionnaire responses. Conversations with those parties involved in the projects gave an idea as to why one particular supplier was chosen over another, but data about the total quantity of granite involved in the project, and the square-foot price of the granite were generally not available.

* * *.--* * * tendered a bid and was awarded this project * * *. * * * the project specified * * *, with acceptable foreign alternates.

* * * * * * *

* * *, the setter for this project, explained that * * *, and on such projects, he normally follows a "Buy America" clause * * *. He stated that * * * but he preferred dealing directly with the fabricator, rather than through a supplier, and he had been confident of * * *'s work from past projects.

* * *.--* * * accepted bids in * * * from * * * Italian fabricators and * * * domestic * * *. This project requires * * * and the granite specified by the architect was a * * * granite * * *. * * *, a contractor, won the contract in * * * with a bid of * * *, and subcontracted the granite to Italian fabricators. The winning bid included materials and installation of the granite. According to * * *, the square-foot requirements of this project were high when compared with the capacity of * * *. Despite the fact that * * *, they would not have been able to meet the delivery schedules stipulated in the contract. In addition, the domestic industry would have substituted one of their own granites for the * * * granite that was the preferred choice of the architect.

* * *.--The architect for * * * selected a color scheme for this project that included both domestic and imported granites. The choice was based on aesthetics, but the architect also approved several additional granites as likely substitutes for some of the preferred granites. * * *

domestic companies and * * * Italian * * * were invited to submit bids, and the project was awarded to * * *.

* * *, a trading company in * * *, reported that they lost the bid, and believed it was due to the variety of possible combinations of domestic granites. A spokesman commented that the domestic companies were able to put together a more attractive package, in terms of cost. * * *, which also was not awarded the job, reported that they bid * * * but * * * was not awarded the project.

A spokesman for * * * commented that the firm was awarded the contract at a bid of * * *. He added that this was not the lowest bid, but that it was price competitive with the other contending bidders. He believed that * * * was awarded the contract because * * * granite, which was used on the project, was preferred by the architect.

* * *.--* * * solicited bids for * * *. * * *, project manager * * *, related the details of this project.

* * * * * * *

* * * considered bids from * * * domestic and * * * foreign * * *. * * * noted that, all things considered, the * * * firms were close in cost * * *.

* * * * * * *

According to * * *, the final decision to use granite fabricated in Italy, however, was based more on information that developed concerning * * * than on the dollar amount bid * * *.

* * * * * * *

* * *.--* * * acted as the general contractor for * * *. In this project, the owner of the property selected the granites for the project based on color, texture, and price requirements. The architect selected a granite quarried in * * *, which met all of the owner's requirements, but the owner then invited * * * to submit a bid * * *. * * * delayed several weeks in providing a price estimate for the project, even after the general contractor contacted them several times. When * * * finally did provide an estimate, it was "astronomical" and not given serious consideration, according to * * *, the setter for the project. Thus, * * * awarded the bid to one of the * * * Italian fabricators who could supply the materials.

Lost sales and lost revenues

* * * producers of finished granite submitted instances in which they believe sales or revenues were lost because of price competition from Italian and/or Spanish granite. Alleged lost sales totaled 7.3 million square feet, valued at $87 million. Lost revenues alleged in the questionnaires were valued at $3 million for 1.2 million square feet of finished granite. Of these allegations, staff was not able to follow up on * * * because of the lack of information provided. Of the remaining allegations, staff was able to

contact 9 firms accounting for 10 of these allegations. Conversations with representatives of these firms are summarized below.

* * *.--* * * alleged losing a sale to * * * involving a * * *.

* * * * * * *

The project was allegedly awarded to an * * * importer for * * *.

* * * * * * *

* * * said that a domestic granite would have been selected if the U.S. companies would have been more price competitive. The foreign granite was approved by both the architect and owner of the project.

* * *.--* * * alleged losing * * * to lower priced * * * imports.

* * * * * * *

* * * alleged losing * * *, allegedly won by * * * imports at * * *.

* * * * * * *

* * * stated that on all jobs in which his company has worked with granite, the selection of the material was based primarily on aesthetics. He explained that in the * * * area, owners and architects often select materials that blend into the natural environment and surroundings of the region. In addition, most projects are bid not only for the materials involved, but also for the installation of the materials.

