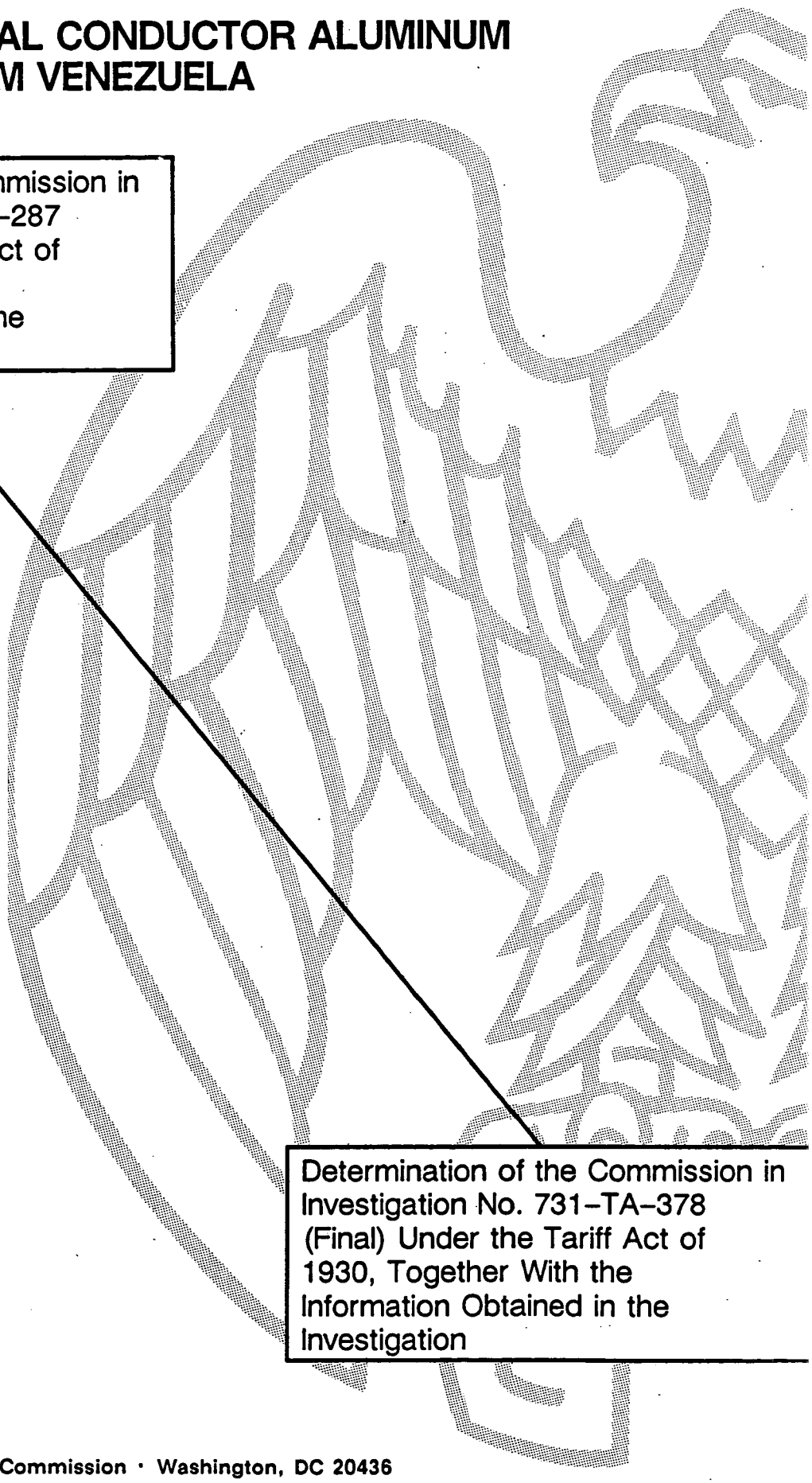
CERTAIN ELECTRICAL CONDUCTOR ALUMINUM REDRAW ROD FROM VENEZUELA

Determination of the Commission in Investigation No. 701-TA-287 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determination of the Commission in Investigation No. 731-TA-378 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations No. 731-TA-378 (Final) and No. 701-TA-287 (Final)

CERTAIN ELECTRICAL CONDUCTOR ALUMINUM REDRAW ROD FROM VENEZUELA

Determination

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to sections 705(b) and 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b) and § 1673d(b)), that an industry in the United States is threatened with material injury 2/ by reason of imports from Venezuela of certain electrical conductor aluminum redraw rod, 3/ provided for in item 618.15 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold at less than fair value (LTFV) and to be subsidized by the Government of Venezuela. In addition, the Commission finds that it would not have found material injury to the domestic industry even if there had not been suspension of liquidation of entries of the merchandise. 4/

Background

The Commission instituted these investigations effective October 14, 1987 (countervailing duty), and March 28, 1988 (antidumping), following preliminary

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1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).
2/ Vice Chairman Brunsdale and Commissioner Liebeler dissenting.
3/ The subject product comprises wrought rods of aluminum, the foregoing which are electrically conductive and contain not less than 99 percent of aluminum by weight.
4/ This finding is made pursuant to 19 U.S.C. § 1671d(b)(4)(B) and § 1673d(b)(4)(B). If the Commission does not find material injury but does determine threat of material injury, it is required to find whether it would have found material injury "but for any suspension of liquidation of entries of the merchandise."

determinations by the Department of Commerce that imports of certain electrical conductor aluminum redraw rod, wrought rods of aluminum containing not less than 99 percent aluminum by weight, from Venezuela were being subsidized within the meaning of section 701, and were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1671 and § 1673). Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of April 20, 1988 (53 FR 12997). The hearing was held in Washington, DC, on June 23, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF COMMISSIONERS ECKES,
LODWICK, ROHR AND CASS

We determine that an industry in the United States is threatened with material injury by reason of subsidized imports of electrical conductor aluminum redraw rod (EC rod) from Venezuela. We also determine that an industry is threatened with material injury by reason of imports of electrical conductor aluminum redraw rod from Venezuela which are being sold at less-than-fair-value (LTFV). 1/ 2/ Pursuant to 19 U.S.C. §§ 1671d(b)(4)(B) and 1673d(b)(4)(B), we determine that we would not have found material injury to the domestic industry in these investigations had there been no suspension of liquidation of entries of the merchandise.

Like product and domestic industry

Section 771(4)(A) of the Tariff Act of 1930, as amended, defines "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product. . . ." 3/ "Like product", in turn, is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article

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1/ Vice Chairman Brunsdale and Commissioner Liebeler, although making a negative determination, join their colleagues in the discussion of the like product and the scope of the domestic industry.

2/ Material retardation is not an issue in these investigations and will not be discussed further.

3/ 19 U.S.C. § 1677(4)(A).

subject to an investigation." 4/

The imported article subject to investigation is EC rod from Venezuela. In the preliminary investigations the Commission determined that the like product was domestically produced EC rod. The Commission also made a preliminary finding that mechanical aluminum redraw rod should not be included in the like product definition. 5/

In these final investigations there has been no new information introduced that would support a different like product definition. The record continues to show that because of their different metallurgical makeup, EC rod and mechanical rod are not generally interchangeable. 6/ A rod mill designed to produce EC rod must undergo substantial conversion to produce mechanical rod because greater strength is needed in the rolling mills to roll the harder mechanical rod alloys. 7/

4/ Section 771(10); 19 U.S.C. § 1677(10). Factors the Commission has examined in deciding what domestically produced products are products like the imports under investigation have included: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, and (5) customer or producer perceptions. See, e.g., Certain Bimetallic Cylinders from Japan, Inv. No. 731-TA-383 (Final) USITC Pub. 2080 (May 1988) at 3.

5/ Certain Electrical Conductor Aluminum Redraw Rod from Venezuela, Invs. Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary), USITC Pub. 2008 at 3-6 (August 1987).

6/ Report of the Commission (Report) at A-3-A-6.

7/ Id.

Thus, the Commission finds that there is one like product, domestically produced EC rod. The domestic industry consists of all domestic producers of this product. 8/

Condition of the Domestic Industry

In determining the condition of the domestic industry, the Commission considers, among other factors, U.S. production, capacity, capacity utilization, shipments, inventories, employment, and financial performance. 9/ These investigations revealed a pattern for most indicators of industry performance of a sharp downturn in 1985 and 1986 and increases,

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8/ To reach this decision, the Commission considered whether to exclude any domestic producer from the domestic industry as a related party under 19 U.S.C. § 1677(4)(B), although the parties did not raise this issue during the investigations. While several of the domestic producers imported the product from Venezuela during the period of investigation, we do not find the circumstances appropriate to exclude them. None of these companies appear to have been shielded from the impact of the unfairly traded imports due to their related-party status and their inclusion would not skew the data in this investigation. S. Rep. No. 249, 96th Cong., 1st Sess. 83 (1979); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Intl. Trade 1987); Color Television Receivers from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 at 17 (April 1984).

9/ 19 U.S.C. § 1677(7)(C)(iii).

albeit below 1984 levels, in 1987 and interim 1988. 10/ 11/

Apparent U.S. consumption of aluminum rod declined from 408,295 tons in 1984 to 366,590 tons in 1985 to 344,155 tons in 1986, then rose to 346,842 tons in 1987 and was 106,100 tons in interim 1988 as compared with 89,291 tons in interim 1987. 12/ EC rod is an intermediate product which is used to produce wire and cable and magnet wire. The information developed in these investigations shows that the trends in consumption of EC rod are similar to the trends in the consumption of wire and cable, the production of which

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10/ Petitioners urged the Commission not to consider industry data for the time period following the filing of the petition. It argued that declines in imports and improvements in the industry were due primarily to the pendancy of the investigations. In reaching our determinations, we examined all information available but considered the realities of the market place in deciding what weight to give the information. See Kenda Rubber Industries Co. v. United States, 630 F. Supp. 354, 359 (CIT 1986); British Steel Corp. v. United States, 593 F. Supp. 405, 411 (CIT 1984).

11/ Commissioner Rohr notes that in these investigations the Commission collected data for four full years and an interim period. The Commission possession of four years rather than the usual three years of data is due to the length of time between the original filing of this case and the present determination. There is no particular added significance to the additional year's data other than the general advantage that more data is better than less data. The Commission's general rule for collecting three year's data is based on practical considerations of what amount of data can reasonably be collected and analyzed in an investigation. The Commission has frequently taken note of data outside this normal three year period when it possess such information from prior cases or other sources. Its treatment of 1984 data is consistent with this practice. 1984 was a good year for the industry. 1985 was a bad year. Neither is an absolute benchmark for what is an injured or uninjured industry.

12/ Report at A-24, Table 3.

requires approximately 90 percent of the available EC rod. 13/ U.S. rod producers, as expressed in their questionnaire responses to the Commission, consider the rod market mature and predictable and expect no significant changes in the near future. 14/ In fact, the record includes an industry estimate that the increase in consumption during the interim period will slow so that consumption for all of 1988 will be similar to that in 1987. 15/

Production of aluminum rod declined from 363,275 tons in 1984 to 279,173 tons in 1986, increased to 288,785 tons in 1987 and, was 86,652 tons in interim 1988 as compared with 70,243 tons in interim 1987. 16/ Capacity to produce aluminum rod increased from 519,842 tons in 1984 to a highpoint of 528,175 tons in 1985, then declined steadily to 466,920 tons in 1987 for a ten percent decline overall. Capacity was five percent less at 111,835 tons in interim 1988 as compared with 118,085 tons in interim 1987. 17/ This general decline in capacity reflects the closing of some of the domestic EC rod plants and the shifting by Alcoa of one of its plants to the production of mechanical rod. 18/

13/ Ten percent of the EC rod is used to produce magnet wire. Report at A-25.

14/ Id.

15/ Id.

16/ Id. at A-26, Table 4. We note that interim data may not be reliable in determining trends. For example, interim 1988 data, which suggests a sharp increase in production over interim 1987, are virtually identical to interim 1986.

17/ Id.

18/ Report at A-18; Transcript at 198. Commissioner Rohr notes that the closing of some excess capacity, particularly where capacity exceeds longterm demand projections by the industry itself, is not necessarily an indicator of an injured industry. In these particular investigations, he does not believe that the level of capacity decrease is indicative of injury.

Capacity utilization declined from 70 percent in 1984 to 56 percent in 1986, increased to 62 percent in 1987 by virtue of a four percent increase in production and a seven percent drop in capacity. Capacity utilization increased in interim 1988 to 77 percent as compared with 59 percent for the same period in 1987. 19/ The recent (and possibly temporary) rise in consumption and production and the steady decrease in capacity resulted in the capacity utilization increase. 20/

The quantity of U.S. producers' total domestic shipments fell from 363,850 tons in 1984 to 284,274 tons in 1986, increased to 294,228 tons in 1987 and, increased to 87,723 tons in interim 1988 as compared with 73,498 tons in 1987. The value of producers' total domestic shipments fell from $507.4 million in 1984 to $357.1 million in 1986, jumped sharply to $429.9 million in 1987 and, increased over 75 percent to $162.5 million in interim 1988 as compared with $92.6 million in interim 1987. 21/ U.S. producers' inventories of EC rod declined steadily throughout the period of investigation from 14,655 tons in 1984 to 7,033 tons in 1987, and 6,656 tons in interim 1988. 22/

The number of production and related workers employed by EC rod producers decreased from 209 in 1984 to 182 in 1985. The number decreased further to

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19/ Id.

20/ See, supra at 6.

21/ Id. at A-28, Table 5

22/ Id. at A-29.

154 in 1986. The information for 1987 shows a 9 percent increase to 168. There was an additional 23 percent increase during the first quarter of 1988 from 141 during the first quarter of 1987 to 173 during that period in 1988. The wages paid to these workers also decreased from 1984 to 1986 with a 16 percent increase in 1987 and an additional 28 percent increase in the first quarter of 1988 when compared to the same period in 1987.

We note that the financial information available to the Commission in these investigations is limited in value in our analysis because the industry consumes most of the domestically produced EC rod internally. 23/ For example, in 1987, the internal transfer of EC rod accounted for over 65.0 percent of total EC rod sales. Since the petitioners and several other U.S. producers do not consider their aluminum rod operations as a profit center, they could not supply P & L data from their bookkeeping operations. Thus, our analysis was based on tables constructed using producers' cost estimates, or Metal Market monthly average prices for aluminum and average trade sales

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23/ Commissioner Rohr finds that the financial data in this investigation is extremely limited in value. With very few exceptions EC rod is an intermediate product within a vertically integrated production process. This means that not only are the net sales significantly affected by the vagaries of transfer prices, but the raw materials costs and hence the cost of goods sold, are similarly affected. In such a situation, none of the traditional measures of profitability can be said to provide a reliable picture of the operations of this industry. The parties suggested no way in which the problems of analyzing financial performance of this industry could be overcome. He agrees with his colleagues that the information gathered is the best available. However, where there are such well established doubts whether financial performance is illustrative of the performance of the industry the better course is simply not to rely on such data. He therefore places very little weight on the financial indicators as a guide to determining the condition of this industry.

values for rod. It is our view, however, the information of record is the "best available information." 24/

The financial data in these investigations were developed in two ways. The first approach assumed the EC rod producers purchased the aluminum raw material and transferred or sold the rod at market prices. 25/ On this basis, 1984 operating income as a percent of net sales was 2 percent. In 1985 it jumped to 5.3 percent with an additional increase to 6 percent in 1986. In 1987 there was a decrease to 5.4 percent. The percentage during the first quarter of 1988 was 5.5 percent compared to 6 percent in the same period of 1987. 26/

Under the second approach, we considered the financial data based on the reported prices for the internal transfer of the aluminum raw material from the producers' own smelters to the EC rod mills and the resulting rod from the rod mills to the EC rod producers' own cable and wire mills. These data show a different pattern. 27/ Using this approach, the ratio of operating income to net sales dropped from 3.2 percent in 1984 to a loss of 5.3 percent in 1985. The percentage increased to 0.2 in 1986 and to 7 percent in 1987. The percentage was 12.4 in the first quarter of 1988 compared to 2.1 during the

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24/ See 19 U.S.C. § 1677e(b).

25/ Report at A-35 and A-36.

26/ Id.

27/ Report at A-37, Table 8.

same period in 1987. 28/

The first approach, based on market value for purchase of the aluminum raw material and sale of the EC rod produced, reduces the effect of fluctuations in aluminum prices over the period of investigation. In our view, it is the preferable approach for our analysis, although we did not emphasize the P & L data resulting from this method in reaching our determination.

In summary, the data collected in these investigations depict an improving but still vulnerable domestic industry. For most indicators, performance in 1987 and 1988 (if annualized) did not equal 1984 levels. The information available suggests the recent improvement in the domestic industry may be a consequence of the institution of these investigations and the consequent reduction in imports; we consider the data on industry performance in that light.

While the industry has slowed its reinvestment in facilities and equipment, most performance indicators turned up in 1987 and interim 1988. However, performance is still substantially below 1984 levels. The domestic EC rod industry remains vulnerable to the threat of unfairly traded EC rod from Venezuela.

Threat of Material Injury by Reason of Subsidized and LTFV Imports from Venezuela 29/

The statute sets forth a series of factors the Commission is to consider

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28/ Id.

29/ Commissioner Cass further explains his analysis of the existence of a threat of material injury in his Additional Views. See Commissioner Cass's Additional Views at 19, infra.

in analyzing the issue of threat of material injury. 30/ These factors are: (1) any information presented to the Commission by the Department of Commerce as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement on Subsidies and Countervailing Measures); (2) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports to the United States; (3) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level; (4) 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; (5) any substantial increase in inventories of the merchandise in the United States; (6) the presence of underutilized capacity for producing the merchandise in the exporting country; (7) any other demonstrable adverse trends that indicate the probability that the imports will be the cause of actual injury; and (8) the potential for product-shifting. 31/

In addition, in order to conclude that subsidized and LTFV imports are a threat of material injury to the domestic industry, the Commission must find that the threat of material injury is real and that actual injury is

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30/ 19 U.S.C. § 1677(7)(F).

31/ 19 U.S.C. §1677(7)(F)(i)(VIII). There is no potential for product shifting in this case as there are no products subject to investigation or to final orders that use production facilities that can be shifted to produce EC aluminum rod. Report at A-51.

imminent. Such a determination may not be made on the basis of mere conjecture or supposition. 32/

In this investigation, almost all of the countervailing duty rate established by the Commerce Department's final determination results from three export subsidies which are not consistent with the Agreement on Subsidies and Countervailing Measures. 33/ We find that these subsidies, intended to encourage exports and provided at a substantial level, pose a greater threat to the domestic industry than other types of subsidies. 34/

The record also shows that the capacity of the Venezuelan EC rod producers will be increasing. While most of the details concerning the expansion of foreign capacity are confidential, our investigation supports the finding that the milling capacity able to produce EC rod in Venezuela will be increased in the very near future. Respondents claim that some of this new capacity will be dedicated to producing mechanical rod but, the new mechanical rod facility has the flexiblilty to produce either EC or mechanical rod. 35/

32/ Id.

33/ The full duty rate is 38.40 percent. A duty rate of 38.26 percent is attributable to three export subsidies. These subsidies are an export bond program (37.90 percent), preferential pricing of inputs to produce exports (0.22 percent), and short term preferential financing by the Fund for Financing Exports (0.14 percent).

34/ Respondents argued that the export bond program only partially compensated them for the disadvantage and export disincentive of the Venezuelan exchange control regulations. Posthearing brief of Sural at 31. If this was true the export bond program became an even more important incentive to exports.

35/ Report at A-13, A-18, A-21, and A-51.

Respondents argued that Venezuelan EC rod production cannot increase because the producers cannot get enough aluminum raw material, but EC rod producers could currently purchase the raw material on the world market. Moreover, the Venezuelan government and the aluminum industry have cooperated in a smelter expansion program, and there will be an increase of 176,000 metric tons by 1989. 36/

The record in these investigations reveals a rapid increase in Venezuelan imports from 1984 to 1985. While the volume of imports decreased slightly from 1985 to 1986, market penetration did not. Market penetration rose from 7 percent in 1984 to 15 percent in 1985 and 1986. In 1987, the market penetration dropped to 12 percent, but monthly data show that the imports from Venezuela dropped substantially after the petitions in these investigations were filed in July. 37/ As has been previously observed, declines in the volume of imports after the filing of a petition encourages a temporary improvement in the condition of the domestic industry during the investigation. 38/ The imports from Venezuela increased in market penetration to 14 percent during the first quarter of 1988, with the largest volume of imports occurring the month after the lifting of a 12.99 percent bond requirement due to the expiration of 120 days after Commerce's

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36/ Report at A-9 and A-16. An additional expansion of 80,000 metric tons is planned by mid-1991. Further expansions are planned through the year 2000. Id. at A-9.

37/ Report at A-54.

38/ See USX v. United States, 655 F. Supp. 487, 492 (CIT 1987); Rhone Poulenc v. United States, 592 F. Supp. 1318, 1324 (CIT 1984).

preliminary affirmative countervailing duty determination. 39/

With respect to the expected further increase in Venezuelan imports, the record reflects that Sural is in the process of acquiring wire and cable plants in the United States. The testimony and other information shows that Sural, through its affiliate ACPC, Inc. plans to supply these plants with mostly Venezuelan EC rod. 40/ In addition, respondents have indicated an intent to continue sales of EC rod to unrelated U.S. purchasers. 41/

The unfairly traded Venezuelan imports are also likely to enter the U.S. market at prices that will depress or suppress domestic producers' prices. The pricing data in this investigation is limited, as the majority of domestic EC rod is captively consumed. However, some open market prices for two EC rod products were obtained. For 5 out of 9 quarterly comparisons of product 1 and the only quarterly comparison of product 2, Venezuelan rod was priced below the U.S. product. The majority of cable manufacturers questioned about rod purchases stated that Venezuelan EC rod must be priced below U.S. rod for them to choose the foreign product.

There is also information on the record showing a substantial increase in inventories of Venezuelan EC rod in this country. 42/ Inventories increased

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39/ United States Steel Corp. v. United States, 618 F. Supp. 496 (CIT 1986). Report at A-7.

40/ Report at A-18; Transcript at 120, 198.

41/ Report at A-14-A-15. Letter from Sural's attorney, Thomas Wilner to Kenneth Mason, ITC Secretary, dated July 22, 1988.

42/ Report at A-51.

substantially in 1987 from negligible levels in 1984 - 1986. Inventories increased further during the first quarter of 1988. 43/

The Venezuelan EC rod industry reportedly is operating at a relatively low level of capacity utilization, particularly in the most recent period. Thus, even if there were no future expansion planned in the Venezuelan EC rod industry, the unused capacity, in conjunction with Sural's plans to supply its newly acquired cable and wire plants, could lead to substantial increases in the volume of Venezuelan imports into the United States.

Several other factors on the record support this threat determination. The U.S. is the most important export market for Venezuelan EC rod. In 1987, exports to the U.S. represented 60 percent of all Venezuelan EC rod exports. Another export market for Venezuelan EC rod, the European Economic Community, has established a quota system which increases tariffs on EC rod imports dramatically after $7.6 million dollars of imports per year. 44/ The record also shows that the imports enjoy transportation freight advantages in the U.S. because their sales are generally within 100 miles of the ports of entry. 45/ 46/

43/ Id.

44/ Reportedly, Venezuela has already exceeded the nondutiable quota for 1988. Petitioner's Post Hearing Brief at 9-10.

45/ Report at A-60-A-61.

46/ As in past investigations, Commissioner Rohr notes that the statutory factors deal primarily with what is likely to occur with respect to imports. In order to determine whether that projection about future imports "threatens" the domestic industry, it must be analyzed in the context of the condition of the industry. Looking at the vulnerable condition of the industry he concludes that, indeed, the projected impact of the Venezuela imports could easily injure the domestic industry and therefore concurs with his colleagues that there is threat from the Venezuelan imports of entry.

After considering all of the statutory factors and the evidence relating to these factors, we have concluded that the U.S. industry producing EC rod is threatened with material injury by imports of unfairly traded EC rod from Venezuela. 47/

47/ We also made the additional determination, required under 19 U.S.C. §§ 1671d(b)(4)(B) and 1673d(b)(4)(B), that we would not have found that the industry was materially injured even if there had not been a suspension of liquidation of entries. We have reached this conclusion based on the increased consumption of EC rod in the U.S. during the period the bonding was in effect and the improved although still vulnerable condition of the domestic industry. As we have stated, the recent upturn in consumption probably is temporary in this mature industry.

ADDITIONAL VIEWS OF COMMISSIONER RONALD CASS

Certain Electrical Conductor Aluminum
Redraw Rod from Venezuela (Final)

Investigations Nos. 701-TA-287 and 731-TA-378
August 5, 1988

I join the majority in its determination that the domestic electrical conductor aluminum redraw rod ("EC rod") industry is threatened with material injury by reason of unfairly traded imports from Venezuela. These Additional Views address three matters that merit attention and that have either not been addressed by the majority or have been treated in a manner with which my own views do not fully accord. First, parties have raised several concerns about the petition that give rise to these investigations. These concerns touch on our jurisdiction over the petition, the inclusion of Petitioner within the domestic industry, and the bona fides of the Petition. Although legally separable, there are common threads among these issues. Second, I diverge somewhat from the majority in the route by which I determine that this industry is threatened with material injury by reason of unfairly traded imports. Finally, I believe that attention should be given to the statutory requirement that a threat must be "real" and material injury must be "imminent" before an affirmative determination is appropriate,1/ as this requirement makes decision on the threat issue a very close call.

Issues Respecting the Petition or Petitioner

1/ See 19 U.S.C. § 1677(7)(F)(ii).

(a) Standing.

Respondent Sural, C.A., has raised the question of whether Petitioner Southwire Company has standing to bring this petition.2/ The statute this Commission enforces requires that both countervailing duty cases3/ and antidumping duty cases4/ be brought "on behalf of an industry." This requirement has been interpreted to mean that a Petition must be supported by producers representing a majority of the production of the domestic like product.5/ Petitioner Southwire Company has been unable to enlist the support of any other member of the industry for its petition, and one manufacturer has expressed its opposition to the petition.6/ Southwire alone does not represent a majority of domestic production of EC rod. The remaining producers have remained silent, and the Department of Commerce has interpreted passivity as support for the Petition.7/

Before we determine the appropriate standard by which to assess standing, we must first decide whether this Commission has the authority to terminate an investigation because Petitioner lacks standing. The Court of International Trade in Gilmore Steel8/ has noted that the Commerce

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2/ See Post-Conference Br. of Sural, C.A., at 1.

3/ 19 U.S.C. § 1671a(b)(1).

4/ 19 U.S.C. § 1673a(b)(1).

5/ Gilmore Steel Corp. v. United States, 585 F. Supp. 670 (1984).

6/ Report at A-25.

7/ 52 Fed. Reg. 38113 (Oct. 1987); 53 Fed. Reg. 3614 (Feb. 1988); 53 Fed. Reg. 24755 (June 1988); 53 Fed. Reg. 24763 (June 1988).

8/ Supra note 5.

Department does have clear authority to terminate investigations for lack of standing, although the exact basis of that authority is unclear. The court adverted to an explicit grant of statutory authority to Commerce to terminate a proceeding for insufficiency of the petition9/ but its actual holding in Gilmore respecting Commerce's authority appeared to rest on the general proposition that administrative agencies, like courts, enjoy inherent authority to recognize an absence of jurisdiction.10/ Respondent in this proceeding has argued for a broad reading of Gilmore as applicable to the Commission as well as Commerce.11/

Although the generally applicable rule governing authority to deny jurisdiction indicates that the Commission may be authorized to determine Petitioner's standing, difficult problems might be created if both Commerce and the Commission independently could determine the existence of standing. Commerce might find that the Petitioner has standing and the Commission that the same Petitioner in the same case lacks standing (or vice versa). Legal provisions generally should be construed to avoid the potential for such direct conflicts. Such a construction also would be in accord with the overall structure of Title VII. Title VII carefully divides authority over antidumping and countervailing duty investigations between Commerce and the Commission, and its drafters appear to have taken some pains to prevent inter-agency conflicts arising from this division. Thus, for example, rather than direct the Commission to assess the effects of "dumped imports," which might be taken to authorize the Commission to assess

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9/ 19 U.S.C. 1673a(c)(3).

10/ Gilmore Steel, 585 F. Supp. at 674.

11/ Respondent Sural's Post-Conference Br. at 1, section 2.

independent of Commerce (and potentially in conflict with Commerce) which imports were sold at LTFV, the statute refers the Commission back to Commerce's decision on that score.12/

The statute does not address the authority over standing in a similarly direct fashion, but a sensible premise from the general design of this legislation would be that inter-agency conflicts over standing were not intended. If, as the Gilmore court held, Commerce has authority to determine Petitioners' standing in Title VII investigations, then the Commission presumably should not consider the same issue. Commerce has passed on this issue expressly.13/ For these reasons, I do not believe it would be appropriate for us to dismiss the Petition for lack of standing.

(b) Related Parties.

Another source of concern in this case arises from the longstanding relationship between Petitioner Southwire Company and Respondent Sural, C.A. Southwire owned a significant interest in Sural as recently as March 1985.14/ Further, a subsidiary of Southwire imported and sold EC rod produced by Sural until mid-1985.15/ This date is within the period covered by this Commission's investigation. Such a relationship between a member of the domestic industry and an exporter of the subject imports on its face raises a concern that such a member of the domestic industry is benefitted by the very actions that may injure the remainder of the industry. In such

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12/ 19 U.S.C. § 1673d(b)(1).

13/ See note 7 supra.

14/ Report at A-20-21.

15/ Id. at A-21.

instances, the law directs us to exclude the related party from the domestic industry we examine.16/ There is special concern in this case because the sole Petitioner may be claiming the protection of our trade laws for reasons unrelated to the effects of unfair imports, as the imports from Venezuela actually benefitted Petitioner during part of the period of our investigation.

The facts of this investigation, however, do not present the "appropriate circumstances" that the statute requires.17/ Critically, we have no reason to believe that dumping in this case occurred in the period in which a formal relationship existed between Sural and Southwire, since the investigation by the Commerce Department covered only the six months prior to the filing of the petition, well after the relationship had ended. Moreover, Petitioner argues that even if it benefitted from its imports from Sural, it was simultaneously injured to a greater extent by other imports.18/ The Petitioner, thus, should not be excluded from the domestic industry as a "related party" under Title VII.

(c) Bona Fides of Petition

Respondent has alleged that Petitioner has failed to present the same picture to this Commission that it has recently presented to the Securities and Exchange Commission in a registration statement filed on September 29, 1987.19/ This allegation is serious, as it raises the prospect that

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16/ 19 U.S.C. § 1677(4)(B).

17/ Id.

18/ Petitioner's Post-Hearing Br. at 12.

19/ See Statement of Prof. Michael Dooley before the USITC, June 23, 1988.

Petitioner either has violated the securities laws by failing to disclose information material to its securities registration, or the affirmative determination reached in this investigation may be based in part on misleading information. Two reasons, however, suggest that we should not deny relief on that ground. First, if the Petition is shown to contain misleading information sufficient to alter the determination this Commission otherwise would reach, the Commission has the power to reconsider the case and, if appropriate, reverse its decision.20/ Second, while the testimony before the Commission suggested a clear tension between Petitioner's registration statement and its claim to have, shortly before that time, suffered injury from LTFV and subsidized imports,21/it did not establish a plain conflict between the registration statement and a finding that, at this time, there is a clear and imminent threat to the Petitioner and the domestic industry from such imports. Thus, I find the testimony respecting the conflicting positions taken by Petitioner before different government agencies sufficient to call into question several assertions made by Petitioner in this investigation, but I do not conclude that the testimony vitiates the other information of record supporting an affirmative finding on threat of material injury.

Despite these concerns, therefore, I must determine whether the domestic industry has been materially injured, or is threatened with material injury, by reason of unfairly traded imports of EC rod from Venezuela, as alleged by Petitioner.

20/ See Alberta Gas Chemicals, Ltd. v. Celanese Corp., 650 F.2d 9 (1981).

21/ Petitioner's Post-Hearing Br. at 7-8.

Material Injury By Reason of Unfairly Traded Imports

The Department of Commerce has investigated allegations of dumping and subsidization concerning Venezuelan EC rod over the period from February 1, 1987, to July 31, 1987, the six months approximately preceding the filing of the petition in this investigation.22/ No information is available concerning dumping or subsidization outside this period of time.23/

Yet the evidence of injury presented here by Petitioner uniformly falls outside the period of Commerce's determination. Petitioner has told us that production fell in the two years prior to the relevant six-month period, but rose during and after that period.24/ Petitioner has told us that domestic shipments fell prior to the relevant period, but rose during and after that period.25/ It has told us that capacity utilization fell prior to the relevant period, but rose during and after that period.26/ It has told us that U.S. market share for EC rod fell in 1985 and again in 1988,27/ though Petitioner explicitly argued that data after the filing of

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22/ The petition in this investigation was filed on July 14, 1987. Report at A-1.

23/ As my colleague on the Commission has recently correctly pointed out, "There is no basis in law or fact to assume that dumping or subsidization took place during any period other than the period of Commerce's investigation. The Department of Commerce has sole authority and responsibility under the statute for determining the existence and amount of any dumping or subsidization." Sewn Cloth Headware from the People's Republic of China, Inv. No. 731-TA-405 (Preliminary), USITC Pub. 2096 (July 1988) (Additional Views of Commissioner Eckes).

24/ Petitioner's Pre-Hearing Br. at 7.

25/ Id. at 8.

26/ Id. at 9.

27/ Id.

the petition in mid-1987 could only mislead us.28/ Petitioner has told us that employment,29/ profitability,30/ and fabrication adder prices31/ all increased in 1987, after falling prior to that time.

Although I recognize that injury by reason of LTFV imports is not inconsistent with prosperity and growth in the subject industry,32/ it is difficult to find persuasive evidence of injury in the fact that industry indicators rose in the period in which unfair trade practices were first found to exist. If we are to find persuasive evidence of injury, we must look beyond the evidence provided by Petitioner. In this regard, the three-part inquiry directed by Title VII is especially helpful.33/

This three-part inquiry focuses on the volumes and prices of imports, the prices and sales of the like product, and the effects on employees and investors in the domestic industry.34/ Because I find that the domestic

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28/ Id. at 6.

29/ Id. at 10.

30/ Id.

31/ Id. at 17.

32/ See Digital Read-Out Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390, USITC Pub. 2081 (May 1988) (Additional Views of Commissioner Cass), at 19-22; Light-Walled Rectangular Pipes and Tubes from Argentina and Taiwan, Invs. Nos. 731-TA-409-410 (Preliminary) USITC Pub. 2098 (July 1988) (Additional Views of Commissioner Cass), at 17.

33/ 19 U.S.C. § 1677(7)(B). See Certain Brass Sheet and Strip from Japan and the Netherlands, Inv. No. 731-TA-379 and 380 (Final), USITC Pub. 2099 (July 1988) (Additional Views of Commissioner Cass); Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) (Additional Views of Commissioner Cass); 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (April 1988) (Views of Commissioner Cass).

34/ Much of the background for this inquiry is explored in 3.5" Microdisks and Media Therefor from Japan, supra note 33. Although my interpretation

(continued...)

injury is threatened with material injury by reason of subsidized and LTFV imports, I will give only an abbreviated explanation for my decision not to base an affirmative determination on present injury from those imports. The evidence of record here suggests that the volume of imports remained small relative to domestic consumption and was not appreciably increased by the unfair trade practices found by the Department of Commerce.35/ The price of EC rod from Venezuela does appear to have been reduced significantly, but with minimal effect on the prices and sales of the domestic like product. Several reasons account for this.

The minimal effect on sales is perhaps more readily seen. The domestic aluminum industry seems to be at or near its capacity to produce. Supplies of primary aluminum are in short supply,36/ as evidenced by the rapid increase in both spot and near-term futures prices of primary aluminum on world markets37/ throughout the period within which Commerce determined unfair trade practices to exist. The domestic EC rod industry appears also to be at or near its production capacity, as evidenced both by testimony presented before the Commission,38/ the sharp increase in domestic market shipments during 198739/ and continuing through the first quarter of

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34/(...continued)
of the applicable law has evolved with respect to some particular issues, the general bases for my interpretation of Title VII are accurately presented in these earlier views.

