

# **CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM JAPAN**

**Determination of the Commission in  
Investigation No. 731-TA-376  
(Final) Under the Tariff Act  
of 1930, Together With the  
Information Obtained  
in the Investigation**

**USITC PUBLICATION 2067**

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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal confidential operations of individual concerns may not be published and, therefore, has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, DC

Investigation No. 731-TA-376 (Final)

CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM JAPAN

Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Japan of stainless steel butt-weld pipe and tube fittings, under 14 inches in inside diameter, provided for in item 610.89 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV). 3/

Background

The Commission instituted this investigation effective September 16, 1987, following a preliminary determination by the Department of Commerce that imports of certain stainless steel butt-weld pipe and tube fittings from Japan were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 19, 1987 (52 F.R. 38819). Subsequently, Commerce extended

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

2/ Chairman Liebelier did not participate in the final determination.

3/ Commerce determined that dumping margins on exports by Fuji Acetylene Industries Co., Ltd., were de minimis.

the date for its final determination from November 24, 1987, to January 29, 1988 (52 F.R. 37815, October 9, 1987). The Commission, therefore, revised its schedule and published the revised schedule in the Federal Register (52 F.R. 39292, October 21, 1987). The hearing was held in Washington, DC, on February 9, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION 1/

The Commission unanimously determines that an industry in the United States is materially injured by reason of imports of stainless steel butt-weld pipe fittings from Japan that are being sold at less than fair value (LTFV). 2/ Our affirmative determination is based primarily on the poor financial performance of the industry during a period when import volume grew sharply, the market penetration of the imports was significant, and the imports consistently undercut prices for the domestic product.

Like product/domestic industry 3/ 4/

The imported products subject to this investigation are Japanese stainless steel butt-weld pipe and tube fittings (SSPFs) under 14 inches (inside diameter), currently classified under TSUSA item 610.8948. 5/ These products include both finished and unfinished fittings; some unfinished

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1/ Chairman Liebler not participating.

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

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

5/ Final determination of sales at LTFV (Commerce Final), 53 Fed. Reg. 3227 (Feb. 4, 1988). This TSUS classification applies to the named product "whether finished or not finished" pursuant to TSUS General Headnote 10(h).

fittings are characterized as "as-formed" tubular blanks. <sup>6/</sup> SSPFs come in several basic shapes including elbows, tees, stub ends, reducers, and caps; the first three are the most common. Most finished SSPFs have beveled edges which, when placed against the end of a pipe, create a channel to accommodate the weld bead. <sup>7/</sup>

Integrated production of SSPFs begins with welded or seamless stainless steel pipe. While most fittings are cold-formed, some fittings, such as stub ends, are hot-formed by forging. In all other respects, the production steps are the same. <sup>8/</sup>

A fitting that is between the tubular blank stage and the finished stage is called semi-finished; <sup>9/</sup> a fitting that has been straight-faced, beveled and passivated is called finished. <sup>10/</sup> Both tubular blanks and semi-finished fittings are considered to be unfinished fittings. Tubular blanks reportedly account for a substantial proportion of the imports from Japan. <sup>11/</sup>

The parties raised the following like product issues: (1) whether finished and unfinished fittings constitute a single like product, (2) whether

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<sup>6/</sup> As-formed tubular blanks are classified under TSUS item 610.89. Report of the Commission ("Report") at A-7.

<sup>7/</sup> Id.

<sup>8/</sup> The 18 production steps are listed in Appendix C to the petition. For a detailed discussion of the production process, see Report at A-3-A-4.

<sup>9/</sup> Tubular blanks result from the first 9 manufacturing steps. Petition at Appendix C.

<sup>10/</sup> Report at A-4.

<sup>11/</sup> Id. at A-7.



tubular blanks constitute a separate like product from other SSPFs (finished or semi-finished), and (3) whether ultra clean fittings constitute a separate like product from standard SSPFs. <sup>12/</sup>

The Commission has considered the question of whether unfinished and finished articles are the same like product in numerous investigations. <sup>13/</sup> In its preliminary determination concerning SSPFs, we addressed the finished/unfinished question and determined that there was only one like product. We noted that finished SSPFs result from an integrated multi-step production process and that tubular blanks and semifinished SSPFs are merely stages of this process. Moreover, incomplete SSPFs have no use unless and

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<sup>12/</sup> Petitioner, an integrated producer of SSPFs, argues that all finished and unfinished SSPFs (including tubular blanks) constitute a single like product because the physical differences between them are minor and the unfinished fittings have only one end use, conversion into finished fittings. Gerlin, Inc., an importer of tubular blanks which converts them into finished fittings, argues that there are two like products: tubular blanks, and finished and semi-finished (i.e., advanced beyond the tubular blank stage) SSPFs. Gerlin argues that tubular blanks result from distinctive production processes, are marketed through different channels of distribution, and are sold at different price levels. Gerlin's prehearing brief at 8-9.

Counsel for the Japanese manufacturers argues that ultra clean pipe fittings constitute a separate like product, primarily because of their specialized end uses and slightly different physical characteristics. Japanese respondents' posthearing brief at 6-8; Hearing transcript ("Tr.") at 103, 109-10.

<sup>13/</sup> Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-309 (Final), USITC Pub. 1943 (Jan. 1987); Butt-Weld Pipe Fittings from Brazil and Taiwan, Invs. Nos. 731-TA-308 and 310 (Final), USITC Pub. 1918 (Dec. 1986); Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376 (Preliminary), USITC Pub. 1978 (May 1987); Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Invs. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 (Sept. 1987); Stainless Steel Pipes and Tubes from Sweden, Inv. No. 731-TA-354 (Preliminary), USITC Pub. 1919 (Dec. 1986); Nylon Impression Fabric from Japan, Inv. No. 731-TA-269 (Preliminary), USITC Pub. 1726 (July 1985).

until they are completely finished; therefore, each stage of the production process is necessary and does not change the function of the fittings. <sup>14/</sup> As a result, we concluded that there was only one like product, which includes all finished and unfinished SSPFs.

The record in this final investigation discloses no factual basis for us to reverse our preliminary determination. <sup>15/</sup> Tubular blanks and semifinished SSPFs have only one use, further processing into finished fittings, and cannot be used for their intended purposes unless they are completely finished. The record indicates that all stages in the production of finished SSPFs from tubular blanks are necessary to produce a commercially useful end product. With respect to ultra clean SSPFs, it appears that these fittings are manufactured with the same equipment as other SSPFs, and are subject to an additional process (electrolytic polishing) that is not applied to conventional fittings. <sup>16/</sup> Such fittings, therefore, are quite similar to other SSPFs and are simply subject to an additional finishing process. <sup>17/</sup>

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<sup>14/</sup> Certain Stainless Steel Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-376 (Preliminary), USITC Pub. 1978 (May 1987) at 6.

<sup>15/</sup> The Commission is not bound by the treatment of imports for Customs purposes in making like product determinations in antidumping or countervailing duty investigations. *Royal Business Machines v. United States*, 507 F. Supp. 1007 (Ct. Int'l Trade 1980), aff'd, 669 F.2d 692 (CCPA 1982).

<sup>16/</sup> Tr. at 109.

<sup>17/</sup> The Japanese respondents further contend that, if ultra clean fittings and other SSPFs are the same like product, such fittings should nevertheless be excluded from any final affirmative determination in this investigation because they do not compete with domestically produced SSPFs. Respondents' posthearing brief at 9. They have, however, asserted no legal or factual basis upon which the Commission may make such an exclusion.

Based on the above analysis, we determine that there is a single like product, stainless steel butt-weld pipe fittings (whether finished or unfinished), regardless of the form in which they are imported. Accordingly, we further determine that there is one domestic industry that produces that product.

Condition of the domestic industry 18/ 19/

The data before us reveal that, despite an increase in apparent consumption between 1984 and 1986, the domestic industry suffered continuous operating losses in those years. 20/

Apparent U.S. consumption of stainless steel butt-weld pipe fittings rose so sharply from 1984 to 1985 that, even after a decrease of 5.4 percent in 1986, the 1986 level still exceeded the 1984 level by a substantial amount. Apparent U.S. consumption declined between the interim periods of 1986 and 1987. 21/

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18/ In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and profitability. 19 U.S.C. § 1677(7)(C)(iii).

19/ Commissioner Rohr notes that because 1984 data are understated, trends comparing 1984 to subsequent years are of generally of less probative value than otherwise.

20/ The industry continued to experience operating losses during January-September 1987.

21/ Report at A-8-A-9, Table 1.

Domestic production of SSPF increased from 3.1 million pounds in 1984 to 4.0 million pounds in 1985, remained virtually unchanged in 1986, and then increased by 8.8 percent during January-September 1987 compared with interim 1986. <sup>22/</sup> U.S. capacity to produce increased from 6.3 million pounds in 1984 to 8.3 million pounds in 1985 and 8.7 million pounds in 1986, and also increased slightly from January-September 1986 to the same period of 1987. <sup>23/</sup> The increased capacity in 1986 was due to new machinery, equipment, and expansion. <sup>24/</sup> Capacity utilization fell from 48.7 percent in 1984 to 45.7 percent in 1986, but then rose from 45.4 percent in interim 1986 to 47.7 percent in interim 1987. <sup>25/</sup>

Domestic shipments rose from 3.0 million pounds in 1984 to 4.0 million pounds in 1985, but declined by 2.3 percent in 1986 to 3.9 million pounds. Their growth over these years was 32 percent, much less than the growth rate of apparent consumption. <sup>26/</sup> In interim 1987, shipments were 2.9 million pounds, compared to 2.6 million pounds in interim 1986. <sup>27/</sup> Inventories rose from 616,000 pounds in 1985 to 722,000 pounds in 1986. Comparing interim

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<sup>22/</sup> Id. at A-11, Table 2.

<sup>23/</sup> Report at A-9, A-11, Table 2.

<sup>24/</sup> Id. at A-11.

<sup>25/</sup> Id.

<sup>26/</sup> Report at A-12, Table 3. With the exception of shipments in 1986, shipment data are for finished fittings only.

<sup>27/</sup> As discussed in note 42, this increase in shipments appears to reflect the finishing of unfinished imported SSPFs by domestic producers.

1986 and 1987, they dropped from 657,000 pounds in the 1986 period to 605,000 pounds in 1987. However, despite this decrease, inventories remained at a much higher level than during 1984. <sup>28/</sup>

Aggregate net sales of firms producing SSPF increased from 1984 to 1985 before falling in 1986, and increased by 5.3 percent, from \$9.7 million in interim 1986 to \$10.3 million in interim 1987. <sup>29/</sup>

The SSPF industry was unable to generate any operating profits during the period of investigation. The losses incurred showed a marked increase in interim 1987 from the significant level of interim 1986. <sup>30/</sup> Losses before income taxes as a share of net sales also showed a negative trend. <sup>31/</sup>

While capacity, production, and shipments have shown improvements, more significantly, the industry has not earned any operating profits, clearly depicting a materially injured SSPF industry. <sup>32/</sup> While some individual producers' production, shipment, and profit and loss experience during the period of investigation may have been favorable, the industry as a whole performed very poorly.

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<sup>28/</sup> Report at A-13, Table 4.

<sup>29/</sup> Id. at A-18, Table 7.

<sup>30/</sup> Id.

<sup>31/</sup> Id.

<sup>32/</sup> Commissioner Cass does not join in this statement. See his additional views for a discussion of the unitary analysis of material injury and causation.

Material injury by reason of LTFV imports <sup>33/</sup>

In making final determinations in antidumping investigations, the Commission must ascertain whether any injury being suffered by the domestic industry is "by reason of" the imports under investigation. <sup>34/</sup> Although we may consider information indicating that such injury is caused by factors other than LTFV imports, we must not weigh causes. <sup>35/</sup> The statute directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise that is the subject of the investigation, (2) the effect of imports of that merchandise on prices in the United States for the like products, and (3) the impact of imports of such merchandise on domestic producers of like products. <sup>36/</sup>

The volume of unfair imports from Japan <sup>37/</sup> grew dramatically from 1984 to 1986. Although LTFV imports declined between interim 1986 and interim 1987, unfair import volume still showed massive growth during the period of investigation. <sup>38/</sup>

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<sup>33/</sup> Vice Chairman Brunsdale does not join in this portion of the opinion. See her additional views, *infra*.

<sup>34/</sup> 19 U.S.C. § 1673d(b).

<sup>35/</sup> See S. Rep. No. 249, 96th Cong., 1st Sess. 57-58, 75; H.R. Rep. No. 317, 96th Cong., 1st Sess. 7 (1979).

<sup>36/</sup> 19 U.S.C. § 1677(7)(B).

<sup>37/</sup> Imports from Japan do not include SSPFs produced and exported by Fuji Acetylene Industries Co., Ltd. The Commerce Department found de minimis dumping margins on imports from this company. 53 Fed. Reg. 3231 (Feb. 4, 1988). The volume and value of LTFV imports cannot be disclosed without revealing business confidential information. Report at A-31, Table 14.

<sup>38/</sup> Report at A-31, Table 14. The decline in Japanese import volume in 1987 may be attributable to the pendency of this investigation, and thus does not provide a basis for concluding that the injury suffered by the U.S. industry is caused by factors other than LTFV imports. See Anhydrous Sodium Metasilicate from France, Inv. No. 731-TA-25 (Final), USITC Pub. 1118 (Dec. 1980), *aff'd*, Rhone-Poulenc, S.A. v. United States, 592 F. Supp. 1318 (Ct. Int'l Trade 1984).

Market penetration of SSPFs from Japan was substantial throughout the period of investigation and rose significantly from 1984 to 1986. <sup>39/</sup> Import penetration decreased from interim 1986 to interim 1987, but remains at a significant level. <sup>40/</sup>

U.S. producers' share of total U.S. apparent consumption has fallen concomitantly with the increase in unfair imports from Japan. <sup>41/</sup> Thus, LTFV imports constituted a significant and growing presence in the U.S. market, and gained substantial market share at the expense of U.S. producers of SSPFs. <sup>42/</sup>

Pricing information on imported SSPFs indicates consistent and significant underselling during the period of investigation. <sup>43/</sup> All

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<sup>39/</sup> Report at A-31, Table 14. Although there was a decline in Japanese import penetration (in quantity terms) from 1985 to 1986, the 1986 level is sharply higher than that of 1984. Id.

<sup>40/</sup> Report at A-31, Table 14. The import penetration information for the interim 1987 period is confidential. Because the commencement of this investigation may have caused import levels to decline, we give little weight to the decline in interim 1987 import penetration. See note 38, supra.

<sup>41/</sup> Report at A-31, Table 14. U.S. producers' share of consumption is, in part, business confidential information.

<sup>42/</sup> Imports of unfinished SSPFs have increased both in volume and as a percentage of imports. Report at A-27, Table 10. The processing of unfinished LTFV imports into finished fittings, which is essentially a finishing operation, appears to be supplanting integrated production of SSPFs in the United States. Consequently, although U.S. producers' shipments of finished SSPFs increased from 1984 to 1986, a large part of the increase is attributable to mere finishing of imported SSPFs rather than expansion of integrated production. Id. at A-14, Table 1.

<sup>43/</sup> Report at A-33-A-38. U.S. producers and importers of SSPFs provided quarterly price data for their largest sale to a distributor, as well as total quantity and value of sales for seven different product specifications, for the period of investigation. Id. at A-32.

Japanese-produced fittings for which prices were gathered were priced below the comparable domestic product throughout the period of investigation, and the margins of underselling were significant. <sup>44/</sup> This consistent and significant underselling occurred while prices for U.S.-produced SSPFs declined sharply. Prices for all seven specifications of SSPFs collected by the Commission fell substantially from January-March 1984 to January-March 1987, with declines ranging from 10 to 35 percent. Although prices for four product specifications increased minimally in mid 1987, prices for the other three continued to fall through the second quarter of 1987. <sup>45/</sup>

Based on the foregoing analysis, we conclude that the domestic industry is materially injured by reason of LTFV imports from Japan.

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<sup>44/</sup> Report at A-33-A-37. There do not appear to be significant differences in quality between domestic and Japanese SSPFs. Id. at A-38.

<sup>45/</sup> Report at A-33.



**ADDITIONAL VIEWS OF VICE CHAIRMAN ANNE E. BRUNSDALE  
Certain Stainless Steel Butt-Weld Pipe Fittings  
from Japan**

Irv. No. 731-TA-376 (Final)

March 14, 1988

I agree with the majority's conclusions regarding like product, domestic industry, and condition of the domestic industry. I also concur in their determination that domestic producers are materially injured by reason of unfair imports. However, I reach this finding through an analysis that is different from theirs. These additional views explain my approach to causation in this case.

While the evidence in this case is somewhat equivocal on the issue of the domestic industry's condition, the causal links between dumping and the domestic industry's performance are very clear. In my analysis of causation, I consider the effect of dumped imports on the domestic industry and conclude that these imports did cause material injury.

Volume of Imports, Market Penetration, and Dumping Margin

The absolute level of dumped stainless steel butt-weld pipe fittings rose dramatically between 1984 and 1985, increasing from \*\*\*\*\* pounds to \*\*\*\*\*

\*\*\*\*\* pounds,1/ and then declined somewhat to \*\*\*\*\* pounds in 1986 and \*\*\*\*\* pounds in interim 1987.2/ Over the three-year period of investigation as a whole, imports rose more than 300 percent above their 1984 level.3/ The market share held by dumped imports also increased significantly after 1984. That share rose from \*\*\*\* percent in 1984 to \*\*\*\* percent in 1985, dipped to \*\*\*\* percent in 1986, and dipped again in the interim periods of 1986 and 1987 from \*\*\*\* to \*\*\*\* percent.4/ Despite the recent declines, dumped imports still hold a significant share of the market for stainless steel butt-weld pipe fittings in the United States.