* * * * * * *

* * * also feels that foreign fabricators of granite are better able to meet the needs of the building industry in terms of delivery schedules, production, equipment and facilities, and organization, than is the domestic industry.

* * * * * * *

The architects selected * * * granites from a sampling of * * * granites; the main color was a * * *, which is said to have no match in any other quarry in the world. Their final decision was based on the desired aesthetics of the finished project as well as on the availability of the materials involved due to the extended time needed for completing this project. The granites selected originate in * * * and will be fabricated in * * *.

The * * * granites were selected by the architect of the project and will be fabricated in * * *. Again, * * * stressed that aesthetics played a more important role in the selection than did price.

* * *.--* * * alleged the loss of a project in * * * to lower priced * * * granite.

* * * * * * *

* * *, the project manager for this job, stated that although the prices listed in the allegation sounded "about right," the * * * fabricator was able to manufacture the granite closer to their construction schedule and was also able to commit to fabricating more square footage than was * * *. The granites chosen were approved by the architects of the center.

* * *.--* * * alleged losing * * * to granite fabricated in * * *.

* * * * * * *

* * * stated that color was the deciding factor for awarding this project. The architect selected a granite known as * * *, quarried in * * *. * * * commented that although price is a contributing factor in any construction project since the general contractor must work within a certain budget, in this case he would say that it was "price be damned" in regards to the exterior facing.

* * *.--* * * alleged losing a project in * * * because of price competition from * * * imports.

* * * * * * *

* * *, project manager for * * *, stated that the granite chosen was * * *, and was selected by the owner and architect, having often seen it * * *. Price was not the top criteria in the selection, according to * * *.

* * *.--

* * * * * * *

* * * was installed by * * *, but they did not purchase the granite, and * * * was not aware of the purchase price of the granite. * * * believes that the granite for * * * was chosen by the owner of the building.

* * *.--* * * alleged the loss of * * * because of lower priced * * *-fabricated granite. * * * was not awarded this project, therefore this allegation could not be verified.

* * *.--* * * alleged * * *. * * * stated that they did not solicit any bids for imported granite for this project. * * * said that * * * granite was chosen * * * to match the granite installed on a previously constructed building. He does not recall * * *.

* * *.--* * * alleged * * *. * * * stated that the bidding for this project involved both materials and installation, and if * * *, it probably involved a combination of these two areas. The * * * granite was listed as an acceptable alternative by the architect * * *. * * * did not feel that price itself was the deciding factor in this project.

* * *.--* * * alleged * * * because of competition from * * *. * * * stated that * * * was only bidding against other domestic companies, and that * * * was the price competition. * * * explained that the acceptable granite was * * *, a granite native to the United States. No foreign bids were solicited for this project.

* * *.--* * * alleged a lost sale on * * *.

* * * * * * *

* * *, project manager for * * *, did not recall either * * * or * * * as granites under consideration at any time during examination of bids.

* * *.--* * * alleged a lost sale on * * *. * * *, project manager of * * *, denied the * * * allegation. * * * believed that * * * might have bid * * *, but not on the material itself.

* * * * * * *

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during January 1984-June 1987 the nominal value of the Italian lira and the Spanish peseta appreciated 27.9 percent and 22.4 percent against the U.S. dollar (table 17).

Adjusted for inflation, the real value of the Italian lira and Spanish peseta rose more than the value represented by the nominal exchange rates. From January 1984-March 1987, the real value of the Italian lira increased by 44.2 percent against the U.S. dollar, and the Spanish peseta increased by 37.4 percent.

Table 17
Exchange rates: 1/ Nominal- and real exchange-rate indexes of the Italian lira and Spanish peseta in U.S. dollars, and producer price indexes in the United States, Italy, and Spain, 2/ by quarters, January 1984-June 1987