35/ Report at A-6.

36/ See, e.g., Hearing Tr. at 118.

37/ See Report at A-57.

38/ See Tr. at 97, 110-13, 118.

39/ Report at A-27-28.

1988,40/ and the decline in inventories during 1987.41/ Testimony suggests that the domestic industry, operating at or near its output capacity, could not significantly have increased its output in the event the unfair trade practices at issue here had not been present.

The imports also do not appear to have depressed the price of the output of the domestic like product by more than a de minimis amount. Among other reasons, EC rod is produced in numerous countries besides the United States and Venezuela, and many of those countries export EC rod to the United States.42/ The record suggests that competition from these sources and from domestic suppliers sufficiently constrain prices for EC rod in the United States that very little if any price effect can be attached to the subsidized and LTFV imports from Venezuela.43/

Finally, these conclusions respecting both price and sales effects confirm that the improvement in the fortunes of the domestic EC rod industry would not have been materially stronger in the absence of LTFV and subsidized sales of EC rod from Venezuela. The record does not support a finding that such imports materially affected profits, employments, compensation, ability to attract capital, with other measures of economic vitality suggested by Title VII. For the foregoing reasons, I determine that the domestic industry is not materially injured by reason of the subject imports.

40/ Id. at A-27-28.

41/ Id. at A-52.

42/ Report at A-79.

43/ U.S. users of EC rod routinely maintain contacts with numerous suppliers in several countries to ensure themselves ready availability. See Tr. at 89-90, 106.

Threat of Material Injury

I agree with the majority's finding that the domestic industry is, however, threatened with material injury by reason of the subject LTFV imports. As my colleagues note,44/ the capacity of the Venezuelan EC rod industry is increasing, and the ability of the Venezuelan aluminum industry to supply aluminum to the EC rod industry is also increasing. Furthermore, the United States is and traditionally has been the primary export market for Venezuelan EC rod exports.45/ Increasing trade barriers in other potential export markets raise still further the likelihood that new Venezuelan capacity will be exported to the United States.46/ I believe the threat posed to the domestic industry is real and that actual injury is imminent, as the law requires for an affirmative determination47/ although questions about the imminence of the injury make this is a close call. The statutory factors are discussed in the majority opinion, which I join. The comments below expand on particular issues that, I believe, deserve further discussion in light of the closeness of the judgment on threat.

The most significant change that is anticipated is an increase in the volume of imports consequent to increased Venezuelan capacity for EC rod production. There is evidence on the record that a significant expansion of the Venezuelan aluminum and EC rod industries is underway. Smelting

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44/ See majority opinion, supra, at 14.

45/ Report at A-16.

46/ See Petitioner's Post-Hearing Br. at 9.

47/ 19 U.S.C. § 1677(7)(F)(ii).

capacity, recently a significant limitation on the availability of aluminum to the Venezuelan EC rod industry,48/ is scheduled to increase by nearly 60% as soon as 1989, with much greater growth anticipated over the longer term.49/ The increase in aluminum available to the Venezuelan industry complements significant planned expansion of EC rod production capacity, also expected to come on-line in the near future.50/ While no clear indication is now available as to the exact date this expansion will come on-line, mills such as the one now planned can be brought to an operational stage rather quickly. Although evidence was adduced that Respondent may not be able to obtain increased supplies of aluminum at any time in the foreseeable future,51/ that appears inconsistent with more credible evidence. The record evidence of expansion of Venezuelan EC rod capacity appears more likely to be accurate and the effects of such expansion more imminent when viewed in tandem with evidence that Respondent Sural has purchased two mills in the United States to produce electrical cable.52/ The record indicates that these mills, which domestic producers had decided not to operate, will be supplied with EC rod from Venezuela.53/ If imports for these mills do not replace other Venezuelan imports of EC rod, that would result in doubling the volume of such imports.

48/ Report at A-13.

49/ Report at A-12.

50/ Id. at A-13. While the planned expansion appears to be capable of producing mechanical rather than EC, rod, there is no assurance the EC rod will not also be produced by this new facility. Id.

51/ Report at A-13.

52/ Report at A-15.

53/ Report at A-15.

By contrast, the domestic EC rod industry conspicuously is not now expanding, and apparently lacks any current plans to expand,54/ its current EC rod production capacity. This fact is remarkable in light of the present high prices for aluminum and the fact that available capacity is being very intensively used.55/ One inference that may be drawn from the ambitious Venezuelan expansion, combined with the absence of any similar effort in the United States, is that U.S. producers may be concerned that they would be unable to meet Venezuelan competition. If so, then U.S. producers have been deterred from making current investment plans.

That inference is strengthened by the likely export patterns that Venezuelan producers will follow. The United States is the most important export market for Venezuelan EC rod. In 1987, exports to the U.S. represented 60% of all Venezuelan EC rod exports.56/ Another export market for Venezuelan EC rod, the European Economic Community, has established a trade barrier which increases tariffs on EC rod imports dramatically after an annual threshold has been exceeded.57/ Given this new barrier to a major alternative market, it seems all the more plausible that much of the new Venezuelan production may come to the United States.

The Commission has not defined a standard for deciding when a threat is sufficiently "real" and "imminent"58/ to support an affirmative

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54/ Report at A-17-21.

55/ See Tr. at 97, 110-113, 118; Report at A-57, A-27-29.

56/ Report at A-16.

57/ See Petitioner's Post-Hearing Br. at 9.

58/ 19 U.S.C. § 1677(7)(F)(ii).

determination. Confirming the plain language of the statute's text,59/ the Congress made clear in legislative history that any determination of future injury must not be based "on mere supposition, speculation, or conjecture."60/ In the past the Commission has evaluated future developments on a case-by-case basis,61/ providing no clear guidelines. We must, however, show more than a "mere possibility that injury might occur at some remote future time"62/ and cannot base our findings on uncertainties or contingencies.63/ Yet any future events cannot be predicted with certainty, and the question in every case will be how probable are the changes at issue, how likely is injury if those changes occur, and how remote are such changes likely to be. Commonly, these factors will be mutually reinforcing. For instance, the more remote a change, the less probable it is apt to be.

In this investigation, the probability that Sural will expand its capacity is quite high -- indeed, Sural is at this time actually engaged in an expansion of its EC rod capacity, and the Venezuelan aluminum industry is now engaged in expanding its production of aluminum. The expansion

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59/ 19 U.S.C. § 1677(7)(F)(ii) states: "Any determination by the Commission under this subtitle 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."

60/ S.Rep.No. 1298, 93rd Cong., 2d Sess. 180 (1974).

61/ See, e.g. Frozen Concentrated Orange Juice from Brazil, Inv. No. 731-TA-326 (Final), USITC Pub. 1970 (April 1987) (Additional Views Of Commissioners Eckes and Lodwick), at 25, n. 91.

62/ Alberta Gas Chemical, Inc. v. United States, 515 F.Supp. 780, 791 (1981).

63/ Id.

should by 1989 or 1990 -- that is, in a year to a year and a half -- produce a considerably larger volume of EC rod for consumption at home or for export. The evidence on the home market for Venezuelan EC rod is slight and mixed. While arguably much of the additional EC rod production in Venezuela might be exported, the evidence summarized above suggests a probability that much of it will be, largely to the United States. In this regard, it is important to note that the principal subsidy at issue here is an export subsidy that during the period investigated amounted to nearly 40 percent of the value of EC rod shipped to the United States. If such additional exports as are suggested by the purchase of cable mills in the United States had been shipped during the period of investigation, the price and sales effects on the domestic industry would still have been small, as would consequent impact on the domestic industry's employment profits, and so on. These effects, however, would no longer have been de minimis and would, I believe, materially injure the domestic industry. I believe that the likelihood of such effects occurring within the next year or year and a half is sufficiently great as to constitute a real and imminent threat of material injury. For the foregoing reasons, I determine that an industry in the United States is threatened with material injury by reason of unfairly traded EC rod from Venezuela.

DISSENTING VIEWS OF ACTING CHAIRMAN ANNE E. BRUNSDALE

Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

Inv. Nos. 701-TA-287 (Final) and 731-TA-378 (Final)

August 5, 1988

Based on the record in these investigations, I find that the domestic electrical conductor aluminum redraw rod (EC rod) industry is not materially injured or threatened with material injury by reason of dumped and subsidized imports from Venezuela.1/ On the contrary, I view the industry as dynamic, with a recent history of retrenchment as a result of economic conditions having nothing to do with imports. I therefore set out below in some detail my views on the condition of the domestic industry, the impact of the Venezuelan imports, and the potential for threat of injury by reason of such imports.

Condition of the Domestic Industry

Our overall objective in an investigation instituted under Title VII of the Trade Act of 1930 is to determine whether an industry in the United States is materially injured or threatened with material injury "by reason of" dumped or

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1/ I concur with the majority's views regarding like product, domestic industry, and related parties.

subsidized imports.2/ As an initial matter, in the "Condition of the Domestic Industry" section of its decisions, the Commission typically discusses the factors listed in section 771(7)(C)(iii) of the Trade Act3/ to develop an overview of the domestic industry during the period of investigation. This approach is useful because, by analyzing these particular factors as a group, we can assess where, if at all, the domestic industry is likely to be materially injured by reason of the dumped or subsidized imports.

In this case, an assessment of the domestic industry's condition must begin with a description of its product. EC rod is an intermediate product between primary aluminum and finished aluminum wire and cable.4/ Aluminum wire and cable is used mainly to transmit electric current over long distances. Because aluminum wire and cable has significant advantages over the only other economically viable metal

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2/ 19 U.S.C. 1673d(b)(1)(A). The Commission may also consider whether the establishment of an industry in the United States has been materially retarded. Id., 1673d(b)(1)(B). That issue is not presented in this case, however, and will not be considered further.
3/ 19 U.S.C. 1677(7)(C)(iii). These factors include various production and performance indicators.
4/ EC rod is also an intermediate product between primary aluminum and magnetic wire used in engines and other devices. The magnetic wire producers account for approximately 10 percent of the consumption of EC rod in the United States.

conductor of electricity (copper), there is at present no adequate substitute for the finished product.5/

The domestic EC rod manufacturers mostly are integrated producers. In addition to EC rod mills, they typically operate aluminum smelters and/or aluminum wire and cable production facilities,6/ and a number of them also produce other aluminum products. The value added in the production of these other aluminum products tends to be higher than in the production of EC rod.

During the period of electrification of the United States, the demand for aluminum wire and cable and for the EC rod from which it is made was strong. The electrification process was completed in the early 1980s. Since then, the demand for aluminum wire and cable has been limited to the replacement and repair of existing equipment and secondary uses such as housing and construction.7/

As early as 1981, U.S. aluminum companies began a systematic shift from the production of EC rod and aluminum wire and cable to the production of other aluminum products.8/ Since then, and with greater frequency since

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5/ Aluminum wire and cable have only 61 to 62 percent of the conductivity of copper, but aluminum's lower specific gravity makes it a much better conductor over long distances. Report at A-2, A-3.
6/ Report at A-17 through A-22.
7/ Report at A-2-A-3, A-56-A-58.
8/ Other EC rod manufacturers ceased production even before 1981. Report at A-21. The 1981 date refers to the first shift from EC rod production by a company included in the instant investigation. Report at A-17 (Table 2, n.2).

1984, EC rod mills and aluminum wire and cable production facilities have been idled or sold. During the 1984-87 period, the production capacity in the domestic EC rod industry declined from 519,842 short tons to 466,920 short tons,9/ and total apparent domestic consumption decreased from 408,295 short tone to 346,842 short tons.10/ The decline in capacity reflects the net of EC rod mill expansions and closures during the period,11/ and the decline in apparent consumption reflects the decrease in demand for wire and cable.12/ Significantly, the decline in capacity began before the 1985 increase in Venezuelan imports of which petitioner complains.

The cause of the decline in production capacity is clearly linked to the decrease in demand for aluminum wire and cable. Historically, over two-thirds of EC rod production has been captive production for use in wire and cable facilities owned by the same company that operated the rod mill. Such intracompany shipments decreased by 27 percent in volume terms from 1984 through 1987,13/ reflecting the contraction in demand for wire and cable in the United

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9/ Report at A-26.
10/ Report at A-24-A-25.
11/ Report at A-26 n.2.
12/ Report at A-25, A-27-A-28, A-56-A-59. Furthermore, the data on the domestic shipments of aluminum wire and cable reveal that demand for that finished product is cyclical. Demand for wire and cable peaked in 1984. Since 1984 demand has been in decline (at least until the first quarter of 1988). Report at Appendix C.
13/ Report at A-27-A-28.

States and the corresponding discontinuance of wire and cable manufacturing by some of the EC rod manufacturers.14/ In sharp contrast, domestic shipments of EC rod to unrelated purchasers increased by 34 percent during the period.15/ These data lead me to the conclusion that the decline in production is related to the decrease in demand, and is not the result of foreign competition in the EC rod industry.16/

The financial data relating to the EC rod industry show a decline in most financial indicators during 1985, followed by consistent upward movement thereafter. Net sales from EC rod operations were $442.4 million in 1984, $332.4 million in 1985, $337.8 million in 1986, and $434.9 million in 1987.17/ Gross profits and operating income are difficult to assess because of the predominance of intracompany transfers in the data. When integrated producers value primary aluminum and EC rod captive sales at cost, they report operating income of nearly $14.0 million in 1984, $612,000 in 1986, and $30.5 million in 1987, with a $17.7 million loss in 1985.18/ But

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14/ Report at A-27-A-28.
15/ Id.
16/ For this reason, I am reluctant to place great weight on the employment figures in the EC rod industry. The number of production and related workers fell from 209 in 1984 to 168 in 1987, and hours worked by and wages paid to production workers correspondingly declined. Hourly compensation rose, however, and unit labor costs increased. This employment picture reflects a contracting industry, but that contraction is consistent with the overall view that the aluminum industry has scaled back production of EC rod in light of the decline in demand for aluminum wire and cable.
17/ Report at A-36.
18/ Report at A-37 (Table 8).

when they value primary aluminum and EC rod at market prices, the picture changes entirely. Using this measure, the industry generated profits during the four years 1984 through 1987 of $8.9 million, $17.4 million, $20.5 million, and $24.6 million, respectively.19/

An analysis of the underlying data reveals that the divergence between the two methods of computation is the result not of wide fluctuations in the market price for EC rod, but of wide fluctuations in the underlying market price of primary aluminum.20/ These figures, because they take into account the market prices for the input and output, which are the prices a non-integrated EC rod producer would face, provide a much more accurate picture of the EC rod industry in isolation. Overall, from that view, the EC rod industry has been consistently profitable.21/

I also note the complete lack of support within the industry for this petition.22/ Petitioner Southwire accounted for substantially less than half of the domestic EC

19/ Report at A-39 (Table 10).
20/ The cost of EC rod is dependent in large part on the cost of aluminum. In fact, the cost of the aluminum accounts for as much as 85 percent of the cost of the EC rod. Report at A-83. The price of aluminum has seen wide swings during the period of investigation.
21/ The aluminum wire and cable industry also has been very profitable over this period, whether the aluminum and EC rod inputs are measured at cost or market prices. Report at A-43, A-44 (Tables 13 and 14).
22/ Because I reach a negative determination, I need not consider at this time the Commission's authority to reject a petition for failure to meet the filing standards of 19 U.S.C. 1673a(b).

rod produced in 1987.23/ One other major EC rod producer opposed the petition, as did a union representing aluminum workers. No other EC rod producer supported the petition, even though support requires only a check mark on the Commission's questionnaire. An industry that perceives itself to be injured logically would rally behind a petition since such support is essentially cost-free. Southwire explained the industry's reluctance by pointing to pending business transactions involving the other domestic manufacturers, the international ramifications of which might make domestic producers leery to support the petition. This response, however, supports my principal point that the domestic industry is engaged in a dynamic retrenchment that predates and has little to do with the Venezuelan imports at issue. Indeed, if the industry perceived injury from the Venezuelan imports and was inclined to continue EC rod production on an increased scale, it would presumably indicate its support for Southwire's petition.

Viewed in light of the facts (1) that changes in the industry are directly attributable to the decline in supply and demand in the United States for the product, (2) that the decline in supply and demand began before the surge in imports of which the petitioner complains, and (3) that the domestic industry does not support the petition, I am inclined to conclude that the domestic EC rod industry has

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23/ Report at A-17.

not suffered material injury. I am mindful, however, of the admonition from Congress to the Commission that the trade laws be available to successful, prosperous industries as well as to industries in less fortunate straits.24/ Moreover, the analysis of the industry's condition just completed does not provide an indication of whether the fortunes of the industry have been driven in part by competition from Venezuelan imports.25/ I therefore proceed to a specific analysis of the impact of Venezuelan imports on the domestic industry.

Injury by Reason of Dumped and Subsidized Imports

Section 771(7)(B) of the Tariff Act of 1930 26/ sets forth a three-part analysis for the Commission's determination of whether a domestic industry is materially injured by reason of dumped or subsidized imports. The Commission is to consider:

> (i) the volume of imports of merchandise under investigation;
>
> (ii) the effect of such imports on prices for like products in the United States; and

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24/ S. Rep. No. 1385, 90th Cong., 2d Sess. pt. 2 at 11 (1968); S. Rep. No. 249, 96th Cong., 1st Sess. at 87 (1979).
25/ In a Tittle VII case, the Commission is not permitted to weigh the causes of material injury. S. Rep. No. 249, 96th Cong., 1st Sess. at 57-58, 75 (1979).
26/ 19 U.S.C. 1677(7)(B).

(iii) the impact of imports of such merchandise on the domestic producers of like products.27/

While I considered above the condition of the domestic industry and drew certain conclusions from that analysis, I was unable to conclude from that analysis that the domestic industry was or was not materially injured by reason of the dumped and subsidized imports from Venezuela. In particular, I could not tell from the condition of the domestic industry alone the impact of the Venezuelan imports on the domestic EC rod producers, the effect those imports might have had on the domestic price of EC rod, and the relationship of those findings to the volume of imports under investigation. In short, I have not ascertained from an analysis of the state of the industry whether a causal connection existed between the imports and the current state of the industry that might amount to material injury.

Several methods might be used to evaluate the causal connection between the dumped and subsidized imports under investigation and the state of the industry. The Commission could evaluate the three statutory factors -- volume of imports, price of like products, and state of the industry -- to see whether the three factors correlate in any particular way. This method is, however, highly problematic. The result is based primarily on circumstantial evidence, i.e., the assumption that because certain conditions exist (the

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27/ Id.

factors correlate), certain propositions must be true (the industry has or has not been materially injured by reason of the imports).28/ As with all circumstantial evidence, however, it excludes other possibilities on the basis of assumptions, and not on the basis of logic. In a Title VII case, the possible explanations for the state of an industry are so numerous, and the probability that any one of the explanations pertains is usually sufficiently high, that in my view such assumptions are ordinarily impossible. These problems are magnified in the typical Title VII case where no absolute correlation of the factors appears.

On the other extreme, the Commission could undertake a detailed, transaction-by-transaction statistical analysis of the industry to quantify exactly the impact of the imports on the domestic industry. Such an analysis is not feasible in most cases, given the number of actors in a given industry, the number of transactions over the period of investigation, and the time constraints under which the Commission operates.29/ Even if such a procedure were practically

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28/ Black's Law Dictionary (5th ed. 1979) at 221 defines "circumstantial evidence" as: "The proof of various facts or circumstances which usually attend the main fact in dispute, and therefore tend to prove its existence, or to sustain by their consistency the hypothesis claimed. Or as otherwise defined, it consists in reasoning from facts which are known or proved to establish such as are conjectured to exist."

29/ Such an analysis may be possible in the rare case in which the industry has few actors and the number of transactions during the period of investigation is relatively small. See, e.g., Electrolytic Manganese Dioxide from Japan, Ireland and Greece, Inv. Nos. 731-TA-406 - 408 (Preliminary)

(continued...)

possible, the Commission still might be unable to quantify the net impact of the imports on the domestic industry.

As I have outlined in other cases, I am convinced that the solution to this problem is to use the well-recognized tools of economics.30/ Economic analysis allows one to gauge with reasonable certainty, using the information gathered during the Commission's investigation, the reactions of producers and consumers of the product under investigation to the changing conditions in the marketplace brought about by the dumped or subsidized imports. This type of analysis, now known as elasticity analysis, presents a framework within which one can assess the causal (as opposed to coincidental) relationship between the trends in the marketplace. By using economic analysis, one can determine directly whether the imports in question affected the domestic industry and whether that effect constitutes material injury.

Of course, this method of analysis requires the Commission to make judgments relating to the likely effect of

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29/(...continued)
(Additional Views of Vice Chairman Brunsdale, Commissioner Liebeler, and Commissioner Cass), USITC Pub. 2097, (1988); Offshore Platform Jackets and Piles from the Republic of Korea and Japan, Inv. No. 701-TA-248, USITC Pub. 1848 (1986).

30/ I have described this approach in several recent cases: Cold-Rolled Carbon Steel Plates and Sheets from Argentina, Inv. No. 731-TA-175 (Final) (Views of Vice Chairman Brunsdale), USITC Pub. 2089 (1988); Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final) (Views of Vice Chairman Brunsdale), USITC Pub. 2082 (1988); Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. No. 731-TA-367-370 (Final) (Views of Vice Chairman Brunsdale), USITC Pub. 2046 (1987).

changes in the marketplace for a given product as a result of changes in imports. That is not a criticism of the economic approach, however, since making that judgment is our principal role in a Title VII case. By using economic analysis to assess causation, the Commission can focus the attention of the parties and the Commission investigative staff on the issues that are relevant to the critical fact. Then, as finder of that fact, the Commission can make a reasoned judgment concerning the extent to which the imports at issue have caused material injury, if at all.

As I discuss below, the use of economic analysis in this case leads me to conclude that the domestic industry has not been materially injured by reason of the dumped and subsidized imports of EC rod from Venezuela.

The Impact of Imports on Domestic Sales

The evidence in this case indicates that Venezuelan imports had little or no impact on the domestic producers' volume of shipments. Market penetration of Venezuelan imports during the four years 1984 through 1987 was 7 percent in 1984, 15 percent in 1985 and 1986, and 12 percent in 1987.31/ As these figures indicate, Venezuelan imports surged in 1985 even though apparent domestic consumption declined. More recently, however, in 1986 and 1987, import penetration lagged well behind the changes in apparent consumption. In

31/ Report at A-54-A-55.

fact, in 1987, apparent consumption rose slightly while Venezuelan imports declined by 20 percent and imports overall declined by 12 percent.32/

The critical issue then is whether, in the face of a decline in domestic consumption, the surge in imports was at the expense of the domestic industry. Three facts lead me to conclude that this was not the case. First, the decline in apparent consumption was mainly a decline in captive consumption. Second, commercial sales increased dramatically during the period of investigation. Third, the producers of EC rod were in large measure responsible for the surge in imports. In sum, domestic EC rod producers cut back on their own production and divided any market purchases they made between domestic producers and imports; when their captive production could not meet their wire and cable production needs, they purchased rod on the commercial market, including a substantial portion of the imports at issue in this case.33/ Thus, factors other than the Venezuelan imports were responsible for the state of the industry.

Economic analysis confirms this preliminary conclusion. In particular, an analysis of the elasticity of substitution between domestic and foreign EC rod reveals the extent to which the decision to purchase Venezuelan imports was the

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32/ Report at A-55 (Table 21).
33/ Compare Report at A-30 (Table 6) with id. at A-55 (Table 21). See also id. at A-57-A-58.

result of the dumped and subsidized price or other factors. If the elasticity of substitution is high -- that is, if the products are nearly homogeneous in the eyes of domestic purchasers -- then the imported Venezuelan product at the dumped and subsidized price has presumably displaced domestic sales opportunities and, thus, is likely a cause of injury to the domestic industry. If the elasticity of substitution is low because domestic purchasers do not view the imported product and the domestic product as substantially identical, then the imported Venezuelan product is not a cause of injury to the domestic industry.

The Commission staff has estimated the elasticity of substitution between Venezuelan and domestic EC rod to be moderate, between 1 and 3 in numerical terms.34/ Although the parties apparently agree that domestic and Venezuelan EC rod have the same physical characteristics and that both are adequate for the production of aluminum wire and cable,35/ other facts tend to indicate a low elasticity of substitution:

- Shipments of EC rod from Venezuela have been erratic, with many shipments delayed and/or damaged.36/
- Buy-American requirements or preferences of public utilities and other substantial governmental purchasers of EC rod and aluminum wire and cable have guaranteed a

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34/ In mathematical terms, this means that a 1 percent change in the relative price of the imported and domestic product will result in a 1 to 3 percent shift in the demand for one product relative to the other.
35/ Report at A-69-A-70.
36/ Report at A-70.

preference for the domestic product among certain purchasers.37/

- Purchasers of EC rod, in an effort to ensure adequate and secure lines of supply in a rapidly changing marketplace, purchase EC rod from a number of different sources regardless of differences in price.38/

In light of the relatively consistent level of Venezuelan imports over the past three years, the increase in domestic commercial shipments, and the information developed by the staff regarding the spread of purchases among domestic and foreign EC rod producers, I conclude that the elasticity of substitution between EC rod from Venezuela and the United States is at the low end of the range suggested by the Commission staff.

In other words, domestic purchasers of EC rod make their purchasing decisions in large measure based on factors other than the price of the competing products. Therefore, the purchases of EC rod from Venezuela at the dumped and subsidized price did not have the tendency to displace purchases from the domestic industry. The domestic industry is not suffering material injury on the basis of displaced sales.

Price Effect of the Dumped and Subsidized Imports

Even if domestic sales have not been displaced by the imported EC rod from Venezuela, the domestic industry still

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37/ Report at A-14.
38/ Report at A-73-A-74.

might be injured if the Venezuelan imports have had the effect of depressing or suppressing the price of the domestic product. On balance, I conclude that the Venezuelan imports have had no significant effect on the price of the domestic product.

The evidence of price undercutting in this record, to the extent that it indicates anything,39/ shows that the price of the Venezuelan EC rod was less than the domestic product in only five of the nine quarters for which figures are available. In the other four quarters, the Venezuelan product was significantly more expensive within the terms of the comparison.40/ I find this evidence inconclusive.

Economic analysis provides a somewhat more substantial picture of the industry. As a preliminary matter, I note that the market penetration of the Venezuelan imports was

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39/ The price data collected in this investigation does not admit of easy comparison between the domestic and foreign product. The domestic product is often sold through year-long supply contracts or "evergreen" contracts, which are informal agreements to sell at a certain price until one or both of the parties withdraws. Importers of Venezuelan EC rod tend to make their purchases on the spot market. Nothing in the record indicates that the prices reflect head-to-head competition for particular contracts, even for EC rod purchased for captive consumption. Even assuming that domestic and Venezuelan EC rod are physically identical in all cases, without knowing the terms of sale and the quantities ordered, price comparisons reveal little about the state of the industry especially in an industry such as this in which non-price factors play a key role in purchase decisions.

40/ Report at A-69 (Table 25). This evidence relates to .375-inch EC rod, the most popular product and the only product for which the Commission could develop a series of price comparisons.

never very great, increasing from 7 to 15 percent in 1985 and holding relatively steady thereafter. The level of import penetration is important because smaller price effects will have a larger impact on the domestic industry as the market penetration increases.41/ In this case, significant evidence of price suppression or depression would be necessary to conclude that the domestic industry is in fact suffering material injury.

The economic analysis of the price effect of imports focuses in its search for injury on the elasticity of domestic supply. If supply is very elastic, then any downward pressure on domestic prices brought about by the subject imports will be small.42/ The reverse relationship also holds -- that is, if supply is inelastic, any price pressure resulting from the subject imports will be relatively larger.

A critical factor in the evaluation of supply elasticity is the capacity utilization rate in the domestic industry. If excess capacity exists, producers easily can respond to changes in the volume of dumped and subsidized imports by changing their level of production, thereby negating any

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41/ In Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 at 32-33 (1988), then-Chairman Liebeler and I likened this analysis to a ripple in a pond, which might mean little to a wading elephant but which would be highly significant to a drowning mouse.
42/ For a broader discussion of supply elasticities, see Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 at 78-80 (1982).

price effects from the foreign imports. If domestic industry is operating at peak capacity, the price effects of the imports will be much more pronounced.

During the four-year period 1984 through 1987, capacity utilization in the domestic EC rod industry was relatively low, in the range of 56 to 70 percent. This fact indicates that domestic producers had the ready capacity to respond to changes in the volume of EC rod imports, thereby minimizing the price effect of the imports on the industry. Moreover, the record indicates that this eventuality actually occurred. In late 1987 and early 1988, imports of Venezuelan EC rod decreased. Production in the United States increased. The record indicates that the price of EC rod has remained relatively stable throughout this period.43/ I therefore conclude that the EC rod imports from Venezuela had no material effect on the price of EC rod.

The Threat of Material Injury by Reason of the Venezuelan Imports

Petitioner bases its case on the possibility of threat from future Venezuelan imports principally on the program underway in Venezuela to increase production of raw aluminum, expand capacity to produce EC rod, and establish a distribution system (including wire and cable manufacturing capability) in

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43/ Report at A-66 (Figure 2).

the United States.44/ The expansion effort hinges in large part to an increase in smelting capacity in Venezuela.45/ Even if I were to conclude that the Venezuelans had the will and capability to effectuate this effort, I do not believe that a country's long-term industrial goals can constitute a threat as defined in the Trade Act. That statute mandates an affirmative determination of threat of material injury only if there is "evidence that the threat of material injury is real and that actual injury is imminent."46/ Because I see

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44/ Because Petitioner relies chiefly on this argument, I do not write separately on each of the separate factors enumerated in 19 U.S.C. 1677(7)(F). I have considered each of them, however, and find that they do not establish evidence of a threat. But I would note that the existence beginning in 1987 of small inventories of Venezuelan EC rod in the United States is easily explained by a phenomenon that Petitioner itself noted, to wit, a surge in imports in October 1987 (before the imposition of the bond requirement under 19 U.S.C. 1673b(d)(2)) and in February 1987 (after the removal of the bond requirement). The surge in imports logically resulted in an extension of the time necessary for the domestic consumers of Venezuelan EC rod to absorb the imports. I do not view these small inventories to be indicative of a threat. Similarly, the remaining factors enumerated in Section 1677(7)(F) are either nonexistent or indicative of phenomena other than threat.

45/ Venezuela also has sought to increase its EC rod milling capacity. However, during the period of our investigation the Venezuelan industry has operated at a fairly low capacity utilization rate, below 70 percent on average. Report at A-17 (Table 1). The fact that the Venezuelans might now increase their EC rod milling capacity does not seem to me to support an affirmative threat determination when they could presumably have devoted their current capacity to increased exports if the market were available. The low capacity utilization rate indicates to me that, as the Report suggests, the Venezuelan EC rod mills do not have sufficient primary aluminum to operate at peak capacity. I therefore focus on the potential increase in the availability of primary aluminum as the key to any threat from Venezuelan imports.

46/ 19 U.S.C. 1677(7)(F)(ii).

no indication that actual injury is imminent as a result of Venezuela's industrial planning, I reach a negative determination on threat.

The Court of International Trade addressed this very issue in Alberta Gas Chemical, Inc. v. United States.47/ In that case the Court reviewed the Commission's affirmative determination on the threat of material injury in Methyl Alcohol from Canada,48/ which determination was based on a finding that the foreign producer had plans to increase its capacity. The Commission majority in Methyl Alcohol noted that the foreign producer had received governmental approval to build new facilities, that the outcome of the Commission's investigation would likely be a factor in the decision to expand, and that the additional supply generated by the new facilities had the potential to flood the domestic market.49/ The Court, however, agreed with the dissenting Commissioners, who concluded that the threat of material injury was not "real and imminent" because the foreign producers were producing at 100 percent capacity, all of the foreign production was committed under existing contract, and expansion of production facilities would not occur in the near future.50/ The Court therefore concluded that the record revealed "a mere possibility that injury might occur

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47/ 515 F. Supp 780 (CIT 1981).
48/ Inv. No. AA1921-202, USITC Pub. 986 (1979).
49/ 515 F. Supp. at 790.
50/ Id. at 791.

at some remote future time," but did not support the conclusion that the injury was imminent.51/

The record in this case is no different in any material respect from the Commission record before the Court in Alberta Gas. The production of EC rod in Venezuela is limited by the availability of primary aluminum to Venezuelan rod producers. The Venezuelan government has announced plans to increase smelting capacity and hence the availability of primary aluminum. However, almost all of the primary aluminum that is expected to be available in Venezuela through 1993 is committed under existing contracts. No substantial increases are expected before the mid-1990s, even if Venezuela's plans to increase capacity proceed as planned.52/ In short, while I concede the possibility that Venezuelan exports of EC rod to the United States might increase in the future, I do not see how that eventuality satisfies the "real and imminent" criterion, particularly in light of the Court's decision in Alberta Gas.

I am mindful of Petitioner's contention that the threat of injury is rendered more imminent by the recent decision of the European Communities to impose antidumping duties on

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51/ Id. at 791 (emphasis in original).
52/ One smelter, in which expansion is already underway, will expand capacity substantially through 1993; however, this smelter already has commitments for almost all of its anticipated 1993 production. Report at A-13. Another project that is a possible source of primary aluminum in the relatively short term is only at the letter of intent stage, with aluminum production not expected for at least three-and-a-half years. Id. at A-14.

Venezuelan EC rod. Petitioner has not, however, supported its argument with the facts necessary to substantiate its contention, e.g., the amount of EC rod shipped from Venezuela to the Communities, the likely effect of the duty on European consumption of Venezuelan EC rod, et cetera. Petitioner's supposition is, by law, insufficient to support an affirmative determination.53/ Moreover, the supposition is equally strong that the demand for EC rod in Venezuela itself and in Andes Pact countries now undergoing substantial electrification could diminish the likelihood of material injury from an increase in Venezuelan production or the diversion of EC rod from Europe to the United States.54/ On this record, the evidence does not raise Petitioner's arguments from suppositions to real and imminent dangers.

In the matter of data on foreign markets and world markets for the products that are the subject of Commission investigations, I note that as a general rule the records the Commission and parties create neglect to include information on the market for the product outside the United States and the Respondents' countries. I have long felt that such data would be useful to the Commission's efforts to reach fully informed determinations. In particular, the Commission's threat determinations would be immeasurably enhanced if we

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53/ See 19 U.S.C. 1677(7)(F)(ii) (An affirmative determination regarding threat "may not be made on the basis of mere conjecture or supposition").
54/ Report at A-15.

were provided with some information on the state of the world beyond our shores. In this case, on the record before the Commission, I conclude that the possibility of injury in the future has not been demonstrated to be "real and imminent."

For the foregoing reasons, I reach a negative determination on material injury and the threat of material injury in this case.

DISSENTING VIEWS OF COMMISSIONER SUSAN W. LIEBELER

Certain Electrical Conductor Aluminum Redraw Rod
From Venezuela

Inv. Nos. 701-TA-287 (Final) and 731-TA-378 (Final)

August 5, 1988

I determine that imports of electrical conductor aluminum redraw rod have not caused or threatened material injury to the domestic industry. I join with the Commission in its definition of the like product and the domestic industry. I concur with Vice Chairman Brunsdale in her discussion of why the domestic electrical conductor aluminum redraw rod industry is neither materially injured nor threatened with material injury by reason of dumped and subsidized imports from Venezuela, and offer these additional views on this matter.

The Commission is directed by statute to determine whether or not a domestic industry is threatened with material injury. To conduct this task, the Commission is directed to examine a number of factors, including "any substantial increase in inventories of the merchandise in the United States."1/

In this case petitioner argues that:2/

> The Commission considers an inventory overhang to be evidence of the threat of material injury. Such a buildup of importers' inventory of Venezuelan rod is apparent in this case. In the first quarter 1988 that inventory was twice its 1987 level. When that supply actually enters the market it will obviously have an adverse impact on domestic producers' prices or shipments, or both.

It is true, as noted during the hearing,3/ that inventory levels of redraw

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1/19 U.S.C. Sec. 1677(7)(F)(i).
2/Petitioner's Post-hearing Brief at 10 (footnote omitted).
3/Transcript at 165-166.

rod from Venezuela have increased between the end of 1987 and the end of the first quarter of 1988. However, the absolute levels of both inventories are small in comparison to domestic consumption, and if they were to be liquidated, they are too small to have a material effect on domestic prices or production.