The margins of dumping in this case are also very high. The average margin of dumping for the sales surveyed by the Department of Commerce was 49.31 percent.5/ The margins for individual companies subject to investigation ranged from 37.24 percent to 65.08 percent.6/

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1/ Report at A-26 (Table 9). For the purposes of this analysis, I adjusted the numbers in Table 9 to eliminate imports from Fuji, because the Commerce Department determined that Fuji was not dumping products in the United States. See Final Determination of Sales at Less Than Fair Value; Certain Stainless Steel Butt-Weld Pipe and Tube Fittings From Japan, 53 Fed. Reg. 3,227 (ITA Feb. 4, 1988).

2/ See Report at A-26 (Table 9).

3/ Id.

4/ Id. at A-31 (Table 14).

5/ See Final Determination of Sales at Less Than Fair Value; Certain Stainless Steel Butt-Weld Pipe and Tube Fittings From Japan, 53 Fed. Reg. 3,227, 3,231 (ITA Feb. 4, 1988).

6/ Id.

Elasticity Information in This Case 7/

Elasticity of Substitution. Stainless steel butt-weld pipe fittings from the United States and Japan have very similar physical characteristics. Products from both countries are of high quality, and producers in both countries manufacture a comparable range of product types and sizes.<sup>8/</sup> Consumers of finished fittings generally view the Japanese and domestic fittings as comparable products and acceptable substitutes for each other.<sup>9/</sup> These facts suggest that the elasticity of substitution between the domestic and imported fittings is quite high.

However, from a purchaser's perspective, there are several differences between the Japanese and U.S. fittings that make them less than perfect substitutes. Japanese producers usually require a longer lead time for delivery, as much as five to six months compared to only one week normally for U.S. manufacturers.<sup>10/</sup> In addition, Japanese producers have a much

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7/ For a discussion of the usefulness of elasticities, see Color Picture Tubes From Canada, Japan, the Republic of Korea, and Singapore, 731-TA-367-370 (Final), USITC Pub. 2046, at 23-32 (Dec. 1987). The Court of International Trade has also discussed with approval the use of elasticities. See *Copperweld Corp. v. United States*, No. 88-23, slip op. at 45-48 (Ct. Int'l Trade Feb. 24, 1988).

8/ See Office of Economics Memorandum EC-L-057, at 7 (March 4, 1988).

9/ See Report at A-38.

10/ See Office of Economics Memorandum EC-L-057, at 7 (March 4, 1988).

higher minimum purchase requirement, ranging as high as \$5,000 to \$100,000 compared to only \$100 normally for U.S. manufacturers.<sup>11/</sup>

Offsetting these negative attributes of the Japanese product to some extent is the fact that the Japanese producers offer far more favorable financing terms than the American firms.<sup>12/</sup> Indeed, the difference in financing terms are a reflection of the broader issue of relative worth in the marketplace. Japanese prices were consistently lower than their domestic counterparts.

The Office of Economics estimates that the elasticity of substitution falls within a range between 1.45 and 3.05.<sup>13/</sup> Petitioners argue that the elasticity of substitution is actually higher.<sup>14/</sup> In this case, I am persuaded by Petitioner's argument. On balance the evidence does not suggest that customers would strongly favor either the Japanese or the U.S. products. Given the similarities of the products in terms of characteristics and quality and the similar range of products offered by both Japanese and American manufacturers, I am persuaded that the elasticity of substitution is fairly high.

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<sup>11/</sup> See Report at A-32.

<sup>12/</sup> See *id.* Some Japanese firms offer free financing for \*\*\*\* days after the bill of lading date. *Id.* U.S. firms offer traditional financing, normally a two percent discount for payment within the first 10 days, with the net balance due in 30 days.

<sup>13/</sup> See Office of Economics Memorandum EC-L-057, at 10 (March 4, 1988), citing Shiells, Stern and Deardorff, Estimates of the Elasticities of Substitutes between Imports and Home Goods for the United States, Weltwirtschaftliches Archiv, Band 122, Heft 3, 1986.

<sup>14/</sup> See Petitioner's Responses to Questions by the Commission and the Staff at 4 (Feb. 16, 1988).

Because these products are highly substitutable in the eyes of consumers, any small price advantage will translate into a large sales advantage. That is, if the Japanese and U.S. goods are seen as close substitutes and if the Japanese imports are selling at prices consistently lower than they otherwise would in an ordinary competitive market, then Japanese producers will almost certainly increase their market share at the expense of the domestic firms. In this case, we have evidence from the Department of Commerce that Japanese importers dumped their products in the U.S. market at an average dumping margin of over 49 percent.<sup>15/</sup> In a market where the penetration of dumped imports is high, a large dumping margin -- which I assume translates into a large price advantage for the importer -- will be sufficient to take significant sales away from the domestic producers. This explication provides ample evidence of the requisite causal nexus between dumped imports and the material harm to the domestic industry and leads me to conclude that dumped imports have caused material injury to the domestic industry.<sup>16/</sup>

My conclusion regarding the existence of a causal link between dumping and material injury is reinforced by the data on the elasticity of supply in this case. The evidence before us indicates that domestic supply is

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<sup>15/</sup> See supra note 5 and accompanying text.

<sup>16/</sup> The pricing evidence in the Commission report indicates that the imported product is consistently priced below the domestic product. See Report at A-33-A-38. Because this evidence was based on a limited sample of only a few products within a broad product range, I cannot give it large weight. However, the consistent pattern of pricing reinforces the conclusion, discussed above, that there are differences in perceived attributes between the Japanese and U.S. products. The pattern also indicates that Japanese products consistently benefitted from a nominal price advantage -- an advantage that may have been maintained in part through dumping.

highly elastic.<sup>17/</sup> There was substantial unused capacity in the domestic industry over the entire period of investigation, suggesting that domestic manufacturers could respond easily to price increases.<sup>18/</sup> This factor supports an analysis by Richardson and Mutti which finds that the elasticity for this general class of products is high.<sup>19/</sup> The Office of Economics and the Petitioners both agree that domestic supply is highly elastic.<sup>20/</sup>

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<sup>17/</sup> See Office of Economics Memorandum EC-L-057, at 5 (March 4, 1988).

<sup>18/</sup> Questionnaire data presented in the Staff Report indicated that capacity utilization was at the following percentages over the period of investigation:

<u>Year</u>	<u>Capacity Utilization Percentage</u>
1984	48.7%
1985	47.9%
1986	45.7%
1986 (partial)	45.4%
1987 (partial)	47.7%

See Report at A-11 (Table 2).

<sup>19/</sup> J. David Richardson and John H. Mutti state that the elasticity of domestic supply for this general class of merchandise is high — 12.82. See Office of Economic Memorandum EC-L-057, at 4-5 (March 4, 1988), citing J. Richardson and J. Mutti, "Industrial Displacement Through Environmental Controls: The International Competitive Aspects," Studies in International Environmental Economics, at 57-102 (1976).

<sup>20/</sup> Respondents argue that domestic supply is actually inelastic, as evidenced by shortfalls of the domestic product that U.S. distributors were experiencing. See Respondent's Posthearing Brief, Appendix II, at 1 (Feb. 16, 1988). The Office of Economics explored this allegation, but discovered that most dealers were not experiencing any shortfall. Those that were experiencing shortfalls believed the shortfalls resulted from short-term adjustments of U.S. producers and did not expect them to be long-lasting. See Office of Economics Memorandum EC-L-057, at 4 (March 4, 1988).

Gerlin argued that domestic supply was less elastic than  
(continued...)

Since supply is highly elastic, it is not surprising that dumped imports had a significant impact on quantities produced by domestic manufacturers, but a small impact on domestic prices. The volume effect is indicated in apparent consumption and shipment data. Apparent U.S. consumption of the product jumped significantly between 1984 and 1985. Dumped imports supplied a large portion of this increased demand, however, and not only increased their market share considerably that year, but continued to hold this increased share of the domestic market throughout the period of investigation.<sup>21/</sup> During this period, the unit value of U.S.-produced stainless steel butt-weld pipe fittings fell very little — only 33 cents, equal to a 4.8 percent decline.<sup>22/</sup>

The evidence presented to the Commission on import volumes and market share, the dumping margin, prices in this market, financial and operating data on domestic firms, as well as the economic estimates, combine to show a convincing case of material injury to the domestic industry by reason of dumped imports. I therefore agree with my colleagues in the majority that

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<sup>20/</sup>(...continued)

stated by the Office of Economics because the capacity data for the U.S. industry are overstated (which inflates the capacity utilization percentage). See Gerlin, Inc. Posthearing Brief, Annex B, at 8-9. The Commission Staff investigated the allegation and determined that the capacity utilization figures were the best available information and that there was no evidence the figures were substantially too high.

<sup>21/</sup> The volume of dumped imports increased over 300 percent in 1985. See Report at A-26 (Table 9). At the same time, apparent U.S. consumption rose by only approximately 80 percent. Id. at A-11 (Table 1).

<sup>22/</sup> Id. at A-12 (Table 3). This decline may have been affected by factors other than dumped imports. There is evidence in the Commission report that labor cost per unit dropped over 24 percent in the same period. This could explain a large portion of the decline in price per unit. Id. at A-15 (Table 5).

the statutory criteria are met and that antidumping duties should be imposed.



## ADDITIONAL VIEWS OF COMMISSIONER RONALD A. CASS

Stainless Steel Butt-Weld Pipe Fittings from Japan  
Investigation No. 731-TA-376 (Final)

I concur with the Commission's determination that the domestic industry producing the subject product is suffering material injury by reason of LTFV imports from Japan. I join the Commission's opinion insofar as it concludes that returns to the domestic industry have declined materially relative to what they would have been absent the LTFV sales subject to investigation. I believe, however, that the issues of injury and causation should be addressed together. Such a unitary approach is more faithful to the provisions of the Tariff Act than is separate consideration of these issues. A unitary approach would not ask whether the domestic industry is performing well in comparison to other industries or in comparison to other time periods. Instead, it would ask what the domestic industry's performance would have been in the absence of unfairly traded imports during the period of investigation. This approach avoids the risk that industries materially injured by LTFV imports will not prevail on their claims because the industry's financial health is nonetheless improving or is better than other American industries. I believe that the facts in this case, discussed in the opinion of the Commission, establish that, but for the expansion of Japanese imports attributable to LTFV sales, domestic production would have expanded considerably as domestic demand expanded. Had this occurred, employment in the domestic industry would have been substantially higher and returns to capital invested in this industry also would have been materially increased.

Evidence suggests that the domestic and imported goods involved in this investigation are highly interchangeable, which increases the effect on the domestic industry of increased volumes of low-cost imports. The high margin of dumping calculated by the Department of Commerce indicates that a substantial increase in the volume of imports was due to LTFV sales. The subject imports, indeed, increased sharply during a time when other imports and shipments of domestic products expanded at a much slower rate as domestic demand increased. The evidence in this case indicates that demand for stainless steel butt-weld pipe fittings is relatively insensitive to changes in price. Thus, the dramatic increase in apparent domestic consumption from 1984 to 1985 was not caused simply by a drop in prices resulting from low-priced LTFV imports, but rather was caused by other factors. Given indications of low capacity utilization in the domestic industry and some ability to shift productive resources among product lines, it is reasonable to infer that the domestic industry would have shared to a much greater degree in the increase in demand for these pipe fittings, but for the large volume of LTFV imports. The coexistence of substantial excess capacity and high fixed costs reflect the likelihood that this reduction in domestic production due to LTFV imports caused profits as well as employment to be less than they would have been had the domestic industry enjoyed a higher level of production and sales. Both profitability and returns to employees in this industry, thus, appear to have been materially impaired. The domestic industry, therefore, has suffered material injury by reason of LTFV imports.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

Following a preliminary determination by the U.S. Department of Commerce that imports of certain stainless steel butt-weld pipe and tube fittings 1/ from Japan are being, or are likely to be, sold in the United States at less than fair value (LTFV), the U.S. International Trade Commission, effective September 16, 1987, instituted investigation No. 731-TA-376 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) to determine whether or not an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise. 2/ Notice of the institution of the Commission's final investigation and of the public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on October 19, 1987 (52 F.R. 38819). 3/

Subsequently, Commerce, at the request of Nippon Benkan Kogyo, K.K., extended the date for its final determination in the investigation from November 24, 1987, to January 29, 1988 (52 F.R. 37815, Oct. 9, 1987). The Commission, therefore, revised its schedule and published the revised schedule in the Federal Register (52 F.R. 39292, Oct. 21, 1987).

On February 4, 1988, Commerce published in the Federal Register (53 F.R. 3227) its final affirmative determination that imports of certain stainless steel butt-weld pipe and tube fittings from Japan are being, or are likely to be, sold in the United States at LTFV.

A public hearing was held in connection with the investigation on February 9, 1988, in Washington, DC. 4/ The briefing and vote was held on March 8, 1988. 5/

## Background

This investigation results from a petition filed by Flowline Corp., New Castle, PA, on April 2, 1987, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of stainless steel butt-weld pipe fittings from Japan. In response to that petition, the Commission instituted investigation No. 731-TA-376 (Prelim-

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1/ Commerce described the merchandise covered by its investigation as "stainless steel butt-weld pipe and tube fittings, whether finished or unfinished, including as-formed tubular blanks (blanks), under 14 inches in inside diameter, as provided for in the Tariff Schedules of the United States Annotated (TSUSA) item No. 610.8948. The corresponding Harmonized System (HS) number is 7307.23.00" (53 F.R. 3227, Feb. 4, 1988).

2/ The Commission's notice described the subject merchandise as "stainless steel butt-weld pipe fittings, provided for in (TSUS) item 610.89..."

3/ Copies of cited Federal Register notices are presented in app. A.

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

5/ Chairman Liebeler did not participate in the final determination.

inary) under section 733 of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) and, on May 18, 1987, determined that there was a reasonable indication of material injury. 1/

#### Nature and Extent of the LTFV Sales 2/

On February 4, 1988, the Department of Commerce published in the Federal Register its final determination that imports of stainless steel butt-weld pipe fittings from Japan are being sold, or are likely to be sold, in the United States at LTFV. Commerce investigated sales of stainless steel butt-weld pipe fittings to the United States during the period November 1, 1986, to April 30, 1987.

For purposes of its final determination, Commerce compared the U.S. price with the foreign-market value. Commerce used the purchase price to represent the U.S. price for sales made to unrelated customers in the United States and for sales through a related U.S. selling agent, although the U.S. customer took shipment directly from the manufacturer. The purchase price was based on the packed, c.i.f. duty paid, c.i.f. duty unpaid, or f.o.b. prices to unrelated purchasers in the United States. Since Mie Horo did not respond to the questionnaire, Commerce calculated its purchase price on the basis of the best information available, which was the information in the petition. The foreign-market value was based on delivered, packed, home-market prices to related and unrelated purchasers. For Mie Horo, Commerce used the best information available, which was the constructed value data in the petition.

The final weighted-average margins, as calculated by Commerce, are as follows (in percent ad valorem):

Nippon Benkan Kogyo, K.K.....	37.24
Fuji Acetylene Industries Co., Ltd.....	0.08 (de minimis)
Mie Horo.....	65.08
All others.....	49.31

Commerce made no final determination concerning critical circumstances since the petitioner withdrew its allegation. The quantity and value of the exports examined by Commerce were \* \* \* pounds, valued at \$\* \* \*. Commerce found \* \* \* percent of sales during the period of investigation to be at LTFV. 3/

1/ Vice Chairman Brunsdale did not participate in the preliminary determination, and Commissioner Cass was not a member of the Commission at that time.

2/ Stainless steel butt-weld pipe fittings have not been the subject of any other statutory investigation by the Commission. In December 1986, the Commission completed investigations (Nos. 731-TA-308 and 310 (Final)) on Certain Carbon Steel Pipe Fittings From Brazil and Taiwan, and in January 1987, the Commission completed an investigation (No. 731-TA-309 (Final)) on those same products from Japan. As a result of these investigations, the Commission unanimously determined in all cases that an industry in the United States was materially injured by reason of the LTFV imports.

3/ Exports by Nippon Benkan only; Fuji was de minimis.

Commerce directed the U.S. Customs Service to continue to suspend liquidation of all entries of stainless steel butt-weld pipe fittings from Japan (except those produced and sold by Fuji) that are entered or withdrawn from warehouse for consumption on or after the date of publication (Feb. 4, 1988) of its final notice in the Federal Register.

## The Products

### Description and uses

Stainless steel butt-weld pipe fittings come in several basic shapes: "elbows," "tees," "reducers," "stub ends," and "caps." Of these, elbows, stub ends, and tees are the most common shapes. A characteristic of all stainless steel butt-weld pipe fittings is that the edges of finished fittings are beveled so that when they are placed against the end of a pipe that has also been beveled a shallow channel is created to accommodate the "bead" of the weld used to join the fittings to the pipe.

Stainless steel butt-weld pipe fittings are used in piping systems requiring welded connections when one or more of the following conditions is also a factor in designing the system: (1) corrosion of the piping system will occur if material other than stainless steel is used; (2) contamination of the material in the system by the system itself must be prevented; (3) high temperatures (in excess of 300° F) are present; (4) extreme low temperatures are also present; and (5) high pressures are contained within the system. Stainless steel butt-weld pipe fittings are used in so-called process piping systems such as chemical plants, petrochemical plants, pharmaceutical plants, food-processing facilities, breweries, cryogenic plants (including basic oxygen steel processing), waste-treatment facilities, pulp and paper production facilities, gas-processing (gas separation) facilities, commercial nuclear powerplants, and nuclear naval applications (in reactor lines and water lines).

### Manufacturing process

Production of stainless steel butt-weld pipe fittings begins with welded stainless steel pipe or unfinished fittings. In integrated production, stainless steel butt-weld pipe fittings are generally cold formed from fusion-welded stainless steel pipe. However, production of some types of fittings, notably stub ends, requires heating the raw material and performing forging operations. Usually, the pipe used is ASTM Grade A-312 and the stainless steel alloy is 304L or 316L. A number of production steps are common to every shape fitting. However, steps related to forming the fitting vary depending on its shape.