Period	U.S. Producer Price Index	Italy Producer Price Index	Italy Nominal-exchange-rate index	Italy Real-exchange-rate index 3/	Spain Producer Price Index	Spain Nominal-exchange-rate index	Spain Real-exchange-rate index 3/
			---US dollars/lira---			--US dollars/peseta--	
1984:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.7	102.2	99.2	100.7	102.6	101.1	102.9
July-Sept..	100.4	103.5	92.4	95.2	103.9	93.5	96.7
Oct.-Dec...	100.2	105.5	87.9	92.6	105.3	90.6	95.2
1985:							
Jan.-Mar...	100.0	108.4	82.3	89.2	109.1	85.8	93.5
Apr.-June..	100.1	110.7	84.4	93.3	110.8	88.7	98.3
July-Sept..	99.4	110.7	87.7	97.7	111.8	92.5	104.0
Oct.-Dec...	100.0	111.7	95.0	106.1	112.8	97.1	109.5
1986:							
Jan.-Mar...	98.5	111.1	104.0	117.3	112.3	104.8	119.4
Apr.-June..	96.6	109.1	108.0	122.0	112.5	108.1	125.9
July-Sept..	96.2	108.3	115.8	130.3	112.1	114.2	133.1
Oct.-Dec...	96.5	109.0	119.6	135.1	111.8	114.6	132.7
1987:							
Jan.-Mar...	97.7	110.7	127.3	144.2	112.1	119.7	137.4
Apr.-June..	99.3	4/	127.9	4/	4/	122.4	4/

1/ Exchange rates expressed in U.S. dollars per unit of foreign currency.
2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.
3/ The indexed real exchange rate represents the nominal exchange rate adjusted 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 2.3 percent during January 1984-March 1987, compared with increases of 10.7 percent in Italy and 12.1 percent in Spain during the same period.
4/ Not available.

Source: International Monetary Fund, International Financial Statistics,

Note.--Jan.-Mar. 1984=100.0.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigations Nos. 701-TA-288 and 289 (Preliminary) and 731-TA-381 and 382 (Preliminary)]

Import Investigation; Certain Granite From Italy and Spain

AGENCY: International Trade Commission.

ACTION: Institution of preliminary countervailing duty and antidumping investigations and scheduling of a conference to be held in connection with the investigations.

SUMMARY: The Commission hereby gives notice of the institution of countervailing duty investigations Nos. 701-TA-288 and 289 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) and of preliminary antidumping investigations Nos. 731-TA-381 and 382 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Italy and Spain of certain granite,[1] suitable for use as monumental, paving, or building stone, the foregoing pitched, lined, pointed, hewn, sawed, dressed, polished, or otherwise manufactured, provided for in item 513.74 of the Tariff Schedules of the United States, that is alleged to be subsidized by the Governments of Italy and Spain and sold in the United States at less than fair value. As provided in sections 703(a) and 733(a), the Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in this case by September 11, 1987.

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

EFFECTIVE DATE: July 28, 1987.

FOR FURTHER INFORMATION CONTACT: Rebecca Woodings (202-523-0282), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-724-0002. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-523-0161.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to a petition filed on July 28, 1987, by the Ad Hoc Granite Trade Group.

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 seven (7) days after 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.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on August 18, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Rebecca Woodings (202-523-0282) not later than August 14, 1987, to arrange for their appearance. Parties in support of the imposition of countervailing and antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before August 20, 1987, a written statement of information pertinent to the subject of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired must be submitted separately. The envelope

[1] For the purposes of these investigations, the term "certain granite" refers to products ⅝ inch to 2-½ inches in thickness and includes rough sawed granite slabs; face finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, tiles, and crypt fronts; excluding monument stone, crushed granite, and curbing.

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

Authority: These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: July 31, 1987.

[FR Doc. 87-17784 Filed 8-4-87; 8:45 am]

BILLING CODE 7020-02-M

Federal Register / Vol. 52, No. 162 / Friday, August 21, 1987 / Notices 31649

International Trade Administration

[A-475-701]

Initiation of Antidumping Duty Investigation; Certain Granite Products From Italy

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of certain granite products (hereafter referred to as granite) from Italy are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of granite materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before September 11, 1987. If that determination is affirmative, we will make a preliminary determination on or before January 4, 1988.

EFFECTIVE DATE: August 12, 1987.

FOR FURTHER INFORMATION CONTACT: Charles E. 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) 377-5288.

SUPPLEMENTARY INFORMATION:

The Petition

On July 28, 1987, we received a petition filed in proper form from the Ad Hoc Granite Trade Group filed on behalf of the U.S. industry producing granite. The members of this group are the Cold Spring Granite Company of Cold Spring, Minnesota, the North Carolina Granite Corporation of Mt. Airy, North Carolina, and the Capitol Marble and Granite Company of Marble Falls, Texas. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), petitioner alleges that imports of granite from Italy 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.