Accordingly, I conclude that the domestic industry is not threatened by material injury by unfairly traded imports of aluminum redraw rod from Venezuela

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 14, 1987, counsel for Southwire Co., Carrollton, GA, filed antidumping and countervailing duty petitions with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce). The petitions allege that an industry in the United States is materially injured or threatened with material injury by reason of imports of electrical conductor aluminum redraw rod 1/ from Venezuela that are alleged to be subsidized by the Government of Venezuela and sold in the United States at less than fair value (LTFV). Accordingly, effective July 14, 1987, the Commission instituted investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary) under the provisions of the Tariff Act of 1930; based on these investigations the Commission made affirmative preliminary determinations (52 F.R. 33300, Sept. 2, 1987). 2/

Commerce found in its preliminary determination that imports of certain electrical conductor aluminum redraw rod from Venezuela are subsidized by the Government of Venezuela (52 F.R. 38113, Oct. 14, 1987). Based upon the request of the petitioner, Commerce extended the deadline date for the final subsidy determination to correspond to the date of the final antidumping duty determination on the same product (52 F.R. 42703, Nov. 6, 1987). The Commission instituted final countervailing duty investigation No. 701-TA-287 (Final) but, because of the extension by Commerce, did not schedule a public hearing in connection therewith at the time of institution (52 F.R. 43404, Nov. 12, 1987).

Commerce also preliminarily determined that imports of the same aluminum redraw rod from Venezuela are being sold in the United States at LTFV within the meaning of section 731 of the act (19 U.S.C. § 1673)(53 F.R. 3614, Feb. 8, 1988). Based upon the request of Sural, a respondent-exporter accounting for a significant proportion of exports of the merchandise under investigation, Commerce postponed the final antidumping and subsidy determinations until not later than June 22, 1988 (53 F.R. 9675, Mar. 24, 1988). The Commission instituted final antidumping investigation No. 731-TA-378 (Final) and scheduled a public hearing, on June 23, 1988, in connection with both the final countervailing duty and the final antidumping investigations.

1/ For purposes of these investigations, the term "electrical conductor aluminum redraw rod" refers to wrought rods of aluminum that are electrically conductive and contain not less than 99 percent aluminum by weight, provided for in item 618.15 of the Tariff Schedules of the United States (TSUS). This product may also be referred to elsewhere in this report and elsewhere in the record as the "subject product," "aluminum rod," "redraw rod," "EC rod" (Electrical Conductor rod), or "ECARR" (Electrical Conductor Aluminum Redraw Rod).

2/ Copies of the Commission's and Commerce's Federal Register notices appear in app. A.

Notice of the public hearing 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 April 20, 1988 (53 F.R. 12997). The hearing was held in the Commission's hearing room on June 23, 1988, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 1/

On June 30, 1988, the Department of Commerce made a final affirmative determination with respect to sales at LTFV and instructed the U.S. Customs Service to continue to suspend liquidation of entries of the subject product from Venezuela (53 F.R. 24755). Also on June 30, 1988, the Department of Commerce made a final affirmative countervailing duty determination with respect to the subject aluminum rod from Venezuela (53 F.R. 24763).

The Product

Description and uses

The product under investigation, electrical conductor (EC) aluminum redraw rod, is a solid round product that is long in relation to cross section; 0.375 inch or greater in diameter; produced by continuous casting followed by size rolling, or by rolling from EC-cast ingot; and is suitable for drawing into electrical conductor wire. 2/ Nearly all EC rod is manufactured from EC alloy with a 99.45 percent or higher aluminum content and traces of other constituents such as copper, magnesium, manganese, and titanium. Aluminum rod for electrical conductor purposes must have an electrical conductivity specification of 61 to 62 percent of equivalent size copper conductor. 3/ The imported and domestic products are generally interchangeable for specified uses, with product distinctions apparent in the purity of the aluminum alloy used for producing aluminum rod. However, higher purity is not necessarily of benefit to a manufacturer if customer specifications, such as tensile strength and conductivity, can be met with a lower purity alloy at a lower cost. 4/

1/ Lists of witnesses that appeared at the Staff Conference, during the preliminary investigations, and at the public hearing, during the final investigation, are presented in app. B.
2/ Aluminum Statistical Review for 1985, The Aluminum Association, 1986.
3/ Rhea Berk et al., "Aluminum: Profile of the Industry," Metals Week, 1982.
4/ Transcript of conference held in connection with investigations Nos. 701-TA-287 and 731-TA-378 (Preliminary), (conference transcript), p. 42.

EC rod is an intermediate product that is generally drawn into bare EC wire, which is then stranded together around a steel or aluminum core to form bare aluminum stranded cable produced as an all-aluminum alloy conductor (AAAC), all-aluminum conductor (AAC), aluminum conductor steel reinforced (ACSR), or aluminum conductor alloy reinforced (ACAR). The numerous types of cable are designed to meet certain specifications for corrosion resistance and strength-to-weight ratios, sag characteristics, and ampacity. The cable is principally used in primary and secondary transmission lines, nearly 100 percent of which are aluminum, to distribute low- and high-voltage electrical power generated by utilities. Since the United States is essentially electrified, cable replacement for large transmission projects has become an important market. 1/

Other secondary applications of EC rod are for use in electrical wire for households or other buildings, and wire that generates an electromagnetic force in electrical motors, solenoids, and other electromechanical devices. Although EC rod can also be used in limited mechanical applications such as fencing, screening, and screw machine stock, these are generally considered uneconomical uses of the product since mechanical aluminum rod is specifically designed for these applications; mechanical rod is composed of certain alloys that provide the higher strength and flexibility required for this market. 2/ However, mechanical rod cannot generally be used as a substitute for EC rod in the electrical conductor market since its metallurgical composition (often scrap metal) is not suitable to conductivity. 3/

Copper is the only other metal that is effective as an electrical conductor. Although aluminum has an electrical conductivity specification only 61 to 62 percent of the International Annealed Copper Standard, its lower specific gravity (less than one-third that of copper) enables aluminum to conduct nearly twice as much electricity (or for twice the distance) as copper of equal weight. Therefore, all power transmission lines utilize aluminum cable; the weight of copper prohibits its use in overhead utility applications. 4/ However, copper is usable in the housing and building electrical wiring market, because the weight of the wiring is not a factor in such applications.

Manufacturing processes

Many domestic rod manufacturers are vertically integrated from the smelting of raw materials to the production of rod, and some also strand wire into cable. Continuous casting is the most commonly used process to manufacture aluminum rod, primarily because of its energy and production efficiency. The introduction of continuous casting, in the 1960's, was the last major change in the technology of aluminum rod production.

1/ Ibid., p. 31.
2/ Ibid., p. 30.
3/ Ibid., p. 132. Also see postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 1, p. 30.
4/ Conference transcript, p. 36.

Molten aluminum is used for continuous cast rod manufacturing. The molten aluminum is produced in smelters where alumina (aluminum oxide, a white powder refined from bauxite) is placed in a covered container (pot) that is approximately 6 feet wide and 50 feet long. Very high direct electric current is connected to the pot through carbon anodes. The current melts the alumina, the oxygen from the alumina forms carbon dioxide with the consumable carbon anodes, and the pure, molten aluminum settles to the bottom of the pot. It is periodically suctioned out of the pot into ladles. Eighty to 90 of these pots are placed in line in a single building and are connected electrically in series; the building is 1,750-2,000 feet long. Two such adjacent buildings constitute one "potline." Each pot in the potline produces aluminum independently. Any number of pots may stop smelting without affecting the operation of the balance of the pots in the potline. Alumina and electrical energy are the two major components of aluminum production; each represents approximately one-third of the end product's cost.

The molten hot metal is transferred in large containers, ladles, holding 5 tons (10,000 pounds) of molten aluminum each, from the aluminum smelter, i.e. the potlines, to the rod mill, which is usually located adjacent to a smelter. Locating the rod mill near the smelter eliminates the transportation and inventory costs associated with supplying a rod mill with aluminum ingot shipments (cold metal). 1/ The molten metal is poured into the holding furnace of the rod mill's continuous caster. The holding furnace is fired by natural gas and keeps the aluminum in a molten state while the required elements are added to the aluminum to produce the specified redraw rod. From the holding furnace the molten metal is poured into a groove (generally 4-7 inches wide and 3-6 inches deep) in the outer perimeter of a large rotating wheel, the casting wheel. The walls of its groove are cooled with water. An endless steel belt also rotates with the casting wheel. Rollers position the steel belt to meet the groove of the casting wheel and to rotate with the wheel for about three quarters of one full turn, effectively closing the groove of the casting wheel. The molten metal is poured therein and solidifies as the cooling water reduces its temperature below the melting point. When the steel belt rolls away from the casting wheel the solidified aluminum bar is peeled out of the groove and directed toward and into the rolling mill, which is positioned within a few feet of the continuous caster. The bar is reduced in size by being drawn and pushed through 12 to 20 sets of rollers, called dies or strands. As the cross-section of the bar is reduced the speed with which it travels through the rollers increases. When the bar enters the rod mill its speed is about 1/3 mile per hour; when it exits the mill the rod moves at over 20 miles per hour. The rod is coiled onto large spools; when the spools contain 5,000-6,000 pounds of rod they are removed from the rod mill area to the warehouse and the manufacturing of the subject rod is completed. Samples of the molten metal, as well as of the finished rod, are taken during the process and analyzed in adjacent laboratories. The cost of electricity is not a major factor in casting and rolling rod. 2/

1/ Ibid., p. 7. The importance of these cost savings can be attributed to the low value added in aluminum rod production--10 percent or less of its total cost--and the significant proportion of its cost attributable to primary aluminum.

2/ Plant visit, Noranda, May 6, 1988.

Without a smelter near the rod mill, hot molten metal obviously cannot be supplied for continuous casting for rod manufacturing. Alternatively, cold metal, typically bars, about 6 by 6 inches in cross section and 20-25 feet in length, can also supply a rod mill. At the rod mill the bars are reheated to be pliable enough so they can be rolled through reducing mills and finally through the rod mill to produce the aluminum rod. One of the U.S. rod producers, Alcan, is such a stand-alone rod manufacturer. Alcan's Williamsport, PA, facility purchases aluminum bar from the parent company's Canadian smelters to be used as rolling stock. 1/

The rod is used to manufacture wire and cable. After the aluminum is drawn into rod at the rod mill, it is again drawn through another series of reducing stations (hence the term "redraw") to decrease its cross-sectional dimension and increase its length. 2/ Wire is stranded together to form cable, which is the largest outlet for aluminum wire. Wire is generally stranded around one central or core wire, thereby increasing the cable's size as more wires are concentrically stranded around the core. Wire, and particularly cable, are higher value-added products than rod because of the complexity of additional production operations performed on wire and cable and their manufacture to individual customer specifications.

According to a U.S. rod mill manufacturer, a rod mill designed to produce EC rod cannot easily be converted to mechanical rod production because its rolling mills are not able to apply the force necessary to roll the harder mechanical rod alloys, which contain a higher level of magnesium for increased strength. However, a mechanical rod mill could be adapted to produce EC rod since its alloys are easier to roll. 3/ Although several domestic EC rod mills reported producing small quantities of mechanical rod at one time or another during the period under investigation, sometimes for experimentation purposes, only one mill * * * has been designed and built to be able to produce both mechanical and EC rod. The other U.S. rod mills that produce EC rod would require extensive alterations and investment to produce mechanical aluminum rod. The alteration of an EC aluminum rod production line to a mechanical rod only or dual production line may require the replacement of the caster to cast different size bar, and the replacement in the rolling mill of draw bench motors, dies, and rollers with those of greater strength to attain a higher degree of torque to make the mechanical rod. To produce copper rod, all equipment involved would have to be replaced, because copper's melting point is around 2,000 degrees F, whereas aluminum rod is cast at about 1,200 degrees Fahrenheit. In addition, the hardness of copper is greater than that of aluminum. Operationally, shifting between EC rod and other rod in the continuous casting process generally requires flushing the molten metal from the holding furnace, because the metallurgical composition of the rods are different. While the holding furnace is being flushed the rod cast is neither EC rod nor mechanical rod; it can only be used as deoxidizing rod for steel production.

1/ Postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, p. 7.

2/ The Aluminum Association defines wire as a solid wrought product that is long in relation to its cross section; square, round, rectangular, hexagonal, or octagonal in shape; and whose diameter or greatest perpendicular distance between parallel faces (except for flattened wire) is less than 0.375 inch.

3/ Conversation with official from * * *, Aug. 11, 1987.

* * *. The market for non-EC rod is only a fraction of the market for EC rod; average annual alloyed rod sales during 1984-87 were 17,250 tons, or less than 5 percent of the average apparent consumption of EC rod during that period.

U.S. tariff treatment

U.S. imports of the EC aluminum rod covered by these investigations are classified in item 618.15 of the Tariff Schedules of the United States (TSUS). Although this tariff category encompasses aluminum rod other than the electrical-conductor type subject to the investigations, petitioner believes that "substantially all, if not all, aluminum rod imported from Venezuela in recent years is intended for use, and used, in electrical applications." 1/ Imports from Venezuela classified in TSUS item 618.15 are currently assessed a most-favored-nation (MFN) (col. 1) rate of duty of 2.6 percent ad valorem. 2/

Nature and Extent of Unfair Imports

In its final determination Commerce found that imports of aluminum rod from Venezuela are being subsidized by the Government of Venezuela and, additionally, are being sold in the United States at LTFV. The final countervailing duty rate for duty deposit purposes is 38.40 percent ad valorem, and the final LTFV margin is 5.80 percent for all exporters.

Subsidized imports

The petition specified 16 programs that were believed to confer subsidies, bounties, or grants on exports of aluminum rod from Venezuela. The petitioner believed that a full investigation of subsidy programs would reveal a net subsidy well in excess of 70 percent. 3/ Commerce sent questionnaires to and received responses from the three exporters of Venezuelan rod to the United States, Sural, Cabelum, and Iconel, as well as from two suppliers of primary aluminum to the rod manufacturers, Alcasa and Venalum. Commerce's investigation covered calendar year 1986.

1/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, p. 5.
2/ Of the major exporters of the subject rod to the United States, Venezuela, Argentina, and Brazil were qualified for duty-free entry of the subject rod into the United States under the Generalized System of Preferences (GSP). Petitioner filed a petition with the Office of the United States Trade Representative on June 1, 1987, seeking withdrawal of duty-free treatment under the GSP for the subject aluminum rod from these countries. The petition was granted with respect to Venezuela because it surpassed the levels of imports allowed under the GSP program. The rates of duty in col. 1 are MFN rates applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS, unless the particular shipments are eligible for preferential treatment as indicated in the Special rates of duty column by the symbols "A" (GSP), "E" (Caribbean Basin Economic Recovery Act (CBERA)), or "I" (Israel).
3/ Petition in investigation No. 701-TA-287, p. 24.

Consistent with Department practice, Commerce's preliminary countervailing duty determination was calculated based on affirmative answers, in Commerce's questionnaire, of the Venezuelan respondents to two of the allegations of subsidy programs. Accordingly, preliminarily these two programs were found to confer subsidies: Multiple Exchange Rates and Export Bonds for Credits Against Income Taxes. Based on the negative responses of the foreign producers, the alleged Import Duty Reductions were determined not to confer subsidies; four additional alleged programs were determined not to be used, and four other alleged programs were determined not to exist. Commerce sought additional information on one alleged program, the 30-percent ownership/equity investment in Cabelum by the Government-owned supplier of primary aluminum, Alcasa. 1/

The two programs mentioned above were preliminarly determined to confer a net subsidy of 60.11 percent ad valorem; Commerce adjusted the cash deposit rate to 12.99 percent ad valorem to reflect changes in the Multiple Exchange Rate System. Entries of EC rod from Venezuela were subject to 12.99 percent cash deposits or bonds between October 14, 1987, and February 12, 1988, and such entries cannot be liquidated (final duty payment made by importer and accepted as payment in full by the U.S. Customs Service) until the final determinations in the countervailing duty investigations by Commerce and the Commission. Entries of imported rod on or after February 12 are not subject to any deposit or bond and may be liquidated, because the GATT Subsidies Code does not allow the requiring of deposit and suspension of liquidation as a result of a preliminary determination for longer than 120 days.

In its final affirmative countervailing duty determination (duty deposit rate of 38.40 percent), Commerce found that the following programs conferred subsidies: 2/

Exchange of Export Earnings Under the Multiple Exchange Rate System.--This system existed until December 6, 1986. It conferred a subsidy on exports because one dollar received from export sales yielded more bolivares than the amount exporters had to pay to purchase one dollar of imports. Although this system conferred a net subsidy of 53.06 percent during the period of review, Commerce established a zero duty deposit rate because the system was eliminated after Dec. 6, 1986.

Export Bond Program.--Under this program, Venezuelan redraw rod exporters are remunerated for their exports by the Government of Venezuela in the form of export bonds, which may be used to pay taxes or sold for cash. To receive an export bond, a firm submits to its commercial bank the invoice and shipping documents for the exported merchandise. The bank reviews them and remits them to the Central Bank of Venezuela, which issues the export bond. A duty deposit of 37.90 percent was established on the basis of this program.

Preferential Pricing of Inputs used to Produce Exports.--Companies producing for export could buy aluminum from the Government-owned aluminum smelters for less than companies not producing items for export. On this basis, Commerce calculated an estimated subsidy of 0.22 percent ad valorem.

1/ For more discussion of the programs see Commerce's preliminary countervailing duty determination, included in app. A.
2/ For more discussion of the programs see Commerce's final countervailing duty determination, included in app. A.

Short Term FINEXPO Financing.--The Fund for Financing Exports (FINEXPO), provides to commercial banks up to 60 percent of loan principals to be lent to the exporter at 5 percent interest. On this basis, Commerce calculated an estimated subsidy of 0.14 percent ad valorem.

Interest Free Loan From a Government-Owned Aluminum Supplier.--An interest free loan was provided to one of the redraw rod producers. On this basis, Commerce calculated an estimated subsidy of 0.14 percent ad valorem.

Programs determined not to confer subsidies:

-Granting of Foreign Currency at Preferential rates for Imports Under the Multiple Exchange Rate System,
-Registration of Foreign Currency Debt under the Multiple Exchange System,
-Import Duty Reductions,
-The Financing Company of Venezuela,
-The Industrial Credit Fund, and
-Government Equity Investment in Cabelum.

Programs determined not to be used:

-Preferential Tax Incentives,
-Preferential Export Financing,
-The Basic Ingredient Export Program,
-Other Government Loans, Government Loan Guarantees, and
-Sales Tax Exemption.

Programs determined not to exist:

-Tax Contributions to Cover Debt Service Costs, and
-Assumption of Foreign Currency Debt.

Sales at LTFV

Petitioner used foreign market value to calculate alleged LTFV margins by using data on sales in Venezuela to Accevenca and Cabel, two Venezuelan electrical wire and cable producers. In the petition, the U.S. price of aluminum rod from Venezuela was calculated using Census Bureau (Census) import statistics. By comparing the Venezuelan home-market prices on sales to Accevenca and Cabel with the f.a.s. value of U.S. imports of aluminum rod from Venezuela as reported by Census, petitioner derived alleged LTFV margins of 15.10 and 33.42 percent, respectively. 1/

In its LTFV investigation Commerce investigated sales of redraw rod during the period February 1, 1987, through July 31, 1987. Because there were no sales of the subject redraw rod in the Venezuelan home market during the period of investigation, a third country sale, the sale of Venezuelan redraw rod in the United Kingdom, was used to calculate the foreign market value to be compared with the U.S. price. In its final determination, Commerce found that the sale to an unrelated United Kingdom trading company was above the cost of production; therefore, the third-country sale was used in the determination of the foreign market value.

1/ For a complete discussion of petitioner's allegations regarding sales at LTFV, see petition in investigation No. 731-TA-378, pp. 9-14.

The U.S. price was based on purchase price and on best information available. For those sales made directly to unrelated purchasers prior to importation into the United States, Commerce based the U.S. price on purchase price. For those sales made directly to unrelated purchasers after importation into the United States (exporter's sales price), i.e., sales by Sural's U.S. sales subsidiary, Alnor, Inc., Commerce used the best information available. The statutory provision requires Commerce to use the best information available "whenever a party or any other person refuses or is unable to produce information requested in a timely manner or in the form required, or otherwise significantly impedes an investigation." Commerce invoked the statue after determining that the continuing deficiencies of Sural's responses regarding Alnor's sales, combined with the pattern of amending the responses to correct previously submitted data on the eve of or during verification, undermined the credibility of the submissions. 1/

The U.S. Customs Service suspended the liquidation of entries of the subject rod from Venezuela after February 8, 1988, and required a cash deposit or bond equivalent to 6.46 percent of the customs value of the entry. Effective June 30, 1988, the deposit rate was changed to 5.80 percent.

The Producers in Venezuela

The petitions named seven Venezuelan companies that carry out various stages in the production of primary aluminum and aluminum rod: Aluminio del Caroni, S.A. (Alcasa); Bauxita Venezolana C.A. (Bauxiven); Conductores de Aluminio del Caroni, C.A. (Cabelum); Industria de Conductores Electricos, C.A. (Iconel); Industria Venezolana de Aluminio, C.A. (Venalum); Interamericana de Alumina, C.A. (Interalumina); and Suramericana de Aleaciones Laminada, C.A. (Sural). According to petitioner, Sural, Iconel, and Cabelum are believed to produce aluminum rod for export to the United States. 2/ Sural's plant, located in Puerto Ordaz, started production in 1975; Iconel's plant, located in Valencia, Carabobo, began production in 1967; 3/ and Cabelum's facility in Ciudad Bolivar started production in 1979.

Alcasa and Venalum, the two primary aluminum producers in Venezuela, are in part state owned. They operate under the holding company/development authority Corporacion Venezolana de Guayana (CVG), which also owns iron ore, steel, hydroelectric power, bauxite, and ferrosilicon operations. Interalumina, also operating as part of CVG, produces all of the alumina used in Venezuela. Another CVG-controlled company, Bauxiven, is developing Venezuela's bauxite reserves; its planned capacity is expected to reach 8 million metric tons per year by 1993. 4/

1/ 53 F.R. 24755, June 30, 1988, app. A.
2/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, at pp. 6-7.
3/ Title to the equipment was transferred to Conductores y Aluminio C.A., (CONAL) in 1977 when Iconel moved its rod-making equipment to its new Valencia plant.
4/ "Venezuela's Ambitious Aluminum Plans", Mining Journal, Nov. 27, 1987, pp. 444-445.

Aluminum is Venezuela's second largest export after petroleum, and its aluminum industry is the fifth largest in the world in terms of exports. 1/ Venezuela's 34-cents-per-pound production cost for aluminum is the world's lowest. This compares with 54 cents in the United States and 47 cents worldwide. 2/ There are several reasons for this substantial cost advantage. First of all, Venezuela has the world's lowest cost electric power, 9 mils 3/ per kilowatt as compared with a U.S. average of 25 mils per kilowatt and a worldwide average of 13 mils per kilowatt. 4/ Unlike many other countries, the Venezuelan aluminum industry does not compete with household consumers for a limited amount of electricity. This is because the local power company's electric capacity is devoted primarily to industrial use. Because electricity costs can contribute nearly one-third to the total smelting costs of aluminum, Venezuela's abundant supply of low-cost electricity is an important resource.

Natural gas is also inexpensive in Venezuela. Although natural gas is relatively unimportant for smelting, it is important for the production of finished and semifinished products such as aluminum rod. Another cost component, labor, runs 3.2 cents per pound in Venezuela versus 10 cents per pound in the United States. 5/

Although Venezuela has achieved its low-cost status by importing the bauxite used in the production of aluminum, it will soon be able to use its own domestic sources of bauxite. As mentioned above, Bauxiven is developing domestic bauxite reserves, which, when fully operational, are projected to save Venalum at least $21 million per year. 6/ Also contributing to the low aluminum costs is Venalum's low debt-equity ratio. Its debt-equity ratio of 0.88-to-1 is the lowest in the world for the aluminum industry; the industry average is 2 to 1. 7/

Venezuela's aluminum industry is relatively new. Venalum, for example, began operations in 1978; however, it is already the second largest primary aluminum production plant in the free world. 8/ The Venezuelan Government owns 80 percent of Venalum, with the remaining 20 percent held by a Japanese consortium composed of Showa Aluminum Industries Ltd., Kobe Steel Ltd.,

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1/ "Venezuela's Aluminum Ambitions," Mining Journal, Dec. 12, 1986, p. 424.
2/ "Aluminum Production Costs Rise," Mining Journal, Dec. 4, 1987, p. 454.
3/ A mil equals one-tenth of a cent. See "Venezuela's Ambitious Aluminum Plans".
4/ James Cook, "New Player in Aluminum," Forbes, Feb. 8, 1988, p. 110, and Enrique M. Castells, "Tomorrow's Aluminum Industry," paper presented to the Venezuelan American Association and the Council of the Americas, in New York, Oct. 9, 1986. Skillings' Mining Review, Nov. 29, 1986, p. 4-5.
5/ Cook, ibid., p. 110.
6/ "Venezuela's Ambitious Aluminum Plans,".
7/ For a further discussion of the aluminum industry in Venezuela, see U.S. Department of Commerce, International Trade Administration, Aluminum Mill Products: Import Problem/Export Potential, July 1986, Washington, DC, pp. 60-68; Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986; and petitions in investigations Nos. 701-TA-287 and 731-TA-378, exhibit 9 and exhibit 7, respectively.
8/ "Venezuela's Aluminum Plans," Mining Magazine, December 1986, p. 543.

Sumitomo Aluminum Smelting Co., Mitsubishi Metal Corp., Ryoka Light Metal Industries, and Marubeni Corp. Under a 10-year contract that expired in April 1988, these Japanese firms received 60 percent of Venalum's actual yearly production, which in 1987 totaled 304,045 metric tons (mt). The Japanese shareholders of Venalum are interested in continuing to take the 60-percent share of production (160,000 mt per year) from the smelter. Negotiations reportedly hinge on the length of the next contract and its price terms; talks may continue through the fall of 1988. 1/ Sural takes another 20 percent (60,000 to 80,000 mt) of Venalum's production under a long-term contract that runs through 1995. Venalum is currently supplying the minimal contractual tonnage to Sural and is expected to continue this supply level through 1993. 2/ The remaining production is under contract to a number of firms, including General Motors Corp., National Aluminum Corp., and the Venezuelan rod producer Iconel, which is purchasing 6,000 mt from Venalum in 1988 and is expected to purchase 7,000 mt in 1989 and 8,000 mt annually during 1990-93. Venalum does not supply Cabelum and has no plans to sell primary metal to this company in the future. 3/

Alcasa, founded in 1968, is a joint venture of the Venezuelan Government, in the form of the Fondo de Inversiones de Venezuela (the Venezuelan Investment Fund) and CVG, which hold 84 percent of Alcasa, and Reynolds International, with 16 percent of its stock. In 1987, Alcasa produced about 124,000 mt of primary aluminum. 4/ * * *. 5/ However, sales of primary metal by Alcasa and Venalum to two major electrical utility companies that arrange tolling contracts with the three ECARR manufacturers to produce cable will be reduced. Such an action would most likely reduce the quantity of metal available for export and * * *, according to the respondent. 6/

The Venezuelan Government and the aluminum industry have embarked on a significant expansion program, with current smelting capacity of 425,000 mt scheduled to increase to 671,000 mt by 1989, 1.4 million mt by 1997, and 2 million mt by the year 2000. 7/ Aluminum produced in this volume will provide 25 percent of Venezuela's total receipts of foreign currency. 8/ In an American Metal Market article, Mr. Castells, President and CEO of Venalum, said that because of the country's ambitious smelter expansion plans, Venezuela will have to find larger markets in the United States, Europe, and Asia.

1/ See Metals Week, Dec. 14, 1987; also see June 23, 1988, hearing testimony of Mr. Lucas Rincon which indicates that Venalum will supply 170,000 mt to the Japanese consortium during 1989-93.
2/ Hearing statement of Mr. Lucas Rincon, June 23, 1988, p. 3.
3/ Ibid.
4/ Hearing statement of Mr. John Keeler, June 23, 1988, pp. 1-2.
5/ Prehearing brief of Sural, June 20, 1988, pp. 45-46.
6/ Ibid., p. 46.
7/ Cook, "New Players...," p. 110.
8/ Castells, "Tommorrow's Aluminum...," p. 5.

Mr. Castells indicates that Venezuela's longer term program includes adding fabricating capacity to upgrade the product mix, but the main priority will be finding markets for ingot and other basic forms like rod, bar, and extrusion billet. 1/ An outline of planned expansion projects is shown in the following tabulation: 2/

Project	Partners' share (percent)	Size (metric tons)	Projected completion date
Expansion	Venalum	176,000 (156,000) 1/	1989
Alusur	CVG (20); Alcoa (40); Sural (40)	180,000	1990
Expansion	Alcasa	270,000 (80,000) 2/	1991
Alamsa	Alcasa (30); Austria Metall (40); Pechiney (30)	180,000	1991
Aluyana	Venalum (40); Italpianti (40); Pechiney (10); Unnamed (10)	360,000	1993
Alisa	Private	120,000	1996
Aluguay	Alcasa; Alusuisse; Alumax	180,000	3/

1/ Hearing statement of Mr. Lucas Rincon, June 23, 1988.
2/ Hearing statement of Mr. John Keeler, June 23, 1988.
3/ Not available.

1/ "Venalum Seeking Agreements in Bid to Penetrate U.S. Market," American Metal Market, July 1, 1987, pp. 1 and 16.
2/ See "Venalum Expansion Advances Rapidly," Metal Bulletin, June 16, 1988, p. 15; "Aluminum Smelter," Latin America Regional Reports: Andean Group, Apr. 7, 1988, p. 8; "Venezuelan Aluminum," Mining Journal, Apr. 1, 1988, p. 258; "Aluminum Smelter for Venezuela," Financial Times, Jan. 27, 1988, p. 6; "Venezuela Boosts Aluminum Output," Mining Activity Digest, May 27, 1988; "Boost for Venalum," Latin America Commodities Report, Mar. 3, 1988, p. 7; "Venezuela's Ambitous Aluminum Plans," Mining Journal, Nov. 27, 1987, p. 444; and "Venezuela's Expansion, Stepped Up Again, Sees New Smelting Role for Private Sector," Metals Week, Oct. 19, 1987, p. 1.

Prior to the Venezuelan Government's approval on February 5, 1988, in Decree 1988 of debt-equity swaps as a means to finance this expansion, project financing had been one of the major impediments to complete realization of these plans. Debt-equity swaps are currently allowed for up to 50 percent of the local currency cost of the projects when the foreign investor provides between $20 million to $100 million of project cost, and 80 percent when foreign investment exceeds $100 million. 1/ Both the Alamsa and Aluguay projects are to be partially financed by debt-equity swaps undertaken by their foreign investors. 2/

Sural is Venezuela's largest private-sector aluminum company and its largest private-sector exporter. Of the three Venezuelan aluminum rod producers named in the petitions, Sural is by far the largest exporter, accounting for roughly 90 percent of total Venezuelan exports of aluminum rod to the United States in 1986. 3/ Until March 1985, the petitioner, Southwire, owned a 49-percent interest in Sural. 4/ Sural has two aluminum rod mills: a Number Six "Properzi mill," and a Southwire SCR-6 mill similar to Southwire's Hawesville, KY, mill. 5/ * * *. 6/

Sural and the more than 160 other private aluminum firms in Venezuela have trouble buying as much aluminum as they would like from Alcasa and Venalum. A State Department airgram states that the problem stems from a multiple-pricing system whereby Alcasa and Venalum receive more for export sales than they do for domestic sales as a result of exchange rates and Government export bonuses. Respondents indicate, however, that any shortfall in aluminum supply results from sales commitments equaling or exceeding production of the major Venezuelan primary aluminum producers, and, with Government encouragement, the shifting of current and planned primary aluminum resources to higher valued production. 7/ Venalum has metal commitments of * * * of its projected capacity of 460,000 mt to be attained in mid-1989. Customers during 1988-93 will include * * *.

1/ "Debt Equity Swaps Clear Way for Venezuelan Projects," Metal Bulletin, Feb. 25, 1988, p. 15.
2/ "Venezuelan Aluminum," Mining Journal, Apr. 1, 1988, p. 258.
3/ Conference transcript, p. 62.
4/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, p. 7. For a further discussion of Southwire's interest in Sural, see conference transcript, pp. 24-29, 63, and 75-83; postconference statement of petitioner Southwire Co., Aug. 12, 1987, pp. 38-45; and affidavit of Alfredo Riviere and Renda G. Butler, Aug. 12, 1987.
5/ Conference transcript, p. 39, and hearing transcript, p. 124.
6/ Questionnaire response of Venezuelan producers, June 16, 1988.
7/ Posthearing brief of Sural, C.A., June 30, 1988, pp. 1-9.

Venalum and Marubeni, which would help fund Venalum's expansion, are currently negotiating a long-term supply contract. If negotiations are successful, Venalum's commitment to Marubeni would probably supersede sales to local companies. 1/ Partial production (67,000 mt) from Alcasa's potline expansion of 80,000 mt, scheduled for full production in 1990, has been committed to Reynolds International (partner in the Alcasa venture), Aleurope, Alunasa, and Hypo Bank Trade France. Korea, Portugal, Spain, and Austria are also export prospects being considered by Alcasa. 2/

To alleviate primary aluminum supply constraints, Sural had plans to build a greenfield smelter. As originally conceived, a private company, Alusur, headed by Sural, planned to construct a 115,000-metric-tons-per-year smelter to supply Sural's rod and wire plant, to be coupled with a 60,000-metric-tons-per-year expansion in wire and rod capacity at Sural. Once started, these plans for expansion were expected to take 3 years to complete. 3/ Since that time, Alcoa has signed a letter of intent to construct with Sural and CVG a 120,000-metric-tons-per-year smelter at Puerto Ordaz. Both Alcoa and Sural will hold 40 percent ownership of the new smelter; CVG will hold the remaining 20 percent. The two private companies will contribute $375 million to the smelter's total $500 million cost. The smelter is expected to be on-line by the end of 1990; production is primarily targeted for export markets. 4/

According to Venezuelan aluminum industry officials, the Alusur project is only at the letter of intent stage, with land, financing, and construction not yet arranged for the project. With a 3-1/2 year turnaround from engineering to startup, smelter completion would most likely not meet its projected start-up date of 1990. 5/

Mr. Alfredo Riviere, President of Sural, indicated that Sural has been expanding its capacity to produce mechanical aluminum rod and contracting its ability to produce electrical conductor aluminum rod. Sural is also interested in expanding its presence in the United States by acquiring rod, wire, and cable facilities or equipment that belonged to closed U.S. producers. 6/ Such facilities, however, require electrical rod rather than mechanical rod. One of the reasons Sural wishes to establish rod facilities in the United States is because it wishes to take advantage of utility markets closed to firms that produce utility cable from foreign-produced aluminum rod. 7/ * * *.

1/ For further information see hearing statement of Mr. Lucas Rincon, June 23, 1988.
2/ For further information see hearing statement of Mr. John Keeler, June 23, 1988.
3/ Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986, p. 4.
4/ "Alcoa Builds Venezuelan Smelter," Mining Journal, Jan. 22, 1988; "Alcoa Planning Stake in Venezuela," Metal Bulletin, Jan. 21, 1988; also see Metals Week, Jan. 25, 1988.
5/ Hearing transcript, pp. 169-170.
6/ Conference transcript, pp. 123-130.
7/ Ibid.

Effective October 1, 1987, Sural purchased Alcoa's two cable-producing facilities in Vancouver, WA, and Massena, NY. The two plants are grouped under ACPC, Inc., owned by Alutech, a Delaware-based investment firm owned by Mr. Alfredo Riviere. 1/ Imports of Venezuelan ECARR are expected to provide the majority of the feedstock for the Massena mill. 2/ * * *.

In addition, Sural * * *. 3/

Available information on the producers of aluminum rod in Venezuela is presented in table 1.