To manufacture elbows, welded or seamless stainless steel pipe is cut into fitting blanks of proper length. The blanks are degreased of the lubricant used in the cutting process and the rough edges are removed. The blanks are stamped, or otherwise marked, with the heat or production number for identification during the manufacturing process. Blanks are then lubricated for

forming. Elbow blanks are cold formed on hydraulic presses. 1/ The blanks go through one or more forming dies. 2/ After forming, final annealing is performed at 1,950° F to stress relieve and place the metal in condition for corrosion resistance. After annealing, the blanks are quenched in water in order to cool them as quickly as possible through the carbon precipitation temperature range of 1,400° F to 800° F. The cooling process must take place within 3 minutes of exit from the furnace. The oxide scale formed during heat treatment is removed in a pickling bath and the fitting is rinsed with water. A final sizing operation is performed in the press to achieve the required tolerances. The ends of the formed elbows are then machined to exact size (straight faced) and a bevel for welding purposes is added. The machined elbow is degreased, passivated in hot diluted nitric acid, and then rinsed with water. The passivation process activates a chromium oxide film on the surface of the metal, which gives it a corrosion resistant character. The fitting is marked with an electrochemical etch identifying it as complying with industry standards. The etching acid is neutralized, and the fitting is rinsed, inspected, and packed for warehouse storage or shipment.

In the final questionnaires, producers were asked to provide the costs of 1) raw materials (pipe or plate, unfinished fittings, or other raw material), 2) steps in forming (or forging) the unfinished fitting, and 3) finishing steps such as annealing, coining, shot blasting or cleaning, passivating, marking, and so forth, as a share of the total production costs of the finished fittings. Responses varied, which may be attributable to the many types and sizes of fittings produced by reporting firms and the ability to use the same production equipment to produce fittings from other alloys, such as aluminum, nickel, and copper. The responding firms reported that costs (not including raw material costs) to form or forge fittings, as a share of total costs to produce finished fittings, averaged 33 percent, 3/ and to finish the fittings the costs averaged 36 percent. 4/ Raw materials averaged 37 percent of total costs for firms that buy pipe or plate, and 68 percent for firms that buy unfinished pipe fittings.

#### U.S. tariff treatment

Imports of the stainless steel butt-weld pipe fittings covered by this investigation are classified in TSUS item 610.89 and reported under item 610.8948 5/ of the TSUSA, an annotation which covers stainless steel butt-weld

1/ Production of stub ends differs in that the forming process involves hot forming rather than cold forming. The other production steps are essentially the same. The manufacturing processes for tees and reducers are virtually the same as the manufacturing process for elbows.

2/ Sometimes a semi-formed elbow requires heat treatment to stress relieve the blank from hardening and/or embrittlement.

3/ Includes production steps to cut (average 5 percent), grind (7 percent), die stamp (3 percent), and form or forge (18 percent) the fitting. The bulk of these costs are for grinding and forming the fittings.

4/ Includes production steps for annealing (average 4 percent), coining (sizing) (4 percent), machining (15 percent), cleaning (6 percent), passivating (3 percent), marking (3 percent), and cutting (1 percent). The bulk of these costs are for machining and cleaning the fittings.

5/ Prior to Apr. 1, 1984, the subject products were reported under TSUSA item 610.8048.

pipe fittings under 14 inches in inside diameter. The column 1 rate of duty 1/ is 6.2 percent ad valorem, and the column 2 rate of duty is 45 percent ad valorem. 2/ Imports under this tariff item have been designated as articles eligible for duty-free treatment under the Generalized System of Preferences, 3/ under the Caribbean Basin Economic Recovery Act, and under the U.S.-Israel Free Trade Area Implementation Act. Imports from Japan are dutiable at the column 1 rate.

#### U.S. Producers

The Commission received questionnaire responses from 11 firms 4/ that manufacture stainless steel butt-weld pipe fittings under 14 inches in inside diameter. Some firms produce all types of stainless steel pipe fittings, and others limit production to stainless steel specialty pipe fittings, such as long tangents 5/ and belled end fittings. 6/ A substantial quantity of the stainless steel butt-weld pipe fittings produced and sold in the United States is made from unfinished fittings purchased from other sources. Such production involves finishing or conversion operations only. 7/ Flowline Corp., the petitioner, is an integrated producer; that is, it forms stainless steel into unfinished fittings that it subjects to the additional processing needed to convert them into finished fittings. Several U.S. producers engage in integrated production with respect to some, but not all, of their output. To varying degrees, these "combination" companies also purchase unfinished

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1/ The col. 1 rate is applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS. However, these rates would not apply if preferential treatment is sought and granted to products of developing countries under the Generalized System of Preferences (GSP), or the Caribbean Basin Economic Recovery Act (CBERA), or to products of Israel, as provided under the special rates of duty column.

2/ Col. 2 rates of duty apply to products imported from those Communist countries and areas enumerated in general headnote 3(d) of the TSUS.

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

4/ One of the 11 responses is from the preliminary investigation because the Picor Division of Franke, Inc., was purchased by Gerlin in October 1987, \* \* \*.

5/ Petitioner stated at the hearing that the tangential fitting has a different dimensional tolerance, which makes it physically different, but that it is a similar product and is sold to the same customers; transcript of the hearing, pp. 85-86.

6/ Gerlin and counsel for the respondents argue that firms which produce specialty fittings should not be included in the industry data since these fittings are not commodity products and do not compete with standard fittings; transcript of the hearing, pp. 162-163, respondents' posthearing brief, p. 2.

7/ Until September 1987, there was only one U.S. company, Gerlin Corp., whose total output consisted of fittings made in this manner, from unfinished fittings produced abroad. In October 1987, Gerlin purchased all the assets of the Picor Division of Franke, Inc., which provides the firm with the ability to form stainless steel pipe or plate into unfinished fittings.

fittings from foreign or domestic sources and convert them into finished fittings in the United States. The number of conversion steps performed by these producers and the value added are quite variable. These variations may be attributable to the stage of production at which the unfinished fitting was purchased. 1/ It is believed that the 11 firms responding to the questionnaires account for the bulk of U.S. production of stainless steel butt-weld pipe fittings under 14 inches in inside diameter. 2/ U.S. producers, type of production, plant locations, and their share of domestic shipments, by quantity, as compiled from questionnaire responses, are presented in the following tabulation:

<u>U.S. producer</u>	<u>Type of production</u>	<u>Plant location</u>	<u>Share of ship- ments in 1986 Percent</u>
Alloy Piping Products.....	Combination	Shreveport, LA	***
American Fittings, Inc.....	Integrated	Travelers Rest, SC	***
Bestweld, Inc.....	Integrated	Bridgeport, PA	***
Custom Alloy Corp.....	Integrated	Califon, NJ	***
Davis Pipe & Metal Fabricators.	Integrated	Blountville, TN	***
Flowline Corp. 2/.....	Integrated	New Castle, PA	***
		Whiteville, NC	
Flo-Mac.....	Combination	Los Angeles, CA	***
Franke, Inc. 3/.....	Combination	Palm, PA	***
Gerlin Corp.....	Combination	Carol Stream, IL	***
Ladish Co., Inc.....	Integrated	Cudahy, WI	***
Taylor Forge Stainless.....	Combination	Somerville, NJ	***
Total			100.0

1/ \* \* \* provided a response to the questionnaire but the data submitted could not be verified by staff and have been deleted from the report. The company does not keep its records by product line and used the following methodology to respond to the questionnaire: total number of all pieces produced x 25 pounds per piece (an estimate) x \*\*\* percent (the company's estimate of stainless steel pipe fittings' share of total production). Information provided by the firm pertaining to general operations has been included, where appropriate.

2/ Flowline Corp. is the petitioner in this investigation. With the exception of \* \* \*, all remaining U.S. producers have indicated in their questionnaire responses that they support the petition. \* \* \*. Gerlin Corp. opposes the petition and representatives of that firm appeared at the Commission's hearing in opposition to the imposition of antidumping duties.

3/ Information based on response to the questionnaire in the preliminary investigation.

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

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1/ Transcript of the hearing, p. 7.

2/ The Commission is aware of \* \* \* firms not listed in the petition that may produce stainless steel butt-weld pipe fittings. \* \* \*.



## U.S. Importers

According to the Customs net import file, 17 firms imported stainless steel butt-weld pipe fittings from Japan during January-June 1987. The Commission received data from 14 firms, including 5 U.S. producers that imported these products. Many of the importers (except producer-importers) are related to the foreign producers from which they import. The bulk of the imports by producers were unfinished fittings that they converted into finished products. The firms that are not producers imported mostly finished fittings. None of these latter importers modify or otherwise add value to the imported product. Based on official statistics, the firms that responded to the questionnaires accounted for 92 percent, 43 percent, and 98 percent of the total quantity reported for 1984, 1985, and 1986, respectively, of stainless steel butt-weld pipe fittings imported from Japan. 1/

Counsel for Gerlin Corp. argued in the preliminary investigation and at the hearing that "tubular blanks," which are included in TSUS item 610.89 (TSUSA item 610.8948), 2/ and which are imported almost exclusively by U.S. producers, should be excluded from this investigation. 3/ Gerlin defines tubular blanks as products made from pipe, plate, or forgings that have been formed to a basic shape, heat treated, and sized, but which require additional transformation to adapt them to use as a finished fitting. According to Gerlin, these blanks require all of the following processes: blasting, pickling (cleaning), machining and beveling, passivating, electroetching, and saw cutting, as required. Tubular blanks 4/ reportedly account for a substantial proportion of the imports from Japan. Gerlin testified at the hearing that the cost of the forming equipment necessary to produce blanks from pipe was roughly equal to the cost of the equipment to produce finished fittings from blanks (approximately \$1 million). 5/ Petitioner testified that the

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1/ U.S. producers accounted for \* \* \* percent of the imports from Japan in 1986.

2/ The petitioner noted in the petition (p. 1) that this TSUSA classification applies to the named product "whether finished or not finished" by virtue of TSUSA General Headnote 10(h).

3/ Throughout the preliminary and final investigations, Gerlin requested that the Commission find two like products: 1) finished and unfinished fittings and 2) as-formed tubular blanks (as described above). Tubular blanks result from the first nine manufacturing steps listed in app. C to the petition (transcript, p. 161), and shown in app. C to the final report. Gerlin maintains that tubular blanks are not physically like finished fittings, are imported only by U.S. producers of fittings, and require substantial transformation and outlays of capital to produce a finished fitting. The petitioner has contended throughout the investigations that there is only one like product, including both unfinished and finished fittings. Petitioner argues that unfinished fittings have only one end use and that is conversion into finished fittings.

4/ Two Japanese manufacturer-exporters of unfinished fittings referred to them in their questionnaire responses to Commerce as "as-formed" fittings that have not been advanced beyond cold-forming, annealing, and quenching.

5/ Transcript of the hearing, pp. 153 and 159. Gerlin estimates that its costs to finish an as-formed tubular blank amounts to 28 percent of the total cost of the fitting; posthearing brief, p. 5, and footnote 6.

production steps necessary to forge or form fittings comprise approximately 85 percent of total production costs and account for a greater percentage of capital investment than the finishing operations. 1/ In addition, the petitioner testified that the full process of producing a finished pipe fitting from a blank (unfinished fitting) is about 25 to 30 percent of the production cost in the entire process of manufacturing pipe fittings. 2/

Counsel for the respondents argued at the hearing that "clean" (or "ultra clean") stainless steel fittings should not be considered a like product to standard stainless steel butt-weld pipe fittings. Clean fittings have an electrolytically polished inner surface, generally range from one-half to 4 inches in nominal size, are not beveled, and have relatively small wall thickness. Clean fittings are used in applications that require their ultra clean characteristics, such as piping systems that convey ultra clean gas. 3/ Petitioner testified that it would be unusual for most producers to have electrolytic cleaning ability, although it can be done on a subcontract basis. The majority of the fittings Flowline produces are beveled, although light-walled fittings up to 4 inches are not beveled. 4/ In a telephone conversation, \* \* \*, a U.S. producer of clean fittings, stated that \* \* \*.

#### The U.S. Market

##### Channels of distribution

Unfinished stainless steel butt-weld pipe fittings, when imported by a firm that does not manufacture finished fittings, are sold to U.S. producers for conversion into finished products. As stated earlier, 5 of the 11 responding U.S. producers are direct importers of unfinished fittings from Japan. Generally, the reason given by U.S. producer-importers for purchases of unfinished stainless steel butt-weld pipe fittings from Japan was cost effectiveness. The volume of unfinished fittings imported by other importers that responded to the Commission's questionnaire was small compared with their imports of finished fittings. Finished fittings, both imported and domestic, are sold principally to unrelated distributors and fabricators.

##### U.S. consumption

Apparent U.S. consumption of stainless steel butt-weld pipe fittings rose

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1/ Transcript, pp. 6 and 9.

2/ Transcript of the hearing, p. 24. The value added to an unfinished fitting varies according to the stage of production at which it was purchased. Therefore, the production costs incurred in the finishing operations, as reported by U.S. producers, ranged from 1 to 15 percent; petitioner's prehearing brief, pp. 4-5.

3/ Transcript of the hearing, pp. 109-110; respondents' prehearing brief, pp. 2-5, and posthearing brief, pp. 6-9.

4/ Transcript, pp. 53-56; petitioner's posthearing submission of responses to questions by the Commission and staff, pp. 19-21.

sharply from about \* \* \* pounds in 1984 1/ to 9.0 million pounds in 1985, and then decreased by 5.4 percent to 8.5 million pounds in 1986 (table 1). Consumption declined in the interim periods, from 6.3 million pounds during January-September 1986 to \* \* \* pounds in the corresponding period of 1987, representing a decrease of \* \* \* percent. Consumption data for January-September 1986 and January-September 1987 are understated because only seven producers, accounting for 82 percent of aggregate domestic shipments in 1986, provided shipment data for those periods. The demand for stainless steel butt-weld pipe fittings is a derived demand dependent on use of the product in such facilities as chemical plants, pharmaceutical plants, food-processing plants, gas-processing facilities, and commercial nuclear powerplants. 2/ The decline in consumption in 1986 and during January-September 1987 can be attributed, at least in part, to a flat demand in some of those industries. 3/

The ratio of imports to apparent consumption increased from \* \* \* percent in 1984 to 55.3 percent in 1985 before declining to 53.8 percent in 1986. This ratio declined again in interim 1987, from 58.8 percent during January-September 1986 to \* \* \* percent in the corresponding period of 1987.

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

The information in this section of the report is based on data received from questionnaire returns. As indicated previously, the Commission received questionnaires from 11 firms that manufacture stainless steel butt-weld pipe fittings. 4/ The staff believes that these firms accounted for the bulk of U.S. production of stainless steel butt-weld pipe fittings under 14 inches in inside diameter during the period covered by the Commission's investigation. 5/

#### U.S. capacity, production, and capacity utilization

U.S. capacity to manufacture stainless steel butt-weld pipe fittings increased annually from 6.3 million pounds in 1984 to 8.7 million pounds in 1986 (table 2). 6/ Capacity continued to increase in the interim periods, from almost 5.9 million pounds during January-September 1986 to 6.1 million pounds in the corresponding period of 1987. Data for 1984 and the interim periods are

---

1/ One firm, accounting for \* \* \* percent of aggregate reported domestic shipments in 1986, changed ownership in November 1984 and was unable to provide the requested data for 1984. Two other firms, together accounting for \* \* \* percent of aggregate domestic shipments in 1986, \* \* \*.

2/ Petition, p. 4.

3/ Transcript of the preliminary conference, pp. 16 and 40.

4/ One of the responses \* \* \*.

5/ One firm, accounting for \* \* \* percent of aggregate reported U.S. shipments in 1986, could not provide data for 1984. Two other firms \* \* \*.

6/ Capacity data submitted by questionnaire respondents were based on a wide combination of hours worked and weeks of operation. Responses ranged from 40 to 100 hours per week and from 48 to 52 weeks per year.

Table 1

Stainless steel butt-weld pipe fittings: U.S. producers' domestic shipments, imports for consumption, and apparent consumption, 1984-86, January-September 1986, and January-September 1987

Item	1984	1985	1986	January-September--	
				1986	1987
Quantity (1,000 pounds)					
U.S. producers' total domestic shipments of finished fittings 1/.....	2,990	4,029	2/ 3,938	2,589	2,886
Imports:					
Unfinished fittings imported by U.S. producers of finished fittings....	3/ ***	1,060	1,520	1,288	***
Other imports.....	***	4,975	4,579	3,697	***
Total imports 4/.....	2,390	6,035	6,099	4,985	3,490
Apparent consumption 5/.....	***	9,004	8,517	6,286	***
Value (1,000 dollars)					
U.S. producers' total domestic shipments of finished fittings 1/.....	20,591	26,854	2/ 25,843	17,254	16,770
Imports:					
Unfinished fittings imported by U.S. producers of finished fittings....	3/ ***	4,273	5,943	4,980	***
Other imports.....	***	11,815	11,664	9,154	***
Total imports 4/.....	7,719	16,088	17,607	14,134	12,223
Apparent consumption 5/.....	***	38,669	37,507	26,408	***
Ratio (percent)					
Ratio of imports to apparent consumption:					
Quantity 6/.....	***	55.3	53.8	58.8	***
Value.....	***	41.6	46.9	53.5	***

1/ Excludes resale of finished fittings. Includes shipments of finished fittings produced from imported unfinished fittings. Data for 1984 are for 7 firms; data for 1985-86 are for 10 firms; and data for the January-September periods are for 7 firms.

2/ Includes shipments of \* \* \* pounds of unfinished fittings, valued at \* \* \* dollars.