Petitioner based United States price on bids by Italian producers, c. & f. delivered duty paid. Petitioner deducted, where appropriate, ocean freight, U.S. Customs duties, and brokerage. Petitioner based foreign market value on constructed value. Based on this method of comparison, petitioner alleges dumping margins ranging from 114 to 231 percent.

After analysis of petitioner's allegations and supporting data, we conclude that a formal investigation is warranted.

Initiation of Investigation

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

We examined the petition on granite from Italy and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of granite from Italy are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by January 4, 1988.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of

customs nomenclature. The U.S. Congress is considering legislation to convert the United States to this Harmonized System (HS) by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis pending congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioner to include the appropriate HS item number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230. Additionally, all Customs offices have reference copies and petitioner may contact the Import Specialist at their local Customs office to consult the Schedule.

The products covered by this investigation are certain granite products. Certain granite products are ⅜ inch (1cm) to 2½ inches (6.34cm) in thickness and include the following: Rough sawed granite slabs; face finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products are provided for under TSUSA item number 513.74 and under HS item numbers 2516.12.00, 6802.23.00 and 6802.93.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by September 11, 1987, whether there is a reasonable indication that imports of granite from Italy materially inure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

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

Dated: August 17, 1987

Joseph A. Spetrini,

Acting Deputy Assistant Secretary for Import Administration.

[FR Doc. 87-19208 Filed 8-20-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-469-701]

Initiation of Antidumping Duty Investigation; Certain Granite Products From Spain

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of certain granite products (hereafter referred to as granite) from Spain are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of granite materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before September 11, 1987. If that determination is affirmative, we will make a preliminary determination on or before January 4, 1988.

EFFECTIVE DATE: August 21, 1987.

FOR FURTHER INFORMATION CONTACT: Charles E. 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) 377-5288.

SUPPLEMENTARY INFORMATION:

The Petition

On July 28, 1987, we received a petition filed in proper form from the Ad Hoc Granite Trade Group on behalf of the U.S. industry producing granite. The members of this group are the Cold Spring Granite Company of Cold Spring, Minnesota, the North Carolina Granite Corporation of Mt. Airy, North Carolina, and the Capitol Marble and Granite Company of Marble Falls, Texas. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), petitioner alleges that imports of granite from Spain 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.

Petitioner based United States price on bids by Spanish producers, c. & f. delivered, duty paid. Petitioner deducted, where appropriate, ocean freight, U.S. Customs duties, and brokerage. Petitioner based foreign market value on constructed value. Based on this method of comparison, petitioner alleges dumping margins ranging from 120 to 135 percent.

After analysis of petitioner's allegations and supporting data, we conclude that a formal investigation is warranted.

Initiation of Investigation

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

We examined the petition on granite from Spain and found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of granite from Spain are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by January 4, 1988.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. The U.S. Congress is considering legislation to convert the United States to this Harmonized System (HS) by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (TSUSA) item numbers and the appropriate HS item numbers with our product descriptions on a test basis pending congressional approval. As with the TSUSA, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioner to include the appropriate HS item

number(s) as well as the TSUSA item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Additionally, all Customs offices have reference copies and petitioner may contact the Import Specialist at their local Customs office to consult the Schedule.

The products covered by this investigation are certain granite products. Certain granite products are ⅜ inch (1 cm) to 2½ inches (6.34 cm) in thickness and include the following: Rough sawed granite slabs; face finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products are provided for under TSUSA item number 513.7400 and under HS item numbers 2516.12.60, 6802.23.00 and 6802.93.00.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by September 11, 1987, whether there is a reasonable indication that imports of granite from Spain materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

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

Joseph A. Spetrini,

Acting Deputy Assistant Secretary for Import Administration.

August 17, 1987.

[FR Doc. 87-19209 Filed 8-20-87; 8:45 am]

BILLING CODE 3510-DS-M

[C-475-702]

Initiation of Countervailing Duty Investigation; Certain Granite Products From Italy

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Italy of certain granite products (hereafter referred to as "granite"), as described in the "Scope of Investigation" section of this notice, receive benefits which costitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of granite from Italy materially injure, or threaten material injury to, a U.S. industry. The ITC will make its preliminary determination on or before September 11, 1987. If our investigation proceeds normally, we will make a preliminary determination on or before October 21, 1987.