Total Venezuelan production was reported only for 1986 (111,604 tons) and 1987 (103,873 tons). Due to Iconel and Cabelum not reporting, total production data for 1984, 1985, January-March 1987, and January-March 1988 are not available. Aggregate capacity of the Venezuelan producers was reported to be 160,098 tons in 1984, increasing to 163,885 tons in 1985, before decreasing to 162,138 tons in 1986, and further decreasing to 156,956 tons in 1987. January-March 1988 capacity was 37,573 tons, representing a decrease of 7 percent compared with that of the corresponding period in 1987. The Venezuelan producers did not provide information to explain the changes of the total capacity to produce the subject rod. These data * * *. 4/

Capacity utilization of the Venezuelan industry was available for 1986 and 1987, 69 and 66 percent respectively. Only Sural provided data for all periods; its capacity utilization rates are shown in table 1.

Venezuelan exporters report that demand for wire and cable, hence the subject rod, is strong in Venezuela and in the neighboring Andean Pact countries because of the extensive electrification programs undertaken in these countries. 4/

1/ "Sural Buys Alcoa Cable Plants, But Venezuelan Rod Hit With Preliminary Duty," Metals Week, Oct. 12, 1987.
2/ Hearing transcript, p. 198.
3/ Posthearing brief of Sural, June 30, 1988.
4/ Questionnaire response of Venezuelan producers, June 16, 1988. * * *. Sural reports that its practical capacity is * * *.

Table 1
Aluminum rod: Venezuelan production, capacity, capacity utilization, domestic shipments, export shipments to the United States, and exports to third countries, by firms, 1984-87, January-March 1987, and January-March 1988 1/

Item	1984	1985	1986	1987	January-March-- 1987	January-March-- 1988
Production:						
Cabelum short tons	***	***	***	***	***	***
Iconel.....do....	***	***	***	***	***	***
Sural.....do....	***	***	***	***	***	***
Total.....do....	2/	2/	111,604	103,873	2/	2/
Capacity:						
Cabelum short tons	***	***	***	***	***	***
Iconel 3/.....do....	***	***	***	***	***	***
Sural 4/.....do....	***	***	***	***	***	***
Total.....do....	160,098	163,885	162,138	156,956	40,226	37,573
Capacity utilization:						
Cabelum.....percent	***	***	***	***	***	***
Iconel.....do....	***	***	***	***	***	***
Sural.....do....	***	***	***	***	***	***
Average.....do....	2/	2/	69	66	2/	2/
Domestic sales:						
Cabelum short tons	***	***	***	***	***	***
Sural.....do....	***	***	***	***	***	***
Exports to the United States:						
Cabelum short tons	***	***	***	***	***	***
Sural.....do....	***	***	***	***	***	***
Exports to third countries:						
Cabelum short tons	***	***	***	***	***	***
Sural 5/.....do....	***	***	***	***	***	***

1/ Data presented in this table are derived from the questionnaire response of Venezuelan producers dated June 16, 1988, which exhibits discrepancies from data presented in the preliminary report. Cabelum and Iconel reported incomplete data.
2/ Not available.
3/ * * *.
4/ * * *.
5/ * * *.

Source: Compiled from data provided by counsel for Sural, Iconel, and Cabelum.

U.S. Producers

There were seven producers of aluminum rod in the United States during the period under investigation; Alcan Aluminum Corp. (Alcan), Aluminum Co. of America (Alcoa), Essex Wire and Cable (Essex), Kaiser Aluminum and Chemical Corp. (Kaiser), Noranda Aluminum, Inc. (Noranda), Reynolds Metals Co. (Reynolds), and Southwire Co. (Southwire). The shares of 1987 domestic production of aluminum rod accounted for by these producers and the location(s) of their production facilities are shown in table 2.

Table 2
Aluminum rod: U.S. producers, shares of total domestic production and mill locations, by firms, 1987

Firm	Share of reported total domestic production in 1987 1/	Mill location
	Percent	
Petitioner:		
Southwire Co	***	Hawesville, KY. 2/
Nonpetitioning firms:		
Alcan Aluminum Corp. 3/	***	Williamsport, PA.
Aluminum Co. of America 4/	***	Massena, NY. Rockdale, TX. Vancouver, WA. 5/
Essex Wire and Cable 3/6/	0	Booneville, IN. 7/
Kaiser Aluminum and Chemical Corp. 3/	***	Tacoma, WA. Chalmette, LA. 8/
Noranda Aluminum, Inc. 3/	***	New Madrid, MO.
Reynolds Metals Co. 3/	***	Longview, WA.

1/ Including toll production.
2/ The company's rod mill in Carollton, GA, was * * *.
3/ * * *.
4/ Alcoa took no position in the preliminary investigations and opposes the petition in the final investigations.
5/ Mill permanently closed in * * *.
6/ The company continues cable manufacturing but discontinued its rod production.
7/ Mill closed in * * *; share of total production was * * *.
8/ Mill * * * closed.

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

Alcan Cable, Division of Alcan Aluminium, Ltd.--* * *.

Alcan Aluminium, Ltd., a Canadian company, is one of the world's largest aluminum producers, accounting for 17 percent of the total aluminum production of the free world. Its worldwide sales are $6.9 billion, 32 percent of which are in the United States; it employs 63,000 people worldwide. The company has approximately 100 manufacturing plants in 18 countries; in addition it is also involved in the steel, chemical, aerospace, packaging, transportation, building and construction, and other industries. 1/

Alcan produces aluminum rod at its rod mill in Williamsport, PA. It also produces aluminum wire and cable at plants in Bay St. Louis, MS; Sedalia, MO; and Williamsport, PA. Alcan does not have a smelter at its rod mill in Williamsport. Its rod production is not continuously cast, rather, it starts with bar and hot rolls it into aluminum rod. * * *. 2/

Aluminum Co. of America.--* * *. During the period of investigation, Alcoa produced aluminum rod at its plants in Vancouver, WA; Massena, NY; and Rockdale, TX. Alcoa closed its smelter operations in Vancouver in June 1986. This smelter was sold to and is being operated by Venalco, Inc., a company formed by an independent group of investors from Cambridge, MA. * * *. Alcoa's other two rod mills in Rockdale and Massena have adjacent aluminum smelters and produce aluminum rod using the continuous-casting method.

Alcoa also produced aluminum cable in Massena and Vancouver until October 1, 1987, at which time it sold its cable mills to ACPC, Inc., an affiliate of Sural (ACPC/Sural). ACPC/Sural is owned by Mr. Alfredo Riviere's holding company, Alutech of Delaware. * * *. ACPC/Sural has been making cable at the Vancouver cable mill since October 1987; * * *. 3/

* * *.

* * *.

Petitioner questioned the authority of the witnesses appearing at the Commission hearing to represent Aluminum Company of America. Commission staff confirmed the authority of the witnesses to represent not only ACPC/Alcoa, but Alcoa itself, as well. 4/

Essex Wire and Cable.--Essex was a rod producer until 1986. * * *. Essex, located in Booneville, IN, is a subsidiary of United Technologies. It closed its aluminum rod mill in March 1986. Roughly *** percent of its production was consumed captively by its power conductor division in the production of wire and cable. In 1985, Essex sold its power conductor division to Cablec and discontinued rod operations. This division used roughly *** percent of the total aluminum rod Essex produced in 1984. Essex was not an integrated aluminum producer. For its rod production Essex purchased hot metal from * * *. * * *.

1/ One of the company's more unique products is a special aluminum powder that is the base material for solid rocket fuel, which itself is a powdery substance.

2/ * * * and on questionnaire response of Alcan Aluminum Co.

3/ * * *.

4/ Based on telephone conversation with John Tecklenburg, International Attorney, Aluminum Co. of America, on July 14, 1988.

Kaiser Aluminum and Chemical Corp.--* * *.

* * *.

Kaiser's aluminum rod plant is located in Tacoma, WA. A smelter is adjacent to this plant. In 1983, Kaiser closed its Chalmette, LA, smelter and the adjacent aluminum rod mill; this mill closed permanently * * *.

The decision to exit the cable business was made by Kaiser in June 1987, when its Board of Directors decided to write-down the wire and cable plants because they lost money in recent years because of low product prices and overcapacity in the marketplace. These plants were closed during the second half of 1987 and the first quarter of 1988. * * *.

* * *.

Noranda Aluminum, Inc.--* * *.

Noranda is 100-percent owned by its parent, Noranda Group of Toronto, Ontario. The latter is a conglomerate of 60 companies worldwide; including 13 mines, 6 refineries, and 50 manufacturing plants, with total wordwide employment of 68,000 and sales of over $5 billion annually. * * *.

Noranda produces aluminum rod at a plant in New Madrid, MO. Noranda operates an aluminum smelter at the same location. Until * * * , Noranda also produced aluminum wire and cable at its plant in New Madrid. In 1984, approximately *** percent of its total rod production was consumed by its wire and cable operations. In 1985, this percentage fell to *** percent. * * *.

Noranda built the smelter at New Madrid in 1968; it started to manufacture wire and cable at the same time Southwire's plant was built. Noranda held approximately *** percent of the bare cable market and also produced rod for merchant sales. * * *. In ***, production of cable was terminated; * * *.

* * *.

Reynolds Metals Company.--* * *.

Reynolds produces aluminum rod at its plant in Longview, WA. Reynolds also operates an aluminum smelter at the same location. It also produces aluminum cable at this location as well as a plant in Malvern, AK. Reynolds closed several rod mills located in Lister Hill, LA, in 1983. * * *. Reynolds owns a ***-percent stake in the Venezuelan aluminum producer Alcasa. Alcasa recently acquired a 50 percent stake in Reynolds' aluminum plant in Mons, Belgium. Reynolds, General Motors, and Alcasa recently agreed to set

up a joint company in Venezuela to produce half a million aluminum wheel rims anually for the U.S. market. 1/

Southwire Co.--The petitioner, Southwire, is the nation's largest privately owned rod, wire, and cable producer. * * *. Southwire manufactures copper and aluminum rod and electrical wire and cable. Southwire is also involved in a joint venture called National-Southwire Aluminum Co. (NSA) to produce primary aluminum. * * *. NSA's aluminum smelter supplies Southwire's Hawesville, KY, aluminum rod plant, which is located immediately next door. Southwire receives approximately ***, representing *** percent of the total U.S. aluminum production a year. * * *.

NSA's smelter in Hawesville, KY, and Alcan's Sebree, KY, smelter purchase approximately 70 percent of the power produced by the Big Rivers Electric Co., which is located in sight of the Hawesville facilities on the Ohio River. The two smelters pay some of the highest electricity charges in the United States and have been facing higher rates as the financially troubled utility struggles to ward off foreclosure proceedings by the United States Justice Department. 2/ Respondents allege that Southwire cannot compete with low-cost producers, either domestic or foreign, because of the high electricity costs paid by NSA's smelter. 3/ In mid-August 1987, the Kentucky Public Service Commission approved Big Rivers Electric Co.'s request for a modified rate increase plan that tied the cost of electricity to the price of aluminum. NSA and Alcan filed suit in an attempt to overturn this ruling, and withheld payment to the utility in mid-October. 4/ Big Rivers filed a countersuit seeking to substitute a three-phase power rate increase for the one-step increase approved by the Kentucky Public Service Commission. Alcan and NSA provided full payment to Big Rivers after the court's refusal to place the payment difference in escrow. The court will have an indefinite period to hand down a ruling. 5/

Southwire helped develop continuous rod casting technology for the aluminum and copper industries. Its patented Southwire Continuous Rod (SCR) Systems are used worldwide. In fact, Southwire states that more than one-half of all the redraw rod consumed in the western world is made on 47 different Southwire rod systems in production in 18 countries.

* * *. Its Hawesville, KY, plant is currently its only production facility for aluminum rod. Roughly *** percent of its aluminum rod production in 1986 was used captively at its wire and cable plants in Hawesville, KY; Carrollton, GA; and Flora, IL.

1/ "Venezuela's Aluminum Ambitions," Mining Journal, Dec. 12, 1986, p. 424.
2/ "Alcan, National Southwire Spared Higher Costs," Metal Bulletin, Mar. 24, 1987, p. 9, and "REA Move Clouds Big Rivers Rate Talks," Metals Week, May 11, 1987. For a further discussion of Big Rivers Electric and the aluminum smelters at National-Southwire and Alcan, see Metals Week, Nov. 17, 1986; American Metal Market, Nov. 26, 1986; Metals Week, May 11, 1987; and post conference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 2.
3/ Conference transcript, p. 76.
4/ NSA's monthly electricity cost/bill is about ***.
5/ "Big Rivers Rate Hike OK'd," American Metal Market, Aug. 12, 1987, "Big Rivers' Power Rate Boost Surprises Two Aluminum Companies," American Metal Market, Aug. 13, 1987; "Sebree, NSA Faced With Power Rate Jump", Metals Week, Aug. 17, 1987; see also Metals Week, Aug. 3, 1987, Aug. 10, 1987, Aug. 31, 1987, Sept. 28, 1987, Oct. 26, 1987, Nov. 23, 1987, and Apr. 18, 1988.

Sural was created, in 1975, as a result of an initiative by Southwire. It was a joint venture between Southwire (49 percent ownership) and Noral, S.A., a Venezuelan firm controlled by Mr. Alfredo Riviere (51 percent ownership.) The joint venture existed until March 1985 when Southwire sold its interest in Sural. Southwire sold and installed production equipment for Sural and was a major purchaser of EC rod from Sural until the first half of 1985. From March 1984 to February 1985, Southwire, through its affiliate, Southwire Metals International (SMI), had a formal exclusive sales agency agreement with Sural to sell EC rod in the United States to all purchasers except * * *. The sales agency ended on * * *. The quantities of rod sold through the sales agreement were small compared with the quantities purchased by * * * outside the sales agreement.

Southwire and Sural made conflicting assertions regarding the performance of the parties under their various agreements and the reasons for the ending of the joint venture, as well as the ending of the sales agency contract. Some of the undisputed facts are listed below.

Southwire supplied production and management know-how to Sural, as a result of which Sural became a major EC rod producer. Until 1984, several key management personnel were lent to Sural by Southwire; they resided in Caracas, but remained Southwire's employees. * * *.

Noral agreed * * *. 1/

Past U.S. producers of aluminum rod.--In the relatively recent past, but before the period under investigation, there were several other U.S. producers of aluminum rod, including Anaconda, Capital Wire & Cable (Capital), and Louisiana Wire & Cable (Louisiana). None of these firms produced the subject product during the period of investigation. Staff was unable to obtain additional information about Louisiana's rod operations.

Capital, located in Plano, TX, * * *. In its 1986 annual report, Capital indicated that it was not operating its continuous casting aluminum rod mill because the price of aluminum rod was less than the cost to purchase aluminum ingot and process it into rod. The petitions note that the rod mill has been dismantled and shipped to Bogota, Columbia. 2/

Anaconda Company had three rod mills in the 1960's. It sold one mill to a Mexican company. Two French-built mills with an approximate combined capacity of *** tons per year became property of Columbia Falls Aluminum Company (Columbia). The mills have not produced since 1980 and have been offered for sale by Columbia; they are not included in the calculation of total U.S. capacity in this report. * * *.

1/ Riviere-Butler affidavit, Aug. 12, 1987, Exhibit 1.
2/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, pp. 49-50 and 54, and pp. 39-40 and 44, respectively.

U.S. Importers

Importers' questionnaires were sent to all known importers (nonproducers) and all U.S. producers of aluminum rod. According to the U.S. Customs Service's net import file, these companies imported virtually all of the aluminum rod from Venezuela during the period covered by the investigations.

Alnor, Ltd.--* * *.

Sural submitted Alnor's response to the Commission's questionnaire significantly late and in several installments, which were followed by corrections. The response to the final questionnaire was significantly different from the response to the preliminary questionnaire. * * * .

Richards Enterprises.--* * *. From *** 1984 to *** 1985, SMI acted as a sales agent for Sural, * * *. Whether or not SMI had pricing control of the rod it sold as Sural's agent is a point of contention between the parties. * * *.

U.S. producers.--Imports by or for U.S. producers were, with few exceptions, consumed in the production of wire and cable. For further information regarding such imports of aluminum rod from Venezuela, see the section of the report entitled "U.S. producers' imports and purchases of imported aluminum rod."

Trading companies.--* * * . These trading companies are not decisive factors in the EC rod market. * * * .

The U.S. Market

Channels of distribution

As mentioned above, aluminum rod is an intermediate product that is generally drawn into wire or cable. Most U.S. producers of aluminum rod have facilities that also produce wire and cable. During the period under investigation, the share of total domestic shipments of aluminum rod that was captively consumed by U.S. producers of aluminum rod in the production of wire and cable and other downstream products (as measured by intracompany transfers) fell from *** percent in 1984 to *** percent in January-March 1988 (table 5). Merchant market sales of aluminum rod are generally carried out by the U.S. producers, there being no distributors in the traditional sense that are involved in the EC rod market. Occasional sales are handled by metal dealers, generally as part of other transactions.

Most EC rod was consumed by the producers of EC rod in the manufacture of utility wire and cable (both bare and insulated), although the share of such captive consumption decreased in 1987 and January-March 1988 as Kaiser and Alcoa ceased production of wire and cable. The sales of rod among the producers themselves represented a relatively small share of total shipments, approximately 10 percent. The distribution and use of EC rod shipments in the United States, compiled from questionnaire responses, are shown in the following tabulation (in percent): 1/

Item	1984	1985	1986	1987	January-March 1987	January-March 1988
Intercompany transfers:						
Utility wire and cable	69	70	67	65	67	55
Other	8	7	5	6	6	6
Total	77	77	73	71	73	62
Shipments to unrelated producers of EC rod	9	7	10	10	7	14
Shipments to unrelated purchasers (nonrod producers):						
Utility wire and cable	7	6	6	9	8	15
Magnet wire	5	7	7	6	7	6
Other	2	2	4	5	5	4
Total to unrelated nonrod producers	14	15	17	19	20	24
Total to unrelated purchasers	23	22	27	29	27	38
Total domestic shipments	100	99	100	100	100	100
Exports	1/	1	1/	1/	1/	1/
Total shipments	100	100	100	100	100	100

1/ Less than 0.5 percent

Assessment of the market

In the Commission's questionnaire producers and importers were asked to assess the U.S. market. The following responses were provided:

Noranda.--* * *.
Southwire.--* * *.
Reynolds.--* * *.
Alcan.--* * *.
Alcoa.--* * *.
Kaiser.--* * *.
ACPC/Sural.--* * *.

1/ The data represents over *** percent of the combined movement of domestic and Venezuelan aluminum rod. The data include Sural's direct sales but exclude imports by Alnor because of the late arrival of its questionnaire response.

Apparent U.S. consumption 1/

Apparent U.S. consumption of aluminum rod declined from 408,295 tons in 1984 to 344,155 tons in 1986, or by 16 percent, before increasing slightly to 346,842 tons, or by less than 1 percent, in 1987 (table 3). Apparent U.S. consumption rose by 19 percent during January-March 1988 compared with that during the corresponding period of 1987.

Table 3
Aluminum rod: U.S. producers' total domestic shipments, imports for consumption, and apparent U.S. consumption, 1984-87, January-March 1987, and January-March 1988

(Short tons)

Period	U.S. producers' total domestic shipments	U.S. imports for consumption	Apparent U.S. consumption
1984	363,850	44,445	408,295
1985	299,774	66,816	366,590
1986	284,274	59,881	344,155
1987	294,228	52,614	346,842
January-March--			
1987	73,498	15,793	89,291
1988	87,723	18,377	106,100

Source: 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.

The chief use of EC rod is the manufacture of electrical conductors. The total net domestic shipments of such conductors (wire and cable) are shown in the following tabulation (in thousands of tons): 2/

Year	Quantity	Year	Quantity
1976	304	1982	291
1977	341	1983	332
1978	382	1984	371
1979	413	1985	340
1980	369	1986	321
1981	320	1987	320

1/ The investigations were postponed 5 months. In order to present the period covered by the preliminary investigations, the data for 1984 are also presented. The reader should note that 1984 was a peak year for aluminum rod consumption in the United States.
2/ Includes bare and insulated wire and cable. Excerpted from table C-1, app. C, Aluminum Statistical Review.

During the period of investigation the consumption of wire and cable shows generally the same trend as the consumption of EC rod. The excess EC rod is used in the production of magnet wire. Magnet wire consumption is estimated to account for about 10 percent of the total rod consumption, and appears to be stable. 1/

The market for wire and cable is divided into markets for bare and for insulated wire and cable. Bare cable is used for power transmission and distribution lines, and is purchased by electric cooperatives and utilities. Insulated cable is used for building service connection wire, underwater and other special use cables, and industrial cables.

Consumption of bare cable was high in the 1960's and early 1970's as the electrification of the country was accomplished. Since the late 1970's consumption has decreased. Although bare cable consumption decreased in 1987 from that of 1986, the producers expect it to increase again. The level of consumption of insulated wire and cable is related to the level of economic activity, namely residential and industrial construction. Separate shipments of bare and insulated wire and cable are charted in appendix C. During 1975-87 combined shipments of bare and insulated wire and cable have been cyclical, reaching peaks in 1979 and 1984, and troughs in 1982 and 1987, as shown in the previous tabulation and illustrated in appendix C. The subject rod consumption is directly derived from wire and cable consumption.

U.S. rod producers, as expressed in their questionnaire responses, consider the rod market mature and predictable and expect no significant changes in the near future. As noted previously, apparent consumption of rod increased sharply, by 19 percent in January-March 1988. The strong market reportedly continued into the second quarter; * * *.

Consideration of the Question of Material Injury

U.S. production, capacity, and capacity utilization

U.S. production of aluminum rod declined from 363,275 tons in 1984 to 279,173 tons in 1986, or by 23 percent, before increasing to 288,785 tons, or by 4 percent, in 1987 (table 4). During January-March 1988, production rose 23 percent to 86,652 tons from 70,243 tons during January-March 1987. Average capacity to produce aluminum rod fell steadily between 1985 and 1987; it continued to decrease, by 5 percent on an annualized basis, during January-March 1988. Capacity utilization ranged between 56 and 70 percent during 1984-87 before rising to 77 percent in January-March 1988.

1/ See channels of distribution section above.

Table 4
Aluminum rod: U.S. production, capacity, and capacity utilization, 1984-87, January-March 1987, and January-March 1988

Item	1984	1985	1986	1987	January-March-- 1987	January-March-- 1988
Production:						
Own metal...short tons..	***	***	***	***	***	***
Toll production...short tons..	***	***	***	***	***	***
Total...short tons..	363,275	300,857	279,173	288,785	70,243	2/86,652
Percentage change.....	1/	-17	-8	+4	1/	+23
Average capacity over period 3/ ...short tons..	519,842	528,175	499,842	466,920	118,085	111,835
Percentage change.....	1/	+2	-5	-7	1/	-5
Capacity utilization 4/ percent..	70	57	56	62	59	77
End of period 3/ capacity....short tons..	519,842	538,175	473,180	466,920	118,085	111,835
Percentage change.....	1/	+4	-12	-1	1/	-5

1/ Not available.
2/ Virtually identical to the production of January-March 1986 (86,648 tons.)
3/ The changes in the aggregate capacity reflect * * *.
4/ Calculated from production and average capacity.

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

Petitioner argued that its *** rod mill in Carollton, GA, should be included in the total U.S. capacity during 1984-86, because it was maintained and ready to produce * * *. Because * * *, it was not included in the aggregate capacity. If it were to be included, capacity utilization would be *** percent during * * *. 1/

Alcoa's rod mill in Massena * * *. 2/

1/ Respondent argued that the aggregate U.S. capacity is lower and aggregate U.S. production is higher, therefore, capacity utilization is also higher. Respondent's capacity data are based on verbal "personal communications" between various plant personnel and an unrelated consulting firm, and on secondary data. In contrast, the data gathered by the Commission were provided in written form and certified by the management of the firms. Respondent argued that the Commission's definition of practical capacity is really theoretical capacity because it does not consider overtime pay and cost of added materials constraints. The Commission follows the Bureau of Census' definition of practical capacity. Further, respondent included the capacity of the *** Chalmette mills in its calculations; those mills were not included by the Commission in table 4. With the Chalmette mills included capacity utilization would be significantly lower, *** percent in 1984. In addition, respondent's calculations include data * * *. Respondent's production data is derived from calculated U.S. shipment data for rod.
2/ Alcoa's Massena plant * * *.

Respondents Sural and General Electric assert that there is a shortage of the subject rod in the U.S. market, noting that Petitioner's Hawesville, KY, plant is operating at full capacity and that petitioner does not have any plans to increase capacity. Further, all of respondent's witnesses testified at the hearing that EC rod producers are allocating metal units to the manufacture of "higher value added" products, thus gradually withdrawing from the manufacture of rod. Since four major producers of rod did not participate at the hearing, the Commission staff sought their comments regarding the alleged shortage and regarding their intentions with respect to producing EC rod in the future. * * *. 1/ * * *.

U.S. producers' domestic shipments and intracompany transfers

The quantity of U.S. producers' domestic shipments of aluminum rod to unrelated purchasers rose from *** tons in 1984 to *** tons in 1987, or by 34 percent, and the quantity of intracompany transfers (aluminum rod consumed by the rod producers in manufacturing wire and cable) fell from *** tons to *** tons, or by 27 percent, during the same period (table 5). Toll shipments are quantities of aluminum rod produced by U.S. producers for unrelated parties. Toll shipments fell sharply from *** tons in 1984 to *** tons in 1987 but increased * * * tons on an annualized basis in January-March 1988. Total domestic shipments of the subject aluminum rod decreased from 363,850 tons in 1984 to 299,774 tons in 1985, or by a sharp 18 percent; shipments fell again in 1986 (by 5 percent), but rose by 4 percent in 1987. There was a sharp, 59 percent, increase in domestic market shipments from January-March 1987 to January-March 1988, resulting in a 19-percent increase in total domestic shipments, in spite of the 5-percent decrease in internal consumption by rod producers. 2/

The decreasing quantities of intracompany shipments, from *** tons in 1984 to *** tons in 1987, reflect the discontinuance of wire and cable manufacturing by some of the rod manufacturers. The share of total domestic shipments of aluminum rod accounted for by intracompany transfers (on a quantity basis) fell from *** percent in 1984 to *** percent in 1987, and further fell to *** percent in January-March 1988 (table 5).

The value of total domestic shipments fell by 29 percent from 1984 to 1985 as a result of the simultaneous 18-percent drop in quantity and

---

1/ * * *. Staff notes the importance of distinguishing between claims of shortage at a preferred price level and shortage due to limited capacity.
2/ Respondent argued that instead of the data collected by the Commission, shipment data, calculated by respondent's consultant, should be used. These data for rod shipments were higher. Unlike the Commission, the consultant did not have confidential company data available, ***. Therefore, in addition to public data, they had to use estimates, and average waste ratio for wire and cable production. The Commission on the other hand received confidential data on shipments of rod from each company; such shipment data reconciled with production and inventory data and required no assumption or estimates. Staff notes that respondent did not include ***.

14-percent drop in average unit values. Unit values started to rise in 1986, and by 1987 they were above those of 1984, resulting in a 20-percent increase in the value of total domestic shipments in 1987, although the quantity of shipments increased only by 4 percent. Reflecting sharp increases in the price of aluminum, unit values rose in January-March 1988 by an average of about 50 percent over those of January-March 1987. This, combined with the increasing quantities in the same period, resulted in the sharp increase of 76 percent in the value of total domestic shipments (table 5).

Table 5
Aluminum rod: U.S. producers' domestic shipments, intracompany transfers, and total domestic shipments, 1984-87, January-March 1987, and January-March 1988

Item	1984	1985	1986	1987	January-March-- 1987	1988
	Quantity (tons)					
Domestic market shipments 1/	***	***	***	***	***	***
Intracompany transfers 2/	***	***	***	***	***	***
Toll shipments 3/	***	***	***	***	***	***
Total domestic shipments	363,850	299,774	284,274	294,228	73,498	87,723
Percentage change	4/	-18	-5	+4	4/	+19
	Value (1,000 dollars)					
Domestic market shipments	***	***	***	***	***	***
Intracompany transfers	***	***	***	***	***	***
Toll shipments 5/	***	***	***	***	***	***
Total domestic shipments	507,360	359,279	357,055	429,882	92,578	162,453
Percentage change	4/	-29	-1	+20	4/	+76
	Unit value (cents per pound)					
Domestic market shipments	72.62	58.60	63.47	75.21	61.93	97.65
Intracompany transfers	69.08	60.25	62.55	72.13	63.41	89.43
Toll shipments 4/	69.08	60.25	62.55	72.13	63.41	89.43

1/ Sales to unrelated purchasers.
2/ Internal consumption for production of wire and cable.
3/ Shipments of rod which has been toll-produced in U.S. rod mills.
4/ Not available.
5/ Valued at transfer price.

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

U.S. producers' exports

* * * were the only U.S. producers of aluminum rod that reported exports during the period covered by the investigations. Exports were equivalent to less than 1 percent of U.S. producers' shipments during each period of the investigation. As shown in the following tabulation, exports of aluminum rod by these producers fluctuated widely during 1984-87:

Period	Quantity (Short tons)	Value (1,000 dollars)	Unit value (Per pound)
1984	***	***	***
1985	***	***	***
1986	***	***	***
1987	***	***	***
January-March--			
1987	***	***	***
1988	***	***	***

The U.S. producers have traditionally exported only small amounts of EC rod to Mexico and Canada. Their knowledge of the world markets is limited because of no participation therein. Generally, it is believed that the markets are mostly supplied by local producers.

U.S. producers' inventories

U.S. producers' inventories of imported or purchased rod could not be distinguished from inventories of rod produced in their own mills. However, U.S. producers report that generally they imported or purchased rod to be internally consumed immediately; hence the inventories reported by U.S. producers represent domestically made aluminum rod.

U.S. producers' yearend inventories of aluminum rod fell 52 percent during 1984-87. During the period covered by the investigations, inventories as a share of domestic market shipments and intracompany transfers fell from 4 percent to 2 percent, as shown in the following tabulation:

Period	End of period inventories (short tons)	Ratio of inventories to total domestic shipments 1/ (percent)
1984	14,655	4
1985	10,811	4
1986	10,480	4
1987	7,033	2
January-March--		
1987	7,364	2/ 3
1988	6,656	2/ 2

1/ See table 5.
2/ Calculated on the basis of annualized shipments.

U.S. producers' imports and purchases of imported aluminum rod

* * * U.S. producers of aluminum rod have used aluminum rod from Venezuela * * * (table 6). In the aggregate, U.S. producers accounted for *** percent of imports of aluminum rod from Venezuela in 1984, *** percent in 1985, *** percent in 1986, and *** percent in 1987; * * * during January-March 1988. * * *.

Petitioner argues that integrated producers of rod and cable, such as Southwire, have had to import aluminum rod to remain competitive with companies like Alcoa and Kaiser that have increasingly used imported aluminum rod in their production of wire and cable. 1/

Table 6
Aluminum rod: U.S. producers' imports from Venezuela, and purchases of foreign-produced aluminum rod, by firms, 1984-87, January-March 1987, and January-March 1988

(Short tons)

Item	1984	1985	1986	1987	January-March-- 1987	1988
Rod from Venezuela:						
Alcan	***	***	***	***	***	***
Alcoa	***	***	***	***	***	***
Essex	***	***	***	***	***	***
Kaiser 1/	***	***	***	***	***	***
Noranda	***	***	***	***	***	***
Reynolds	***	***	***	***	***	***
Southwire 2/	***	***	***	***	***	***
Total	***	***	***	***	***	***
Rod from other countries:						
Alcan	***	***	***	***	***	***
Alcoa	***	***	***	***	***	***
Essex	***	***	***	***	***	***
Kaiser	***	***	***	***	***	***
Noranda	***	***	***	***	***	***
Reynolds	***	***	***	***	***	***
Southwire	***	***	***	***	***	***

1/ * * *
2/ * * *

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

1/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378.

Employment and wages

The number of production and related workers employed by U.S. producers of aluminum rod fell from 209 in 1984 to 154 in 1986, or by 26 percent (table 7). Hours worked, wages, and total compensation paid to these workers followed a similar trend during 1984-86. In 1987, employment increased 9 percent, to 168 workers, still remaining below that of 1985. The improvement in 1987 came at the end of the year, as the January-March 1987 period's employment continued downward from that of 1986. During January-March 1988, employment increased to 173 workers, or by 23 percent, compared with that in the corresponding period of 1987; this is higher than in 1986 but still below that of 1985.

Productivity increased roughly 6 percent during 1984-86, but fell 6 percent during 1987. Unit labor costs fell during 1984-86, before increasing in 1987. Unit labor costs decreased 5 percent during the entire period of investigation.

The production and related workers at four of the six U.S. producers of EC rod are represented by a union. Southwire and Alcan are the two producers whose production workers are not members of a union.

The Aluminum, Brick and Glass Workers Union testified in opposition to the petition. The union represents the production workers at Reynold's rod mill and Alcoa's Massena mill, which * * *. 1/ Accordingly, the Union represented *** percent of all EC rod production workers in 1984, *** percent in 1985 and in 1986, *** percent in 1987, and *** percent in 1988.

The petitioner submitted a statement from production workers supporting the petition. The statement was signed by *** workers in the petitioner's Hawesville, KY, plant; these workers represented *** percent of all EC rod workers in 1988.

Table 7
Aluminum rod: Average number of production and related workers producing aluminum rod, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor costs, 1984-87, January-March 1987, and January-March 1988 3/

Item	1984	1985	1986	1987	January-March-- 1987	1988
Production and related workers:						
Number	209	182	154	168	141	173
Percentage change	4/	-13	-15	+9	4/	+23
Hours worked by production and related workers:						
Number.....1,000 hours..	422	346	305	335	75	93
Percentage change	4/	-18	-12	+10	4/	+24

Table continued on the following page. See footnotes at the end of the table.

1/ ACPC/Sural owns the cable mill at Massena. * * *.

Table 7-Continued
Aluminum rod: Average number of production and related workers producing aluminum rod, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor costs, 1984-87, January-March 1987, and January-March 1988 3/

Item	1984	1985	1986	1987	January-March-- 1987	1988
Wages paid to production and related workers:						
Value.....1,000 dollars..	5,964	4,786	4,390	5,173	1,050	1,366
Percentage change.....	4/	-20	-8	+18	4/	+30
Total compensation paid to production and related workers:						
Value.....1,000 dollars..	7,653	6,157	5,419	6,284	1,356	1,736
Percentage change.....	4/	-20	-12	+16	4/	+28
Labor productivity:						
Quantity.....tons per hour..	0.861	0.870	0.915	0.859	0.937	0.932
Percentage change.....	4/	+1	+5	-6	4/	-1
Hourly compensation: 5/						
Value.....	$14.13	$13.83	$14.39	$15.44	$14.00	$14.69
Percentage change.....	4/	-1	+3	+10	4/	+5
Unit labor costs: 6/						
Value.....per ton..	$21.06	$20.46	$19.41	21.76	$19.30	$20.03
Percentage change.....	4/	-3	-5	+12	4/	+4

1/ Includes hours worked plus hours paid leave time.
2/ Includes wages and contributions to Social Security and other employee benefits.
3/ Firms providing employment data accounted for all domestic shipments of aluminum rod in 1987.
4/ Not available.
5/ Based on wages paid excluding fringe benefits.
6/ Based on total compensation paid.

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

Financial experience of U.S. producers

Six firms, accounting for all U.S. production of electrical conductor aluminum redraw rod (aluminum rod) in 1987, furnished income-and-loss data on their overall establishment operations and on their operations producing aluminum rod.

Overall establishment operations.--In addition to the subject product, the companies produce cable, wire, and other aluminum-related products within their establishments. Some of these products utilize aluminum rod as a raw material. In 1987, internal transfers of aluminum rod accounted for *** percent of total aluminum rod sales. These transfers include production that was shipped to other establishments that do not produce the subject product.

Net sales for overall establishments and aluminum rod operations are shown in the following tabulation, by firms, for 1987:

Firm	Total establishment sales	Aluminum rod			Company transfers as a share of total aluminum rod sales
		Total sales	Trade sales	Company transfers	
	1,000 dollars				Percent
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	878,590	434,892	137,423	297,469	68.4

1/ * * *
2/ Less than 0.05 percent.