3/ Does not include \* \* \* pounds, valued at approximately \* \* \* dollars, imported by a firm that was \* \* \*.

4/ Includes both unfinished and finished fittings.

5/ Calculated as the sum of (a) U.S. producers' total domestic shipments of finished fittings made in the United States less their imports of unfinished fittings, and (b) total imports reported in official U.S. statistics.

6/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

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

Table 2

Stainless steel butt-weld pipe fittings: U.S. producers' end-of-period capacity, production, and capacity utilization, 1984-86, January-September 1986, and January-September 1987 1/

Item	1984	1985	1986	January-September--	
				1986	1987
Capacity (1,000 pounds).....	6,345	8,321	8,736	5,877	6,093
Production:					
From stainless steel pipe, plate, or bar (1,000 pounds).....	2,736	2,920	2,619	1,648	2,190
From purchased unfinished fittings (1,000 pounds).....	354	1,069	1,376	1,022	715
Total production (1,000 pounds).....	3,090	3,989	3,995	2,670	2,905
Capacity utilization: (percent).....	48.7	47.9	45.7	45.4	47.7

1/ Data for 1984 are for 7 firms; data for 1985-86 are for 10 firms; and data for the January-September periods are for 7 firms.

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

understated as explained previously. The increase in capacity in 1986 compared with that in 1985 was accounted for largely by \* \* \*. Flowline moved operations from its plant in Cranberry, PA, to a larger facility in Whiteville, NC, during 1985-87, and introduced new machinery and technology; 1/ \* \* \*.

Production of stainless steel butt-weld pipe fittings increased from 3.1 million pounds in 1984 to 4.0 million pounds in 1986. Production, as reported by 7 producers, was up 8.8 percent during January-September 1987 compared with production in the corresponding period of 1986. Capacity utilization by the responding producers decreased from 48.7 percent in 1984 to 45.7 percent in 1986. Capacity utilization increased in the interim periods, from 45.4 percent during January-September 1986 to 47.7 percent in the corresponding period of 1987.

As noted previously, a substantial quantity of the finished stainless steel butt-weld pipe fittings produced and sold in the United States is made from unfinished fittings purchased from other sources. The share of total reported U.S. production accounted for by such purchased unfinished fittings rose from 11 percent in 1984 to 27 percent in 1985 and 34 percent in 1986, then declined to 25 percent during January-September 1987.

1/ Transcript of the hearing, pp. 30-31; petitioner's responses to questions of the Commission and staff, pp. 16-17.

U.S. producers' shipments and exports

Total domestic shipments of stainless steel butt-weld pipe fittings by U.S. producers increased from 3.0 million pounds in 1984 to 4.0 million pounds in 1985, representing an increase of 34.7 percent, and then declined slightly, by 2.3 percent, in 1986 (table 3). Shipments increased during January-September 1987, rising by 11.5 percent from shipments in the corresponding period of 1986. <sup>1/</sup> Unit values declined throughout the period, from \$6.89 in 1984 to \$5.81 during January-September 1987.

Table 3

Stainless steel butt-weld pipe fittings: U.S. producers' total domestic shipments, 1984-86, January-September 1986, and January-September 1987 <sup>1/</sup>

Item	1984	1985	1986	January-September--	
				1986	1987
Quantity (1,000 pounds).....	2,990	4,029	3,938	2,589	2,886
Value (1,000 dollars).....	20,591	26,854	25,843	17,254	16,770
Unit value (per pound).....	\$6.89	\$6.67	\$6.56	\$6.66	\$5.81

<sup>1/</sup> Data for 1984 are for 7 firms; data for 1985-86 are for 10 firms; and data for the January-September periods are for 7 firms.

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

U.S. producers' shipments of finished fittings that were manufactured from imported unfinished fittings increased from \* \* \* percent of total shipments in 1984 to 26 percent in 1985, and increased again to 39 percent in 1986. Such shipments' share of total shipments declined to \* \* \* percent during January-September 1987, from a high of 50 percent in the corresponding period of 1986. A listing of such shipments is shown in the following tabulation (in thousands of pounds):

Period	Domestic shipments of finished fittings manufactured from--		
	Imported unfinished fittings <sup>1/</sup>	Other	Total
1984.....	***	***	2,990
1985.....	1,060	2,969	4,029
1986.....	1,520	2,418	3,938
January-September--			
1986.....	1,288	1,301	2,589
1987.....	***	***	2,886

<sup>1/</sup> Imported unfinished fittings are believed to be further processed in the period in which imported. Data for "imported unfinished fittings" are overstated and for "other" are understated because data does not allow for poundage shrinkage (scrap) in the manufacturing process.

<sup>1/</sup> With the exception of shipments in 1986 (as noted in table 1), shipment data are for finished fittings only.

Two firms, \* \* \*, were the only U.S. producers that exported stainless steel butt-weld pipe fittings during 1984-86. \* \* \* exported less than \* \* \* pounds annually during the period, all to \* \* \*. Exports by \* \* \*, which were shipped to \* \* \*, increased from \* \* \* pounds in 1984 to \* \* \* pounds in 1986. Exports accounted for less than \* \* \* percent of total sales by \* \* \* during 1984-86.

#### U.S. producers' inventories

Inventory data were provided by five firms for 1984 and by seven firms for 1985-86. The seven firms accounted for 61.2 percent of total reported domestic shipments in 1986 of stainless steel butt-weld pipe fittings by U.S. producers. <sup>1/</sup> Inventory data for the interim periods were provided by five firms. U.S. producers' end-of-period inventories increased annually from \* \* \* pounds in 1984 to 722,000 pounds in 1986, or by \* \* \* percent (table 4). End-of-period inventories decreased by 7.9 percent in interim 1987, from 657,000 pounds during January-September 1986 to 605,000 pounds in the corresponding period of 1987. As a share of domestic shipments by producers that reported inventory data, inventories increased from \* \* \* percent in 1984 to 30.0 percent in 1986. This share decreased from 27.9 percent during January-September 1986 to 24.5 percent in the corresponding period of 1987.

Table 4

Stainless steel butt weld pipe fittings: U.S. producers' end-of-period inventories, 1984-86, January-September 1986, and January-September 1987

Item	1984	1985	1986	January-September--	
				1986	1987
End-of period inventories:					
Quantity (1,000 pounds)..	***	616	722	657	605
Value (1,000 dollars)....	***	3,560	4,381	3,821	3,314
Ratio of inventories to domestic shipments: <sup>1/</sup>					
Quantity (percent).....	***	24.9	30.0	27.9	24.5
Value (percent).....	***	20.2	25.8	23.4	22.2

<sup>1/</sup> Ratios are based on shipments by only those firms that reported inventory data. Ratios for the January-September periods are based on annualized shipments.

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

<sup>1/</sup> Many of the firms reporting inventory data provided inventories of unfinished fittings and finished fittings. Inventories of unfinished fittings are work in process. U.S. producers ship only finished fittings (except as noted in table 1).

### Employment and wages

The number of workers employed in the production of stainless steel butt-weld pipe fittings increased by 32.4 percent from 139 in 1984 to 184 in 1986. The number of hours worked by these employees increased by 24.4 percent in 1985 compared with the number worked in 1984, but declined in 1986 to 0.9 percent below the number of hours worked in 1985. Hourly wages declined by 9.5 percent from \$8.99 in 1984 to \$8.14 in 1986. During January-September 1987, the number of production workers and hours worked increased by 6.5 percent and 9.4 percent, respectively, compared with the number of workers and hours worked in the corresponding period of 1986, but hourly wages decreased by 0.7 percent (table 5).

Labor productivity, as measured by pounds produced per hour, increased by 14.1 percent from 1984 to 1986. During January-September 1987, labor productivity decreased by 0.6 percent compared with productivity in the corresponding period of 1986. U.S. producers' unit labor costs fell from \$1.16 per pound in 1984 to \$0.90 in 1986, representing a 22.4 percent decline. <sup>1/</sup> Unit labor costs in the interim periods were \$0.82 per pound. Three firms reported that their workers are represented by unions: \* \* \*.

In its questionnaire, the Commission requested U.S. producers to provide detailed information concerning reductions in the number of production and related workers producing stainless steel butt-weld pipe fittings, if such reductions involved at least 5 percent of the workforce or 50 workers. Four firms reported such layoffs, all of which were attributed to cost reductions and declining sales because of market conditions. The reported layoffs are shown in the following tabulation:

<u>Firm</u>	<u>Number of workers</u>	<u>Date</u>	<u>Duration of reduction</u>
*        *	*	*	*        *

### Financial experience of U.S. producers

Seven U.S. producers of stainless steel butt-weld pipe fittings furnished usable income-and-loss data on their overall establishment operations and operations producing such fittings. <sup>2/</sup> The seven producers accounted for \* \* \* percent of reported domestic shipments of stainless steel butt-weld pipe fittings in 1986.

<sup>1/</sup> Petitioner testified at the hearing that the decline is attributable to an increase in U.S. producers converting imported unfinished fittings (fittings that have already been processed through the majority of the production stages), transcript, p. 9. Petitioner describes this as the "hollowing" of the domestic industry, as forming and forging operations are no longer performed and only finishing operations are being performed; posthearing brief, p. 7.

<sup>2/</sup> \* \* \*. Another producer, \* \* \*, furnished data for the prehearing report; however, its data were subsequently determined to be unverifiable and have been excluded from this report.



Table 5

Average number of production and related workers producing stainless steel butt-weld pipe fittings, hours worked, 1/ wages and total compensation 2/ paid to such employees, labor productivity, hourly compensation, and unit labor production costs, 1984-86, January-September 1986, and January-September 1987 3/

Item	1984	1985	1986	January-September--	
				1986	1987
Production and related workers (PRW):					
Number.....	139	183	184	169	180
Percentage change.....	<u>4/</u>	+31.7	+0.5	<u>4/</u>	+6.5
Hours worked by PRW:					
Number (1,000 hours).....	275	342	339	233	255
Percentage change.....	<u>4/</u>	+24.4	-0.9	<u>4/</u>	+9.4
Wages paid to PRW:					
Value (1,000 dollars).....	2,473	2,840	2,759	1,882	2,045
Percentage change.....	<u>4/</u>	+14.8	-2.9	<u>4/</u>	+8.7
Total compensation paid to PRW:					
Value (1,000 dollars).....	2,941	3,306	3,186	2,186	2,379
Percentage change.....	<u>4/</u>	+12.4	-3.6	<u>4/</u>	+8.8
Labor productivity for PRW: <u>5/</u>					
Quantity (pounds per hour).....	9.193	10.251	10.490	11.459	11.392
Percentage change <u>6/</u> .....	<u>4/</u>	+11.5	+2.3	<u>4/</u>	-0.6
Hourly compensation paid to PRW: <u>7/</u>					
Value (dollars per hour)..	8.99	8.30	8.14	8.08	8.02
Percentage change <u>6/</u> .....	<u>4/</u>	-7.7	-2.0	<u>4/</u>	-0.7
Unit labor costs: <u>8/</u>					
Value (dollars per pound).....	1.16	0.94	0.90	0.82	0.82
Percentage change <u>6/</u> .....	<u>4/</u>	-18.9	-5.0	<u>4/</u>	<u>9/</u>

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

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

3/ Firms providing employment data accounted for 89 percent of reported domestic shipments of stainless steel butt-weld pipe fittings in 1986.

4/ Not available.

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

6/ Calculated from the unrounded figures.

7/ On the basis of wages paid excluding fringe benefits.

8/ On the basis of total compensation paid. Calculated using data from firms that provided information on both total compensation paid and production.

9/ Representing an increase of less than 0.05 percent.

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

Overall establishment operations.--The income-and-loss experience of U.S. producers on the overall operations of their establishments within which stainless steel butt-weld pipe fittings are produced is presented in table 6. Net sales of all products produced in these establishments increased by 35.8 percent from \$\* \* \* in 1984 to \$\* \* \* in 1985, then decreased by 3.6 percent to \$\* \* \* in 1986. 1/ Net sales of stainless steel butt-weld pipe fittings were 34.0 percent, 38.5 percent, and 36.7 percent of total establishment net sales in 1984, 1985, and 1986, respectively. Establishment net sales in the interim periods ended September 30 show a small improvement of 1.1 percent, from \$27.2 million in 1986 to \$27.5 million in 1987.

Operating income improved from \$\* \* \* in 1984 to \$\* \* \* in 1985 and \$\* \* \* in 1986. Interim period data show an improvement as well, from \$737,000 in interim 1986 to \$927,000 in interim 1987. Net income before income taxes was experienced in all periods, with profits of \$\* \* \*, \$\* \* \*, and \$\* \* \* for 1984, 1985, and 1986, respectively. Interim period data also showed an improvement, from \$\* \* \* in interim 1986 to \$\* \* \* in interim 1987. 2/

Stainless steel butt-weld pipe fittings.--The income-and-loss experience of U.S. producers on their operations producing stainless steel butt-weld pipe fittings is shown in table 7 for 1984-86 and interim periods ended September 30, 1986, and September 30, 1987. Aggregate net sales increased substantially from \$\* \* \* to \$\* \* \*, or by 53.6 percent, from 1984 to 1985, 1/ then decreased by 8.3 percent to \$\* \* \* in 1986. Aggregate net sales in the interim periods increased by 5.3 percent from \$9.7 million in interim 1986 to \$10.3 million in interim 1987.

Aggregate operating losses were experienced in all periods, with losses of \$\* \* \*, \$\* \* \*, \$\* \* \*, \$611,000, and \$1.3 million during 1984, 1985, 1986, and during the interim periods of 1986 and 1987, respectively. The aggregate net losses before income taxes were \$\* \* \* in 1984, \$\* \* \* in 1985, \$\* \* \* in 1986, \$\* \* \* in interim 1986, and \$\* \* \* in interim 1987.

Respondents' counsel questioned the ratio of the higher selling, general, and administrative (SG&A) expenses for the investigated product as opposed to the same ratio for total overall establishment operations. 3/ Three of the largest producers' 4/ records were reviewed at the respective plant sites by the Commission's staff. Staff extensively analyzed SG&A expenses, in addition to manufacturing costs for two of the producers. One producer was found to have used acceptable allocation procedures for all of the expenses. A second producer agreed to change its allocation methodology for freight out and warehousing expenses at the suggestion of the verifier to conform with a methodology that reflected, as nearly as possible, the actual expenses for the respective product categories. The third producer 5/ could not furnish any product-specific documentation for verification; therefore, its data were excluded from the final report. All the other producers were found to be using acceptable procedures on the basis of questionnaire responses.

1/ Data for 1985 and 1986 include two additional producers that did not report data for 1984.

2/ The data base for the interim periods consists of 2 fewer producers than that for the complete years of 1985 and 1986.

3/ Transcript of the hearing, p. 105.

4/ \* \* \*.

5/ \* \* \*.

Table 6

Income-and-loss experience of U.S. producers on the overall operations of their establishments within which stainless steel butt-weld pipe fittings are produced, accounting years 1984-86 and interim periods ended Sept. 30, 1986, and Sept. 30, 1987 <sup>1/</sup>

Item	1984	1985	1986	Interim period ended Sept. 30--	
				1986	1987
	Value (1,000 dollars)				
Net sales.....	***	***	***	27,155	27,456
Cost of goods sold.....	***	***	***	22,234	22,386
Gross profit.....	***	***	***	4,921	5,070
General, selling, and administrative expenses...	***	***	***	4,184	4,143
Operating income.....	***	***	***	737	927
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Depreciation and amortization included above.....	***	***	***	931	992
Cash-flow 2/.....	***	***	***	***	***
	Share of net sales (percent)				
Cost of goods sold.....	***	***	***	81.9	81.5
Gross profit.....	***	***	***	18.1	18.5
General, selling, and administrative expenses...	***	***	***	15.4	15.1
Operating income.....	***	***	***	2.7	3.4
Net income before income taxes.....	***	***	***	***	***
	Number of firms reporting				
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	5	7	7	5	5

<sup>1/</sup> There were 3 firms \* \* \* providing data for all periods; 2 firms \* \* \* providing data for 1984-86 only; and 2 firms \* \* \* providing data for all periods except 1984.

<sup>2/</sup> Cash-flow is defined as net income or loss plus depreciation and amortization.

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

Table 7

Income-and-loss experience of U.S. producers on their operations producing stainless steel butt-weld pipe fittings, accounting years 1984-86 and interim periods ended Sept. 30, 1986, and Sept. 30, 1987 1/

Item	1984	1985	1986	Interim period ended Sept. 30--	
				1986	1987
Value (1,000 dollars)					
Net sales.....	***	***	***	9,745	10,264
Cost of goods sold.....	***	***	***	8,341	9,408
Gross profit.....	***	***	***	1,404	856
General, selling, and administrative expenses...	***	***	***	2,015	2,117
Operating (loss).....	***	***	***	(611)	(1,261)
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net (loss) before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	341	351
Cash-flow 2/.....	***	***	***	***	***
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	85.6	91.7
Gross profit.....	***	***	***	14.4	8.3
General, selling, and administrative expenses...	***	***	***	20.7	20.6
Operating (loss).....	***	***	***	(6.3)	(12.3)
Net (loss) before income taxes.....	***	***	***	***	***
Number of firms reporting					
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	5	7	7	5	5

1/ There were 3 firms \* \* \* providing data for all periods; 2 firms \* \* \* providing data for 1984-86 only; and 2 firms \* \* \* providing data for all periods except 1984.

2/ Cash-flow is defined as net income or loss plus depreciation and amortization.