EFFECTIVE DATE: August 21, 1987.

FOR FURTHER INFORMATION CONTACT: Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On July 28, 1987, we received a petition in proper form from the Ad Hoc Granite Trade Group filed on behalf of the U.S. industry producing granite. The members of this group are the Cold Spring Granite Company of Cold Spring, Minnesota, the North Carolina Granite Corporation of Mt. Airy, North Carolina, and the Capital Marble and Granite Company of Marble Falls, Texas. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), petitioner alleges that manufacturers, producers, and exporters in Italy of granite receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended ("the Act"). In addition, petitioner alleges that such imports materially injure, or threaten material injury to, a U.S. industry.

Since Italy is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation, and the ITC is required to determine whether imports of granite from Italy materially injure, or threaten material injury to, a U.S. industry.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petitioner sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether the petition contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on granite and have found that it meets the requirements of section 703(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Italy of granite, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the Act. If our investigation proceeds normally, we will make a preliminary determination on or before October 21, 1987.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System ("HS") by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated (TSUSA)* item numbers and the appropriate HS item numbers with our product descriptions on a test basis pending Congressional approval. As with the *TSUSA*, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the *TSUSA* item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230. Additionally, all Customs offices have reference copies, and petitioners may contact the Import Specialist at their

local Customs office to consult the schedule.

The products covered by this investigation are certain granite products. Certain granite products are ⅜ inch (1 cm) to 2½ inches (6.34 cm) in thickness and include the following: Rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products currently are classified under *TSUSA* item number 513.7400 and under HS item numbers 2516.12.00, 6802.23.00, 6802.93.00.

Allegations of Subsidies

Petitioner lists a number of practices by the Government of Italy which allegedly confer subsidies on manufacturers, producers, and exporters in Italy of granite. We are initiating an investigation on the following allegations:

- Rebates of Indirect Taxes
- Export Credit Financing
- Preferential Transportation Rates
- Regional Assistance Programs—Mezzogiorno Region

—National Corporate Tax Exemption
—Local Corporate Income Tax Exemptions
—Reductions in Social Security Payments
—Capital Grants

- Regional Assistance Program—Southern Region

—Interest Rate Reduction Program

- Regional Assistance Programs—Northern and Central Italy

—Loan Programs

Although not specifically alleged by petitioner, we are also investigating whether the Italian granite industry receives countervailable benefits under the following program, which we found to be countervailable in *Final Negative Countervailing Duty Determination: Pads for Woodwind Instrument Keys* (49 FR 17793, April 24, 1984).

- Local Tax Concession Under Italian Law 614

Notification of the ITC

Section 702(d) of the Act requires us to notify the ITC of this action, and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information in our files. We also will allow the ITC access to all privileged and business proprietary information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by September 11, 1987, whether there is a reasonable indication that imports of granite from Italy materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will continue according to the statutory and regulatory procedures.

This notice is published pursuant to section 702(c)(2) of the Act.

Joseph A. Spetrini,

Acting Deputy Assistant Secretary for Import Administration.

August 17, 1987.

[FR Doc. 87-19210 Filed 8-20-87; 8:45 am]

BILLING CODE 3510-DS-M

[C-469-702]

Initiation of Countervailing Duty Investigation; Certain Granite Products From Spain

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Spain of certain granite products (hereafter referred to as "granite"), as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of granite from Spain materially injure, or threaten material injury to, a U.S. industry. The ITC will make its preliminary determination on or before September 11, 1987. If our investigation proceeds normally, we will make a preliminary determination onor before October 21, 1987.

EFFECTIVE DATE: August 21, 1987.

FOR FURTHER INFORMATION CONTACT: Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On July 28, 1987, we received a petition in proper form from the Ad Hoc Granite Trade Group filed on behalf of the U.S. industry producing granite. The members of this group are the Cold Spring Granite Company of Cold Spring, Minnesota, the North Carolina Granite Corporation of Mt. Airy, North Carolina, and the Capitol Marble and Granite Company of Marble Falls, Texas. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, and exporter in Spain of granite receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended ("the Act"). In addition, the petition alleges that such imports materially injure, or threaten material injury to, a U.S. industry.