The establishment aggregate data reflect relatively high levels of profitability in 1987 and interim 1988 in comparison with earlier years. A summary of such income-and-loss data is shown in the following tabulation:

Period	Net sales	Operating income or (loss)	Operating income (loss) as a share of sales
	1,000 dollars		Percent
1984	804,956	16,168	2.0
1985	628,466	(67,550)	(10.7)
1986	665,386	(23,659)	(3.6)
1987	878,590	59,948	6.8
Interim period ending--			
Mar. 31, 1987	179,869	(2,760)	(1.5)
Mar. 31, 1988	323,180	47,774	14.8

Aluminum rod operations.--Although the Commission has often considered cases involving companies with substantial inter/intracompany transactions, it is less common that an investigation concerns an intermediate product within a vertically integrated company. In the instant investigations, the profitability distinction between aluminum metal production, aluminum rod operations, and wire and cable production may be obscured for some producers because of transfer pricing decisions. The profitability on rod operations may be reflected in wire and cable operations, or perhaps in the overall operations that include aluminum metal production.

Some of the producers (including the petitioner) do not consider their aluminum rod operations as a profit center. Thus, the aggregate aluminum rod income-and-loss tables presented in this report do not represent actual

bookkeeping operations as practiced by industry participants. The tables were constructed using either cost or market prices in order to facilitate the comparison of data between companies and to provide a reasonable basis for the measurement of profitability. Since the appropriate basis for measuring the rod industry's profitability is unclear, additional tables that include wire and cable profitability are included in the report for possible consideration in assessing the rod operations. 1/ 2/

Industrywide profitability for fabricated products (including wire and cable) are influenced by changes in the price of aluminum. For example, KaiserTech Limited indicated the following: 3/

> "Fabricated products prices, which are heavily influenced by changes in the ingot price and usually follow these changes with delays of three to six months, moved only moderately higher, in total, during 1987. Prices for a wide variety of fabricated products increased in late 1987 and in the first quarter of 1988, significantly improving the company's anticipated realizations on the bulk of its aluminum shipments."

The market price of aluminum during the period of investigation is summarized below (in cents per pound): 4/

Period	Price
1984	61.05
1985	48.81
1986	55.87
1987	72.30
Jan.-Mar. 1987	58.87
Jan.-Mar. 1988	97.69

1/ The respondents indicated that accounting policies, such as Accounting Research Bulletin #51 (consolidations) and Financial Accounting Standards Board #14 (segment reporting), provide guidance as to the best procedure for computing the profitability of aluminum rod by integrated producers. (Posthearing brief of respondents, p. 46.) These pronouncements include provisions for the preparation of consolidated financial statements with no gain or loss on intercompany transactions.

2/ In appendix A of the petitioner's posthearing brief, Dr. John Haldi presents an alternative methodology for measuring profitability and rate of return on investment in the production of ECARR. Dr. Haldi's method involves estimating revenues attributable to aluminum rod fabrication (essentially, by multiplying the quantity shipped in each period by the average fabrication adder during that period), and subtracting expenses attributable to rod fabrication (direct factory labor, other factory costs, including depreciation and amortization, and GSA expenses). The fabrication adders used in this analysis are those published in the prehearing report, i.e., those from the preliminary investigations. Staff substituted questionnaire data in the Haldi model. The results are shown in app. D.

3/ 1987 KaiserTech annual report, p. 9.

4/ Metals Week monthly average of market prices.

The income-and-loss experience is presented as follows:

*All aluminum rod operations, aggregate of questionnaire reponses of all producers: 1/

Table 8: Transfer of aluminum raw material and transfer of finished rod for captive consumption are at cost, as reported: 2/

Table 9: Same as table 8, by firms. 2/

Table 10: Table 8 modified: raw material transfered in and finished rod for captive consumption transfered out at market prices in order to isolate the rod production.

*Selected aluminum rod operations for producers, excluding the internal transfers of those companies that reported no profit or loss on such transactions. The companies that utilize this no profit-or-loss methodology are * * *. The reason for eliminating these companies' transfers is to present the data so that a more proper relationship of trade profit to trade sales can be shown: 2/

Table 11: Transfer of aluminum raw material and transfer of finished rod for captive consumption are at cost, as reported. 2/ 3/

*Trade sales of rod:

Table 12: Trade sales of rod only, for all firms. Raw material at cost, sales at market.

*Wire and cable operations including rod production for all firms:

Table 13: As reported: transfer of aluminum raw material at cost (sales are at market). 2/

Table 14. Table 13 modified: transfer of aluminum raw material at market (sales are at market).

A summary of the operating income or (loss), as a share of net sales, in the various calculations is shown in the following tabulation (in percent):

Table No.	Product	Basis	1984	1985	1986	1987	January-March 1987	January-March 1988
8	rod	cost	3.2	(5.3)	0.2	7.0	2.1	12.4
10	rod	market	2.0	5.3	6.0	5.4	6.0	5.5
11	rod (selected)	cost	5.2	(8.7)	0.3	9.5	2.9	15.8
13	rod and wire and cable	cost	7.0	0.4	1.9	4.4	(0.5)	14.1
14	rod and wire and cable	market	5.4	7.4	4.4	0.5	3.3	7.3

1/ All firms included regardless of whether they did or did not report profits on transfers of rod for captive consumption.

2/ See the section below titled Transfer pricing and value added analysis for valuation methods used in the reporting of data by firms.

3/ This table was discussed at the hearing and is referred to in briefs, it was table 8, on p. A-44 of the prehearing report.

In table 10 the rod mill is simulated to be an independent profit center by valuing the raw material, aluminum, which represents the chief cost component in rod, in the cost of goods sold at the market price of the metal (instead of at the transfer cost reported) and by valuing all finished rod also at market price (instead of at the transfer price reported).

In table 14 the combined rod and wire and cable operations are simulated to be an independent profit center, by valuing the raw material, aluminum, which represents the chief cost component in rod, as well as in wire and cable, in the cost of goods sold at the market price of the metal (instead of at the transfer cost reported).

Some of the sales in table 10 are actual reported trade sales; the reported transfers were substituted with values based on the average unit value of trade sales for all firms. For table 14 no substitution of the reported sales data was needed as all sales are trade sales to unrelated parties. When simulated as independent profit centers, the rod and wire and cable mills' financial results are more isolated from the direct effects of the changes in the commodity price of aluminum; such changes, during the last 12 months of the period under investigation, were the largest since 1974, when Metals Week began reporting aluminum prices.

With the exception of Southwire, the combined sales of rod and wire and cable represent less than *** percent of the total sales of the companies, as shown in the following tabulation (in percent):

Firm	Total value of rod production as a share of total corporate sales	Total sales of rod and wire and cable as a share of total corporate sales
Alcan	***	***
Alcoa	***	***
Kaiser	***	***
Noranda	***	***
Reynolds	***	***
Southwire	***	***

All aluminum rod operations.--Net sales from all aluminum rod operations declined 24.9 percent from $442.4 million in 1984 to $332.4 million in 1985 (table 8). Sales rose slightly, by 1.6 percent, to $337.8 million in 1986, then increased by 28.8 percent to $434.9 million in 1987. Operating income was $14.0 million in 1984, $612,000 in 1986, and $30.6 million in 1987. An operating loss of $17.7 million was incurred in 1985. Operating income (loss) margins, as a percent of sales, were 3.2 in 1984, (5.3) in 1985, 0.2 in 1986, and 7.0 in 1987. Operating losses were reported by two firms in 1984, five in 1985, three in 1986, and one in 1987.

Net sales for the interim period ended March 31, 1988, were $161.8 million, an increase of 75.0 percent over interim 1987 sales of $92.4 million. Operating income was $1.9 million and $20.1 million in interim 1987 and interim 1988, respectively. Operating income margins, as a percent of sales, were 2.1 in interim 1987 and 12.4 in interim 1988. Two firms reported operating losses in interim 1987 but none of the firms reported losses in interim 1988.

Table 8
Income-and-loss experience of U.S. producers on their operations producing aluminum rod, on the basis of valuing transfers of aluminum raw material and of finished rod at cost, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1984	1985	1986	1987	Interim period ended Mar. 31--1987	Interim period ended Mar. 31--1988
	Value (1,000 dollars)					
Net sales:						
Trade	***	***	***	***	***	***
Company transfers	***	***	***	***	***	***
Total net sales	442,370	332,372	337,761	434,892	92,436	161,790
Cost of goods sold	418,547	341,279	327,429	393,078	88,088	138,417
Gross profit or (loss)	23,823	(8,907)	10,332	41,814	4,348	23,373
General, selling, and administrative expenses	9,826	8,790	9,720	11,261	2,437	3,241
Operating income or (loss)	13,997	(17,697)	612	30,553	1,911	20,132
Interest expense	6,545	5,118	5,157	5,837	1,298	1,922
Other income or (expense)	31	254	101	114	26	(53)
Net income or (loss) before income taxes	7,483	(22,561)	(4,444)	24,830	639	18,157
Depreciation and amortization included above	2,338	2,671	3,435	4,014	786	1,003
Cash flow 1/	9,821	(19,890)	(1,009)	28,844	1,425	19,160
	Share of net sales (percent)					
Cost of goods sold	94.6	102.7	96.9	90.4	95.3	85.6
Gross profit or (loss)	5.4	(2.7)	3.1	9.6	4.7	14.4
General, selling, and administrative expenses	2.2	2.6	2.9	2.6	2.6	2.0
Operating income or (loss)	3.2	(5.3)	0.2	7.0	2.1	12.4
Net income or (loss) before income taxes	1.7	(6.8)	(1.3)	5.7	.7	11.2
	Number of firms reporting					
Operating losses	2	5	3	1	2	0
Net losses	2	5	4	1	2	1
Data	6	6	6	6	6	6

1/ Cash flow 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.

An income-and-loss summary of each individual producer is presented in table 9, and an income-and-loss table prepared on the basis of raw material costs at market value is presented in table 10.

Table 9
Income-and-loss experience of U.S. producers on their operations producing aluminum rod, on the basis of valuing transfers of aluminum raw material and of finished rod at cost, by firms, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Firms	1984	1985	1986	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)					
Net sales:						
* * *	***	***	***	***	***	***
Gross profit or (loss):						
* * *	***	***	***	***	***	***
Operating income or (loss):						
* * *	***	***	***	***	***	***
	Share of net sales (percent)					
Gross profit or (loss):						
* * *	***	***	***	***	***	***
Operating income or (loss):						
* * *	***	***	***	***	***	***

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

Table 10
Income-and-loss experience of U.S. producers' on their operations producing aluminum rod, on the basis of valuing transfers of aluminum and of rod at market prices, 1/ accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1984	1985	1986	1987	Interim period ended March 31-- 1987	1988
	Value (1,000 dollars)					
Net sales:						
Trade	***	***	***	***	***	***
Company transfers	***	***	***	***	***	***
Total net sales	449,664	326,300	343,616	453,302	90,979	164,454
Cost of goods sold	430,894	300,085	313,431	417,435	83,069	152,117
Gross profit or (loss)	18,770	26,215	30,185	35,867	7,910	12,337
General, selling, and administrative expenses	9,826	8,790	9,720	11,261	2,437	3,241
Operating income or (loss)	8,944	17,425	20,465	24,606	5,473	9,096
Interest expense	6,545	5,118	5,157	5,837	1,298	1,922
Other income or (expense)	31	254	101	114	26	(53)
Net income or (loss) before income taxes	2,430	12,561	15,409	18,883	4,201	7,121
Depreciation and amortization included above	2,338	2,671	3,435	4,014	786	1,003
Cash flow 2/	4,768	15,232	18,844	22,897	4,987	8,127
	Share of net sales (percent)					
Cost of goods sold	95.8	92.0	91.2	92.1	91.3	92.5
Gross profit or (loss)	4.2	8.0	8.8	7.9	8.7	7.5
General, selling, and administrative expenses	2.2	2.6	2.9	2.6	2.6	2.0
Operating income or (loss)	2.0	5.3	6.0	5.4	6.0	5.5
Net income or (loss) before income taxes	0.5	3.8	4.5	4.2	4.6	4.3
	Number of firms with					
Operating losses	0	1	1	2	0	2
Net losses	1	2	2	2	0	2
Data	6	6	6	6	6	6

1/ Aluminum raw material valued at Metal Market monthly average prices with a 1-month lag ($0.6306/lb-1984, $0.4893-1985, $0.5563-1986, $0.6974-1987, $0.5560-Jan.-Mar 1987, and $0.8980-Jan.-Mar. 1988); company transfers of finished rod to rod producers' wire and cable plants are valued at average trade sales value for industry.
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, except as noted.

Selected aluminum rod operations.--Net sales for only those producers that reported a profit or loss on their intracompany transfers declined 24.2 percent, from $267.4 million in 1984 to $202.7 million in 1985 (table 11). Sales rose by 17.7 percent to $238.5 million in 1986, then increased by 35.3 percent to $322.7 million in 1987. The operating income or (loss) data in dollars and the number of companies reporting operating losses are the same as in tables 8 and 9. Operating income or (loss) margins, as a percent of sales, were 5.2 in 1984, (8.7) in 1985, 0.3 in 1986, and 9.5 in 1987.

Net sales during the interim period ended March 31, 1988, were $127.8 million, representing an increase of 95.1 percent over interim 1987 sales of $65.5 million. Operating income margins, as a percent of sales, were 2.9 in interim 1987 and 15.8 in interim 1988.

An income-and-loss summary of each producer's trade sales to unrelated parties is presented in table 12.

Wire and cable operations. 1/--The income-and-loss experience of the firms on their combined operations in producing aluminum wire and cable, on the basis of transfering both aluminum and rod at cost, is presented in table 13. 2/ Net sales from such operations declined by 27.8 percent from $766.0 million in 1984 to $553.3 million in 1986. Such sales increased by 12.0 percent to $619.5 million in 1987. Operating income was $54.0 million in 1984, $2.4 million in 1985, $10.3 million in 1986, and $27.5 million in 1987. Operating income margins, as a percent of sales, were 7.0 in 1984, 0.4 in 1985, 1.9 in 1986, and 4.4 in 1987.

Net sales during the interim period ended March 31, 1988, were $204.4 million, representing an increase of 53.4 percent over interim 1987 sales of $133.3 million. Operating income was $28.7 million in interim 1988 compared with an operating loss of $648,000 in interim 1987. Operating income or (loss) margins, as a percent of sales, were 0.5 percent and 14.1 percent in interim 1987 and interim 1988, respectively.

1/ * * *.

2/ Similar data, with transfers of aluminum valued at market, is presented in table 14.

Table 11
Income-and-loss experience of selected U.S. producers, excluding the company transfers of producers that report no profit or loss on their intracompany sales, on their operations producing aluminum rod, on the basis of valuing transfers of aluminum at cost, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1984	1985	1986	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)					
Net sales:						
Trade	***	***	***	***	***	***
Company transfers	***	***	***	***	***	***
Total net sales	267,425	202,658	238,474	322,650	65,504	127,790
Cost of goods sold	243,602	211,565	228,142	280,836	61,156	104,417
Gross profit or (loss)	23,823	(8,907)	10,332	41,814	4,348	23,373
General, selling, and administrative expenses	9,826	8,790	9,720	11,261	2,437	3,241
Operating income or (loss)	13,997	(17,697)	612	30,553	1,911	20,132
Interest expense	6,545	5,118	5,157	5,837	1,298	1,922
Other income or (expense)	31	254	101	114	26	(53)
Net income or (loss) before income taxes	7,483	(22,561)	(4,444)	24,830	639	18,157
Depreciation and amortization included above	1,751	2,064	2,820	3,423	698	975
Cash flow 1/	9,234	(20,496)	(1,624)	28,253	1,337	19,132
	Share of net sales (percent)					
Cost of goods sold	91.1	104.4	95.7	87.0	93.4	81.7
Gross profit or (loss)	8.9	(4.4)	4.3	13.0	6.6	18.3
General, selling, and administrative expenses	3.7	4.3	4.1	3.5	3.7	2.5
Operating income or (loss)	5.2	(8.7)	0.3	9.5	2.9	15.8
Net income or (loss) before income taxes	2.8	(11.1)	(1.9)	7.7	1.0	14.2
	Number of firms reporting					
Operating losses	2	5	3	1	2	0
Net losses	2	5	4	1	2	1
Data	6	6	6	6	6	6

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

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

Table 12
Income-and-loss experience of U.S. producers on their trade sales of aluminum rod, by firms, on the basis of valuing transfer of aluminum at cost; accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Firms	1984	1985	1986	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)					
Net sales:						
* * *	***	***	***	***	***	***
Gross profit or (loss):						
* * *	***	***	***	***	***	***
Operating income or (loss):						
* * *	***	***	***	***	***	***
	Share of net sales (percent)					
Gross profit or (loss):						
* * *	***	***	***	***	***	***
Operating income or (loss):						
* * *	***	***	***	***	***	***

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

Table 13
Income-and-loss experience of U.S. producers on their combined operations producing aluminum rod and wire and cable, on the basis of valuing transfers of aluminum and rod at cost, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1984	1985	1986	1987	Interim period--ended Mar. 31--1987	Interim period--ended Mar. 31--1988
	Value (1,000 dollars)					
Net sales:						
Trade-ECARR	***	***	***	***	***	***
Trade-wire & cable	***	***	***	***	***	***
Total net sales	766,024	591,435	553,304	619,468	133,304	204,438
Cost of goods sold	668,711	548,007	505,018	555,002	124,588	166,555
Gross profit or (loss)	97,313	43,368	48,286	64,466	8,716	37,883
General, selling, and administrative expenses	43,316	40,954	38,004	36,931	9,364	9,142
Operating income or (loss)	53,997	2,414	10,282	27,535	(648)	28,741
Interest expense	13,419	12,136	10,714	10,107	2,548	2,857
Other income or (expense), net	(640)	(138)	(233)	(77)	(43)	(54)
Net income or (loss) before income taxes	39,937	(9,860)	(665)	17,351	(3,239)	25,938
Depreciation and amortization included above	15,370	14,024	11,993	13,012	3,058	2,355
Cash flow 1/	55,308	4,164	11,328	30,363	(181)	28,293
	Share of net sales (percent)					
Cost of goods sold	87.3	92.7	91.3	89.6	93.5	81.5
Gross profit or (loss)	12.7	7.3	8.7	10.4	6.5	18.5
General, selling, and administrative expenses	5.7	6.9	6.9	6.0	7.0	4.5
Operating income or (loss)	7.0	0.4	1.9	4.4	(0.5)	14.1
Net income or (loss) before income taxes	5.2	(1.7)	(0.1)	2.8	(2.4)	12.7
	Number of firms reporting					
Operating losses	1	3	3	2	2	0
Net losses	1	4	3	2	3	0
Data	7	7	7	7	7	7

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

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

Table 14
Income-and-loss experience of U.S. producers on their combined operations producing aluminum rod and wire and cable, on the basis of valuing transfers of aluminum and rod at market prices, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988 1/

Item	1984	1985	1986	1987	Interim period ended Mar. 31-- 1987	1988
	Value (1,000 dollars)					
Net sales:						
Trade-ECARR	***	***	***	***	***	***
Trade-wire & cable	***	***	***	***	***	***
Total net sales	766,024	591,435	553,304	619,468	133,304	204,438
Cost of goods sold	681,058	506,813	491,020	579,359	119,569	180,255
Gross profit or (loss)	84,966	84,622	62,284	40,009	13,735	24,183
General, selling, and administrative expenses	43,316	40,954	38,004	36,931	9,364	9,142
Operating income or (loss)	41,650	43,668	24,280	3,078	4,371	15,041
Interest expense	13,419	12,136	10,714	10,107	2,548	2,857
Other income or (expense), net	(640)	(138)	(233)	(77)	(43)	(54)
Net income or (loss) before income taxes	27,591	31,394	13,333	(7,106)	1,780	12,130
Depreciation and amortization included above	15,370	14,024	11,993	13,012	3,058	2,355
Cash flow 2/	42,961	45,418	25,326	5,906	4,838	14,485
	Share of net sales (percent)					
Cost of goods sold	88.9	85.7	88.7	93.5	89.7	88.2
Gross profit or (loss)	11.1	14.3	11.3	6.5	10.3	11.8
General, selling, and administrative expenses	5.7	6.9	6.9	6.0	7.0	4.5
Operating income or (loss)	5.4	7.4	4.4	0.5	3.3	7.3
Net income or (loss) before income taxes	3.6	5.3	2.4	(1.1)	1.3	5.9
	Number of firms with					
Operating losses	1	2	3	2	2	1
Net losses	1	3	3	3	2	1
Data	7	7	7	7	7	7

1/ Aluminum raw material valued at Metal Market monthly average prices with a 1-month lag ($0.6306/lb-1984, $0.4893-1985, $0.5563-1986, $0.6974-1987, $0.5560-Jan.-Mar 1987, and $0.8980-Jan.-Mar. 1988.)
2/ Cash flow is defined as net income or loss plus depreciation and amortization.

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

Operations of the Southwire Company.--The income-and-loss experience of the Southwire Co. is presented in table 15. * * *.

Southwire's income-and-loss submission was based on * * *.

Table 15
Income-and-loss experience of the Southwire Company on its operations producing aluminum rod, on the basis of valuing transfer of aluminum at cost, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

* * * * * * * *

Southwire indicated that its cost of electricity * * *.

The petitioner filed a registration statement with the Securities and Exchange Commission. The purpose was to sell 2.4 million shares of common stock. The prospectus, subject to amendment and dated September 29, 1987, was withdrawn because of the fall in the stock market.

Transfer pricing and value-added analysis.--The conversion of molten aluminum from the smelter into aluminum rod is an intermediate step in cable and wire production. The aggregate costs of smelter operations are primarily determined by the cost of alumina, electricity, and labor, plus the efficiency of operations. These factors vary from company to company. Transfer prices are a key determinant of industry profitability since the value added during conversion is relatively insignificant. Transfer pricing policies within companies are arbitrary and dependant upon the objectives of management. For example, the Reynolds Metals Co. indicated the following: 1/

> "Approximately 27% of products transferred between operating areas and transfers from other foreign areas are reflected at cost related prices. Other transfers between operating areas and transfers between Canada and domestic areas are reflected at market related prices."

These transfer prices generally range between actual cost and market and often include a freight charge and/or additional markup. The methodologies that the companies used in preparing the questionnaire data are shown in the following tabulation:

Company	(Raw material transfers) Methodology	(Aluminum rod transfers) Methodology
Alcan.....	* * *	* * *
Alcoa.....	* * *	* * *
Kaiser.....	* * *	* * *
Noranda.....	* * *	* * *
Reynolds.....	* * *	* * *
Southwire.....	* * *	* * *

1/ 1987 Reynolds Metals Company annual report, p. 25.

The costs involved in converting the molten aluminum or aluminum ingot to aluminum rod are relatively low. A summary of each producer's cost structure for 1987 is shown below (in thousands of dollars, except as noted):

Company	Raw material	Labor	Other costs	Toll/swap	Total value added	
			------Conversion costs------			(Percent of total)
Alcan.....	***	***	***	***	***	***
Alcoa.....	***	***	***	***	***	***
Kaiser.....	***	***	***	***	***	***
Noranda....	***	***	***	***	***	***
Reynolds...	***	***	***	***	***	***
Southwire..	***	***	***	***	***	***

The average transfer prices for aluminum and for rod, as well as the average sales prices of rod to unrelated parties, that were used by the companies in reporting the income and loss are shown in table 16.

Table 16
U.S. producers' average transfer prices for aluminum and rod and average sales prices of rod to unrelated parties, by firms, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

(In cents per pound)

Item and firm	1984	1985	1986	1987	Interim period ended Mar. 31-- 1987	1988
Aluminum cost:						
Southwire	***	***	***	***	***	***
Reynolds	***	***	***	***	***	***
Noranda	***	***	***	***	***	***
Alcan	***	***	***	***	***	***
Kaiser	***	***	***	***	***	***
Alcoa	***	***	***	***	***	***
Average	60.8	56.1	57.1	63.6	56.7	77.5
Rod transfer price:						
Southwire	***	***	***	***	***	***
Reynolds	***	***	***	***	***	***
Noranda	***	***	***	***	***	***
Alcan	***	***	***	***	***	***
Kaiser	***	***	***	***	***	***
Alcoa	***	***	***	***	***	***
Average	68.3	58.9	61.9	72.0	63.0	89.4
Rod sales price:						
Southwire	***	***	***	***	***	***
Reynolds	***	***	***	***	***	***
Noranda	***	***	***	***	***	***
Alcan	***	***	***	***	***	***
Kaiser	***	***	***	***	***	***
Alcoa	***	***	***	***	***	***
Average	69.8	59.0	63.4	76.4	61.6	92.0

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

Investment in productive facilities.--Investment in productive facilities of U.S. producers, on both their overall establishment operations and their aluminum rod operations, is shown in table 17.

Table 17
Electrical conductor aluminum redraw rod (ECARR): Value of property, plant, and equipment of U.S. producers, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

(In thousands of dollars unless noted)

Item	As of end of accounting year				As of Mar. 31--	
	1984	1985	1986	1987	1987	1988
All products of establishments:						
Original cost....	***	***	***	***	***	***
Book value.....	***	***	***	***	***	***
Return 1/ on fixed assets (percent)	2.1	(8.9)	(3.3)	8.8	2/	2/
ECARR:						
Original cost....	37,966	40,448	40,838	38,082	41,171	37,241
Book value.....	15,643	16,226	15,190	13,531	14,897	12,834
Return 1/ on fixed assets (percent)	89.5	(109.1)	4.0	225.8	2/	2/

1/ Defined as operating income or (loss) divided by book value of fixed assets. Operating income or (loss) from table 8 was used in the computation for ECARR.

The petitioner contends (posthearing brief, p. 4) that "To calculate return on investment (R.O.I.) based on original or book value costs presents a misleading picture. From an economic standpoint, a more meaningful approach is to calculate R.O.I. on the basis of replacement cost, which Petitioner estimates to be between $250 and $300 per ton. See Report of Dr. John Haldi, pp. 3, 4, 23 & 24. Moreover, it is even more misleading to calculate R.O.I. using profits based on inflated aluminum prices without taking into account the enormous cost of aluminum smelting facilities."

2/ Not available.

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

Capital expenditures.--All of the companies supplied data on their capital expenditures for both their establishment operations and for aluminum rod operations (table 18).

Table 18
Electrical conductor aluminum redraw rod (ECARR): Capital expenditures by U.S. producers, accounting years 1984-87, and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

(In thousands of dollars)

Item	1984	1985	1986	1987	Interim period ended Mar. 31--1987	Interim period ended Mar. 31--1988
All products of establishments:						
Land and land improvements	***	***	***	***	***	***
Building and leasehold improvements	***	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***	***
Total	68,489	56,917	35,528	41,245	***	***
ECARR:						
Land and land improvements	***	***	***	***	***	***
Building and leasehold improvements	***	***	***	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***	***
Total	5,227	2,965	1,083	631	***	***

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

Research and development expenses.--Three firms indicated that they made expenditures for research and development during the period of investigation. These outlays are shown in the following tabulation (in thousands of dollars):

Period	All products of Establishment	ECARR
1984	***	***
1985	***	***
1986	***	***
1987	***	***
January-March--		
1987	***	***
1988	***	***

Capital and investment.--The Commission requested U.S. producers to decribe any actual or potential negative effects of imports of the subject aluminum rod from Venezuela on their firms' growth, investment, and ability to raise capital. Their responses are shown in appendix D.

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,
>
> (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.

1/ Section 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."

The available information on the nature of the subsidies (item (I) above) is presented in the section of this report entitled "Nature and extent of unfair imports;" the available data on foreign producers' operations (items (II) and (VI) above) are presented in the section entitled "The producers in Venezuela;" 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 question of the causal relationship between alleged material injury and imports from Venezuela." Available information on U.S. inventories of the subject products (item (V)) and on the potential for "product-shifting" (item (VIII)) follows.

U.S. inventories of aluminum rod from Venezuela

U.S. producers reported that they generally do not inventory the imported rod; rather, the imports are generally earmarked for immediate wire and cable production. For this reason, and because the imported rod loses its identity, the inventories reported by the U.S. producers were considered as domestically made aluminum. The following inventories of Venezuelan rod were reported by importers 1/ (in tons):

					January-March--	
	1984	1985	1986	1987	1987	1988
End-of-period inventories...	***	***	***	***	***	***

The potential for "product-shifting"

The potential for "product-shifting" is not an issue in these investigations since there are no known products subject to investigation(s) or to final orders that use production facilities that can be shifted to produce EC aluminum rod.

Consideration of the Question of the Causal Relationship Between Alleged Material Injury and Imports from Venezuela

U.S. imports 2/

Venezuela is by far the largest source of aluminum rod imported by firms in the United States, accounting for 84 percent of total U.S. imports of aluminum rod in 1986, 77 percent in 1987, and 81 percent in January-March 1988. According to official statistics of the U.S. Department of Commerce, imports of aluminum rod from Venezuela increased from 27,524 tons in 1984 to 56,477 tons in 1985, or by 105 percent (table 19). In 1986, imports of aluminum rod from Venezuela fell to 50,022 tons, or by 11 percent; they fell again in 1987, to 40,415 tons, or by an additional 19 percent. During January-March 1988, imports from Venezuela increased 13 percent, to 14,827 tons, compared with imports during the corresponding period of 1987. Combined imports from all sources showed the same trend as those from Venezuela.

1/ The data represent * * *.

2/ Aluminum rod is an intermediate product generally used in the production of electrical wire and cable. Data on shipments and imports of aluminum wire and cable are presented in app. C.

Table 19
Aluminum rod: 1/ U.S. imports for consumption, by principal sources, 1984-87, January-March 1987, and January-March 1988 2/

Source	1984	1985	1986	1987	January-March-- 1987	1988
	Quantity (tons)					
Venezuela	27,524	56,477	50,022	40,415	13,149	14,827
Argentina	1,648	1,350	2,945	3,211	741	1,330
Yugoslavia	3,011	2,263	1,468	1,747	317	528
United Kingdom	541	729	1,392	2,020	524	305
Belgium and Luxembourg	1,681	1,553	1,153	2,309	624	407
Brazil	6,747	1,360	620	427	79	160
Taiwan	0	131	448	212	104	12
France	1,107	646	445	666	66	238
Spain	146	489	365	83	0	0
All other	2,039	1,818	1,022	1,525	188	571
Total	44,445	66,816	59,881	52,614	15,793	18,377
	Value (1,000 dollars) 3/					
Venezuela	43,183	61,513	61,495	57,597	15,922	27,683
Argentina	3,596	2,532	4,597	6,044	1,412	2,591
Yugoslavia	7,619	5,085	3,269	3,807	684	1,202
United Kingdom	2,028	2,565	5,559	7,141	1,844	1,255
Belgium and Luxembourg	3,988	3,019	2,234	5,019	1,250	1,072
Brazil	11,934	2,040	1,032	706	129	387
Taiwan	-	228	760	409	186	35
France	2,371	1,261	932	1,421	121	559
Spain	365	1,082	830	200	-	-
All other	6,414	4,819	2,721	3,114	492	1,378
Total	81,498	84,144	83,429	85,457	22,040	36,162
	Unit value (per ton)					
Venezuela	$1,519	$1,089	$1,229	$1,425	$1,211	$1,867
Argentina	2,182	1,876	1,561	1,882	1,906	1,948
Yugoslavia	2,530	2,247	2,227	2,179	2,158	2,277
United Kingdom	3,749	3,519	3,994	3,535	3,519	4,109
Belgium and Luxembourg	2,372	1,944	1,938	2,174	2,003	2,633
Brazil	1,769	1,500	1,665	1,652	1,633	2,420
Taiwan	-	1,740	1,696	1,935	1,788	2,928
France	2,142	1,952	2,094	2,133	1,833	2,354
Spain	2,500	2,213	2,274	2,405	-	-
All other	3,146	2,651	2,662	2,042	2,617	2,415
Average	1,834	1,259	1,393	1,624	1,396	1,968

1/ Includes imports under TSUSA items 618.1520 and 618.1540.
2/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to imports from Venezuela, this carry-over amounted to 3,151 tons, with a c.i.f. duty-paid value of $3.751 million. The carry-over of total imports amounted to 3,287 tons, with a c.i.f. duty-paid value of $4.031 million.
3/ Import values are c.i.f. duty-paid values.

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

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

Monthly imports of the subject rod are shown in table 20. Petitioner suggests that import volumes were sensitive to the filing of petitions and the imposition and lifting of the 12.99 percent bond requirement as a result of the preliminary antidumping duty determination. 1/

Table 20
Aluminum rod: 1/ U.S. imports for consumption from Venezuela and from all other sources, by months, January 1984-April 1988

(In tons)

Month	1984	1985	1986	1987	1988
	From Venezuela				
January	3,509	7,294	0	1,344	1,473
February	1,428	6,285	5,208	4,651	0
March	3,352	6,378	4,628	7,154	13,354
April	3,708	3,458	714	0	3,271
May	552	6,392	6,816	7,212	2/
June	366	3,205	1,502	3,740	2/
July	5,376	2,765	14,787	3,837	2/
August	0	5,822	1,214	451	2/
September	330	5,154	2,631	825	2/
October	6,171	6,563	8,533	10,874	2/
November	2,522	3,144	3,514	53	2/
December	209	16	475	271	2/
Total	27,524	56,477	50,022	40,415	18,098
	From all other sources				
January	1,077	1,106	979	963	887
February	1,133	982	526	879	1,276
March	1,316	658	580	801	1,388
April	746	465	593	871	1,120
May	1,718	583	971	823	2/
June	1,657	644	867	1,340	2/
July	1,900	631	912	1,058	2/
August	2,761	720	785	991	2/
September	1,869	1,282	729	984	2/
October	1,048	820	916	985	2/
November	1,018	1,269	923	1,640	2/
December	1,218	1,178	1,079	865	2/
Total	16,921	10,339	9,859	12,199	4,670

1/ Includes imports under TSUSA items 618.1520 and 618.1540.
2/ Not available.

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

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

1/ Petitioner's prehearing brief, pp. 12-13.

Market penetration

As a share of apparent U.S. consumption, imports from Venezuela rose from 7 percent in 1984 to 15 percent in 1985, held at approximately 15 percent in 1986, and fell to 12 percent in 1987 (table 21). During January-March 1988, imports from Venezuela accounted for 14 percent of apparent consumption, down from 15 percent during the corresponding period of 1987. Calculated on the basis of value, market penetration by imports of aluminum rod from Venezuela was 7 percent in 1984, 14 percent in 1985-86, and 11 percent in 1987. During January-March 1988 the value-based market penetration remained the same 14 percent as that in January-March 1987.

Prices

Aluminum rod is sold on a per-pound basis. U.S. producers generally quote their prices delivered, although freight allowances of 1 to 1.5 cents per pound are given to any company willing to pick up the rod with their own trucks. Importers may quote their prices either on a f.o.b. port of entry or on a delivered price basis.

There are two major components of the final selling price of aluminum rod: the fabrication price and the aluminum metal value. The fabrication price (also known as the fabrication adder) is the charge to the buyer of converting primary aluminum to aluminum rod. The fabrication adder varies slightly with the diameter of the aluminum rod; larger diameter rod is more expensive. Most producers commented, however, that in large orders the premium price associated with a larger diameter rod would disappear. The fabrication adder also usually includes all inland shipping costs to the purchaser. Petitioner has argued that the fabrication adder is the most important component in sales negotiations. 1/ Southwire charges that the Venezuelans are quoting lower fabrication adder prices, and are thereby taking away sales from U.S. producers. In general, the metal value in aluminum rod sales is determined by whatever price exists for primary aluminum the month prior to actual or scheduled shipment of the aluminum rod. 2/ Since most sales are multiple shipment orders, neither party knows what the exact total delivered price will be until shipment occurs.

The metal value generally accounts for over 85 percent of the total selling price of the rod and therefore fluctuations in this value strongly influence the final price. 3/ During the period of investigation, there has been a wide swing in the metal value. The price of primary aluminum declined 41 percent from 76.1 cents per pound in January 1984 to 45.1 cents per pound in November 1985. 4/ Aluminum prices varied in 1986, but increased in 1987-88. As of June 1988, prices exceeded January 1984 levels by over 65 percent. Since January 1987, aluminum prices increased by 133 percent, from approximately 54 cents per pound to over $1.26 per pound in June 1988. 5/

1/ Conference transcript, p. 52.
2/ Month prior to scheduled shipment is used most frequently with the imported product, which is more likely to exhibit delays.
3/ * * * made reference to this fact by calling the product "skinny ingot."
4/ Based on Metals Week U.S. market price for aluminum.
5/ Metals Week U.S. market price.