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

As indicated by these producers in general, the market for the product under investigation became more competitive during the period of investigation and, in an effort to maintain respective market shares, sales personnel were required to devote disproportionately more time and resources to selling stainless steel butt-weld pipe fittings than to other products of the organization. In fact, for these other products, the producers often had market positioning such that less sales effort was required because of continuity of customers and uniform processing of orders for products that were less influenced by competing products than the investigated product. In some cases, the other products included sister items, such as stainless steel flanges, that were sold secondarily in conjunction with the lead product, according to the producers' sales personnel. A review of sales quotations by product, customer orders, sales invoices, and time spent selling the organizations' various products by salespersons revealed no discrepancies with these assertions.

With regard to respondents' assertion that the Commission's accountant admitted that line-item expenses were allocated to stainless steel butt-weld pipe fittings on an arbitrary basis, 1/ the accountant agreed in theory that a certain amount of arbitrariness is necessary when preparing financial statements for a specific product when statements are normally prepared only on a total establishment basis. 2/ Some subjectivity will always be present when allocating indirect costs between products; however, this is not the same as saying that all line-item expenses for the product were applied by the petitioner on an arbitrary basis as the respondents' counsel implies.

The respondents' assertion that the petitioner's retired board chairman's salary was apparently allocated entirely to stainless steel pipe fittings 3/ appears to result from counsel's assuming this based on the industry's SG&A rate decrease during the interim periods ended September 30, 1986, and September 30, 1987, compared with those during full-year 1986. 4/ First of all, there are several other producers, in addition to the petitioner, reporting in those periods and different producers are reporting in full-year 1986 and the interim periods; therefore, assumptions based on changes from period to period are invalid because of the varying data base. \*\*\*'s SG&A rate was almost identical in all three periods, full-year 1986 and interim periods ended September 30, 1986, and September 30, 1987. \*\*\*.

Four of the U.S. producers furnishing financial data purchase stainless steel raw materials, such as pipe, plate, and unfinished butt-weld pipe fittings directly from foreign suppliers for further processing. Selected financial data for these producers and nonimporting producers are presented in the following tabulation:

- 
- 1/ Posthearing brief, p. 3.
  - 2/ Transcript of the hearing, p. 131.
  - 3/ Posthearing brief, p. 3.
  - 4/ Transcript of the hearing, p. 96.

<u>Period and item</u>	<u>Net sales</u>	<u>Gross profit</u>	<u>Operating income</u>	<u>Ratio to net sales--</u>	
				<u>Gross profit</u>	<u>Operating income</u>
	----(1,000 dollars)-----			----- (percent) -----	
1984:					
Importers 1/....	***	***	***	***	***
Other 2/.....	***	***	***	***	***
1985:					
Importers 3/....	16,404	2,935	(523)	17.9	(3.2)
Other 2/.....	***	***	***	***	***
1986:					
Importers 3/....	15,670	2,932	(450)	18.7	(2.9)
Other 2/.....	***	***	***	***	***
Interim 1986:					
Importers 3/....	***	***	***	***	***
Other 4/.....	***	***	***	***	***
Interim 1987:					
Importers 3/....	***	***	***	***	***
Other 4/.....	***	***	***	***	***

1/ \* \* \*.  
2/ \* \* \*.  
3/ \* \* \*.  
4/ \* \* \*.

Value of property, plant, and equipment.--U.S. producers' investment in production facilities employed in the production of stainless steel butt-weld pipe fittings and all establishment products, as reported in the questionnaires, is shown in the following tabulation:

<u>Item</u>	<u>As of end of accounting year--</u>			<u>As of Sept. 30--</u>	
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1986</u>	<u>1987</u>
All products of establishments:					
Original cost					
(1,000 dollars)	***	***	***	33,518	32,931
Book value (1,000 dollars)	***	***	***	18,825	17,364
Return on assets (percent) 1/	***	***	***	2.2	7.0
Stainless steel butt-weld pipe fittings:					
Original cost					
(1,000 dollars)	***	***	***	20,162	18,403
Book value (1,000 dollars)	***	***	***	7,784	6,496
Return on assets (percent) 2/	***	***	***	(7.2)	(9.4)
Number of firms reporting.....	4	5	5	5	5

1/ Defined as establishment net income before income taxes divided by book value of establishment fixed assets of firms reporting data in both categories.  
2/ Defined as product net income before income taxes divided by book value of product fixed assets of firms reporting data in both categories.

Capital expenditures and research and development expenses.--U.S. producers' capital expenditures for buildings, machinery, and equipment used in the production of stainless steel butt-weld pipe fittings and all establishment products, as reported in the questionnaires, are shown in the following tabulation:

Item	1984	1985	1986	Interim period ended Sept. 30--	
				1986	1987
All products of establishments:					
Land and land improvements (1,000 dollars)	***	***	***	***	***
Building and leasehold improvements (1,000 dollars)	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)	***	***	***	***	***
Total (1,000 dollars)	***	***	***	***	***
Number of firms reporting.....	4	4	6	4	4
Stainless steel butt-weld pipe fittings:					
Land and land improvements (1,000 dollars)	***	***	***	***	***
Building and leasehold improvements (1,000 dollars)	***	***	***	***	***
Machinery, equipment, and fixtures (1,000 dollars)	***	***	***	***	***
Total (1,000 dollars)	***	***	***	***	***
Number of firms reporting.....	2	2	3	2	1

Research and development expenses, as reported in the questionnaires, are shown in the following tabulation:

Item	1984	1985	1986	Interim period ended Sept. 30--	
				1986	1987
All products of establishments (1,000 dollars)	***	***	***	***	***
Stainless steel butt-weld pipe fittings (1,000 dollars)	***	***	***	***	***
Number of firms reporting.....	2	3	3	3	3

Capital and investment.--U.S. producers were asked to describe any actual or potential negative effects of imports of the subject products from Japan on the firm's growth, investment, and ability to raise capital. Their replies are presented in appendix D. Generally, the producers stated that growth has been harmed by decreased revenues and profitability a direct result of the downward pressure on prices caused by the imported products. Additionally, capital generated internally is not sufficient to justify additional investment in the production facilities and the projected lack of profitability for the industry in the near future precludes funding from external sources.

#### Consideration of the Question of Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

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1/ Sec. 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."



(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

The available data on foreign producers' operations (items (II) and (VI), above) are presented in the section entitled "Capacity of foreign producers to generate exports;" and information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV), above) is presented in the section entitled "Consideration of the causal relationship between the LTFV imports and the alleged injury." Item I, regarding subsidies, is not relevant in this case.

U.S. importers generally do not import the subject articles for inventory. One importer, which began importing \* \* \*, reported inventories of \* \* \* pounds of finished fittings from Japan in interim 1987. The Commission obtained from counsel for three producers in Japan data on production, capacity, home-market shipments, and exports by all Japanese producers of stainless steel butt-weld pipe fittings. 1/

#### Capacity of foreign producers to generate exports

Seven firms, Nippon Benkan Kogyo Co., Ltd.; Nippon Bulge Industries, Ltd.; Kuze Bellows Kogyosho Co., Ltd.; Fuji Acetylene Industry Co., Ltd.; Mie Horo; Tutui, Ltd.; and Hoko, Ltd., are Japanese manufacturer-exporters of stainless steel butt-weld pipe fittings.

1/ The petitioner also alleged that, because the welded stainless steel pipe from which butt-weld fittings are produced is subject to an export restraint agreement between the United States and Japan, producers in Japan have the incentive to divert welded pipe to the production of finished fittings (petition, p. 25; transcript of the hearing, p. 81). The Commission requested in the preliminary investigation that counsel for the Japanese producers of fittings supply capacity utilization information concerning welded pipe (see memo of Apr. 30, 1987, to the record of the preliminary investigation by Mary White, Commission attorney). Counsel reported that his clients had contacted the pipe manufacturers' association in Japan, which had refused to make this information available to them. Counsel stated that his clients do not believe that welded pipe production is being diverted into the production of fittings because (1) fittings are made both from welded pipe and from plate, and (2) welded pipe has many uses other than the manufacture of pipe fittings.

Japanese production of stainless steel butt-weld pipe fittings declined by 18 percent, from 12.0 million pounds in 1984 to 9.8 million pounds in 1986, and from 6.4 million pounds during January-September 1986 to 5.3 million pounds in the corresponding period of 1987 (table 8). During the same period, reported capacity fell from 14.1 million pounds in 1984 to 12.2 million pounds in 1986, or by 14 percent. Capacity continued to decline in the interim periods, from 6.8 million pounds during January-September 1986 to 5.7 million pounds in the corresponding period of 1987. Capacity utilization increased from 85.5 percent in 1984 to 89.2 percent in 1985, then declined to 80.9 percent in 1986. Capacity utilization decreased to 92.5 percent during January-September 1987 from 95.2 percent in the corresponding period of 1986.

Table 8

Stainless steel butt-weld pipe fittings: Japan's production, capacity, home-market sales, and exports, 1984-86, January-September 1986, and January-September 1987 1/

Item	1984	1985	1986	Jan.-Sept.--	
				1986	1987
Production (1,000 pounds).....	12,035	11,936	9,844	6,447	5,315
Capacity (1,000 pounds).....	14,074	13,386	12,169	6,773	5,747
Capacity utilization (percent)....	85.5	89.2	80.9	95.2	92.5
Home-market sales (1,000 pounds)..	8,708	8,962	6,898	5,441	4,803
Exports to--					
The United States <u>2/</u>					
(1,000 pounds)...	2,055	2,224	2,205	1,668	611
All other countries					
(1,000 pounds)...	1,267	1,561	1,400	1,001	871
Total (1,000 pounds).....	3,322	3,785	3,605	2,669	1,482
Exports to the United States as a share of--					
Production (percent).....	17.1	18.6	22.4	25.9	11.5
Total exports (percent).....	61.9	58.8	61.2	62.5	41.2

1/ Data for the interim periods are understated because Mie Horo did not provide data. Mie Horo accounted for \* \* \* percent, \* \* \* percent, and \* \* \* percent of total exports to the United States in 1984-86, respectively.

2/ Finished fittings accounted for 54.1 percent of the total exports to the United States in 1984, 52.2 percent in 1985, 50.3 percent in 1986, 44.3 percent during January-September 1986, and 58.4 percent in the corresponding period of 1987.

Source: Compiled from data submitted to the Commission by counsel for Nippon Benkan Kogyo Co., Ltd.; Nippon Bulge Industries, Ltd.; and Kuze Bellows Kogyosho Co., Ltd.

Home-market sales increased by 3 percent from 8.7 million pounds in 1984 to 9.0 million pounds in 1985, but then fell by 23 percent to 6.9 million pounds in 1986. Home-market shipments declined by 12 percent in the interim periods, from 5.4 million pounds during January-September 1986 to 4.8 million pounds in the corresponding period of 1987. Exports to the United States

increased by 8 percent, from 2.1 million pounds in 1984 to 2.2 million pounds in 1985, then decreased by less than 1 percent in 1986. Exports to the United States decreased by 63 percent in the interim periods, from 1.7 million pounds during January-September 1986 to 611,000 pounds in the corresponding period of 1987. As a share of production, exports to the United States increased from 17.1 percent in 1984 to 22.4 percent in 1986. This share decreased in the interim periods, from 25.9 percent during January-September 1986 to 11.5 percent in the corresponding period of 1987. As a share of total exports, shipments to the United States amounted to 61.9 percent in 1984, 58.8 percent in 1985, 61.2 percent in 1986, 62.5 percent during January-September 1986, and 41.2 percent in the corresponding period of 1987.

#### Consideration of the Causal Relationship Between the LTFV Imports and the Alleged Injury

##### U.S. imports

U.S. imports of stainless steel butt-weld pipe and tube fittings increased by 152 percent from 2.4 million pounds in 1984 to 6.0 million pounds in 1985. Imports continued to rise in 1986, reaching 6.1 million pounds, or 1 percent above imports in 1985. During January-September 1987, imports totaled 3.5 million pounds, compared with 5.0 million pounds in the corresponding period of 1986. Japan was by far the principal source, supplying 48 percent of the total quantity of imports in 1984, 71 percent in 1985, 65 percent in 1986, and 54 percent during January-September 1987. Other sources of imports included Taiwan, Canada, Israel, and West Germany (table 9).

##### Imports by questionnaire respondents

Imports of stainless steel butt-weld pipe fittings from Japan reported to the Commission by questionnaire respondents increased annually from \* \* \* pounds in 1984 to \* \* \* pounds in 1986, or by 270 percent. Such imports by the responding firms declined slightly during January-September 1987, by almost 2 percent compared with those in the corresponding period of 1986. As shown in table 10, U.S. producers imported principally unfinished fittings, whereas the other firms principally imported finished fittings. Imports from Japan reported by questionnaire respondents totaled \* \* \* than the quantity reported in official statistics for 1984 and 1986. Questionnaire responses accounted for \* \* \* percent of the total imports from Japan as reported in official statistics for 1985. Reported imports in the interim periods were \* \* \* during January-September 1986 but \* \* \* in the corresponding period of 1987 than the quantities reported in the official statistics.

Table 9

Stainless steel butt-weld pipe fittings: U.S. imports for consumption, by principal sources, 1984-86, January-September 1986, and January-September 1987

Source	1984 1/	1985	1986	January-September--	
				1986	1987
Quantity (1,000 pounds)					
Japan 2/.....	1,154	4,259	3,990	3,419	1,882
Taiwan.....	250	318	691	537	414
Canada.....	310	441	384	303	343
Israel.....	238	275	325	212	437
West Germany.....	48	85	256	120	129
All other.....	390	657	453	394	285
Total.....	2,390	6,035	6,099	4,985	3,490
Value (1,000 dollars) 3/					
Japan.....	4,030	10,440	11,604	9,500	7,400
Taiwan.....	684	1,040	1,806	1,385	1,007
Canada.....	1,322	1,792	1,555	1,185	1,457
Israel.....	1,032	1,089	1,295	917	1,347
West Germany.....	283	276	519	383	367
All other.....	368	1,452	828	764	645
Total.....	7,719	16,088	17,607	14,134	12,223

1/ Includes imports entered under TSUSA item 610.8048 during January-March 1984. Stainless steel butt-weld pipe and tube fittings were reclassified, effective Apr. 1, 1984, and presently enter under TSUSA item 610.8948.

2/ Fuji accounted for \* \* \* percent in 1984, \* \* \* percent in 1985, \* \* \* percent in 1986, \* \* \* percent during January-September 1986, and \* \* \* percent during January-September 1987, of total exports to the United States, as reported in table 8.

3/ C.i.f., duty paid.

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

Table 10

Stainless steel butt-weld pipe fittings: U.S. imports from Japan, by types of importers and types of fittings, 1984-86, January-September 1986, and January-September 1987

Item	1984	1985	1986	Jan.-Sept.--	
				1986	1987
Quantity (1,000 pounds)					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Total.....	***	***	***	***	***
U.S. producers:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Total.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Value (1,000 dollars) 3/					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Total.....	***	***	***	***	***
U.S. producers:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Total.....	***	***	***	***	***
Grand total.....	***	***	***	***	***
Unit value (per pound)					
Firms that do not produce stainless steel butt-weld pipe fittings:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Average.....	***	***	***	***	***
U.S. producers:					
Finished fittings.....	***	***	***	***	***
Unfinished fittings.....	***	***	***	***	***
Average.....	***	***	***	***	***
Grand average.....	***	***	***	***	***

1/ Does not include \*\*\* pounds of unfinished fittings, valued at approximately \*\*\* dollars, that were imported by 1 firm that was \*\*\*.

2/ Includes insignificant imports from countries other than Japan; such imports amounted to \*\*\* pounds, valued at \*\*\* dollars, in 1985 and \*\*\* pounds, valued at \*\*\* dollars, during January-September 1987.

3/ Landed duty-paid value at the U.S. port of entry, including the cost of ocean freight and insurance, brokerage charges, and import duties.

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

Monthly imports from Japan in 1986 and January-September 1987 are presented in table 11. Imports from Japan fluctuated throughout 1986, reaching a high of 989,000 pounds in March, followed by a drop to 89,000 pounds in April. Imports from Japan during January-September 1987 reached a high of 633,000 pounds in June before falling to 62,000 pounds in July and 44,000 pounds in September.

Table 11

Stainless steel butt-weld pipe fittings: U.S. imports for consumption from Japan, by months, January 1986-September 1987

Period	Quantity	Value 1/
	<u>1,000 pounds</u>	<u>1,000 dollars</u>
1986:		
January.....	656	1,242
February.....	239	808
March.....	989	1,208
April.....	89	368
May.....	283	1,032
June.....	237	1,087
July.....	406	1,599
August.....	141	527
September.....	379	1,630
October.....	234	799
November.....	172	696
December.....	165	608
1987:		
January.....	120	604
February.....	210	850
March.....	214	826
April.....	241	1,028
May.....	279	1,032
June.....	633	2,499
July.....	62	239
August.....	81	273
September.....	44	47

1/ C.i.f., duty-paid basis.

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

At the Commission's conference in the preliminary investigation, representatives of the petitioner stated that imports of stainless steel butt-weld pipe fittings compete throughout the United States. 1/ In 1986, principal ports of entry for U.S. imports of stainless steel butt-weld pipe and tube fittings included New York City, Philadelphia, Chicago, and Houston. U.S. imports from Japan and all other countries in 1986, by customs districts, are presented in table 12.

1/ Transcript of the conference, p. 21.

Table 12

Stainless steel butt-weld pipe fittings: U.S. imports for consumption from Japan and all other countries, by customs districts, 1986

(In thousands of pounds)			
Customs district	Japan	All other countries	Total
New York City, NY.....	366	883	1,249
Philadelphia, PA.....	1,238	0	1,238
Chicago, IL.....	798	41	839
Houston, TX.....	360	328	688
Los Angeles, CA.....	260	169	429
Savannah, GA.....	381	23	404
Ogdensburg, NY.....	0	302	302
New Orleans, LA.....	289	5	294
Seattle, WA.....	13	106	119
All other.....	285	252	537
Total.....	3,990	2,109	6,099

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

#### U.S. market penetration

U.S. market penetration by imports (in terms of quantity) from all sources increased from \* \* \* percent in 1984 to 55.3 percent in 1985, and then slipped to 53.8 percent in 1986 (table 13). <sup>1/</sup> The ratio declined from 58.8 percent during January-September 1986 to \* \* \* percent in the corresponding period of 1987. Imports from Japan increased their market share from \* \* \* percent in 1984 to 35.5 percent in 1985, and then declined to 29.0 percent in 1986. The market share of imports from Japan decreased from 33.9 percent during January-September 1986 to \* \* \* percent in the corresponding period of 1987.