Since Spain is a "country under the Agreement" within the meaning of section 701(b) of the Act, Title VII of the Act applies to this investigation, and the ITC is required to determine whether imports of granite from Spain materially injure, or threaten material injury to, a U.S. industry.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on granite and have found that it meets the requirements of section 702(b) of the Act. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Spain of granite, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the Act. If our investigation proceeds normally, we will make a preliminary determination on or before October 21, 1987.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. Congress is

considering legislation to convert the United States to this Harmonized System ("HS") by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (*TSUSA*) item numbers and the appropriate HS item numbers with our product descriptions on a test basis, pending Congressional approval. As with the *TSUSA*, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the *TSUSA* item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, Washington, DC 20230. Additionally, all Customs offices have reference copies, and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The products covered by this investigation are certain granite products. Certain granite products are ⅜ inch (1 cm) to 2½ inches (6.34 cm) in thickness and include the following: Rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products currently are classified under *TSUSA* item number 513.7400 and under HS item numbers 2516.12.00, 6802.23.00, and 6802.93.00

Allegations of Subsidies

The petition lists a number of practices by the Government of Spain which allegedly confer subsidies on manufacturers, producers, and exporters in Spain of granite. We are initiating an investigation on the following allegations:

- Privileged Circuit Export Credits.
- Warehouse Construction Loans.
- Medium- and Long-Term Loans on Terms Inconsistent with Commercial Consideration.
- Regional Investment Incentives-Basque Region—grants for the purchase of energy conservation equipment and the installation of pollution control equipment.

Although not specifically alleged by petitioner, we are also investigating whether the Spanish granite industry receives countervailable benefits under the following programs:

- *Loans and Loan Guarantees from the Instituto Nacional de Industria (INI).* Certain INI loan guarantees were found countervailable in *Carbon Steel Wire Rod from Spain: Final Affirmative Countervailing Duty Determination (Wire Rod)* (49 FR 19551, May 8, 1984). In *Preliminary Negative Countervailing Duty Determination: Porcelain-on-Steel Cooking Ware from Spain* (51 FR 34480, September 29, 1986), we determined that loans and loan guarantees from INI were not used.
- *Other Regional Investment Incentives.* The Government of Spain as well as regional and municipal authorities, including the Regional Board of the Province of Alava, provide a wide variety of investment incentive programs which vary according to the region of the country.

They include reduction in taxes, reduced import duties on imported tools and equipment, cash grants, preferential access to official credit, and free or inexpensive land. These incentives were found not to be used in *Wire Rod* and in *Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Products from Spain* (47 FR 51453, November 15, 1982). Grants from the Regional Board of the Province of Alava were found to be countervailable in *Carbon Steel Wire Rod from Spain: Preliminary Results of Countervailing Duty Administrative Review* (51 FR 36579, October 14, 1986).

Notification of the ITC

Section 702(d) of the Act requires us to notify the ITC of this action, and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information in our files. We will also allow the ITC access to all privileged and business proprietary information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by September 11, 1987, whether there is a reasonable indication that imports of granite from Spain materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will continue according to the statutory and regulatory procedures.

This notice is published pursuant to section 702(c)(2) of the Act.

Joseph A. Spetrini,

Acting Deputy Assistant Secretary for Import Administration.

August 17, 1987.

[FR Doc. 87-19211 Filed 8-20-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

CALENDAR OF WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Invs. Nos. 701-TA-288 and 289 (Preliminary)
and 731-TA-381 and 382 (Preliminary)

CERTAIN GRANITE FROM ITALY AND SPAIN

Those persons listed below appeared at the United States International Trade Commission conference held in connection with the subject investigations on August 18, 1987, at the USITC Building, 701 E Street, N.W., Washington, DC

In support of the imposition of countervailing and antidumping duties

Robins, Zelle, Larson & Kaplan--Counsel
Washington, DC
on behalf of--

The Ad Hoc Granite Trade Group

Patrick Alexander
President and Chief Executive Officer, Cold Spring Granite Company
Thomas E. Weber
Executive Vice President, Cold Spring Granite Company
Jack S. Thompson
Corporate Controller, Cold Spring Granite Company
R. Scott Rinn
Vice President-General Counsel, Cold Spring Granite Company