Table 21
Aluminum rod: Apparent U.S. consumption, imports, and market penetration, calculated on the basis of quantity and value, 1/ 1984-87, January-March 1987, and January-March 1988 2/

Source	1984	1985	1986	1987	January-March-- 1987	1988
Total apparent U.S. consumption:						
Quantity (tons)	408,295	366,590	344,155	346,842	89,291	106,100
Percentage change	3/	-11	-6	+1	3/	+19
Imports from Venezuela:						
Quantity (tons)	27,524	56,477	50,022	40,415	13,149	14,827
Percentage change	3/	+105	-11	-20	3/	+13
Imports from all sources:						
Quantity (tons)	44,445	66,816	59,881	52,614	15,793	18,377
Percentage change	3/	+50	-10	-12	3/	+16
Market penetration by imports from Venezuela (percent)	7	15	15	12	15	14
Market penetration by imports from all sources(percent)	11	18	17	15	18	17
Total apparent U.S. consumption:						
Value (1,000 dollars)	588,858	443,423	440,484	515,339	114,618	198,615
Percentage change	3/	-25	-1	+17	3/	+74
Imports from Venezuela:						
Value (1,000 dollars)	43,183	61,513	61,495	57,597	15,922	27,683
Percentage change	3/	+42	4/	-6	3/	+73
Imports from all sources:						
Value (1,000 dollars)	81,498	84,144	83,429	85,457	22,040	36,162
Percentage change	3/	+3	-1	+2	3/	+64
Market penetration by imports from Venezuela (percent)	7	14	14	11	14	14
Market penetration by imports from all sources (percent)	14	19	19	17	19	18

1/ Import values are c.i.f. duty-paid values.
2/ As noted in table 19, footnote 2, some carry-over data have been excluded from 1986 and January 1987 official statistics. Including these imports in January-March 1987 figures would result in a total apparent U.S. consumption of 91,661 tons, valued at $117.356 million. The resulting market penetration by imports from Venezuela would be 18 percent, calculated on the basis of quantity, and 17 percent, calculated on the basis of value.
3/ Not available.
4/ Less than 0.5 percent.

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

Although the metal value of aluminum is accepted by the industry as a specific component of the price for aluminum rod, parties state that various sources are used by the industry to set the metal price, and the prices from these sources differ from each other. The industry publication entitled Metals Week lists two prices, the market rate and the transaction rate. The market rate represents the price of U.S.-produced aluminum on a delivered basis to the U.S. Midwest. It is based on a survey of prices and volume of business that the aluminum industry transacts in the United States. From this survey, a range of prices is constructed to represent the current state of business. The monthly average market rate represents the average of all the weekly lows. The transaction rate also measures the price of aluminum on a delivered basis to the U.S. Midwest, but takes the average daily cash settlement price for aluminum traded on the London Metal Exchange (LME) and adds or subtracts a "differential" representing the difference between the LME average price and the most common price of U.S.-produced aluminum for that specific week. Two prices that are considered representative of the world price for aluminum are listed on the LME. Here, aluminum is traded on a cash (spot) basis and a 3-month-option price basis. 1/ The sources of aluminum metal prices are further discussed in app. E.

During 1984-87, U.S. producers and importers of aluminum rod selling in the open market generally used the Metals Week monthly average market price from the month prior to shipment as their source for metal value in their sales of aluminum rod. 2/ Beginning in 1987 and continuing into 1988, some U.S. producers selling in the open market have used the Metals Week monthly average transaction price as the metal value. The transaction price is always higher than the market price, and this difference ranged from 0.1 cents to 4.3 cents per pound during the period of investigation. Since December 1987 the difference has been greater than 1 cent, and since March 1988 the difference has been greater than 2 cents. * * *. 3/

U.S. producers that imported aluminum rod directly from Venezuela use the LME 3-month or LME cash price to determine metal value. Suppliers are also known to average two sources together, or to select a specific week's or day's price quote for aluminum as the basis for metal value in U.S. sales. Hence, shifts in the underlying method by which firms set the value of metal may have affected price trends during the period of investigation.

The two prices used most often during the period of investigation, the Metals Week market price and the LME 3-month price, generally followed the same trend over the period of investigation, declining in the first 2 years and climbing in the second 2 years (fig. 1). The price of metal on the LME has generally been less than the Metals Week market price by 1 to 10 cents per pound.

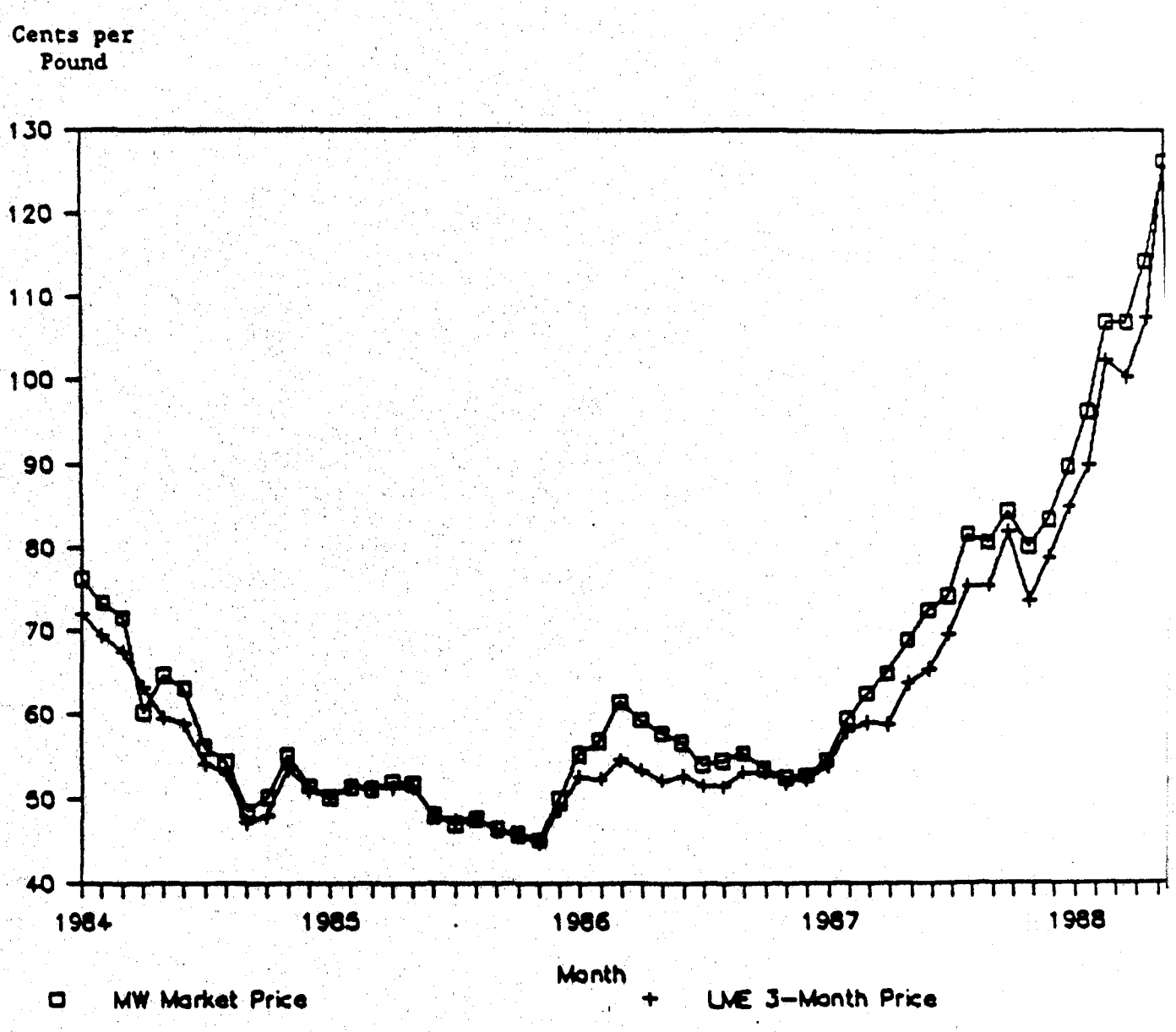
Markets

There are essentially two markets for aluminum rod in the United States; a captive market in which the rod producers supply their electric utility wire and cable manufacturing divisions with the finished rod, and an open market where rod is sold to unrelated purchasers. The captive market represented *** percent of

1/ Aluminum is also traded on the New York Commodities Exchange (COMEX). The aluminum stock underlying these sales, however, is small and therefore not considered by U.S. producers and purchasers as representative of market prices.
2/ U.S. importers, however, have used more often other metal sources for their sales to the open market.
3/ * * *.

U.S. producers' total domestic shipments in 1987, down from *** percent in 1984. In absolute terms, this market fell from *** tons in 1984 to *** tons in 1987. The decline in the captive market for aluminum rod has been attributed to the declining cable market, due to the near-100- percent electrification of the United States and the associated decline in production of cable by the integrated producers. Respondents have argued that this decline is also due to the expressed desires of the integrated producers to move toward the high end of the scale of aluminum products, i.e., those

Figure 1
Average Metals Week U.S. market price for aluminum, and the average 3-month aluminum option price traded on the London Metal Exchange, by months, January 1984-June 1988



products that have a greater profit margin and potential for growth than cable or aluminum rod. 1/

Domestic shipments to unrelated purchasers in the open market by U.S. producers accounted for approximately *** percent of total 1987 aluminum rod consumption, up from *** percent in 1984. Imports of aluminum rod by domestic rod producers accounted for *** percent of total U.S. imports of aluminum rod from Venezuela in 1987, down from *** percent in 1984-85.

Captive sales.--Three of the seven U.S. rod producers use their rod production downstream in their cable operations. 2/ Four additional rod producers, Alcoa, Essex, Kaiser, and Noranda, closed or sold their cable facilities during the period of investigation. 3/ The aluminum rod is internally transferred to their cable facilities either on a production cost basis or a predetermined market-price basis. 4/ Aluminum rod production in excess of internal consumption is subsequently sold on the open market. The producers try to maintain viable customer business in the open market. For example, if their cable operations unexpectedly need additional aluminum rod, the producers will purchase aluminum rod from other sources (including imports) rather than appropriate rod already designated for customers. Currently, Southwire is the only captive producer with significant open market sales in aluminum rod.

Open market sales.--* * * of the seven U.S. producers * * * are the major U.S. players in sales of aluminum rod in the open market. In 1987, these producers represented approximately 64.3 percent of total open market sales and 99.7 percent of U.S. domestic shipments and tolling sales in the open market. 5/ Imports from Venezuela accounted for nearly 35 percent of open market sales in 1987 and represented 12 percent of U.S. apparent consumption (on the basis of quantity).

Aluminum rod is sold on the open market on a spot basis, a formal contract basis, or as a result of verbal commitments resulting from ongoing customer-producer relationships. For spot sales, suppliers may quote a single selling price for both fabrication and metal, or may quote the fabrication and metal value separately. For fixed-period contract sales, the prices for fabrication and metal value are normally quoted separately. A fixed-period contract generally establishes a firm fabrication price and sets guidelines on purchase quantities.

1/ Conference transcript, pp. 75-76. * * *. See Sural's prehearing brief, Appendix G, for profit margins on aluminum mill products.
2/ * * *.
3/ Essex sold its wire and cable facility in 1985, Noranda closed its facility in 1985, Kaiser closed its facilities in 1987, and Alcoa sold its facilities in 1987. However, three of these companies, Alcoa, Kaiser, and Noranda, continue to produce aluminum rod.
4/ See section of the report entitled "Financial experience of U.S. producers" for an explanation of the methods used by the producers in valuing their captive production.
5/ In 1987, the individual open market share of domestic sales by these * * * companies were: * * *.

The second price component, the metal value of aluminum, may fluctuate with the market price of the metal, or it may be fixed for a specified period of time, usually not longer than 3 months. Alternatively, in a toll arrangement or metal conversion contract, the purchasers of the aluminum rod supply the input metal either to the aluminum rod plant or to any other area specified by the rod producer.

Verbal commitments due to customer relationships are similar to a fixed-period contract, but a formal contract is not written and signed. Usually this type of agreement provides a certain percentage of the purchaser's rod requirements and the relationship renews itself until the buyer or seller wants to renegotiate.

Producers and importers were asked during the final investigations to estimate the shares of their total U.S. domestic sales in 1985-87 of aluminum rod that was sold via each of the purchasing arrangements (table 22). A substantial proportion of U.S.-produced aluminum rod was sold via multiple-shipment orders by either a formal contract or an informal verbal commitment. Both of these arrangements usually specify a fixed fabrication price and a specific metal source but allow the metal value to float. In 1985 and 1986, multiple shipment sales that allowed the metal value to float, yet specified a fixed fabrication price and metal source, accounted for approximately 80 percent of all open market domestic sales by U.S. producers. In 1987, these sales accounted for over 90 percent of all open market domestic sales. 1/

Importers relied more on spot sales for their domestic shipments than U.S. producers; spot sales accounted for over one-half of importers' shipments in 1987. U.S. importers' multiple-shipment aluminum rod sales that were based on either verbal commitments or formal contracts accounted for 41 to 77 percent of their domestic shipments during the period of investigation.

U.S. importers that captively consume the Venezuelan rod in their wire and cable facilities (and which are not included in table 22) reported that they generally purchase aluminum rod on a formal contract basis. Prior to 1985, purchases were also made on a spot basis. * * *.

1/ * * *.

Table 22
Aluminum rod: Open-market-sales transaction practices by U.S. producers and importers, by types, 1985-87

(In percent)

Type	U.S. producers			U.S. importers 1/		
	1985	1986	1987	1985	1986	1987
Individual shipments:						
Spot sale	5.5	4.4	5.2	35.6	14.7	53.9
Multiple shipments:						
Verbal commitments	37.3	35.2	44.9	6.6	31.7	10.7
Formal contracts:						
Fixed price (fixed metal values)	-	1.1	.9	23.4	7.9	-
Metal value varies	42.6	45.5	47.4	34.3	45.7	35.4
Toll contracts	14.5	13.8	1.5	2/	2/	2/

1/ Does not include data from U.S. importers who captively consume rod in their wire and cable facilities.
2/ Not available.

Note.--Because of rounding, percentages may not add to 100.0 percent.

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

Transportation costs

Inland transportation costs generally range from 1.5 to 4 percent of the total delivered price for aluminum rod by U.S. producers and 1 to 3.5 percent for importers. U.S. producers commented that although these costs are not considered to be a major factor in the sale of aluminum rod, freight costs do become increasingly important as distance increases from the rod plant. Since the fabrication adder, which incorporates these freight costs, is usually the central point in sales negotiations, high transportation costs can have a negative influence on aluminum rod sales. However, as mentioned earlier, some U.S. producers have shifted to the Metals Week U.S. transaction price as their source for metal value in their open market sales, and this has transferred a portion of this transportation cost burden away from the price charged for fabrication.

During the final investigations, U.S. producers and importers reported their average transportation costs and the approximate percentage of their total shipments of aluminum rod in 1987 to unrelated customers located within 100 miles, between 100 and 500 miles, and over 500 miles (table 23). 1/ U.S. inland transportation costs were higher the further the customer was located from the rod facility or the port of entry. U.S. importers reported that they

1/ Table 23 represents only open market shipments. U.S. producers' data do not include rod transfers by producers with wire and cable facilities. Likewise, U.S. importers' data do not include rod transfers between Sural and its U.S. wire and cable company, ACPC.

delivered 68.3 percent of their shipments to unrelated customers under 100 miles, as opposed to U.S. producers who reported no shipments to unrelated customers within 100 miles of their rod facilities. U.S. producers reported that 57.2 percent of their shipments went to unrelated customers between 100 and 500 miles, and 42.8 percent of their shipments went to unrelated customers over 500 miles from their rod facility. Therefore, U.S. importers held a definite U.S. inland transportation cost advantage over U.S. producers because importers sold most of their product to unrelated customers located near the point where the Venezuelan product was imported. Depending on distance, this cost advantage ranged between approximately 0.5 cent and 2.0 cents per pound for U.S. importers.

Aluminum rod is primarily shipped by truck. * * *. During the preliminary investigations, U.S. producers indicated that the leadtime for U.S.-produced aluminum rod ranged from 5 days to 6 weeks, although most producers stated that 30 days was the typical time period. During the final investigations, U.S. producers reported that the leadtime has increased. At present, the leadtime ranges between 2 weeks and 3 months. 1/ The leadtime for imported aluminum rod has stayed the same since the preliminary investigations, ranging from 30 to 60 days. U.S. purchasers contacted during the final investigations stated that domestic suppliers generally had an advantage over Venezuelan producers in order leadtimes. However, these purchasers stated that this difference was minor if the imported product was inventoried in the United States.

Table 23
Aluminum rod: Transportation costs and the share of open-market shipments to unrelated purchasers by U.S. producers and U.S. importers, 1987 1/

Type	Under 100 miles	100 to 500 miles	Over 500 miles
	Cents per pound		
Transportation cost:			
U.S. importers.....	0.2-0.5	1.2-2.5	2.7-4.0
U.S. producers.....	2/	1.1-1.2	1.8-3.0
	Percent		
Share of shipments:			
U.S. importers.....	68.3	13.2	18.6
U.S. producers.....	2/	57.2	42.8

1/ U.S. producers' data do not include rod transfers by producers with wire and cable facilities. Likewise, U.S. importers data do not include rod transfers between Sural and its U.S. wire and cable company, ACPC.
2/ Not available.

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

1/ Southwire reports * * *.

Questionnaire price data

For the final investigations, the Commission requested U.S. producers and importers to provide quarterly price data between January 1985 and March 1988 for two products. For each product, price data were requested for the largest quarterly shipment. 1/ U.S. producers were also requested to provide price data for their largest quarterly toll sale for each product. U.S. importers who owned wire and cable facilities and captively consumed the imported rod product were requested to provide purchase price data for their largest quarterly import of each product. The specified products for which price data were requested are listed below.

Product 1: Electrical conductor grade (AA1350) aluminum redraw rod, 0.375 inch in diameter, conforming to ASTM specification B-233.

Product 2: Electrical conductor grade (AA1350) aluminum redraw rod, 0.470 inch in diameter, conforming to ASTM specification B-233.

For non-toll sales, producers and importers were asked to report the total delivered selling price, the f.o.b. (U.S. location) price, and the net fabrication adder. For toll sales, U.S. producers were asked to report the total tolling price and the fabrication price. For imports consumed captively, U.S. importers were requested to report the f.o.b. (U.S. location) price and the net fabrication adder. Indexes of U.S. producers' and importers' net delivered prices of products 1 and 2 are shown in table 24. An index of U.S. importers' purchase prices for imports captively consumed in their wire and cable facilities is also shown in the table. Actual prices reported are presented in app. F, table F-1.

Usable price data were received from six U.S. producers * * *, although not for all periods or each product requested. These six U.S. producers accounted for all reported U.S. producers' open-market shipments of aluminum rod to unrelated purchasers during the period of investigation. These producers' non-toll shipments of products 1 and 2 accounted for 78.6 percent of the total reported U.S. producers' non-toll shipments of aluminum rod to the open market in 1987; product 1 itself accounted for *** percent. 2/ ***

1/ At the request of the petitioner, the Commission requested price data during the preliminary investigations for shipments under 135,000 pounds and 135,000 pounds and over. During the course of the preliminary investigations, it became apparent that no predefined price break existed at this volume level or at any other specific volume level. Therefore, in the final investigations, price data were requested only for the largest quarterly shipment of each product specified.

2/ Total reported non-toll domestic shipments for 1987 by U.S. producers for product 1 were * * * pounds. The total amount reported for product 2 was * * * pounds. * * *.

Table 24
Aluminum rod: Indexes of prices reported by U.S. producers and importers of Venezuelan aluminum rod for non-toll sales of products 1 and 2 to unrelated purchasers, purchase price indexes of Venezuelan product 1 reported by U.S. importers for captive consumption in wire and cable facilities, and Metals Week U.S. market price for aluminum, by quarters, January 1985-March 1988 1/

(January-March 1985 = 100)

	Product 1			Product 2		
	Sales to unrelated purchasers		Purchases for captive consumption	Sales to unrelated purchasers		
Period	U.S.	Venezuelan	Venezuelan 2/	U.S.	Venezuelan	Aluminum price 3/
1985:						
Jan.-Mar...	100.0	***	***	***	4/	100.0
Apr.-June..	101.6	94.9	***	***	4/	99.4
July-Sept..	92.9	***	***	***	4/	92.1
Oct.-Dec...	90.9	***	***	***	4/	92.1
1986:						
Jan.-Mar...	102.3	***	***	***	***	113.8
Apr.-June..	115.7	***	***	***	***	113.8
July-Sept..	107.6	***	***	***	***	107.5
Oct.-Dec...	105.8	***	***	***	***	104.1
1987:						
Jan.-Mar...	106.8	108.8	***	***	***	115.7
Apr.-June..	121.7	***	***	***	***	135.2
July-Sept..	144.6	***	***	***	***	155.0
Oct.-Dec...	154.7	151.7	***	***	4/	162.3
1988:						
Jan.-Mar...	177.2	***	***	***	4/	191.9

1/ Actual prices reported are presented in app. F, table F-1.
2/ Includes Alcoa's purchase prices from invoices supplied by Sural. The inclusion of these data only changed 5 quarters, the largest change being 1.1 percent higher in January-March 1987.
3/ Metals Week market price.
4/ No data reported.

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

U.S. producers, * * *, reported toll sales for the two specified products in 1987. 1/ Toll shipments of product 1 and 2 by these producers represented 100 percent of the total reported toll shipments of aluminum rod in 1987.

Six importers, * * *, reported price data but not necessarily for all periods or each product requested. These importers, together with U.S. producers, accounted for virtually all aluminum rod imported from Venezuela in 1987. The six importers' shipments of products 1 and 2 accounted for 17.9 percent of the total reported open market domestic shipments of imported aluminum rod in 1987. 2/

Two U.S importers * * * reported purchase price data for Venezuelan product consumed captively in their wire and cable facilities. 3/ In addition, * * *. Direct imports by U.S. rod producers in 1987 accounted for over *** percent of the total imports of Venezuelan aluminum rod into the United States.

Price trends for non-toll sales to unrelated customers 4/.--Based on U.S. producers' and importers' questionnaire responses, quarterly delivered selling prices generally fell during 1985, fluctuated in 1986, and climbed during 1987 and January-March 1988 (table 24). Purchase prices reported for direct imports for captive consumption generally followed the same trend. These trends were similar to the decline and rise of aluminum prices during this period.

For product 1, aluminum rod of 0.375-inch diameter, non-toll prices for U.S.-produced rod initially declined by 9.1 percent in 1985 before generally increasing for the rest of the period of investigation. Prices for the first quarter of 1988 were 77.2 percent above those in the first quarter of 1985. For product 2, aluminum rod of 0.470-inch diameter, non-toll prices for U.S.-produced rod also declined in 1985, before generally increasing over the remaining period. Sale prices were *** percent higher at the end of the period.

1/ Total reported toll shipments for 1987 by U.S. producers for product 1 were *** pounds. The total amount reported for product 2 was *** pounds. * * *.
2/ Total reported domestic shipments of product 1 in 1987 by U.S. importers were ***. The total amount reported for product 2 was *** pounds.
3/ Total reported imports of Venezuelan product 1 by unrelated U.S. importers for their wire and cable facilities were ***. In addition, * * *.
4/ During the preliminary investigations, price data were weighted by the quantity (in pounds) of the largest shipment for each quarter. Because the volume of the shipments was limited by the truckload lot method of shipment, they did not represent the total volume on which negotiations were based, nor reflect U.S. producers' or importers' shares of the open market. Accordingly, price data reported in the final investigations were weighted by the total quantity sold for each quarter.

Sale prices for Venezuelan imports of product 1 also fell in 1985, by *** percent, before generally increasing for the remaining period. Sale prices for Venezuelan imports were *** percent higher by the end of the investigation period. For product 2, sale prices for Venezuelan imports increased between the first quarter of 1986 and the third quarter of 1987, the only periods for which price data were reported. Purchase prices for Venezuelan product 1 imported for captive consumption also declined in 1985, before generally increasing over the remaining period. 1/ Purchase prices for these imports were *** percent higher by the end of the investigation period.

Although prices of aluminum rod and of aluminum metal varied widely during 1985-88, the fabrication adder component of the rod varied within a much narrower range. To show movements in the fabrication adder, the aluminum metal value was subtracted from reported aluminum rod prices. 2/ The result is an estimate of the fabrication adder. 3/ Metals Week's monthly average market prices were used to represent the U.S. market value of aluminum for U.S. producers, and the LME 3 month option price was used to represent the world price of aluminum for imports. The trends in the estimated fabrication adders are presented in figures 2 and 3. 4/

Estimated fabrication adders for U.S. producers' quarterly shipments of products 1 and 2 fluctuated but remained relatively steady during the entire period. For product 1, fabrication adder estimates ranged between 5.3 cents per pound and 7.9 cents per pound during 1984-88, but fell within a much narrower range between 6.1 cents per pound and 6.6 cents per pound during October 1986 and March 1988. For product 2, estimates of U.S. producers' fabrication adders were even more steady than for product 1. Adders ranged between * * * during 1984-88, but in 6 of the 14 quarters, adders were within approximately ***, between *** cents per pound and *** cents per pound.

Estimated fabrication adders for U.S. importers' quarterly shipments of product 1 and 2 fluctuated considerably during the period of investigation. Their estimated fabrication adders for product 1 ranged between *** cents per pound and *** cents per pound. Estimated fabrication adders for product 2 ranged between *** cents per pound and *** cents per pound, although prices were reported for only 7 quarters. The large fluctuation in the U.S. importer's estimated fabrication adder is probably because of the fact that the importers have sold more rod via spot markets at fixed prices as well as having used used other metal value sources during 1984-88.

1/ * * *.

2/ Because producers and importers generally incorporate the market value of aluminum for the month prior to shipment in their aluminum rod prices, this value was subtracted from the price of each reported shipment to determine the estimated fabrication adder.

3/ Quarterly fabrication price data were requested in the questionnaires sent to U.S. producers and importers for their domestic shipments. Reported data were insufficient to provide an adequate approximation of the fabrication adder. Moreover, an analysis of the reported fabrication adder would be misleading since *** and other producers switched the source of the aluminum value during the period of investigation, and * * *.

4/ Because of the differences between the Metals Week and LME prices for aluminum as noted above, the estimated fabrication adders of U.S.-produced and imported Venezuelan aluminum rod are not necessarily completely comparable.

Figure 2
Estimates of U.S. producers' fabrication adders for products 1 and 2, by quarters, January 1985-March 1988

Figure 3
Estimates of U.S. importers' fabrication adders for products 1 and 2, by quarters, January 1985-March 1988

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Calculated by subtracting the aluminum metal value from the total delivered price of the aluminum rod.

Fabrication adders were also estimated from the purchase prices paid for the Venezuelan aluminum rod by U.S. importers who captively consumed the product in their wire and cable facilities (figure 4). These estimates also fluctuated considerably during the period of investigation. Estimated fabrication adders stayed relatively steady between *** cents per pound and *** cents per pound in 1985 before climbing to *** cents during January-March 1986, where they remained within *** for four of the next five quarters. In the second quarter of 1987, estimated fabrication adders declined to *** cents per pound, only to climb to *** cents per pound by the end of 1987. During January-March 1988, these adders declined again, to *** cents per pound.

Price trends for toll sales to unrelated customers.--Actual fabrication adders were reported by domestic producers for their toll account sales because the metal itself is supplied by the customer (figure 5). These reported adders generally confirmed the results of the estimates, especially those of U.S. producers presented in figure 2. The adder for product 1 stayed relatively steady, ranging between *** cents during the period of investigation, except for a value of *** cents reported for the third quarter of 1986. 1/

Fabrication adders reported by domestic producers for their toll account sales of product 2 declined by *** percent over the period of investigation, from *** cents per pound for the first quarter of 1985 to *** cents per pound for the first quarter of 1988. However, toll fabrication adders for this product have stayed relatively steady since the second quarter of 1986, increasing only slightly from *** cents per pound to *** cents per pound during the last 8 quarters.

Figure 4
U.S. importers' net fabrication prices for product 1 captively consumed in their wire and cable facilities, by quarters, January 1985-March 1988

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Calculated by subtracting the aluminum metal value from the total delivered price of the aluminum rod.

Figure 5
U.S. producers' actual fabrication adders for toll sales of product 1 and product 2, by quarters, January 1985-March 1988.

* * * * * * *

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

1/ See app. F, table F-2 for actual fabrication adders for toll sales reported by U.S. producers.

Price comparisons.--During the current investigations, the Commission also requested quarterly net delivered price data for the two products from large U.S. buyers of domestic and Venezuelan aluminum rod. 1/ Price data were requested for the largest quarterly purchases from unrelated U.S. producers and importers during January 1986-March 1988. The reported net delivered purchase price data during the current investigations resulted in 10 quarterly price comparisons between domestic and Venezuelan aluminum rod (table 25).

Table 25
Aluminum rod: Weighted-average net delivered purchase prices of product 1 and product 2 reported by unrelated U.S. purchasers of domestic and Venezuelan aluminum rod, and average margins of underselling (overselling) by the subject imports, by quarters, January 1986-March 1988

Item	U.S. price	Venezuelan price	Margin of underselling (overselling) Amount	Percent
		Cents/pound		
Product 1				
1986:				
Jan.-Mar.....	57.8	60.3	(2.5)	(4.2)
Apr.-June....	63.6	60.7	2.9	4.5
July-Sept....	60.7	58.9	1.8	3.0
Oct.-Dec.....	58.9	59.3	(0.5)	(0.8)
1987:				
Jan.-Mar.....	62.5	61.7	0.8	1.3
Apr.-June....	70.2	68.3	1.9	2.7
July-Sept....	77.5	79.5	(2.0)	(2.6)
Oct.-Dec.....	82.9	87.5	(4.6)	(5.6)
1988:				
Jan.-Mar.....	91.6	87.7	4.0	4.3
Product 2				
1986:				
Jan.-Mar.....	***	***	***	***

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

1/ Twenty-two purchasers provided price data, although not for both products or all periods requested. These purchasers represented nearly 100 percent of open market purchases of aluminum rod in 1987. Purchase prices for aluminum rod by U.S. importers for captive consumption in their wire and cable facilities are not included because they represent a different level of trade than other purchasers of the Venezuelan product. They import directly from Venezuela in much larger quantities priced f.o.b. port of entry. In addition, the metal component of the price is generally based on a different source. As stated earlier, over *** percent of Venezuelan imports in 1987 were by these purchasers.

Of the nine comparisons for product 1, the Venezuelan import was less expensive in five quarters. Margins of underselling for this product ranged from 0.8 cent per pound (1.3 percent) to 4.0 cents per pound (4.3 percent). Margins of overselling ranged from 0.5 cent per pound (0.8 percent) to 4.6 cents per pound (5.6 percent). Product 2 contained one direct quarterly price comparison, in which the Venezuelan import was less expensive by * * *. 1/

Purchasers' questionnaire responses concerning competition between domestic and imported aluminum rod

The Commission requested purchasers to report on competitive conditions between domestic and Venezuelan electrical conductor aluminum redraw rod on the basis of their actual purchase experiences during 1985-88. Nine cable manufacturers, three magnet wire producers, and one CATV manufacturer responded to at least some portions of this section of the purchaser questionnaire, but not everyone responded to all the questions asked. Purchasers were asked to compare any differences between domestic and Venezuelan aluminum rod, including physical product characteristics, reliability of supply, availability of supply, or order leadtimes. 2/ Purchasers were also requested to compare the delivered purchase prices of domestic and Venezuelan aluminum rod and to give reasons for purchasing the imported or domestic product.

Product differences.--The responding purchasers agreed that the quality of the Venezuelan aluminum rod was generally equal to the quality of the domestic product. Physical damage occurred intermittently, usually during shipment or loading and unloading of the product, e.g., residual trapped materials, scuffmarks, and breakouts. * * *. Four cable companies and two magnet wire companies reported problems in the reliability of the Venezuelan supply of EC rod. Shipments were reported to have unexpected delays, to be erratic, difficult to anticipate, etc. However, * * *.

1/ Staff also compared purchaser price data according to the reported month of shipment. Of the 22 monthly price comparisons for product 1, the Venezuelan import was less expensive in 13 months. Margins of underselling ranged from * * * cents per pound * * *. Margins of overselling ranged from * * * cents per pound * * *. The Venezuelan import was less expensive by * * * for the only monthly price comparison for product 2.

2/ See section of the report entitled "Transportation costs" for purchaser comments concerning order lead times for the domestic and Venezuelan products.

Purchasers gave mixed responses concerning the availability of supply from domestic and Venezuelan suppliers. Two cable companies, * * *, reported that the Venezuelan supply was erratic, although *** stated that supply was limited from domestic sources as well. 1/ * * * reported that there was more supply available from Venezuelan suppliers, though *** stated that the large demand for Venezuelan rod in Europe and the United States has increased delivery delays. *** also reported that the shortage of domestic supply was caused by aluminum rod producers limiting the amount of rod they will sell and are shifting the metal input to more profitable aluminum products. * * * reported that the supply from Venezuela was better than from some U.S. producers, although worse than from others. * * *, however, that when the temporary duties were instituted in conjunction with the preliminary determination, Iconel left the U.S. market. * * *.

Pricing differences.--Five of the nine cable manufacturers, * * *, and two of the three magnet wire producers reported that delivered prices of Venezuelan aluminum rod generally must be priced less than the domestic product before they consider purchasing the foreign product. Minimum price differences cited by these purchasers ranged from 1 to 5 percent. Purchasers most frequently cited the potential for damage and delays during shipment and the reliability of supply of the Venezuelan product vis-a-vis the domestic product as the factors requiring a lower price for the Venezuelan product. Three purchasers also cited longer leadtimes for the Venezuelan product, and two of these purchasers cited higher inventory costs associated with large volume imports. Purchasers also reported buying domestic aluminum rod when it was more expensive than the Venezuelan product, most frequently citing the need to maintain several sources of supply and staying with traditional suppliers.

Exchange rates

Nominal and real exchange-rate indexes for the U.S. dollar and the Venezuelan Bolivar are presented in table 26. The currency of Venezuela depreciated in nominal terms by approximately 48 percent from the first quarter of 1984 through the first quarter of 1988. All of the change in the nominal exchange rate occurred in the fourth quarter of 1986 when Venezuela devalued its currency to 14.5 Bolivars per U.S. dollar. This devaluation of the Bolivar and an inflation rate of 140.3 percent in Venezuela from 1984 to March 1988, compared with an inflation rate of 1.2 percent in the United States, resulted in a real-exchange-rate appreciation of 22.8 percent. 2/

1/ * * *.

2/ Sural submitted average quarterly unit costs for its production of aluminum rod in Venezuela. These data indicate that costs ***. Aluminum metal reportedly accounted for over *** percent of Sural's total aluminum rod cost, and these metal costs increased by *** percent. Non-raw material costs rose by *** percent over this period: ***.

Table 26
Indexes of the nominal and real exchange rates between the U.S. dollar and the Venezuelan Bolivar, 1/ and indexes of producer prices in the United States and Venezuela, 2/ by quarters, January 1984-March 1988

(January-March 1984=100)

Period	Nominal-exchange-rate index	Real-exchange-rate index	U.S.-Producer Price Index	Venezuelan Producer Price Index
1984:				
Jan.-Mar....	100.0	100.0	100.0	100.0
Apr.-June...	100.0	104.0	100.7	104.7
July-Sept...	100.0	112.5	100.4	112.9
Oct.-Dec....	100.0	119.3	100.2	119.5
1985:				
Jan.-Mar....	100.0	124.0	100.0	124.0
Apr.-June...	100.0	127.7	100.1	127.8
July-Sept...	100.0	130.9	99.4	130.1
Oct.-Dec....	100.0	134.7	100.0	134.7
1986:				
Jan.-Mar....	100.0	140.5	98.5	138.4
Apr.-June...	100.0	152.6	96.6	147.4
July-Sept...	100.0	154.1	96.2	148.2
Oct.-Dec....	51.7	85.0	96.5	158.6
1987:				
Jan.-Mar....	51.7	97.1	97.7	183.5
Apr.-June...	51.7	109.2	99.2	209.5
July-Sept...	51.7	117.0	100.3	226.9
Oct.-Dec....	51.7	122.0	100.8	237.8
1988:				
Jan.-Mar....	51.7	122.8	101.2	3/ 240.3

1/ Based on exchange rates expressed in U.S. dollars per Bolivar.
2/ The real exchange-rate index is derived from the nominal exchange rates adjusted by the producer price indexes of each country. These indexes are derived from line 63 of the International Financial Statistics.
3/ Based on January estimate.