U.S. market penetration by imports from Japan (in terms of value) increased from \* \* \* percent in 1984 to 27.0 percent in 1985 and 30.9 percent in 1986. The market share of imports from Japan decreased from 36.0 percent during January-September 1986 to \* \* \* percent in the corresponding period of 1987.

U.S. market penetration by imports from Japan, excluding exports by Fuji, which Commerce determined to have de minimis dumping margins, and all other sources, are presented in table 14.

<sup>1/</sup> Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

Table 13

Stainless steel butt-weld pipe fittings: U.S. producers' domestic shipments, imports from Japan and all other countries, and apparent consumption, 1984-86, January-September 1986, and January-September 1987

Item	1984	1985	1986	January-September-- 1986	1987
	Quantity (1,000 pounds)				
U.S. producers' shipments <u>1/</u> ..	2,990	4,029	3,938	2,589	2,886
Imports from--					
Japan.....	1,154	4,259	3,990	3,419	1,882
All other sources.....	1,236	1,776	2,109	1,566	1,608
Total.....	2,390	6,035	6,099	4,985	3,490
U.S. consumption <u>2/</u> .....	***	9,004	8,517	6,286	***
	Share of consumption quantity (percent)				
U.S. producers' shipments.....	***	44.7	46.2	41.2	***
Imports from <u>3/</u> --					
Japan <u>4/</u> .....	***	35.5	29.0	33.9	***
All other sources.....	***	19.7	24.8	24.9	***
Total.....	***	55.3	53.8	58.8	***
	Value (1,000 dollars)				
U.S. producers' shipments <u>1/</u> ..	20,591	26,854	25,843	17,254	16,770
Imports from--					
Japan.....	4,030	10,440	11,604	9,500	7,400
All other sources.....	3,689	5,648	6,003	4,634	4,823
Total.....	7,719	16,088	17,607	14,134	12,223
U.S. consumption <u>2/</u> .....	***	38,669	37,507	26,408	***
	Share of consumption value (percent)				
U.S. producers' shipments <u>5/</u> ...	***	58.4	53.1	46.5	***
Imports from--					
Japan.....	***	27.0	30.9	36.0	***
All other sources.....	***	14.6	16.0	17.5	***
Total.....	***	41.6	46.9	53.5	***

1/ Includes shipments of finished fittings produced from imported unfinished fittings. Data for 1984 are for 7 firms; data for 1985-86 are for 10 firms; and data for the January-September periods are for 7 firms.

2/ Calculated as the sum of (a) U.S. producers' total domestic shipments of finished fittings made in the United States less their imports of unfinished fittings, and (b) total imports reported in official U.S. statistics.

3/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

4/ The ratio to apparent consumption of both finished and unfinished fittings imported from Japan is \*\*\* percent in 1984, 47.3 percent in 1985, 46.9 percent in 1986, 54.4 percent during January-September 1986, and \*\*\* percent during January-September 1987.

5/ Calculated as the ratio to consumption of U.S. producers' total domestic shipments of finished fittings less their imports of unfinished fittings from Japan.

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

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



Table 14

Stainless steel butt-weld pipe fittings: U.S. producers' domestic shipments, imports from Japan (excluding exports by Fuji) and all other countries, and apparent consumption, 1984-86, January-September 1986, and January-September 1987

Item	1984	1985	1986	January-September--	
				1986	1987
Quantity (1,000 pounds)					
U.S. producers' shipments <u>1/</u> ..	2,990	4,029	3,938	2,589	2,886
Imports: <u>2/</u>					
LTFV imports from Japan <u>3/</u> ..	***	***	***	***	***
All others <u>4/</u> .....	***	***	***	***	***
Total.....	***	***	***	***	***
U.S. consumption <u>5/</u> .....	***	9,004	8,517	6,286	***
Share of consumption (percent)					
U.S. producers' shipments.....	***	44.7	46.2	41.2	***
Imports: <u>6/</u>					
LTFV imports from Japan <u>3/</u> ..	***	***	***	***	***
All others <u>4/</u> .....	***	***	***	***	***
Total.....	***	55.3	53.8	58.8	***

1/ Includes shipments of finished fittings produced from imported unfinished fittings. Data for 1984 are for 7 firms; data for 1985-86 are for 10 firms; and data for the January-September periods are for 7 firms.

2/ Data exclude U.S. producers' imports of unfinished fittings.

3/ Data exclude exports (which may not equal imports) of finished fittings to the United States by Fuji, whose sales were found by Commerce to have de minimis LTFV margins.

4/ Data include exports of finished fittings to the United States by Fuji, whose sales were found by Commerce to have de minimis LTFV margins.

5/ Calculated as the sum of (a) U.S. producers' total domestic shipments of finished fittings made in the United States less their imports of unfinished fittings, and (b) total imports reported in official U.S. statistics.

6/ Calculated as the ratio to apparent consumption of total imports reported in official U.S. statistics less imports of unfinished fittings reported by U.S. producers of finished fittings.

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

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

## Prices

Domestic manufacturers of stainless steel butt-weld pipe fittings commonly discount from published pricelists. The percentage amount of the discount can vary from sale to sale, depending largely on the volume of the sale. 1/ Three domestic firms report that they discount 95 percent of all sales. Generally, both producers and importers quote sales of less than \$5,000 f.o.b. plant/warehouse, and quote delivered prices for sales over this amount. All but two of the responding domestic producers reported minimum quantity purchase requirements of \$100 net. One producer indicated a 10 percent premium for subminimum orders.

Importers publish no pricelists, instead establishing prices through negotiation on a sale-by-sale basis. Importers of the Japanese fittings reported much larger minimum quantity purchase requirements, ranging from \$5,000 to \$100,000 per order.

Financing terms differ between U.S. producers and Japanese producers, with the Japanese manufacturers offering more liberal payment terms. Most manufacturers in the United States indicated financing terms of 2 percent 10 days, net 30 days, whereas two of the Japanese manufacturers offered payment terms up to \* \* \* days after the bill of lading date. 2/

The Commission requested quarterly f.o.b. price data, after discounts, from U.S. producers and importers of stainless steel butt-weld pipe fittings for each firm's largest sale to a distributor during January-March 1984 through July-September 1987. These firms were also asked to provide quarterly data on the total quantity and value of sales for each of the seven specified fittings. Prices reported are for stainless steel butt-weld pipe fittings produced from welded pipe and do not include any observations based on fittings produced from seamless pipe. 3/ The petitioner reported that less than 5 percent of its sales are of seamless fittings. Specifications of fittings for which the Commission requested price data included the following:

1/ The petitioner, Flowline, reported that its discounts had increased from an average discount range, based on volume of sale, of \* \* \* to \* \* \* percent in 1983 to \* \* \* to \* \* \* percent during January-March 1987. In July 1987, a new lower discount list went into effect, with the following discounts and their respective purchase value ranges:

\$100 (net) - \$2,000 (list).....	40 percent off list
\$2,000 (list) - \$4,000 (list).....	42 percent off list
\$4,000 (list) - \$9,000 (list).....	45 percent off list
\$9,000 (list) - \$30,000 (list).....	47 percent off list
\$30,000 (list) and up.....	50 percent off list

2/ Posthearing brief of Graham and James, counsel for the Japanese industry, app. I.

3/ Prices for \* \* \*, a domestic producer, are not included in the following weighted-average price table. \* \* \* produces only \* \* \* fittings and its prices were, on average, \* \* \* times higher than domestic weighted-average prices. In addition, \* \* \* produces mostly for short-run jobs and does not deal in large quantities, thus sales are usually at a premium price. (Conversation with \* \* \*.)

Product 1: Elbows: Stainless steel butt-weld, 1-1/2-inch nominal, 90°, long radius, sch. 10s, 304L.

Product 2: Elbows: Stainless steel butt-weld, 3-inch nominal, 90°, long radius, sch. 10s, 304L.

Product 3: Elbows: Stainless steel butt-weld, 6-inch nominal, 90°, long radius, sch. 10s, 304L.

Product 4: Elbows: Stainless steel butt-weld, 4-inch nominal, 45°, long radius, sch. 10s, 304L.

Product 5: Stub Ends: Stainless steel butt-weld, 3-inch Type A stub end (short length), sch. 10s, 304L.

Product 6: Tees: Stainless steel butt-weld, 3-inch nominal, sch. 10s, 304L.

Product 7: Tees: Stainless steel butt-weld, 6-inch nominal, sch. 10s, 304L.

Questionnaires with usable price data were received from six producers, representing 81 percent of reported 1986 domestic shipments, and five importers, accounting for 27 percent of 1986 imports of finished stainless steel butt-weld pipe fittings from Japan. 1/ 2/

Price trends and price comparisons.--For four specifications of stainless steel butt-weld pipe fittings produced by U.S. manufacturers (product Nos. 2, 4, 6, and 7), prices fell throughout the January-March 1984 to January-March 1987 period, with some fluctuations, by 10 to 35 percent, before increasing during April-September 1987. Prices for the three remaining product specifications (nos. 1, 3, and 5) decreased through the second quarter of 1987 and increased during July-September 1987. Percentage declines for these three products ranged from 12 to 22 percent. However, despite increases in weighted-average prices in 1987, prices for all products during July-September 1987 rarely reached previous year levels.

Prices for Japanese-produced stainless steel butt-weld pipe fittings fluctuated irregularly throughout the investigation period, with no evident upward or downward trends. All Japanese-produced fittings for which prices were collected were priced below the comparable domestic product during all quarters (table 15).

Product 1.--Prices for the U.S.-produced fittings fell from \$\* \* \* to \$\* \* \* per unit, a net decrease of 2 percent. Prices for the Japanese fittings were 17 to 37 percent below domestic prices.

---

1/ Price data for interim 1987 are based on questionnaires from 7 importers.

2/ One of the largest importers of Japanese stainless steel butt-weld pipe fittings, \* \* \*, submitted \* \* \* for the specified products, but was not able to provide \* \* \*, thus, it is not included.

Table 15

Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of under-selling, by quarters, January 1984-September 1987

Product and period	Domestic price	Japanese price	Margin of underselling
	-----Per unit-----	-----	Percent
<u>Product 1</u>			
1984:			
January-March.....	***	***	36.6
April-June.....	***	***	33.9
July-September....	***	***	36.3
October-December..	***	***	18.0
1985:			
January-March.....	***	***	24.4
April-June.....	***	***	21.4
July-September....	***	***	18.5
October-December..	***	***	16.8
1986:			
January-March.....	***	***	29.8
April-June.....	***	***	29.3
July-September....	***	***	26.1
October-December..	***	***	35.7
1987:			
January-March.....	***	***	32.8
April-June.....	***	***	21.4
July-September....	***	***	22.3
<u>Product 2</u>			
1984:			
January-March.....	***	***	28.7
April-June.....	***	***	38.5
July-September....	***	***	32.9
October-December..	***	***	13.4
1985:			
January-March.....	***	***	2/
April-June.....	***	***	15.2
July-September....	***	***	19.2
October-December..	***	***	2.9
1986:			
January-March.....	***	***	22.2
April-June.....	***	***	19.2
July-September....	***	***	18.4
October-December..	***	***	19.6
1987:			
January-March.....	***	***	14.8
April-June.....	***	***	16.1
July-September....	***	***	15.6

See footnotes at end of table.

Table 15--Continued

Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of underselling, by quarters, January 1984-September 1987

Product and period	Domestic price -----Per unit-----	Japanese price	Margin of underselling Percent
<u>Product 3</u>			
1984:			
January-March.....	***	***	31.1
April-June.....	***	***	30.7
July-September....	***	***	34.9
October-December..	***	***	17.4
1985:			
January-March.....	***	***	23.1
April-June.....	***	***	23.1
July-September....	***	***	20.2
October-December..	***	***	18.7
1986:			
January-March.....	***	***	31.5
April-June.....	***	***	8.3
July-September....	***	***	23.7
October-December..	***	***	21.3
1987:			
January-March.....	***	***	12.7
April-June.....	***	***	13.2
July-September....	***	***	17.8
<u>Product 4</u>			
1984:			
January-March.....	***	***	33.8
April-June.....	***	***	33.9
July-September....	***	***	39.0
October-December..	***	***	27.9
1985:			
January-March.....	***	***	2/
April-June.....	***	***	26.9
July-September....	***	***	26.1
October-December..	***	***	16.3
1986:			
January-March.....	***	***	23.7
April-June.....	***	***	16.4
July-September....	***	***	23.4
October-December..	***	***	8.8
1987:			
January-March.....	***	***	25.7
April-June.....	***	***	28.9
July-September....	***	***	2/

See footnotes at end of table.

Table 15--Continued

Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of underselling, by quarters, January 1984-September 1987

Product and period	Domestic price	Japanese price	Margin of underselling
	-----Per unit-----		Percent
<u>Product 5</u>			
1984:			
January-March.....	***	***	34.8
April-June.....	***	***	2/
July-September....	***	***	59.3
October-December..	***	***	31.1
1985:			
January-March.....	***	***	28.2
April-June.....	***	***	48.1
July-September....	***	***	30.9
October-December..	***	***	22.8
1986:			
January-March.....	***	***	23.1
April-June.....	***	***	17.5
July-September....	***	***	25.2
October-December..	***	***	23.2
1987:			
January-March.....	***	***	22.9
April-June.....	***	***	21.7
July-September....	***	***	24.2
<u>Product 6</u>			
1984:			
January-March.....	***	***	42.8
April-June.....	***	***	37.6
July-September....	***	***	40.5
October-December..	***	***	39.2
1985:			
January-March.....	***	***	39.0
April-June.....	***	***	39.0
July-September....	***	***	41.3
October-December..	***	***	39.7
1986:			
January-March.....	***	***	43.1
April-June.....	***	***	40.3
July-September....	***	***	41.0
October-December..	***	***	29.6
1987:			
January-March.....	***	***	21.1
April-June.....	***	***	25.0
July-September....	***	***	2/

See footnotes at end of table.

Table 15--Continued

Stainless steel butt-weld pipe fittings: Weighted-average f.o.b. prices of U.S. producers and importers of products from Japan and margins of underselling, by quarters, January 1984-September 1987

Product and period	Domestic price	Japanese price	Margin of underselling
	-----Per unit-----		<u>Percent</u>
<u>Product 7</u>			
1984:			
January-March.....	***	***	22.0
April-June.....	***	***	22.6
July-September....	***	***	33.4
October-December..	***	***	42.2
1985:			
January-March.....	***	***	28.0
April-June.....	***	***	27.2
July-September....	***	***	35.1
October-December..	***	***	34.0
1986:			
January-March.....	***	***	21.2
April-June.....	***	***	19.7
July-September....	***	***	24.1
October-December..	***	***	22.5
1987:			
January-March.....	***	***	14.4
April-June.....	***	***	27.7
July-September....	***	***	2/

1/ No sales reported

2/ Comparison not possible.

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

Product 2--Domestic fittings fell from \$\* \* \* to \$\* \* \* per unit during the investigation period, a net decrease of 13 percent. Margins by which the Japanese fittings were priced below the U.S. fittings ranged from 3 to 39 percent.

Product 3--Prices for this product decreased from \$\* \* \* to \$\* \* \* per fitting for the domestic product, an 8-percent net decline. The Japanese product was priced below the U.S. product by margins of 8 to 35 percent.

Product 4--Prices for this fitting changed only slightly for both the domestic- and Japanese-manufactured fittings. The Japanese fittings were priced below the domestic fittings by margins of 9 to 39 percent.

Product 5--Prices for the U.S.-produced fittings fell from \$\* \* \* to \$\* \* \* per unit, a net decrease of 8 percent. The Japanese fittings were priced below the domestic fittings by margins of 18 to 59 percent.

Product 6.--Prices for product 6 dropped from \$\* \* \* to \$\* \* \* per fitting for domestic fittings, a net decline of 23 percent. Margins by which the Japanese product was priced below the U.S. product ranged from 21 to 43 percent.

Product 7.--For U.S.-manufactured fittings, prices for product 7 fell from \$\* \* \* to \$\* \* \* per unit, a net decrease of 3 percent. As with the six previous product specifications, the comparable Japanese fittings were priced below the domestic product, by margins of 14 to 42 percent.

Purchaser responses.--Seventeen purchasers responded to Commission questionnaires. Purchasers of these fittings can be grouped into two categories. The first group consists of master distributors. Master distributors do not sell to end users, rather they purchase mostly from importers of the Japanese product and resell to distributors and supply houses, which then sell to industrial accounts, including chemical, pulp and paper, and food and pharmaceutical industries. Regular distributors or wholesalers, purchase from both domestic producers and importers and sell directly to the end users listed above. Several of these regular distributor purchasers commented that master distributors emerged as Japanese imports grew rapidly in the early 1980's. Master distributors created their own niche in the market by selling small quantities at long (deep) discounts to plumbing/industrial supply houses, which then compete with regular distributors for the end-user market.

With few exceptions, responding distributors saw no significant difference, particularly in terms of physical and application characteristics, between stainless steel butt-weld pipe fittings manufactured in the United States and those produced in Japan. All questionnaires indicated defect rates of less than 1 percent. Purchasers also agreed with producers and importers in regard to the nonsubstitutability of pipe fittings manufactured from materials other than stainless steel for the stainless steel product. This is primarily due to the specialized applications for stainless steel butt-weld pipe fittings. 1/

The most visible differences between the domestic and Japanese products, according to distributor responses, are the leadtime for delivery of Japanese fittings compared with that for domestic fittings, and higher value minimum quantity purchase requirements for the Japanese fittings. Purchasers indicated that domestic companies ship orders either from stock, or within 8 weeks if the item is not in stock when ordered. Japanese manufacturers, on the other hand, regularly work with leadtimes of 5 to 6 months. 2/

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1/ Staff report at p. A-3.