Charles R. Johnston)--OF COUNSEL
Pamela M. Deese)--OF COUNSEL

In opposition to the imposition of countervailing and antidumping duties

Dow, Lohnes & Albertson--Counsel
Washington, DC
on behalf of--

Alimonti Fratelli S.p.A.
Antolini Luigi & Co. S.p.A.
Associazione della Industria Marmifera Italiana e delle Industrie Affini
Associazione degli Industriali della Provincia di Lucca
Campolonghi Italia S.p.A.
Committee for the Preservation and Defense of the American Granite Industry
Euromarble
Formai & Mariani
Fratelli Guarda S.p.A.
Henraux S.p.A.
Imeg S.p.A.
Industria dei Marmi Vicentini S.p.A.
Pisani Brothers S.p.A.
S.A.I.M.I.
Savema S.p.A.
SI. Mar. Co. S.p.A.
Unione Generale degli Industriali Apuani del Marmo e Affini

Mr. Michael Blakely, President, Blakely Corp.
Mr. Michael Booth, Director of Field Operations, Paoli Construction
Ms. Barbara Cohen, Domestic Marble and Stone Corp.
Mr. Malcolm Cohen, Domestic Marble and Stone Corp.
Mr. Thomas Ilich, Executive Vice President, Ameristone, Inc., Turner Construction Corp.
Mr. Gabriele Levaggi, consultant to the Italian granite industry
Mr. Ted Licht, Marble Technics Ltd.

William Silverman)
Michael House)--OF COUNSEL
Ryan Trainer)

George V. Egge, Jr., P.C.--Counsel
Washington, DC
on behalf of--

Ingemar Corp.
Ingemar S.A.

George V. Egge, Jr.--OF COUNSEL

APPENDIX C

CALCULATION OF IMPORTS, BY QUANTITY

Calculation of Imports, By Quantity

The petitioner asserts that Commerce official statistics, in terms of cubic feet, overstate the actual volume of imports. This is based on their comparison of official statistics data on cubic foot volumes to other Commerce data on the weight of granite imports. These data suggests that the per cubic foot weight of imports under TSUS 513.74 is signficantly lower than the average for granite, 170 pounds per cubic foot. The petitioner reasoned that weight was the more reliable figure as transportation costs are assessed on the basis of product weight. This assumption is supported by the fact that importers had difficulty in providing the cubic volume of imports, which was requested in the questionnaire, reporting that their records were not kept in terms of cubic feet. The petitioner, using weight data for Italy and Spain, calculated cubic foot volumes using this 170 pounds per square foot average. These calculations are presented in the following tabulation:

Source	Quantity 1984	Quantity 1985	Quantity 1986	Quantity 1/ 1984	Quantity 1/ 1985	Quantity 1/ 1986
	------(1,000 pounds)-------			--(1,000 cubic feet)--		
Italy.....	162,309	270,883	293,814	955	1,593	1,728
Spain.....	14,595	38,879	38,691	86	229	228
Subtotal....	176,905	309,762	332,506	1,041	1,822	1,956
All other 2/..	24,128	42,556	69,393	142	250	408
Total 3/..	201,032	352,318	401,899	1,183	2,072	2,364

1/ Calculated from weight data assuming a standard of 170 pounds per cubic feet.
2/ Excludes Canada.
3/ Because of rounding, figures may not add to the totals shown.

Unfortunately, data on the weight of imports are only calculated for ship and air traffic; imports of granite by truck from Canada are excluded. Canada accounted for the second largest dollar value of imports under TSUS 513.74 in 1984 and the third largest dollar value of such imports during 1985-86. Data on the weight of total imports under TSUS 513.74 exclude a significant supplier; therefore, an accurate calculation of total cubic volumes cannot be made.

TSUS item 513.74 includes products other than those under investigation; however, the petition prepared a calculation of the quantity of total imports, by volume, under the subject TSUS item that were found to be finished granite. This estimate was based on an analysis of ship's manifests for the year 1986 of all entries. This estimate, which provides the best available data on the quantity of imports, is presented in the following tabulation (in thousands of cubic feet):

Source	1984	1985	1986
Italy.....	832	1,388	1,505
Spain.....	40	107	106
Subtotal.....	873	1,495	1,611
All others 1/.....	72	131	206
Total 2/.....	946	1,626	1,817

1/ Excludes Canada.
2/ Figures may not add because of rounding.

The petitioners maintain that Italy's market share increased from 49.4 percent of U.S. consumption in 1984 to 55.8 percent in 1986. U.S. producers' market share reportedly declined to 32.6 percent in 1986.