Source: International Monetary Fund, International Financial Statistics, June 1988.

Venezuela employs a multiple exchange rate system, which was introduced in February 1983 and modified in February 1984, December 1985, and again in December 1986. Since December 1986, a fixed official rate of 14.50 Bolivars (Bs) per U.S. dollar has been applied to most commercial and financial transactions, to government capital transactions, and to new registered private capital flows. An exchange rate of 7.50 Bs per dollar applies to essential imports and related services, to trade and services of the state-controlled oil and iron ore sectors, and to servicing the external debt

of public enterprises and of registered private debt, provided an exchange rate guarantee premium is paid. A fluctuating free-market rate applies to tourism and nonregistered private capital flows. 1/

According to respondents, from February 23, 1983, to February 24, 1984, export earnings were converted at 6 Bs per U.S. dollar. From February 24, 1984, to July 16, 1986, export earnings were tied to the domestic value added of the product. Fifty percent of the proceeds attributable to non-domestic content was required to be converted at the rate of 7.5 Bs per dollar. The remaining portion was converted at the free market rate, which ranged between 13 Bs and 19 Bs per U.S. dollar during the period. From July 17, 1986, to December 22, 1986, the exchange rate structure was amended to provide that, if the domestic value added of the exported good equaled 80 percent or more of its aggregate value, 84 percent of the proceeds could be converted at the free market rate, which ranged between 19 Bs and 24 Bs per U.S. dollar during the period. The balance of 16 percent could be converted at the official rate of 7.5 Bs per U.S. dollar. From December 23, 1986, to the present, all export proceeds have been converted at the rate of 14.5 Bs per U.S. dollar. 2/

Lost sales/lost revenues

Seventeen allegations of lost sales and 2 allegations of lost revenues involving 7 purchasers were supplied to the Commission during the preliminary and final investigations by 4 U.S. producers of aluminum rod. 3/ Alleged lost sales amounted to $63,916,118, involving 95,804,300 pounds, and lost revenues totaled $85,000. * * *. * * *. Nine of the lost sale allegations and the one lost revenue allegation, involving $30,427,345, *** and were prior to 1985. * * *. 4/

*** was named in *** allegations of lost sales and *** allegations of lost revenues by *** U.S. producers. The allegations involved *** in lost sales and *** in lost revenues. During the final investigations, * * *. * * *.

1/ International Monetary Fund, International Financial Statistics, August 1987, p. 532.

2/ Based on a letter from Andrew Sheldrick, Briger & Associates, Counsel for the respondents, Aug. 18, 1987. Also, see Sural response to staff questions in letter dated May 2, 1988, pp. 28-37, and U.S. Department of Commerce final affirmative countervailing duty determination (app. A).

3/ During the final investigations, two lost sale allegations and one lost revenue allegation were cited by two producers.

4/ * * *. See agent agreement between Sural and Southwire, dated May 3, 1984, in the post conference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 6. Moreover, counsel for Southwire stated at the conference during the preliminary investigations that "Does Southwire's former relationship with Sural have anything to do with all this? If anything, it might suggest narrowing the focus of the investigation to events occurring after March 1985 -- that is, after Southwire divested itself of its interest in Sural. Certainly the petitioners injury case does not rely on events earlier than that." Preliminary transcript, p. 9.

* * * stated that no lost sale or lost revenue occurred * * *, and that there were valid reasons why each supplier received the * * *. 1/ Any alleged reduction of a supplier's price quote, he argues, was not due to imports, rather, it was a natural result of any negotiation process. 2/

* * * * * * *

* * * * * * *

* * * * * * *

* * * * * * *

During the preliminary investigations, *** allegations of lost sales and *** allegation of lost revenue against *** were investigated. * * *. *** cited *** involving *** of aluminum rod in ***. The Venezuelan price quote was alleged to be * * * based metal value, whereas the U.S. producer's price quote was * * *. * * * was unable to identify this specific contract. However, he stated that * * *.

* * * * * * *

***, as a rule, always uses more than one source of aluminum rod. *** purchased on contract from two sources, ***, but in the past he has had as many as four suppliers under contract. The reasons for using multiple sources are to keep a continual supply of aluminum rod and to insure competitive bids. *** has discovered that each supplier must receive at least *** percent of the contract to assure their interest, and provide *** with the optimum price.

In 1984, the aluminum rod contract for *** was divided up among *** sources: * * *. The share given to *** was divided equally between ***. *** remarked that he considered * * *, thus the level of *** business he allocated to ***, approximately the same level as the previous year.

Prices negotiated for this contract were as follows:

* * * * * * *

* * * * * * *

1/ * * *.
2/ * * *.

*** did experience some quality problems with the Venezuelan product. Aluminum rod produced by *** had residual trapped materials in the rod, which affected the enamel and caused electrical related problems. Aluminum rod produced by *** had inclusions that prevented drawing the rod into wire. *** stated that the quality problems for *** had been corrected.

*** also commented that his suppliers must be reliable sources for the future. For example, *** had submitted a bid to *** for the *** aluminum rod contract, but was not given any business due to *** knowledge of * * *. 1/ *** also commented on the trend of U.S. producers looking offshore for their primary aluminum needs. Due to this trend, *** has an * * *. 2/ *** therefore has a * * *. *** stated that * * *. However, according to ***, this production could ultimately take up to *** percent of *** aluminum rod business. *** also noted that during the * * *, the price of aluminum rod offered by *** was greater than U.S. quotes, by as much as a *** cents per pound.

* * *, * * * was cited by *** in *** allegations of lost sales of *** involving *** pounds of aluminum rod. During the final investigations, * * *. * * * did not recall this latter specific sale, but stated that ***, at that time, had an annual contract with *** for EC rod. * * *, it would purchase on a spot basis and would request quotes from both domestic and foreign suppliers. * * * was able to come up with additional rod * * *.

* * * * * * *

*** purchased rod from Venezuela on an * * *. Freight costs are also inexpensive, * * *. *** stated that *** presented the best combination of price and freight, but that the freight costs were the deciding factor in his final purchasing decision. * * *. However, * * *.

* * *, a manufacturer of magnetic wire, was cited by * * * during the preliminary investigations in a lost sales allegation in * * *. * * *, aluminum rod purchaser for * * *, stated that although he had made a spot purchase in * * *, he did not recall purchasing that specific size, but there was definitely no possibility a price difference of *** per pound existed between the Venezuelan and domestic price quotes. The most he had even seen was a *** cents per pound. * * * stated that there was no real price advantage in sourcing offshore once you add up other costs, including a letter of credit, half of freight, and the general aggravation in dealing with foreign products. He has purchased the Venezuelan product in the past from * * *.

* * * original purchase of *** was terminated due to quality problems with the Venezuelan rod, including breakouts, transit damage, and scuffmarks. * * *.

1/ * * *.
2/ * * *.

At the time of the preliminary investigations, * * *. He always uses more than one supplier to insure supply. * * * commented that he presently was looking offshore due to what he perceived to be the trend of U.S. rod producers moving offshore. He did not want to be left without a supply source.

* * * * * * *

* * *, a manufacturer of electrical cable was cited by * * * during the preliminary investigations in *** lost sales allegations involving *** pounds. * * *, purchasing agent for * * *, could not recall * * *. 1/ He had purchased the Venezuelan product in * * *, but these were * * *. He terminated his relationship with the Venezuelans in early 1986 due to delivery problems. He never sole sources. At the time of the preliminary investigations, his business was divided between *** U.S. companies: * * *.

* * * a manufacturer of magnet wire for transformers, was cited by * * * during the preliminary investigations in a lost sale dated * * *. * * *, purchaser of aluminum rod for * * *, could not specifically identify this sale, but knew that * * * had made spot purchases from Venezuela in the past through metal brokers * * *. * * * has not purchased any Venezuelan product for the past 3-4 years. * * * stopped purchasing from Venezuela due to quality problems, the extra costs of providing the letter of credit, and the price decline of aluminum metal. * * * presently purchases from * * *. It is a verbal relationship with a price based on a combination of * * *.

* * * was cited by * * * during the preliminary investigations in a lost sale dated * * * for *** involving *** of aluminum rod. * * *, purchasing agent, could not recall the specific sale, but mentioned that * * * had purchased some rod from metal brokers in * * *. He did not cite the rod source. * * * commented that brokers approach him with a product from time to time, and when a good deal comes along, he grabs it. For * * *, * * * was purchasing * * *. He purchases aluminum rod only * * *. He has a yearly contract and is buying on * * *.

1/ * * *.

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary)]

Certain Electrical Conductor Aluminum Redraw Rod From Venezuela [1]

Determinations

On the basis of the record [2] developed in investigation No. 701-TA-287 (Preliminary), the Commission unanimously determines,[3] pursuant to

[1] For purposes of these investigations the term "electrical conductor aluminum redraw rod" refers to wrought rods of aluminum which are electrically conductive and contain not less than 99 percent of aluminum by weight.

[2] The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[3] Chairman Liebeler not participating.

section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be subsidized by the Government of Venezuela.

On the basis of the record [2] developed in investigation No. 731-TA-378 (Preliminary), the Commission unanimously determines,[3] pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On July 14, 1987, petitions were filed with the Commission and the Department of Commerce by Southwire Company, Carrollton, Georgia, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of electrical conductor aluminum redraw rod from Venezuela and by reason of LTFV imports of electrical conductor aluminum redraw rod from Venezuela. Accordingly, effective July 14, 1987, the Commission instituted preliminary countervailing duty and antidumping investigations to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the **Federal Register** of July 22, 1987 (52 FR 27593). The conference was held in Washington, DC, on August 6, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission transmitted its determinations in these investigations to the Secretary of Commerce on August 28, 1987. The views of the Commission are contained in USITC Publication 2008 (August 1987), entitled "Certain Electrical Conductor Aluminum Redraw Rod from Venezuela: "Determination of the Commission in Investigation No. 701-TA-287 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation," and "Determination of the Commission in Investigation No. 731-TA-378 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation."

By order of the the Commission.

Issued: August 28, 1987.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-20234 Filed 9-1-87; 8:45 am]

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Notices

Federal Register

Vol. 52, No. 198

Wednesday, October 14, 1987

[C-307-702]

Preliminary Affirmative Countervailing Duty Determination; Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We preliminarily determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufcturers, producers, or exporters in Venezuela of certain electrical conductor aluminum redraw rod. The estimated net subsidy is 60.11 percent ad valorem, and the rate for duty deposit purposes is 12.99 percent ad valorem.

We have notified the U.S. International Trade Commission (ITC) of our determination. We are directing the U.S. Customs Service to suspend

liquidation of all entries of certain electrical conductor aluminum redraw rod from Venezuela that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice, and to require a cash deposit or bond for each such entry equal to 12.99 percent ad valorem.

If this investigation proceeds normally, we will make our final determination not later than December 21, 1987.

EFFECTIVE DATE: Octobr 14, 1987.

FOR FURTHER INFORMATION CONTACT: Barbara Tillman or Thomas Bombelles, office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: 202/377-2438 (Tillman) or 202/377-3174 (Bombelles).

SUPPLEMENTARY INFORMATION:

Preliminary Determination

Based upon our investigation, we preliminarily detemine that there is reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters of certain electrical conductor aluminum redraw rod (redraw rod) in Venezuela. For purposes of this investigation, the following programs are preliminarily found to confer subsidies:

- Multiple Exchange Rate System.
- Export Bonds for Credits Against Income Taxes.

We preliminarily determine the estimated net subsidy to be 60.11 percent ad valorem. However, consistent with our policy of taking into account program-wide changes that occur before our preliminary determination, we are adjusting the cash deposit rate to reflect changes in the Multiple Exchange Rate System. Therefore, the rate for duty deposit purposes is 12.99 percent ad valorem.

Case History

Since the last **Federal Register** publication pertaining to this investigation [the Notice of Initiation (52 FR 29559, August 10, 1987)], the following events have occurred. On August 13, 1987, we presented a questionnaire to the Government of Venezuela in Washington, DC concerning petitioner's allegations. On September 14, 1987, we received responses from Suramerica de Aleaciones Laminadas, C.A. (SURAL), Conductores de Aluminio del Caroni, C.A. (CABELUM), Industria de Conductores Electricos, C.A. (ICONEL), Aliminio del Caroni, S.A. (ALCASA) and Industria Venezolana de Aluminio, C.A. (VENALUM). On Septermber 23, 1987, we received a response from the Government of Venezuela. SURAL, CABELUM, and ICONEL are the only known manufacturers, producers or exporters in Venezuela of the subject merchandise to the United States. ALCASA and VENALUM provided information in reponse to a specific allegation of Preferential Pricing of Inputs Used to Produce Exports.

On August 31, 1987, we received a letter from Reynolds Aluminum stating that the company takes no position with respect to the petition filed by Southwire. On September 7, 1987, we received a letter from counsel for the respondents challenging Southwire's standing to file the petition. On September 24, 1987, we received a letter from the Alcoa Conductor Products Company (ACPC), a division of the Aluminum Company of America (Alcoa), stating the ACPC does not support the positions taken by Southwire in its petition. As we have frequently stated, (see, e.g., "Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Hollow Products from Sweden" (52 FR 5794, Febraury 28, 1987), and "Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groundfish from Canada" (51 FR 10041, March 24, 1986)), there is nothing in the statute, its legislaitve history, or our regulations which requires that petitioners establish affirmatively that they have the support of a majority of their industries. In many cases such a requirement would be so onerous as to preclude access to import relief under the antidumping and countervailing duty laws. Therefore, the Department relies on petitioner's representation that it has, in fact, filed on behalf of the domestic industry, until it is affirmatively shown that this is not the case. Where domestic industry members opposing an investigation provide a clear indication that there are gounds to doubt a petitioner's standing, the Department will review whether the opposing parties do, in fact, represent a major portion of the domestic industry. We are requesting clarification from ACPC on the question of petitioner's standing and ACPC's opposition. If it becomes necessary, we will send questionnaires to the domestic industry to detemine the extent of any industry opposition.

Scope of Investigation

The product covered by this investigation is certain electrical conductor aluminum redraw rod, which is wrought rod of aluminum which is electrically conductive and contains not less than 99 percent aluminum by weight, as provided for the *Tariff Schedules of the United States, Annotated (TSUSA)* under item numbers 618.1520 and 618.1540. This product is currently classifiable under the Harmonized System (HS) item numbers 7604.10.30 and 7604.29.30.

Analysis of Programs

Throughout this notice, we refer to certain general principles applied to the facts of the current investigation. These principles are described in the "Subsidies Appendix" attached to the notice of "Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order" (49 FR 18009, April 26, 1984).

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

For purposes of this preliminary determination, the period for which we are measuring subsidization (the "review period") is calendar year 1986. As is common in our method of analysis, if the companies under ivestigation have different fiscal years, our review period is then the most recently completed calendar year.

Based upon our analysis of the petition and the responses to our questionnaire, we preliminarily determine the following:

I. Programs Preliminarily Determined To Confer Subsidies

We preliminarily determine that subsidies are being provided to manufacturers, producers, or exporters of certain electrical conductor aluminum redraw rod in Venezuela under the following programs.

A. Multiple Exchange Rates

On February 22, 1983, the Government of Venezuela authorized the establishment of a multiple exchange rate system after more than 19 years under a fixed rate system of 4.30

bolivares (Bs.) to the dollar. In its response, the Government of Venezuela stated that this change in the exchange rate was made in an attempt to establish greater control over Venezuela's foreign exchange reserves without precipitating a serious crisis in the development of the national economy.

The Central Bank of Venezuela (CBV) and the Ministry of Finance (MOF) signed an Exchange Agreement on February 28, 1983, establishing a four-tiered exchange rate system. The first exchange rate was a fixed rate of Bs. 4.30 to the dollar. This rate was applied to the sale of foreign exchange by the CBV for payments on foreign-source private and public debt, the importation of essential goods and services, and the sale of foreign exchange from the state-owned oil industries (PDVSA), iron ore industry (FERROMINERA), and the Venezuelan Investment Fund. The second rate was also a fixed rate, at Bs. 6.00 to the dollar. This rate was applied to the sale of foreign exchange by the CBV for the importation of less essential goods, foreign exchange obtained from the export of goods and services from state-owned enterprises (other than PDVSA and FERROMINERA), and foreign exchange received from exports by the private sector when offered to the CBV.

The other two rates that were established were a foreign exchange free market rate (an average Bs. 19.88 to the dollar during 1986) for all exchange operations not specifically provided for elsewhere, and a "free-but-official" rate for the purchase and sale of dollars by the CBV in the free market.

Under this Exchange Agreement, the government also established the Office of Preferential Exchange Regime (RECADI) to administer the multiple exchange rate system. RECADI is responsible for handling applications from importers for merchandise categorized as essential or less essential and also for companies registering foreign debt to be paid at the Bs. 4.30 to the dollar rate. To receive the more preferential exchange rate for imports, an importer must submit an application to RECADI identifying the value, quantity and payment terms of the intended purchase. After RECADI reviews the application, it may authorize the use of the more preferential exchange rate to cover the particular purchase. Similarly, companies that desire access to the preferential rate for paying foreign currency debt must register the debt with RECADI and obtain approval for receiving the preferential rate to make loan payments.

In May 1983, the government began gradually to allow the public sector companies (other than PDVSA and FERROMINERA) to use the free market rate to exchange foreign currency earned from export sales. Under this time, only private companies has access to the free market. On February 24, 1984, the Government of Venezuela signed an Exchange Control Agreement between the MOF and the CBV which increased the exchange rate for importation of less essential goods and the payment of most foreign debt to Bs. 7.50 to the dollar. In addition, this Agreement created the "quota share" policy which required all exporters to sell back to the Central Bank the dollars earned on the imported component of the finished product at the same exchange rate used for the importation. Until the 1984 Agreement was signed, exporters could buy imports at the Bs. 4.30 or the Bs. 7.50 to the dollar rate and upon exportation sell the dollars earned on the imported component at the free market exchange rate. The difference in the exchange rate between the lower rate used to purchase imports and the free market rate for selling dollars provided a benefit to exporters.

To implement the quota share policy, the government published Resolution No. 84-05-01 in May 1984. This resolution required that 50 percent of the value of the import content of the exported product, as calculated in the ICE certificates used for granting export bonds, be sold to the CBV at the lower exchange rate of Bs. 7.50 to the dollar (the same rate at which they buy foreign exchange for imports). To enforce the quota share program, the CBV required exporters to sign a contract upon exportation stating that the specified proportion of export earnings will be sold to the CBV at the same rate used for importation of the material inputs.

We preliminarily determine that, under this multiple exchange rate system, a subsidy was conferred on exports because one dollar received for export sales yielded more bolivares than exporters paid to purchase one dollar for imports. Because receipt of the higher exchange rate is contingent upon selling dollars earned from export sales, we consider that the multiple exchange rate conferred an export subsidy.

To calculate the benefit from this program during the review period, we subtracted the exchange rate applicable to each company's purchase of imports from the weighted average exchange rate received by each company when selling dollars earned from export sales. We multiplied this difference by the total 1986 export value for each company in dollars and allocated the resulting amount over the companies' total 1986 export sales in bolivares. On this basis, we calculated an estimated net subsidy of 47.12 percent ad valorem.

On December 6, 1986, the Government of Venezuela substantially changed the Multiple Exchange Rate System. According to the government and company responses, under the revised system, while certain "essential" imports (such as medicine) may qualify for a rate of Bs. 7.50 to the dollar, most dollars for imports must be purchased at the rate of Bs. 14.50 to the dollar. According to information in the government response, the Bs. 4.30 to the dollar rate has been abolished for the purchase of dollars with which to buy imported inputs but still applies to certain categories of foreign currency denominated debt. All imports made by redraw rod producers may be purchased at the Bs. 14.50 rate; however, companies are free to purchase dollars at the free market rate if they choose not to wait for approval from RECADI to purchase dollars at the Bs. 14.50 rate. As of December 1986, all export earnings by all exporters in the economy, both private and public sector, must be exchanged into bolivares at the Bs. 14.50 rate. Furthermore, according to the company response, no foreign currency denominated debt held by the companies under investigation is now payable at the rate of Bs. 4.30 to the dollar.

Because the Government of Venezuela has eliminated the differential between the rate for purchasing imports and the rate at which export proceeds are converted for all companies in the economy, and this program-wide change has been decreed in the Exchange Agreements which administer the Mulitple Exchange Rate System, we preliminarily consider that the export benefit which existed in the earlier system has been eliminated effective December 6, 1986. Therefore, consistent with our policy of taking into account program-wide changes that occur before our preliminary determination, we preliminarily determine that the Multiple Exchange Rate System no longer confers an export subsidy on exports of redraw rod. At verification, we will seek complete information from the relevant government agencies as to the nature and effect of these changes.

B. Export Bonds for Credits Against Income Taxes

Petitioner alleges that Venezuelan redraw rod exporters are remunerated for their exports by the Government of Venezuela in the form of export bonds

which may be used to pay income taxes or sold for cash.

According to the responses of the government and the companies under investigation, all three producers of redraw rod took advantage of the export bond program during the review period. The program allows exporters a return of a percentage of the value of their exports. This percentage is based on a combination of the domestic value-added of the exported product and certain governmental policy objectives relating to a firm's employment and other considerations. Once derived, this percentage is multiplied by the FOB value of the exported goods expressed in bolivares (converted at the official, Bs. 14.50 to the dollar, rate of exchange). The resulting figure is the face value of the export bond. To receive an export bond, a firm submits to its commercial bank the invoice and shipping documents for the exported merchandise. The bank reviews the documents and remits them to the Central Bank of Venezuela which, after an interval of up to one year, issues the export bond. Because this program is limited to exporters and does not operate to rebate any indirect taxes, we preliminarily determine that this program confers an export subsidy on the products under investigation.

To calculate the benefit, we allocated the bolivar amount of bonds received by the companies in 1986 over their total export sales. On this basis, we calculated an estimated net subsidy of 12.99 percent ad valorem.

II. Programs Preliminarily Determined Not To Confer a Subsidy

We preliminarily determine that subsidies are not being provided to manufacturers, producers, or exporters of certain electrical conductor aluminum redraw rod in Venezuela under the following program.

A. Import Duty Reductions

Petitioner alleges that a system of import duty reductions is maintained by the Government of Venezuela which is aimed specifically at encouraging the aluminum products industry. The government's response indicates that the sole program allowing import duty reductions is provided by Title IV of the Venezuelan Organic Customs Law. Duty reductions under this law are provided to a diverse range of industries and, according to the government, are granted whenever national production or supply is inadequate to meet the demand for a particular item. Since import duty reductions are not limited to a specific enterprise or industry, or group of enterprises or industries, nor do they operate to stimulate export performance, we preliminarily detemine that this program does not provide benefits which constitute subsidies.

B. Government Loans Through the Industrial Credit Fund and the Financing Company of Venezuela on Terms Inconsistent with Commercial Considerations

Petitioner alleges that loans are made available by the Government of Venezuela to the companies under investigation on terms inconsistent with commercial considerations. While one respondent company was found to have loans from the Industrial Credit Fund (FONCREI) and the Financing Company of Venezuela (FIVCA), both named in the petition, the response by the government indicated that both institutions offer financing to all sectors of the economy and both operate on commercial terms. Because these loan programs are not limited to a specific enterprise or industry, or group of enterprises or industries, and do not offer financing on terms inconsistent with commercial considerations. We preliminarily determine that they do not provide a countervailable benefit.

III. Programs Preliminarily Determined Not To Be Used

We preliminarily determine that the following programs were not used by the manufacturers, producers, or exporters of certain electrical conductor aluminum redraw rod in Venezuela during the review period.

A. Preferential Tax Incentives

Petitioner alleges that through Decree numbers 1374, 1384, and 1776, the Government of Venezuela authorizes income tax rebates to the domestic capital goods industry, and that manufacturers, producers, and exporters of redraw rod benefits from this program.

According to the responses of the Government of Venezuela and the companies under investigation, the redraw rod producers have not utilized any of the programs provided for under the subject decrees.

B. Preferential Export Financing

Petitioner alleges that Venezuela redraw rod manufacturers, producers and exporters may receive preferential export financing through the Export Financing Fund (FINEXPO).

According to the responses, FINEXPO offers three different forms of financing to assist exports. First, through a series of credit lines, importers in other countries may obtain financing for the purchase of goods in Venezuela. However, no credit lines exist for the United States. Second, Venezuelan exporters may qualify for financing for working capital, technical services and other expenses. Third, importers may obtain financing directly from FINEXPO if they provide appropriate collateral.

According to the responses, the companies under investigation did not receive, have outstanding or pay any interest on any FINEXPO loans during the review period.

C. Preferential Pricing of Inputs Used to Produce Exports

Petitioner alleges that ALCASA and VENALUM, government-owned producers of primary aluminum, are directed by the Government of Venezuela to charge preferential prices to domestic customers who purchase aluminum for further processing and subsequent export. According to the responses of the producers of redraw rod, and the government-owned producers of primary aluminum, there was no preferential pricing of inputs used to produce exports during the review period; accordingly, we preliminarily determine that this program was not used.

D. Other Government Loans on Terms Inconsistent with Commercial Considerations

Petitioner alleges that producers and exporters of redraw rod received financing on terms inconsistent with commercial considerations from the following government agencies listed in our Notice of Initiation: The Ministry of Finance; the Venezuelan Investment Fund; and the Industrial Bank of Venezuela (BIV). According to the responses, none of the respondent companies had loans from these institutions outstanding during the review period.

IV. Programs Preliminarily Determined Not To Exist

We preliminarily determine that the following programs do not exist.

A. Tax Contributions to Cover Debt Service Costs

Petitioner alleges that tax contributions authorized by the Ministry of Finance to meet interest obligations are provided to a specific enterprise or industry, or group thereof, and that manufacturers, producers, and exporters of redraw rod may benefit from this program.

According to the responses, there is no program under which any agency of the Government of Venezuela provides tax contributions or other forms of

assistance to help redraw rod producers or exporters meet their debt financing obligations.

B. Sales Tax Exemption

Petitioner alleges that the Government of Venezuela negotiates, through various regional authorities, exemptions from payment of local sales taxes for a specific enterprise or industry, or group thereof, and that manufacturers, producers, and exporters of redraw rod may benefit from this program.

According to the responses, no program exists in Venezuela for the elimination of municipal sales or other taxes, nor has the Government of Venezuela been involved in the negotiation of any such tax reductions or eliminations regarding the respondent companies.

C. Assumption of Foreign Currency Debt

Petitioner alleges that the Government of Venezuela administers a program whereby the Central Bank of Venezuela assumes the foreign currency debt of selected companies and that manufacturers, producers, and exporters of redraw rod may benefit from this program. According to the responses, no agency of the Venezuelan Government has assumed any responsibility for the payment of foreign currency debts of any private sector Venezuelan company and no statutory provisions exist authorizing any agency of the Government of Venezuela to take such action.

D. Loan Guarantees

Petitioner alleges that the Government of Venezuela provides loan guarantees to a specific enterprise or industry, or group thereof, on terms inconsistent with commercial considerations and that manufacturers, producers, and exporters of redraw rod may benefit from this program. According to the responses, the Government of Venezuela does not offer loan guarantees to private companies either directly or through any governmental agency. The BIV, which is owned by the Government of Venezuela, operates as a commercial bank and, therefore, offers loan guarantees in the ordinary course of business under terms and conditions that reflect ordinary commercial of business under terms and conditions that reflect ordinary commercial banking practice as well as the credit risk of the particular customer. During the review period, the BIV did not issue, or have outstanding, any loan guarantees with respect to the companies under investigation.

IV. Program for Which We Need Additional Information

Government Equity Investment in CABELUM

According to the CABELUM's response, 30 percent of its capital stock is owned by a government-owned supplier of primary aluminim, ALCASA. In order for the Department to investigate any equity investments by a government for the purpose of determining if they are on terms inconsistent with commercial considerations, we must have evidence of the following: First, there must be some government equity participation in the company or project; and, second, there must be some showing that the investment was on terms inconsistent with commercial considerations.

In this case, ALCASA is majority-owned by agencies of the Government of Venezuela. Furthermore, based on the information in the responses of the government and CABELUM, there is some reason to believe that ALCASA's purchase of equity was on terms inconsistent with commercial considerations. Therefore, we will seek additional information on ALCASA's equity investment in CABELUM.

Verification

In accordance with section 776(a) of the Act, we will verify the data used in making our final determination. We will not accept for our final determination any statement in a response that cannot be verified.

Suspension of Liquidation

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of certain electrical conductor aluminum redraw rod from Venezuela which are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register, and to require a cash deposit or bond equal to 12.99 percent ad valorem for each such entry of this merchandise. This suspension will remain in effect until further notice.

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Acting Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry within 120 days after the Department makes its preliminary affirmative determination, or 45 days after the Department makes its final determination, whichever is latest.

Public Comment

In accordance with § 355.35 of the Commerce Regulations (19 CFR 355.35) we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination, at 2 p.m. on November 2, 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 Acting Assistant Secretary, Import Administration, Room B-099, at the above address within 10 days of the publication of this notice in the Federal Register.

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, at least 10 copies of the business propietary version and seven copies of the nonproprietary version of the pre-hearing briefs must be submitted to the Acting Assistant Secretary by October 26, 1987. Oral presentations will be limited to issues raised in the briefs. In accordance with 19 CFR 355.33(d) and 19 CFR 355.34, all written views will be considered if received not less than 30 days before the final determination is due, or, if a hearing is held, within 10 days after the hearing transcript is available.

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

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administrtion.

October 7, 1987.

[FR Doc. 87-23758 Filed 10-13-87; 8:45 am]

BILLING CODE 3510-DS-M

[C-307-702]

Extension of the Deadline Date for the Final Countervailing Duty Determination and Postponement of the Public Hearing: Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

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

ACTION: Notice.

SUMMARY: Based upon the request of the petitioner in this investigation. we are extending the deadline date for the final determination in this investigation to correspond to the date of the final determination in the antidumping duty investigation of the same product

pursuant to section 705(a)(1) of the Tariff Act of 1930, (the Act) as amended, [19 U.S.C. 1671d(a)(1)]. These final determinations are now due not later than March 7, 1988. Pursuant to its obligations under the Subsidies Code, the Department will terminate the suspension of liquidation in this investigation 120 days after the date of publication of the preliminary countervailing duty determination. In addition, we are postponing the hearing date originally scheduled for this investigation.

EFFECTIVE DATE: November 6, 1987.

FOR FURTHER INFORMATION CONTACT: Thomas Bombelles or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 377-3174 or 377-2438.

SUPPLEMENTARY INFORMATION: On October 7, 1987, we issued the preliminary affirmative countervailing duty determination pertaining to this case (52 FR 38113, October 14, 1987). On October 9, 1987, in accordance with section 705(a)(1) of this Act, as amended, we received a request from the petitioner, Southwire Company, to extend the deadline date for the final countervailing duty determination to correspond to the date of the final determination in the antidumping duty investigation of the same product of Venezuela. Accordingly, we are granting an extension of the deadline date for the final determination in this investigation from December 21, 1987 to not later than March 7, 1988.

To comply with the requirements of Article 5, paragraph 3 of the Subsidies Code, the Department will direct the U.S. Customs Service to terminate the suspension of liquidation in this investigation on February 12, 1988, which is 120 days from the date of publication of the preliminary determination in this case. No cash deposits or bonds for potential countervailing duties will be required for merchandise which enters on or after February 12, 1988. The suspension of liquidation will not be resumed unless and until the Department publishes a countervailing duty order in this case. We will also direct the U.S. Customs Service to hold any entries suspended between October 14, 1987 through February 11, 1988, until the conclusion of this investigation.

In addition, due to the extension of the final determination in this investigation, we have postponed the date of the public hearing originally be rescheduled if a request for a public hearing is received by the Department not later than November 18, 1987. Individuals who wish to participate in the hearing must submit a request to the Assistant Secretary for Import Administration, Room B-099, Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

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, at least 10 copies of the business proprietary version and five copies of the public version of the pre-hearing briefs must be submitted to the Assistant Secretary seven days prior to the hearing date. Oral presentations will be limited to issues raised in the briefs.

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

This notice is published pursuant to section 705(a)(1) or the Act.

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

November 2, 1987.

[FR Doc. 87-25760 Filed 11-5-87; 8:45 am]

BILLING CODE 3510-DS-M

[Investigation No. 701-TA-287 (Final)]

Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

AGENCY: United States International Trade Commission.

ACTION: Institution of a final countervailing duty investigation.

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigation No. 701-TA-287 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Venezuela of certain electrical conductor aluminum redraw rod,[1] provided for in item 618.15 of the Tariff Schedules of the United States, that have been found by the Department of Commerce, in a preliminary determination, to be subsidized by the Government of Venezuela. Pursuant to a request from petitioner under section 705(a)(1) of the Act (19 U.S.C. 1671(a)(1)), Commerce is expected to extend the date for its final countervailing duty determination to coincide with an ongoing antidumping investigation on certain electrical conductor aluminum redraw road from Venezuela. Accordingly, the Commission will not establish a schedule for the conduct of the countervailing duty investigation until Commerce makes a preliminary determination in the antidumping investigation (currently scheduled for December 21, 1987).

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: October 14, 1987.

FOR FURTHER INFORMATION CONTACT: Robert Eninger (202-523-0312), 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 introduced as a result of an affirmative preliminary determination by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 701 of the act (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters in Venezuela of certain electrical conductor aluminum redraw rod. The investigation was requested in a petition filed on July 14, 1987, by counsel for Southwire Co., Carrollton, GA. In response to that petition the Commission conducted a preliminary countervailing duty investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (52 FR 33300, September 2, 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 section 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 section 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.

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: November 5, 1987.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-26153 Filed 11-10-87; 8:45 am]

BILLING CODE 7020-02-M

[1] Such articles are wrought rods of aluminum, the foregoing which are electrically conductive and contain over 99 percent of aluminum by weight

[A-307-701]

Preliminary Determination of Sales at Less Than Fair Value; Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We preliminarily determine that certain electrical conductor aluminum redraw rod (redraw rod) fro Venezuela is being, or is likely to be, sold in the United States at less than f value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directec the U.S. Customs Service to suspend liquidation of all entries of redraw rod from Venezuela as described in the "Suspension of Liquidation" section of this notice. If this investigation proceed normally, we will make a final determination by April 18, 1988.

EFFECTIVE DATE: February 8, 1988.

FOR FURTHER INFORMATION CONTACT: Mary Martin or Jessica Wasserman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitutic Avenue NW., Washington, DC 20230; telephone: (202) 377-2830 or 377-1442.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

We preliminarily determine that redraw rod from Venezuela is being, o is likely to be, sold in the United State at less than fair value, as provided in

section 733 of the Tariff Act of 1930, (the Act) as amended (19 U.S.C. 1673b). The estimated weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since our notice of initiation (52 FR 29449, August 10, 1987), the following events have occurred. On August 28, 1987 the ITC preliminarily determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of redraw rod from Venezuela (52 FR 33300, September 2, 1987).

On September 8, 1987, we presented an antidumping duty questionnaire to Suramericana de Aleaciones Laminadas, C.A. (SURAL), which accounts for more than ninety percent of exports of redraw rod from Venezuela to the United States during the period of investigation.

We received responses to this questionnaire on September 30 and October 15, 1987. After reviewing the responses, we sent out a deficiency questionnaire on October 29, 1987 and received a supplemental response on November 18, 1987. An additional deficiency letter was sent on December 9, 1987 and a response was received on December 23, 1987.