2/ According to responses supplied by producers and importers, leadtimes for orders from Japan averaged 4 months; domestic producers shipped from stock, usually within 1 week. Longer leadtimes were reported by domestic firms for orders of products not in stock.



Exchange rates

Table 16 presents nominal- and real-exchange-rate equivalents of the Japanese yen in U.S. dollars, and producer price indicators for each country. The real value of the yen, which is obtained by adjusting for the relative rates of inflation in Japan and the United States, increased by 36 percent from January-March 1984 to July-September 1987.

Table 16

Exchange rates: 1/ Nominal-exchange-rate equivalents of the Japanese yen in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Japan, 2/ indexed by quarters, January 1984-September 1987

(January-March 1984=100)				
	U.S.	Japan		
	Producer	Producer	Nominal-	Real-
	Price	Price	exchange-	exchange-
Period	Index	Index	rate index	rate index
<u>-U.S. dollars/yen-</u>				
1984:				
Jan.-Mar...	100.0	100.0	100.0	100.0
Apr.-June..	100.7	99.9	100.6	99.8
July-Sept...	100.4	100.7	94.9	95.1
Oct.-Dec...	100.2	100.4	93.9	94.1
1985:				
Jan.-Mar...	100.0	100.8	89.6	90.4
Apr.-June..	100.1	100.1	92.1	92.1
July-Sept...	99.4	99.0	96.8	96.4
Oct.-Dec...	100.0	96.7	111.6	107.9
1986:				
Jan.-Mar...	98.5	94.4	123.0	117.8
Apr.-June..	96.6	90.4	135.8	127.1
July-Sept...	96.2	87.9	148.3	135.6
Oct.-Dec...	96.5	86.6	144.1	129.2
1987:				
Jan.-Mar...	97.7	86.2	150.8	133.1
Apr.-June..	99.3	85.8	161.9	139.8
July-Sept...	100.3	86.9	157.2	136.1

1/ Exchange rates are expressed in U.S. dollars per Japanese yen.

2/ The real-exchange-rate indexes are derived from nominal exchange rates adjusted by the Producer Price Index for the United States and for Japan.

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

### Lost sales and lost revenues

In the final investigation, \*\*\* submitted \*\*\* allegations of sales lost because of price competition from stainless steel butt-weld pipe fittings imported from Japan. These allegations involved \*\*\* companies, totaled more than \*\*\* pounds, and were valued at more than \$\*\*\*. Staff was able to contact five of the \*\*\* companies, accounting for eight alleged lost sales. Conversations with representatives of these firms are summarized below.

\*\*\*--\*\*\* alleged losing a sale of more than \*\*\* pounds of \*\*\* stainless steel fittings and forgings, valued at \$\*\*\*, to \*\*\*. \*\*\* had no record of this exact quote. However, he stated that his company buys primarily domestic material and only purchases imported fittings when specifically requested to do so by a customer.

\*\*\*--\*\*\* alleged losing a sale of \*\*\* stainless steel fittings in \*\*\* to \*\*\* because of lower priced Japanese imports. \*\*\* alleged a loss valued at \$\*\*\* for \*\*\* pounds. \*\*\* stated that his branch has not placed a stock order for Japanese fittings in 4 years. He said that although they occasionally make spot purchases of imports to satisfy an order, he found no records of a purchase order similar to that named in the allegation.

\*\*\*--\*\*\* was named by \*\*\* in \*\*\* lost sale allegations, occurring in \*\*\*. Two of these allegations totaled \*\*\* pounds, valued at \$\*\*\*; \*\*\* was not able to provide specific details. A representative of \*\*\* was not able to comment on these particular allegations since they keep no records of sales not awarded. He explained that \*\*\* purchases for \*\*\* branches throughout the United States. \*\*\* did say that they offer both domestic and Japanese fittings, and that the Japanese fittings generally cost 20 to 30 percent less than the domestic fittings.

\*\*\*--\*\*\* alleged that it lost a sale of \*\*\* pounds, valued at \$\*\*\* to \*\*\*. \*\*\* stated that he could not follow up on the price quotes and winning bidder without knowing the name of the company alleging the lost sale. \*\*\* stated that they have always supported the domestic industry and have purchased little of the imported product.

\*\*\*--\*\*\* was named by \*\*\* in \*\*\* lost sale allegations involving \*\*\* pounds of stainless steel butt-weld fittings, valued at \$\*\*\*. \*\*\* commented that the firm quotes hundreds of purchases each day, for \*\*\* branches, and could therefore not follow up on sales not awarded to a particular company. \*\*\* did state, however, that foreign fittings represent less than 10 percent of \*\*\* purchases. Imported fittings are generally purchased only when specifically requested by a customer.

In the preliminary investigation, \*\*\* U.S. producers named \*\*\* distributors in their lost sales and lost revenues allegations. The lost sales allegations involved purchases by \*\*\* distributors and totaled \*\*\* pounds, valued at \$\*\*\*. \*\*\* instances of lost revenues were alleged by \*\*\* producer because of price competition from the Japanese product. Alleged lost revenues totaled \$\*\*\* on sales of \*\*\* pounds. Distributors contacted accounted for \$\*\*\* in alleged lost revenues on sales of \*\*\* pounds. Summaries of conversations with the distributors are presented below.

\*\*\*--\*\*\* alleged that a sale of \*\*\* pounds of mixed sizes of stainless steel butt-weld pipe, valued at \$\*\*\*, was lost in \*\*\* to imported Japanese fittings. \*\*\* commented that he made two separate purchases of Japanese fittings from \*\*\* during \*\*\*, but the larger of the two totaled only \$\*\*\*.

\*\*\*--\*\*\* alleged \*\*\* separate instances in \*\*\* in which they believed sales had been lost to Japanese competition. The total quantity involved was \*\*\* pounds, valued at \$\*\*\*. \*\*\* stated that he could not recall these particular quotations, but he did add that they often purchase large quantities of imported fittings. Domestic fittings are purchased in smaller quantities. He added that \*\*\* stocks domestic, Japanese, and \*\*\* stainless steel butt-weld pipe fittings, and that since 1985 he has not changed his purchasing habits to include greater volumes of imports.

\*\*\*--\*\*\* alleged one lost sale of \*\*\* pounds of mixed stainless steel butt-weld pipe fittings, valued at \$\*\*\*, in \*\*\* to \*\*\*. \*\*\*, a buyer for the firm, denied the allegation, stating that the firm purchases only domestic fittings.

\*\*\*--\*\*\* alleged lost revenues of \$\*\*\* on a sale of \*\*\* pounds of stainless steel butt-weld pipe fittings to \*\*\* in \*\*\*. \*\*\*, a buyer for \*\*\*, would not comment on the allegation.

\*\*\*--\*\*\* alleged lost revenues of \$\*\*\* on a sale of \*\*\* pounds of pipe fittings to \*\*\* in \*\*\*. \*\*\*, the purchaser for the firm, denied the allegation, commenting that previous delivery dates had not been met by \*\*\*, so \*\*\* switched to a different domestic manufacturer.

\*\*\*--\*\*\* alleged lost revenues of \$\*\*\* on sales of \*\*\* pounds of stainless steel butt-weld pipe fittings in \*\*\*. A spokesman for \*\*\* stated that the allegation was correct but declined to discuss it further.



APPENDIX A

FEDERAL REGISTER NOTICES



United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of stainless steel butt-weld pipe fittings, provided for in item 610.89 of the Tariff Schedules of the United States, that have been found by the Department of Commerce, in a preliminary determination, to be sold in the United States at less than fair value (LTFV). Unless the investigation is extended, Commerce will make its final LTFV determination on or before November 24, 1987, and the Commission will make its final injury determination by January 13, 1988 (see sections 735(a) and 735(b) of the act (19 U.S.C. 1673d(a) and 1673d(b))).

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

**EFFECTIVE DATE:** September 16, 1987.

**FOR FURTHER INFORMATION CONTACT:** Valerie Newkirk (202-523-0165), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by calling the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103. 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**

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of stainless steel butt-weld pipe fittings from Japan are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigation was requested in a petition filed on April 2, 1987, by Flowline Corp., New Castle, PA. In response to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason

of imports of the subject merchandise (52 FR 19936, May 28, 1987).

**Participation in the Investigation**

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

**Service list**

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

**Staff Report**

A public version of the prehearing staff report in this investigation will be placed in the public record on November 20, 1987, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing**

The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on December 3, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on November 23, 1987. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on November 25, 1987, in Room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 30, 1987.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This

**INTERNATIONAL TRADE COMMISSION**

[Investigation No. 731-TA-376 (Final)]

**Import Investigations; Certain Stainless Steel Butt-Weld Pipe Fittings From Japan**

**AGENCY:** United States International Trade Commission.

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

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-376 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the

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

#### *Written Submissions*

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on December 10, 1987. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before December 10, 1987.

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

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

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

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

By order of the Commission.

Issued: October 13, 1987.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-24062 Filed 10-16-87; 8:45 am]

BILLING CODE 7020-02-M



proceeded normally, we would make our final determination by November 24, 1987.

On September 17, 1987, Benkan requested a postponement of the final determination until not later than the 135th day after publication of our preliminary determination, pursuant to section 735(a)(2)(A) of the Act. Respondent accounts for a significant proportion of exports of the merchandise to the United States. If exporters who account for a significant proportion of exports of the merchandise under investigation request an extension after an affirmative preliminary determination, we are required, absent compelling reasons to the contrary, to grant the request. Accordingly, we are postponing the date of the final determination until not later than January 29, 1988.

#### Public Comment

In accordance with § 353.47 of our regulations (19 CFR 353.47), if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 2:00 p.m. on December 11, 1987, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary, Import Administration, Room B-099, at the above address within 10 days of publication of this notice. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least 10 copies must be submitted to the Deputy Assistant Secretary by December 4, 1987. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, not less than 30 days before the final determination or, if a hearing is held, within 7 days after the hearing transcript is available, at the above address in at least 10 copies.

The U.S. International Trade Commission is being advised of this postponement, in accordance with section 735(d) of the Act. This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

*Deputy Assistant Secretary for Import Administration.*

October 5, 1987.

[FR Doc. 87-23484 Filed 10-8-87; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-702]

#### Postponement of Final Antidumping Duty Determination; Certain Stainless Steel Butt-Weld Pipe and Tube Fittings from Japan

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

**ACTION:** Notice.

**SUMMARY:** This notice informs the public that we have received a request from Nippon Benkan Kogyo, K.K. (Benkan), in this investigation to postpone the final determination, as permitted in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act), (19 U.S.C. 1673d(a)(2)(A)).

Based on this request, we are postponing our final determination as to whether sales of certain stainless steel butt-weld pipe and tube fittings from Japan have occurred at less than fair value until not later than January 29, 1988. We are also postponing our public hearing from October 23, 1987, until December 11, 1987.

**EFFECTIVE DATE:** October 9, 1987.

**FOR FURTHER INFORMATION CONTACT:** Judith L. Nehring (202-377-0160) or Mary S. Clapp (202-377-1769), Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230.

**SUPPLEMENTARY INFORMATION:** On September 16, 1987, we published a preliminary determination of sales at less than fair value with respect to this merchandise (52 FR 34973). This notice stated that if the investigation

[Investigation No. 731-TA-376 (Final)]

**Certain Stainless Steel Butt-Weld Pipe Fittings From Japan**

**AGENCY:** United States International Trade Commission.

**ACTION:** Revised schedule for the subject investigation.

**EFFECTIVE DATE:** October 15, 1987.

**FOR FURTHER INFORMATION CONTACT:**

Valerie Newkirk (202-523-0165), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by calling the Office of Investigations' remote bulletin board system for personal computers at 202-523-0103. 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:**

On September 16, 1987, the Commission instituted the subject investigation and established a schedule for its conduct. Subsequently, the Department of Commerce extended the date for its final determination in the investigation from November 24, 1987, to January 29, 1988 (52 FR 37815, October 9, 1987). The Commission, therefore, is revising its schedule in the investigation to conform with Commerce's new schedule.

The Commission's new schedule for the investigation is as follows: The hearing will be held in room 331 of the U.S. International Trade Commission Building at 9:30 a.m. on February 9, 1988; requests to appear at the hearing must be filed with the Secretary to the Commission not later than January 29, 1988; the prehearing conference will be held in room 117 of the U.S. International Trade Commission Building at 9:30 a.m. on February 1, 1988; the deadline for filing prehearing briefs is February 4, 1988; and the deadline for filing all other written submissions, including posthearing briefs, is February 16, 1988. A public version of the prehearing staff report will be placed on the public record on January 29, 1988.

For further information concerning this investigation see the Commission's notice of investigation cited above and the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201 Subpart A through E (19 CFR Part 201).

**Authority.** This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published

pursuant to section 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: October 16, 1987

**Kenneth R. Mason,**

*Secretary.*

[FR Doc. 87-24397 Filed 10-20-87; 8:45 am]

BILLING CODE 7020-02-M

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# otices

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Thursday, February 4, 1988

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## International Trade Administration

[A-588-702]

### Final Determination of Sales at Less Than Fair Value; Certain Stainless Steel Butt-Weld Pipe and Tube Fittings From Japan

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** We have determined that certain stainless steel butt-weld pipe and tube fittings (SSPF) from Japan are being, or are likely to be, sold in the United State at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** February 4, 1988.

**FOR FURTHER INFORMATION CONTACT:** Judith L. Nehring, (202) 377-1769 or Michael J. Ready, (202) 377-2613, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

#### Final Determination

We have determined that, with the exception of those sales of Fuji Acetylene Industries, Co., Ltd. (Fuji), SSPF from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, (the Act) as amended (19 U.S.C. 1673d(a)). The weighted-average margins of sales at less than fair value are shown in the "Suspension of Liquidation" section of this notice.

#### Case History

On September 9, 1987, we made an affirmative preliminary determination (52 FR 34973, September 16, 1987). The

following events have occurred since the publication of that notice.

On September 17, 1987, Nippon Benkan Kogyo, K.K. (Benkan), a respondent who represents a significant proportion of exports of SSPF in this investigation, requested that the Department extend the period for the final determination until not later than 135 days after the date on which the Department published its preliminary determination. The Department granted this request and postponed its final determination until not later than January 29, 1988 (52 FR 37815, October 9, 1987).

On December 11, 1987, Department held a public hearing. Interested parties submitted comments for the record in their pre- and post-hearing briefs.

#### Scope of Investigation

The products covered by this investigation are SSPF, whether finished or unfinished, including as-formed tubular blanks (blanks), under 14 inches in inside diameter, as provided for in the *Tariff Schedules of the United States Annotated* (TSUSA) item number 610.8948. The corresponding Harmonized System (HS) number is 7307.23.00.

In this investigation, Gerlin, Inc. (Gerlin), a domestic manufacturer and converter of SSPF, and a party to the proceeding according to § 353.12(i)(4) of the Commerce Regulations (19 CFR 353.12(i)(4)), requested the Department to exclude blanks from the scope of investigation on the grounds that blanks constitute a separate product from finished fittings.

The Department has determined that blanks are appropriately included within the scope of this investigation. The petitioner explicitly included both unfinished and finished SSPF in its petition. Respondents and the Department have used the term "unfinished" SSPF as encompassing blanks throughout the duration of this investigation. Only Gerlin has attempted to distinguish blanks from unfinished SSPF and Gerlin has not provided the Department with a sufficient basis to support such a distinction. While the Department has the authority to modify the scope of a petition in conducting its investigation, Gerlin has not provided us with sufficient reason to do so. Therefore, the Department continues to include blanks within the scope of the investigation.

#### Fair Value Comparison Methodology

To determine whether sales of SSPF in the United States were made at less than fair value, we compared the United States price to the foreign market value

of such or similar merchandise for the period November 1, 1986, through April 30, 1987.

#### Foreign Market Value

In accordance with section 773(a) of the Act, for Benkan and Fuji, we calculated foreign market value based on delivered, packed, home market prices to unrelated and related purchasers. We made deductions, where appropriate, for inland freight, brokerage and handling, rebates, and discounts. We subtracted home market packing and added U.S. packing to home market prices. Pursuant to § 353.15 of our regulations, we made circumstance of sale adjustments for differences in home market and U.S. credit expenses. We also allowed a circumstance of sale adjustment for advertising expenses incurred by Fuji. We denied a circumstance of sale adjustment for technical services claimed by both Benkan and Fuji. This claim was denied because the Department views the services that were provided as being of a general manufacturing nature rather than being directly related to sales.

In accordance with § 353.16 of the Commerce Department regulations, where there was no identical product in the home market with which to compare a product sold to the United States, we made adjustments to the price of similar merchandise. These adjustments were based on differences in the costs of material, direct labor, and directly related factory overhead.

#### United States Price

As provided in section 772(b) of the Act, we used the purchase price to represent the United States price for sales of SSPF directly to unrelated purchasers and for sales through a related sales agent in the United States. The Department determined that purchase price, and not exporter's sales price, was the most appropriate indicator of United States price for the sales through a related sales agent based on the following factors:

1. The merchandise was purchased or agreed to be purchased by the unrelated U.S. buyer prior to the date of importation from the manufacturer or producer of the merchandise for exportation to the United States.
2. The related selling agent located in the United States acted only as a processor of sales-related documentation and as a communication link with the unrelated U.S. buyers.
3. Rather than entering into the inventory of the related selling agent, the merchandise in question was shipped directly from the manufacturer to the unrelated buyer. Thus, it did not

give rise to storage and associated costs on the part of the selling agent or create added flexibility in marketing for the exporter.

4. Direct shipment from the manufacturer to the unrelated buyer was the customary commercial channel for sales of this merchandise between the parties involved.

Where all the above elements are met, as in this case, we regard the primary marketing functions and selling costs of the exporter as having occurred in the country of exportation prior to importation of the product into the United States. In such instances, we consider purchase price to be the appropriate basis for calculating United States price.

We calculated purchase price based on the packed, c.i.f. duty paid, c.i.f. duty unpaid, or f.o.b. prices to unrelated purchasers in the United States. We made deductions under § 353.10(d)(2)(i) of the Commerce Regulations, where appropriate, for foreign inland freight, brokerage and handling charges, ocean freight, marine insurance, U.S. duty, and U.S. inland freight.

#### Best Information Available

On July 21, 1987, we were notified by the American Embassy in Tokyo that Mie Horo would not be responding to the questionnaire. Therefore, as required by section 776(b) of the Act, in making our fair value comparisons we used the best information available in calculating both United States price and foreign market value for Mie Horo. We used information in the petition as the best information available.

#### Currency Conversion

We made currency conversions in accordance with § 353.56(a)(1) of our regulations, at the rate of exchange certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation. We used standard verification procedures including examination of all relevant accounting records and original source documents provided by the respondents.

#### Interested Party Comments

*Comment 1:* Petitioner argues that the dates of sale to the United States should be revised to reflect the dates of shipment for both Benkan and Fuji rather than the dates of the purchase orders because the dates of shipment reflect the dates when prices became final and determinable. Petitioner

contents that many of the prices established on the purchase orders were adjusted upwards at the time of shipment. Finally, petitioner notes that Benkan enters its U.S. sales into its accounting records on the date of "shiploading" (shipment), and thus the sale is not recognized until it is invoiced and ready to ship.

Benkan contends that the purchase order date should be used for date of sale because the purchase order is a binding, irrevocable contract whereby prices on the purchase order date are final and determinable. Respondent contends that price increases at the time of invoicing were due to currency realignments between the dollar and the yen during the period January through March, 1987. Sales negotiations were undertaken in December, 1986, and the increase in prices were reflected in shipments as of April, 1987.

**DOC Position:** We agree with petitioner that the date of sale for Benkan's U.S. sales should be the date of shipment. At verification we found that Benkan's prices to its U.S. customers for a majority of the sales examined were indeed revised after the date of the purchase order. The Department will recognize a sale only when all key elements (i.e., binding commitment, irrevocable price, quantities to be purchased) are determinable. Since a majority of the purchase order prices were changed at the time of shipment, the Department has determined that the prices were determinable only at the date of shipment, therefore, we have used the reported dates of shipment as the dates of sale to the United States for Benkan.

Fuji only had two sales. We have decided, based on the verification, that a price revision occurred on one of those sales after the date of the purchase order. No other changes were noted on Fuji's U.S. data as reported. Since there were only two sales, we were unable to determine whether the prices are determinable at the date of shipment or the date of purchase order as a matter of course. Therefore, the Department is using the date of purchase order for one sale and the date of shipment for the other side.

**Comment 2:** Petitioner contends that the claimed home market technical service expense for Benkan should be disallowed because some of the same services provided to home market customers are also extended to U.S. customers and no adjustment has been claimed for these sales. The American Society for Testing and Materials (ASTM) standards require that some of the services provided to U.S. customers by Benkan must be performed according

to industry standards. If a claim for technical services is made for some of the same expenses on sales in the Japanese home market as in the U.S. market, then a similar claim for technical services expenses must be claimed for those U.S. sales requiring such services. For these reasons, technical service expenses for home market sales should not be allowed as a direct selling expense.

Respondent claims that the technical services ("supplemental specifications") are directly related to the specific sales under investigation and as such are allowable as a direct selling expense. Further, respondent claims that it does not matter whether the costs of the technical services were passed on to the home market customers. The costs and services were identified at verification and would not have occurred but for the sale of the fittings.

**DOC Position:** The Department agrees with the petitioner that the technical service adjustment should not be allowed. The claimed expenses were incurred in order to ensure that the producers met certain industry-wide specifications. These expenses were incurred for inspecting, stress testing, color coding, etc. Thus, they were more in the nature of general manufacturing expenses as were those incurred in meeting ASTM standards for U.S. sales, rather than technical services directly related to specific sales.

**Comment 3:** Petitioner has asked the Department to file supplemental instructions to Customs to prevent possible circumvention of the order by other manufacturers and producers in Japan who might ship their products through Fuji in order to take advantage of Fuji's *de minimis* margin determination. As the purchase and resale of like products is a standard business practice in this industry in Japan, petitioner contends that it is necessary to issue instructions to Customs for some type of chain-of-title certification to ensure that Fuji exports only Fuji-manufactured products.

Respondent argues that there is simply no evidence to support the allegation made by petitioner. If the Department were to require certification, it would be tantamount to a "backdoor import restriction."

**DOC Position:** The Department recognizes that exclusion of firms from an antidumping duty finding can create the potential for circumvention of the order by other firms who would seek to export through the excluded firms. On the other hand, it is our understanding that it is a normal practice in the SSPF industry in Japan for a producer to

purchase from other producers when it is unable to fill an order.

Having weighed the competing concerns of preventing circumvention and of not restricting legitimate trade, we have determined not to require a "chain-of-title certification." If this proceeding should result in an antidumping duty order, we will consider any information presented by petitioner that the order is being circumvented.

**Comment 4:** Respondent contends that the yen appreciated by eight percent from January through March, 1987, and to avoid the possible sale of products at less than fair value, Benkan negotiated price increases with its U.S. customers in December, 1986. Benkan maintains that, in accordance with 19 CFR 353.56(b), it acted within a reasonable period of time to respond to exchange rates fluctuations. Respondent thus feels that those sales which are shown to be at less than fair value as a result of exchange rate fluctuations should not be taken into account for purposes of the margin determination.

Petitioner argues that because the yen appreciation was steady and not fluctuating, 19 CFR 353.56(b) does not apply. Also, the fact that the dumping margins exceeded these price revisions, leads to the conclusion that the upward price revisions were not directly tied to the rising value of the yen.

**DOC Position:** The Department has determined that Benkan has failed to provide sufficient evidence to support the claim that the upward price revisions were made to compensate for currency realignments between the dollar and the yen. At the hearing, the Department requested that Benkan supply us with information on whether it had a history of price adjustments to reflect currency realignments prior to the January through March, 1987, period. Benkan did not respond to this request. The Department also found that the upward revisions of price were not applied to all U.S. customers. Rather, it appears as if Benkan was selective in its application of the price revision. Thus, the Department has made necessary currency conversions in accordance with the general rule of 19 CFR 353.56(a).

**Comment 5:** Gerlin, a domestic manufacturer and converter of SSPF and party to the proceeding, contends that the scope of investigation should not include as-formed tubular blanks (blanks). Gerlin feels that blanks are a separate product from finished fittings and should therefore be treated as a wholly different product. Gerlin relies on the finding of *Midwood Industries v. United States*, C.D. 4026, 64 Cust Ct. 499

(1970) and *Ferrostaal Metals Corp. v. United States* 13 CIT \_\_\_\_\_, Slip Op. 87-76 (June 26, 1987), in which the Court held that the goods under consideration in these investigations had undergone substantial transformations such that the producers' goods were substantially different than the consumers' goods. Gerlin further argues that the level of trade between finished fittings and blanks is very different in that blanks are traded only between manufacturers of fittings and not at the level of consumers.

Petitioner contends that on the issue of determining separate margins for finished fittings and blanks, the Department has no justification for segregating those products which are of the same class or kind of merchandise, and Department policy mandates that the scope of investigation include the same class or kind of merchandise under one cash deposit rate. (See, *Steel Jacks from Canada*, 50 FR 42577, Oct. 21, 1985; *Certain Carbon Steel Butt-Weld Pipe Fittings from Japan*, 51 FR 46893, Dec. 29, 1986).

**DOC Position:** The Department agrees with the petitioner that both blank and finished SSPF are within the scope of investigation. (See discussion *supra*, "Scope of Investigation.") The Department also agrees with the petitioner that both blank and finished SSPF are within the same class or kind of merchandise. The Department takes the position that SSPF which is in the blank form is the same "class or kind" of merchandise as finished fittings. This determination is based on a consideration of the following factors: (1) General physical characteristics, (2) the expectations of the ultimate purchasers, (3) the channels of trade in which the product is sold, (4) the manner in which the product is advertised and displayed, and (5) the ultimate use of the merchandise in question. The Court of International Trade has endorsed these criteria in determining whether a product is within the "class or kind" of merchandise described in a prior antidumping finding. (See, *Diversified Products Corp. v. United States*, 572 F. Supp. 863 (C.I.T., 1983), *Kyowa Gas Chemical Industry Co., Ltd. v. United States*, 582 F. Supp. 887 (C.I.T., 1984).

Blank SSPF is physically very similar to finished SSPF. All that remains to transform blank SSPF into finished SSPF is pickling, beveling and stress testing to industry standards, which do not change the physical nature of the fitting itself. Thus, the first criterion outlined above is satisfied.

As for the second and fifth criteria, both the ultimate use and the ultimate purchaser of the SSPF are the same as

for the finished SSPF, because blanks are not used to make any product other than finished SSPF, and have no independent use.

In terms of the third criterion, blanks and finished fittings move in the same channel of trade in that although blanks must be further manufactured for use as finished SSPF, there is no other use for blanks in the SSPF industry. Many U.S. importers purchase both blanks and finished fittings for resale to the ultimate end-user. Finally, since there is no separate channel of trade for blanks, the only manner in which they are advertised and displayed is in the form of finished SSPF. Thus, the fourth criterion is also met.

Since both finished SSPF and blanks are the same class or kind of merchandise, they are subject to the same cash deposit rate (See, *Bicycle Speedometers from Japan*, 52 FR 11720, April 10, 1987; *Brass Sheet and Strip from France*, 52 FR 812, January 9, 1987.)

The cases cited by Gerlin relate to transformation of products under an entirely different statutory scheme than the antidumping law. The Department is not required to follow Custom's determinations in defining the scope of its investigation. (See, *Diversified Products Corp. v. United States*, 572 F. Supp. 883 (C.I.T., 1983)).

**Comment 6:** Petitioner argues that since the stocking distributor discount claimed by Fuji on its home market sales could not be tied directly to invoices, a circumstance of sale adjustment for this discount should be disallowed.

Fuji argues that this discount to cover distributor's stocking expense is a direct selling expense because the discount is a condition of sale to a specific home market customer, pursuant to a contract. If the Department does not find these discounts to be direct selling expenses, then they should be considered as warehousing expenses as the customer does hold title to the goods and there is a contract outlining the seller's obligation regarding the expense.

**DOC Position:** The Department considers the stocking distributor discount a discount tied to sales and has subtracted it from the sales on which it was paid.

**Comment 7:** Petitioner claims that the adjustment for trade discounts on Fuji's home market sales should be denied because the reason for the discounts is not adequately explained and the discounts were granted after the filing date of the petition on all but one sale.

Fuji argues that it paid its major customer trade discounts in order to facilitate inventory movements at times of changing market conditions.

Furthermore, to counter petitioner's claim that these discounts were post-hoc discounts as a result of the filing of the petition, respondent points to the order which was discounted two months prior to the petition filing date.

**DOC Position:** The Department disagrees with the petitioner, and has determined that the trade discount is an allowable adjustment. Fuji reported five sales in the home market and of these five sales, four received trade discounts. One was granted prior to the filing date of the petition, three were granted after the filing date of the petition, and the last one, which was also invoiced after the filing date of the petition, had no trade discount attached to it. The Department finds that these trade discounts are bona fide because they had initially been granted prior to the filing date of the petition and the discounts were verified on the invoices. Therefore, we have allowed this adjustment.

**Comment 8:** Petitioner claims that the expenses tied to the advertisement for SSPF in the local paper, the *Fuji News*, should be disallowed as it is targeted directly to Fuji's customers and not at the customer's customers. Also, the expense for the Fuji catalogue should be denied as this expense was invoiced three weeks after the last purchase order during the period of investigation. Petitioner further argues that the catalogue is not directly related to sales and is printed on an "as-needed" basis rather than on a recurring one, and is more in the category of a general expense than a direct selling expense.

Respondent argues that the advertisement in the *Fuji News* was directed to Fuji's customers' customers. The expenses for the Fuji catalogue should also be allowed because the cost of printing falls under the period of investigation and the catalogues were used by Fuji's customers to facilitate sales to end users.

**DOC Position:** We agree with the respondent that both the advertisement in the *Fuji News* and the Fuji catalogue are allowable as circumstance of sales adjustments. We allow a circumstance of sale adjustment for sellers' expenses directed at the customer's customer. We allow no adjustment when the target is the party purchasing from the manufacturer or exporter. (See, Department of Commerce Adjustment Study, p. 51, November, 1985) At verification, we examined the advertisement, the catalogue, associated expenses, and determined that these expenses were incurred on behalf of Fuji's customer's customer.

**Critical Circumstances**

Petitioner has withdrawn its allegation of critical circumstances. Therefore, the Department has made no final determination concerning this issue.

**Continuation of Suspension of Liquidation**

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of SSPF, excluding those imports from Fuji for which we have found *de minimis* margins, that are entered or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall continue to require a cash deposit or the posting of a bond equal to the estimated average amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below.

The suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/Producer/ Exporter	Weighted-average margin percentage
Nippon Benkan Kogyo, K.K. ....	37.24
Fuji Acetylene Industries Co., Ltd. ....	0.08 ( <i>de minimis</i> )
Mie Horo .....	65.08
All others .....	49.31

**ITC Notification**

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officers to assess an antidumping duty order on SSPF from Japan entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

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

Joseph A. Spetrini,

Acting Assistant Secretary for Import  
Administration.

January 29, 1988.

[FR Doc. 88-2352 Filed 2-3-88; 8:45 am]

BILLING CODE 3510-DS-M





APPENDIX B  
LIST OF WITNESSES



CALENDAR OF PUBLIC HEARING

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

Subject : Certain Stainless Steel Butt-Weld  
Pipe Fittings from Japan

Inv. No. : 731-TA-376 (Final)

Date and time: February 9, 1988 - 9:30 a.m.

Sessions were held in connection with the investigation in Room 101 - Main Hearing Room of the United States International Trade Commission, 500 E Street, S.W. in Washington.

In support of the imposition of antidumping duties:

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

The Flowline Corporation

Roger Brown, President

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

In opposition to the imposition of antidumping duties:

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

Nippon Benkan Kogyo Co., Ltd.  
Nippon Bulge Industries, Ltd.  
Kuze Bellows Kogyosho Co., Ltd.

Kenneth Elkin, President, Kenrac Corporation

Yoshihiro Saito )  
Jeffrey L. Snyder )--OF COUNSEL

In opposition to the imposition of antidumping duties:

Sonnenberg, Anderson, O'Donnell & Rodriguez--Counsel  
Chicago, Illinois  
on behalf of

Gerlin, Inc.

Jack Sharkey, Vice-President of Sales

Steven P. Sonnenberg) --OF COUNSEL  
Michael A. Johnson )

APPENDIX C  
PRODUCTION STAGES



A-61  
**FLOWLINE, CORP.**  
NEW CASTLE, PENNSYLVANIA

PRODUCTION STEPS FOR STAINLESS STEEL BUTT WELD FITTINGS

ELBOWS:

1. Raw material, generally ASTM A-312, welded or seamless stainless steel pipe is received, verified and inspected for the quality standards to which it was purchased.
2. The pipe is cut into fitting blanks of the proper length.
3. The blanks are degreased of the lubricant used in the cutting process.
4. The blanks are deburred (rough edges removed).
5. The blanks are steel stamped or otherwise permanently marked with the heat or production number for proper identity throughout the manufacturing process.
6. Blanks are lubricated to facilitate the forming process.
7. The Elbow blanks are cold formed on hydraulic presses. The blanks go through one or more forming dies. Sometimes a semi-formed Elbow requires heat treatment to stress relieve the blank from hardening and/or embrittlement.
8. After forming, final annealing is performed at a specific temperature (1950°F) to stress relieve and place the metal in the optimum condition for corrosion resistance.
9. Immediately after annealing, the blanks are quenched in water to cool them as quickly as possible thru the carbon precipitation temperature range of 1400°F thru 800°F. The cooling process must take place within three minutes of exit from the furnace.
10. The heat treatment scale is removed in a pickling bath and water rinsed.
11. A final sizing operation is performed in the press to achieve the tolerances required by the Standards.
12. Excess material is sometimes removed from the ends in a separate sawing or machining operation.
13. The ends of the formed Elbow are then machined to exact size (straight faced) and a bevel for welding purposes is added.

**FLOWLINE, CORP.**

NEW CASTLE, PENNSYLVANIA

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ELBOWS - (Cont'd)

14. The machined Elbow is degreased.
15. The fitting is then passivated in hot diluted nitric acid and then water rinsed. The passivation process activates a chromium oxide film on the surface of the metal which gives its corrosion resistant character.
16. The fitting is marked by an electro-chemical etch identifying it in compliance with industry Standards. The etching acid is neutralized and the fitting is rinsed.
17. The fitting is final inspected. It should be noted that it is not unusual for inprocess inspections to be performed.
18. The fittings are packed for warehouse storage or shipment.

TEES and REDUCING TEES

The Tee process is virtually the same in regard to the sequence followed.

STUB ENDS

The production of Stub Ends differs in that the forming process involves heat and forging rather than cold forming. The other production steps are essentially the same.

CONCENTRIC & ECCENTRIC REDUCERS

The Reducer process is virtually the same in regard to the sequence followed.



APPENDIX D  
PRODUCERS' REPLIES



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