On October 22, 1987, petitioner alleged that SURAL's third country sales of redraw rod were being made at prices that were below their cost of production. The allegation concerned third country sales because SURAL stated in its response that no home market sales of redraw rod were made during the period of investigation. On November 18, 1987, we presented a constructed value and cost of production questionnaire to SURAL and received the response on December 22, 1987. We sent out a deficiency questionnaire on January 4, 1988 and received a supplemental response on January 15, 1988.

On November 19, 1987, petitioner requested a postponement of the preliminary determination. On December 1, 1987 in accordance with section 733(c)(1)(A) of the Act, we postponed the preliminary determination until February 1, 1988. (52 FR 46386, December 7, 1987).

Standing

On September 7, 1987, we received a letter from respondent challenging the standing of Southwire and requesting dismissal of the petition on the grounds that the petition was not filed "on behalf of" the United States industry as required by section 732(b)(1) of the Act. On September 24, 1987, we received a letter from Alcoa Conductor Products Company (ACPC), a division of the Aluminum Company of America (ALCOA), stating that ACPC does not support the position taken by Southwire in its petition. As we have frequently stated, see e.g., *Certain Stainless Steel Hollow Products from Sweden* (52 FR 5794, February 28, 1987); *Certain Fresh Atlantic Groundish from Canada* (51 FR 10041, March 24, 1986), there is nothing in the statute, its legislative history, or our regulations which requires that petitioners establish affirmatively that they have the support of a majority of their industries. In many cases such a requirement would be so onerous as to preclude access to import relief under the antidumping and countervailing duty laws. Therefore, the Department relies on petitioner's representations that it has, in fact, filed "on behalf of" the domestic industry until it is shown that a majority of the domestic industry affirmatively opposes the petition. See e.g., *Certain Textile Mill Products and Apparel from Malaysia*, (50 FR 9852, March 12, 1985); *Live Swine and Fresh Chilled and Frozen Pork Products from Canada* (50 FR 25097, June 17, 1985).

On October 8, 1987, we sent ACPC a questionnaire requesting clarification of whether ACPC, which is not a producer of redraw rod, speaks on behalf of ALCOA, which is a domestic producer of redraw rod. On October 22, 1987, ACPC responded that it speaks on behalf of ALCOA and that ALCOA opposes the investigation. No other industry members have expressed opposition to the petition. In the companion countervailing duty investigation on redraw rod from Venezuela, Reynolds Aluminum, another domestic producer, stated in an August 31 letter to the Department that it takes no position in the pending investigations. We are continuing to examine the standing issue for purposes of our final determination.

Scope of Investigation

The product covered by this investigation is certain electrical conductor aluminum redraw rod, which is electrically conductive and contains not less than 99 percent aluminum by weight, as provided for in the *Tariff Schedules of the United States, Annotated* (*TSUSA*) under item numbers 618.1520 and 618.1540. This product is currently classifiable under the Harmonized System (HS) item numbers 7604.10.30 and 7604.29.30.

Such or Similar Comparisons/Market Viability

For purposes of this preliminary determination, we are treating all redraw rod sold as "such" merchandise, within the meaning of section 771(16)(A) of the Act. We, therefore, did not establish separate categories of "similar" merchandise, pursuant to section 771(16) of the Act. Regardless of the diameter, redraw rod is sold uniformly on the basis of weight. According to the respondent, production costs are not materially affected by the diameter of the redraw rod. Petitioner has not challenged this assertion.

Because there were no sales of redraw rod in the home market during the period of investigation, we examined third country sales in accordance with section 773(a)(1)(B) of the Act. We compared the volume of third country sales to the volume of sales to the United States to determine whether there were sufficient sales of redraw rod in a third country to serve as the basis for calculating foreign market value. We preliminarily determine that there was a sufficient quantity sold in the United Kingdom to form an adequate basis for comparison to redraw rod imported into the United States.

Fair Value Comparisons

To determine whether sales of redraw rod from Venezuela to the United States were made at less than fair value, we compared the United States price to the foreign market value as specified below. We investigated sales of redraw rod for the period February 1, 1987 through July 31, 1987.

United States Price

For those sales made directly to unrelated parties prior to importation into the United States, we based the United States price on purchase price, in accordance with section 772(b) of the Act. Where the sale to the first unrelated purchaser took place after importation into the United States, we based United States price on exporter's sales price (ESP), in accordance with section 772(c) of the Act.

We calculated purchase price based on the packed, c. & f. or c.i.f. United States port of entry prices to unrelated customers in the United States. We calculated ESP based on packed, delivered or undelivered, prices to unrelated customers in the United States. We made deductions from purchase price and ESP, where appropriate, for ocean freight, U.S. inland freight, marine insurance, handling charges and U.S. import duties, in accordance with section 772(d)(2) of the Act. We also made deductions from ESP, where appropriate, for credit expenses and indirect selling expenses, pursuant to section 772(e) (2) of the Act.

SURAL calculated indirect selling expenses on ESP transactions by allocating the total selling expense of Alnor, Inc. (ALNOR), SURAL's affiliate in the United States, based on an approximation of the value of all goods sold through ALNOR and of redraw rod sold through ALNOR during the period of investigation. We recalculated indirect selling expenses by allocating ALNOR's total expenses based on the actual values of all goods sold through ALNOR and of redraw rod sold through ALNOR during the period of investigation. We divided this amount by the quantity of redraw rod sold through ALNOR during the period of investigation.

Foreign Market Value

Because SURAL had no home market sales during the period of investigation, we used a sale to an unrelated United Kingdom trading company for determining foreign market value in accordance with section 773(a)(1)(B) of the Act. Petitioner alleged that the third country sale was made at less than the cost of production and that constructed value should be used to compute foreign market value.

We calculated cost of production in accordance with section 773(b) of the Act based on respondent's submissions. We made certain adjustments to the cost data when the value reported did not fully reflect the costs incurred by the company. Respondent originally allocated selling and administrative expenses between redraw rod and other products based on the number of orders processed. In our January 4, 1988 deficiency questionnaire we asked respondent to allocate on the basis of the cost of goods sold. Because respondent failed to do this, we took administrative, selling and financial expenses from the financial statement and allocated them based on the cost of goods sold. We also adjusted the selling, general and administrative expenses to include credit expenses. SURAL calculated third country credit based on the short-term commercial lending rate quoted by Lloyds Bank as of the date of sale. We recalculated third country credit on the interest rate at which SURAL discounts bills of exchange through commercial banks in Venezuela.

We compared the third country price to the cost of production. No deductions were made from the third country price for movement charges because no such movement charges were reported in the response. The response states that the terms of sale were fob port of loading, Puerto Ordaz, and that the port is at the plant site where the redraw rod is manufactured. We found that the sale to the United Kingdom by SURAL was not above cost. Therefore, we are using constructed value for foreign market value.

In accordance with section 773(e) of the Act, the constructed value includes material and fabrication costs, general expenses, adjusted in the manner described above in our discussion of "cost of production," and profit. In the absence of home market sales, we used third country selling expenses as best information available for purposes of constructed value. Since general expenses exceeded the statutory minimum of 10 percent of material and fabrication costs, the actual expenses were used. Since profit was less than the statutory minimum, eight percent profit was added. In constructing the value, packing was deducted from material and fabrication costs, and U.S. packing was added to the constructed value.

For comparisons involving purchase price sales, we made adjustments to constructed value for differences in circumstances of sale for credit expenses pursuant to 19 CFR 353.15. For comparisons involving ESP transactions, we deducted third country credit expenses from constructed value. For ESP comparisons, we also deducted indirect selling expenses up to the amount of the indirect selling expenses incurred on sales in the U.S. market, in accordance with 19 CFR 353.15(c). SURAL claimed a sales promotion trip to the United Kingdom as a direct selling expense. We disallowed this deduction as a circumstance of sale adjustment because we did not deem the expense to be an advertising expense assumed by SURAL for the sale of the redraw rod by the United Kingdom trading company. However, we allowed the expense as an indirect selling expense. SURAL did not claim an imputed inventory carrying cost as an indirect selling expense on the third country sale. Therefore, for purposes of this preliminary determination, we have not included an imputed inventory carrying cost on the third country sale as an indirect selling expense for purposes of calculating foreign market value.

Currency Conversion

For comparisons involving purchase price transactions, we made currency conversions in accordance with 19 CFR 353.56(a)(1). For comparisons involving ESP transactions, we used the official exchange rates in effect on the dates of sale, in accordance with section 773(a)(1) of the Act, as amended by section 615 of the Trade and Tariff Act of 1984. Normally, all currency conversions are made at the rates certified by the Federal Reserve Bank. However, no certified rates were available for Venezuela. Therefore, in place of the official certified rates, we used the exchange rate provided by the International Monetary Fund as the best information available.

Verification

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

Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of redraw rod from Venezuela that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The U.S. Customs Service shall require a cash deposit or the posting of a bond equal to the estimated amounts by which the foreign market value of redraw rod from Venezuela exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/Producer/Exporter	Weighted-average margin percentage (percent)
SURAL	6.46
All Others	6.46

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the consent of the Assistant Secretary for Import Administration.

The ITC will determine whether these imports materially injure, or threaten material injury to, a U.S. industry before the later of 120 days after the date of this determination or 45 days after our final determination, if affirmative.

Public Comment

In accordance with 19 CFR 353.47, if requested, we will hold a public hearing

at 10:00 a.m. on March 16, 1988, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue NW., Washington, DC 20230, to afford interested parties an opportunity to comment on this preliminary determination. Individuals who wish to participate in the hearing must submit a request to the Assistant Secretary for Import Administration, Room B-099, at the above address within ten days of the publication of this notice. Requests should contain: (1) The party's name, address and telephone number; (2) the number of participants; (3) the reasons for attending; and (4) a list of the issues to be discussed.

In addition, prehearing briefs in at least ten copies must be submitted to the Assistant Secretary by March 9, 1988. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, at the above address, in at least ten copies, not less than 30 days before the date of the final determination, or, if a hearing is held, within seven days after the hearing transcript is available.

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

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

February 1, 1988.

[FR Doc. 88-2605 Filed 2-5-88; 8:45 am]

BILLING CODE 3510-DS-M

International Trade Administration

[A-307-701 and C-307-702]

Postponement of Final Antidumping and Countervailing Duty Determinations and Postponement of Antidumping Duty Public Hearing; Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice.

SUMMARY: This notice informs the public that we have received a request from Suramericana de Aleaciones Laminadas, C.A. (SURAL) in the antidumping 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 the request, we are postponing our final antidumping and countervailing duty determinations on certain electrical conductor aluminum redraw rod (redraw rod) from Venezuela until not later than June 22, 1988. We are also postponing our public hearing in the antidumping duty investigation until May 20, 1988.

EFFECTIVE DATE: March 24, 1988.

FOR FURTHER INFORMATION CONTACT: Mary Martin (202-377-2830) or Roy Malmrose (202-377-2815), 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 February 8, 1988, we published a preliminary determination of sales at less than fair value with respect to this merchandise (53 FR 3614, February 8, 1988). This notice stated that if the investigation proceeded normally, we would make our final determination by April 18, 1988.

On February 9, 1988, SURAL requested a postponement of the final determination for 60 days pursuant to section 735(a)(2)(A) of the Act. In a letter dated March 1, 1988, SURAL stated that it was its intention to request the maximum extension for the final determination until June 22, 1988. This 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 antidumping duty determination until not later than June 22, 1988.

On November 2, 1987, (52 FR 42703, November 6, 1987) we granted the request of petitioner, Southwire Company, to extend the deadline date for the final countervailing duty determination to correspond to the date of the final antidumping duty determination of the same product pursuant to section 705(a)(1) of the Act, as amended, [19 U.S.C. 1671d(a)(1)]. Accordingly, we are also postponing the date of the final countervailing duty determination until not later than June 22, 1988.

Public Comment

In accordance with 19 CFR 353.47, we will hold a public hearing in the antidumping duty investigation to afford interested parties an opportunity to comment on the preliminary determination at 10:00 a.m. on May 20, 1988, 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 prehearing briefs in at least 10 copies to the Assistant Secretary for Import Administration, Room B-099, at the above address by May 13, 1988. Oral presentations will be limited to issues raised in the briefs.

All written views should be filed in accordance with 19 CFR 353.46 and 19 CFR 355.34 not less than 30 days before the final determinations or, if a hearing is held, within seven 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 these postponements, in accordance with section 735(d) of the Act. This notice is published pursuant to section 735(d) of the Act.

Gilbert B. Kaplan,

Acting Assistant Secretary for Import Administration.

March 21, 1988.

[FR Doc. 88-6462 Filed 3-23-88; 8:45 am]

BILLING CODE 3510-DS-M

INTERNATIONAL TRADE COMMISSION

[Investigations No. 731-TA-378 (Final) and No. 701-TA-287 (Final)]

Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

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 final antidumping investigation and in connection with the final countervailing duty investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-378 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Venezuela of wrought rods of aluminum, the foregoing which are electically conductive and contain not less than 99 percent of aluminum by weight, provided for in item 618.15 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). The Commission has already instituted a final countervailing duty investigation of the same product. Further, the Commission hereby gives notice of the public hearing that will be held in connection with these investigations. Commerce will make its final LTFV and subsidy determinations in these investigations on June 22, 1988, and the Commission will make its final injury determinations by August 5, 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: March 28, 1988.

FOR FURTHER INFORMATION CONTACT: Stephen Vastagh (202-252-1180), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

SUPPLEMENTARY INFORMATION:

Background.—This final antidumping investigation is being instituted as a result of an affirmative preliminary

determination by the Department of Commerce that imports of certain electrical conductor aluminum redraw rod from Venezuela 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) (53 FR 3614, February 8, 1988). The investigation was requested in a petition filed on July 14, 1987, by counsel for Southwire Co., Carrollton, GA. 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 33300, September 2, 1987).

The Department of Commerce has also found, in a preliminary determination, that imports of certain electrical conductor aluminum redraw rod from Venezuela are subsidized by the government of Venezuela (52 FR 38113, October 14, 1987). Based upon the request of the petitioner, the Department of Commerce extended the deadline date for the final subsidy determination to correspond to the date of the final antidumping duty determination of the same product (52 FR 42703, November 6, 1987). The Commission has instituted a final countervailing duty investigation but has not scheduled a public hearing in connection therewith (52 FR 43404, November 12, 1987). Based upon the request of SURAL, a respondent-exporter accounting for a significant proportion of exports of the merchandise under investigation, the Department of Commerce postponed the final antidumping and subsidy determinations until not later than June 22, 1988 (53 FR 9675, March 24, 1988). The Commission thus schedules herewith a public hearing in connection with the final antidumping investigation to coincide with the hearing to be held in connection with the final countervailing duty investigation of the same product.

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 Secretry will not accept a document for filing without a certificate of service.

Staff report. A public version of the prehearing staff report in these investigations will be placed in the public record on June 10, 1988, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing. The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on June 23, 1988, at the U.S. International Trade Commission Building, 500 E Street SW., 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 June 14, 1988. 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 June 17, 1988, at the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is June 20, 1988.

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

Written submissions. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on June 30, 1988. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before June 30, 1988. A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

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

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

By order of the Commission.

Kenneth R. Mason,

Secretary.

Issued: April 12, 1988.

[FR Doc. 88-8694 Filed 4-19-88; 8:45 am]

BILLING CODE 7020-02-M

DEPARTMENT OF COMMERCE

International Trade Administration

[A-307-701]

Final Determination of Sales at Less Than Fair Value; Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that certain electrical conductor aluminum redraw rod (redraw rod) from Venezuela is being, or is likely to be, sold in the United States at less than fair value. We have notified the U.S. International Trade Commission (ITC) of our determination and have directed the U.S. Customs Service to continue to suspend liquidation of all entries of redraw rod from Venezuela as described in the "Suspension of Liquidation" section of this notice. The ITC will determine, within 45 days of the date of publication of this notice, whether these imports materially injure, or threaten material injury to, a U.S. industry.

EFFECTIVE DATE: June 30, 1988.

FOR FUTHER INFORMATION: Contact Mary Martin, Jessica Wasserman, or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230; telephone: (202) 377-2830 (Martin), 377-1442 (Wasserman) or 377-2438 (Tillman).

SUPPLEMENTARY INFORMATION:

Final Determination

We determine that redraw rod from Venezuela is being, or is likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. section 1673d(a)) (the Act). The weighted-average dumping margins are shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of our preliminary determination (*Preliminary Determination of Sales at Less than Fair Value: Certain Electrical Conductor Aluminum Redraw Rod from Venezuela* (53 FR 3614, February 8, 1988)), the following events have occurred. At the request of the respondent, we postponed our final antidumping and countervailing duty determinations, and postponed the public hearing requested

in this investigation (53 FR 9675, March 24, 1988). We conducted verification of the exporter's sales price (ESP) questionnaire response in the United States from March 23 through March 25, 1988, and of all of the responses in Venezuela from April 25 through May 6, 1988. In addition to the deficiency questionnaires sent out before the preliminary determination on October 29, 1987, December 9, 1987, January 4, 1988, and January 29, 1988, we sent out a final deficiency questionnaire on March 17, 1988. In addition to the original responses on September 30 and October 15, 1987, we received new and/or amended responses on November 18, 1987, December 23, 1987, January 29, 1988, February 9, 1988, March 9, 1988, March 15, 1988, April 21, 1988, April 25, 1988, May 2, 1988, and May 26, 1988.

A public hearing was held on May 31, 1988. Pre-hearing briefs were submitted by the parties on May 27, 1988. Post-hearing briefs were filed by petitioner on June 8, 1988, and by respondent on June 9, 1988. Comments on the Addendum to the Verification Report of the respondent, Suramericana de Aleaciones Laminadas, C.A. (SURAL), were filed by petitioner on June 10, 1988, and by respondent on June 13, 1988.

Standing

On August 31, 1987, the Department received a letter from Reynolds Aluminum stating that the company takes no position with respect to the petition filed by Southwire. On September 7, 1987, we received a letter from the respondents challenging Southwire's standing to file the petition and requesting dismissal of the petition on the grounds that the petition was not filed "on behalf of" the United States industry, as required by section 732(b)(1) of the Act.

On September 24, 1987, we received a letter from Alcoa Conductor Products Company (ACPC), a division of the Aluminum Company of America (ALCOA), stating that ACPC does not support the position taken by Southwire in its petition and that the petitioner did not speak on behalf of or represent that firm in the proceeding. On October 8, 1987, we sent a letter and a questionnaire to ALCOA requesting information as to the nature and extent of the firm's activities, including its production of redraw rod in the United States and its percentage share of the United States market. In an October 22, 1987 letter, ALCOA responded to the Department's request for information. In its response ALCOA included an estimate of its share of the U.S. redraw rod market in 1986.

In a November 2, 1987 letter, respondent asserted that on the basis of the ACPC letter, the Department was now required to "canvass the views of all industry members to determine whether they in fact support Southwire." On November 12, 1987, the Department received a letter from the Aluminum Trades Council opposing Southwire's petition because jobs may be jeopardized as a result of a lack of availability of aluminum rod. On June 6, 1988, the Department received a letter from the Aluminum, Brick and Glass Workers International Union expressing its opposition to the petition.

The statutory provision that governs the standing of parties to bring petitions requires the commencement of an investigaiton "whenever an interested party * * * files a petition * * * on behalf of an industry" (section 732(b)(1) of the Act). As we have stated in prior cases (*see e.g., Final Affirmative Countervailing Duty Determination; Certain Stainless Steel Hollow Products from Sweden* (52 FR 5794, February 26, 1987); *Final Negative Countervailing Duty Determinations; Certain Textile Mill Products and Apparel from Malaysia* (50 FR 9852, March 12, 1985)), as well as in the preliminary determination in this case, the Department relies upon the petitioner's representation that it has filed "on behalf of" the domestic industry until it is affirmatively shown that a majority of the domestic industry opposes the petition. The Department bases this position on the fact that neither the Act nor its legislative history restricts access to the unfair trade laws by requiring that parties petitioning for relief under these laws establish affirmatively that a majority of the members of the relevant domestic industry support the petition. The only requirement is that the party filing the petition act as the representative of the domestic industry.

As we have noted in other cases, to require a petitioner to establish affirmatively that it has the support of a majority of the industry on whose behalf it has filed the petition would, in many cases, "be so onerous as to preclude access to import relief under the antidumping and countervailing duty laws." *Frozen Concentrated Orange Juice from Brazil; Final Determination of Sales at Less than Fair Value* (52 FR 8324, 8325, March 17, 1987).

When a member or members of the domestic industry challenge the assertion of the petitioner that it has filed "on behalf of" the domestic industry, the Department will examine the challenge. When evaluating the challenge, the Department does not consider the following circumstances as evidence of opposition to a petition: a statement by a member of the domestic industry that it does not take any position with respect to the petition, *e.g.*, the Reynolds letter; a statement by an entity that is not a member of the domestic industry, *e.g.*, the letter from the Aluminum Trades Council; opposition to a petition expresed by the respondents or the government that is subject to the investigation.

Where domestic industry members opposing a petition provide a clear indication that there are grounds to doubt a petitioner's standing, the Department will evaluate the opposition to determine whether the opposing parties do, in fact, represent a majority of the domestic industry. Commerce tailors its examination of opposition to the particular facts of the case. Typically, the Department does not canvass the entire domestic industry. Instead, it generally requests the opponent to supply information on the nature and extent of its involvement in the domestic industry. By cumulating the proportion of the domestic industry that is represented by each of the parties in opposition, the Department is able to determine the degree of opposition overall. This was the course followed by the Department in this case.

After ACPC registered its opposition to the petition, the Department sent a questionnaire to ACPC to determine the nature and extent of its involvement in the redraw rod industry. From the response, Commerce determined that ALCOA did not represent a majority of the domestic industry. After the Department received the letter from the Aluminum, Brick and Glass Workers International Union, it sent a questionnaire on June 15, 1988, to the Union to determine the proportion of the domestic industry represented by the Union. As of the date of the final determination, the Union had not responded to the questionnaire. No other industry members have expressed opposition to the petition.

Absent evidence of opposition to the petition by other members of the domestic industry, the Department had no basis to conclude that a majority of the industry opposed the petition.

Therefore, the Department reaffirms its preliminary determination in this case that the petition was filed on behalf of the domestic industry, and that the petitioner has standing to bring this petition.

Scope of Investigation

The product covered by this investigation is certain electrical

conductor aluminum redraw rod, which is wrought rod of aluminum, electrically conductive and containing not less than 99 percent of aluminum by weight. Redraw rod is currently classified under item numbers 618.1520 and 618.1540 of the *Tariff Schedules of the United States, Annotated* and under item numbers 7604.10.30 and 7604.29.30 of the Harmonized System.

Such or Similar Comparisons/Market Viability

We are treating all redraw rod sold as "such" merchandise, within the meaning of section 771(16)(A) of the Act. We, therefore, did not establish separate categories of "similar" merchandise, pursuant to section 771(16) of the Act, because regardless of the diameter, redraw rod is sold uniformly on the basis of weight, and we verified that there are no differences in the cost of producing the two different diameters of redraw rod sold in the United States and the third country.

Because there were no sales of redraw rod in the home market during the period of investigation, we examined third country sales in accordance with section 773(a)(1)(B) of the Act. We compared the volume of third country sales to the volume of sales to the United States to determine whether there were sufficient sales of redraw rod in a third country to serve as the basis for calculating foreign market value. We determined that there was a sufficient quantity sold to the United Kingdom to form an adequate basis for comparison to redraw rod imported into the United States.

Fair Value Comparisons

To determine whether sales of redraw rod from Venezuela to the United States were made at less than fair value, we compared the United States price to the foreign market value as specified below. We investigated sales of redraw rod for the period February 1, 1987 through July 31, 1987.

For the reasons stated below, we have determined, in accordance with section 776(b) of the Act, that use of best information available is appropriate for the exporter's sales price (ESP) transactions of SURAL. This statutory provision requires the Department to use best information available "whenever a party or any other person refuses or is unable to produce information requested in a timely manner or in the form required, or otherwise significantly impedes an investigation."

One week prior to the scheduled date of verification of ALNOR Inc. (ALNOR), the related sales agent of SURAL in the United States, SURAL submitted a new sales data base which changed approximately 50 percent of the reported sales. The previously reported sales had been submitted five months earlier and had been used by the Department for the preliminary determination. In our December 9, 1987 deficiency questionnaire, we requested clarification of the sales data, but not until March 15, 1988, one week before verification, did respondent submit a data base that accurately reflected sales in the period of investigation. The continuing deficiencies of the responses, combined with the pattern of amending the responses to correct previously submitted data on the eve of or during verification, undermined the credibility of the submissions.

During the course of the ESP verification of ALNOR, the Department was not able to verify substantial portions of ALNOR's revised response including total sales, indirect selling expenses, brokerage and handling, marine insurance, ocean freight, customs duties, inventory carrying costs and U.S. inland freight. On April 21, 1988, immediately prior to the verification in Venezuela, respondent submitted an additional response changing certain elements of the ESP data which had been examined at ALNOR, including certain shipping dates, payment dates, brokerage and handling, ocean freight, marine insurance, customs duty, and inland freight. The submission also reported a river toll charge and miscellaneous Venezuelan handling and transportation charges for the first time.

The Department sent a letter to respondent on April 27, 1988, requesting an explanation of the changes. On May 2, 1988, during the second week of verification in Venezuela, the Department received a 32-page submission which attempted to explain the changes in the ESP data. The Department attempted to reexamine ESP sales in Venezuela, but was unable to verify pertinent data including indirect selling expenses in the United States and Venezuela, the data necessary for the allocation of these expenses, and the short-term borrowing rates during the period of investigation in Venezuela and the United States. The deficiencies found during verification are outlined in the public versions of our verification reports. For these reasons we have assigned the ESP sales the simple average of the dumping margins alleged in the petition (*i.e.*, 24.26 percent) as best information available pursuant to section 776(a) of the Act.

United States Price

For those sales made directly to unrelated parties prior to importation into the United States, we based the United States price on purchase price, in accordance with section 772(b) of the Act. As set forth above, for ESP sales, *i.e.*, where the sale to the first unrelated purchaser took place after importation into the United States, we used best information available for purposes of calculating the dumping margins.

We calculated purchase price based on the packed, c.&f., or c.&f. duty paid, or c.i.f. duty paid United States port of entry prices to unrelated customers in the United States. We made deductions from purchase price, where appropriate, for dock usage fees, material usage fees, customs brokerage, customs inspection fees, surveying fees, forklift rentals, Venezuelan inland freight by related and unrelated freight companies, securing fees, Venezuelan river toll fees, ocean freight, marine insurance, U.S. handling charges and U.S. import duties, in accordance with section 772(d)(2) of the Act.

Foreign Market Value

Because SURAL had no home market sales during the period of investigation, we used a sale to an unrelated United Kingdom trading company for the purpose of determining foreign market value in accordance with section 773(a)(1)(B) of the Act. Petitioner alleged that the third country sale was made at less than the cost of production, and that constructed value should be used to compute foreign market value.

We calculated the cost of production based on the respondent's information with the following adjustments. Such adjustments were made to the cost data when the value reported did not fully reflect the costs incurred by the company.

We adjusted the cost of manufacturing to reflect an increase in the price of aluminum resulting from the recent final settlement of such price between the respondent and its aluminum supplier. The price adjustment per ton calculated by the Department was based on the tons of aluminum purchased during the relevant period instead of total export tonnage which was used by the respondent in its submission.

We adjusted the general expenses reported by SURAL to exclude credit expense for the third country sale and the value of the export bond which was deducted by the respondent from general expenses. We adjusted the general expenses reported by SURAL to include an appropriate portion of financial expenses and the corporate general and administrative expense instead of the amount in the submission.

The submission improperly allocated Caracas office expenses to affiliated companies and understated the imputed depreciation expense of the building by two months.

Respondent originally allocated selling and administrative expenses between redraw rod and other products based on the number of orders processed. In our January 4, 1988 deficiency questionnaire, we asked respondent to allocate on the basis of the cost of goods sold. Because respondent failed to do this, for our preliminary determination, we used the general and administrative, selling and financial expenses as contained in the financial statements and allocated them based on the cost of goods sold. For the final determination, respondent did not argue for an allocation based on the number of orders processed. The allocation was made on the basis of cost of goods sold using SURAL's most recent audited financial statements.

We were unable to verify the short-term interest rate incurred by SURAL in Venezuela during the period of investigation. Therefore, as the best information available, we are assuming SURAL incurred no credit expense during the period of investigation. Accordingly, we did not adjust the selling, general and administrative expenses to include credit expense on the third country sale. Instead we used a zero percent interest rate as best information available to calculate credit. Although the use of a zero percent interest rate results in no upward adjustment to the cost of production, a zero percent interest rate has an adverse effect on price-to-price comparisons because the number of credit days between shipment and payment was significantly greater on the third country sale than on the U.S. sales. Consequently, we are not making a circumstances of sale adjustment for credit on the third country sale. We note that even if the maximum short-term interest charged in Venezuela during the period of investigation has been used to calculate credit, the cost test would have yielded the same result.

For purposes of the cost test, we deducted from the third country price dock usage fees, material usage fees, customs brokerage, customs inspection fees, surveying fees, Venezuelan inland freight to a related company, and Venezuelan river toll fees. We increased the third country price by the amount of the export bond received on the third country sale.

We compared the third country price, including the export bond revenue obtained by SURAL from the Venezuelan government, to the cost of production. We found that the sale to the United Kingdom by SURAL was above cost. Therefore, we are using the third country sale for purposes of calculating the foreign market value.

We calculated foreign market value comparisons based on the f.o.b. stowed/lashed/secured/dunnaged packed Puerto Ordaz price to an unrelated United Kingdom trading company. We deducted dock usage fees, material usage fees, customs brokerage, customs inspection fees, surveying fees, Venezuelan inland freight to a related company, and Venezuelan river toll fees. We adjusted the third country price for the difference between the value of the export bonds received on the third country sale and the value received on each U.S. sale. We did not adjust the third country price for differences in circumstances of sale for credit expenses because, as discussed above, we used a zero percent interest rate as best information available to calculate credit. In addition, we did not make any adjustment for the slight additional cost in packing on the third country sale, because respondent declined to provide this information.

Currency Conversion

For comparisons involving purchase price transactions, we made currency conversions in accordance with 19 CFR 353.56(a)(1). Normally, all currency conversions are made at the rates certified by the Federal Reserve Bank. For the price-to-price comparisons, we converted the third country price at the rates certified by the Federal Reserve Bank. For conversions involving bolivares, however, no certified rates are available for Venezuela. Therefore, in place of the official certified rates, we used the exchange rate provided by the International Monetary Fund as the best information available.

Interested Party Comments

Comment 1: Respondent challenges the standing of petitioner to bring the petition "on behalf of" the domestic industry. For the proposition that a petitioner must establish that majority of the domestic industry supports the petition, respondent relies upon *Gilmore Steel Corp. v. United States*, 7 CIT 219, 585 F. Supp. 670 (CIT 1984). In particular, respondent points to a statement by the Court that a petitioner "must also show that a majority of that industry backs its petitions." *Gilmore* ,585 F. Supp. at 676. Respondent argues that because Southwire has not demonstrated that its petition has the support of a majority of the domestic industry, Southwire lacks standing to bring the petition.

DOC Position: A close examination of the *Gilmore* case reveals that the particular statement relied upon by respondent is *dicta;* it was not part of the holding or even the reasoning for the decision. It was part of the Court's recognition that there are two standing requirements in the statue: the "interested party" requirement and the "on behalf of an industry" requirement. The Court determined that the plain meaning of the words "on behalf of" is "as the representative of," "as the proxy for," or "as the surrogate." 585 F. Supp. at 675. Accordingly, the Court concluded that a petitioner may file in a representative capacity, on behalf of an industry. Id. at 676.

The Court did not consider the question as to who bears the burden of establishing whether a petitioner is in fact representative of the industry. Indeed, there was no issue in the *Gilmore* case as to who bore the burden of establishing the petitioner's representation of the industry because the record in that case established that Gilmore's petition was opposed nearly unanimously by the entire industry. (*See, Carbon Steel Plate from Belgium and the Federal Republic of Germany; Rescission of Notice Announcing Initiation of Antidumping Investigation and Dismissal of Petition*, (49 FR 3504, January 27, 1984).) The issue before the Court in *Gilmore* was whether the Department had the authority to terminate an investigation where a majority of the domestic industry affirmatively opposed the petition.

There is nothing in the statute, its legislative history, or our regulations which requires that petitioners establish affirmatively that they have the support of a majority of their industry. (*See* "Standing" section above.)

Comment 2: Petitioner contends that the Department must reject the aluminum cost data supplied by SURAL and instead use the London Metals Exchange prices for aluminum as the best information available. The petitioner claims that the April 1988 price adjustment for the aluminum purchases between SURAL and its supplier does not reflect the fair market value, and did not include the actual aluminum cost for July 1987.

DOC Position: The Department verified actual aluminum prices paid from February 1987 to June 1987, including the retroactive price adjustment for these months recently agreed upon between SURAL and its unrelated supplier. The aluminum cost for July was not used by the Department because the cost of production was based on the five months (February to

June 1987) preceding the shipment in June for the third country sale.

Comment 3: Petitioner contends that the final determination should reflect the same general expenses which the Department used for its peliminary determination and should not rely on the 1986–87 financial statements because: (1) SURAL submitted them over five weeks after the preliminary determination, and (2) many of the proposed modifications which SURAL made to the 1986–87 general and administrative expenses were erroneous.

DOC Position: General expenses were calculated based on the audited 1986–87 financial statements because these statements are more representative of the cost of production during the period of investigation. However, the Department did not agree with all of the modifications which SURAL made. (*See* the *DOC Position* on *Comments 7, 8,* and *9.)*

Comment 4: Petitioner argues that SURAL's proposed modifications to its audited 1986–87 financial statement should not be accepted by the Department. In regard to selling expenses for cost of production and constructed value, petitioner argues that ocean freight, marine insurance, duty costs, and shipping expenses should not be deducted.

Respondent contends that the expenses noted by petitioner were either not incurred on the third country sale or were reported as adjustments to third country price. Therefore, in order to compare the ex-factory costs of production to an ex-factory price, these expenses should not be included in the cost of production or constructed value.

DOC Position: Respondent reported and the Department verified that the third country sale terms were f.o.b. stowed/lashed/secured/dunnaged Puerto Ordaz, Venezuela. SURAL did not incur expenses for ocean freight, marine insurance or customs duties on the export sale to the United Kingdom. Respondent also reported and the Department verified that expenses for Venezuelan freight costs were incurred in transporting merchandise from the plant to the dock. In addition expenses for customs inspection performed in Venezuela were reported and verified. All of the expenses cited by petitioner were either not incurred on the third country sale or were reported and deducted from the third country price. In order to compare the ex-factory price to the cost of production, it is necessary to deduct the expenses cited by petitioner from the sale price, and to calculate the cost of production on an ex-factory basis.

Comment 5: In regard to selling expenses for cost of production and constructed value, petitioner argues that the amount listed in the 1986–87 financial statements was not verified because the adjustment necessary to calulate the amount was not verified.

DOC Position: The amount listed in the 1986–87 financial statement includes both selling and distributions expenses such as ocean freight, marine insurance and Venezuelan river tolls. Because, for purposes of the cost test, we compared the ex-factory price on the third country sale to the cost of production, it was appropriate to factor out from the selling, general and adminstrative expenses in the cost of production, those distribution expenses unrelated to the third country sale as well as movement charges associated with the third country sale.

However, as petitioner notes, there was a significant downward adjustment made in SURAL's books to the total amount of selling and distribution expenses reported in the 1986–87 financial statements. Therefore, when we calculated selling expenses, we added back that adjustment to the total selling and distribution expense, and then subtracted only those items verified as actual distribution expenses. Although the adjustment itself was not verifiable, the totel amount listed in the audited financial statements for selling and distribution expenses must be considered the best information available for purposes of calculating selling expenses to be used in the cost of production. Furthermore, for purposes of our calculation, the adjustment only serves to increase the amount of the selling expense included in the cost after the distribution expenses have been factored out.

Comment 6: Petitioner argues that the discrepancies noted in the verification report between the amount of selling expenses reported in the April 21, 1988, submission and that reported in the 1986–87 financial statements bring the credibility of the financial statement into question.

Respondent states that, in preparing an English translation of SURAL's official financial statement, a typographical error was made. Due to an oversight this error was not immediately brought to the Department's attention. Respondent argues that the minor typographical error does not impugn the accuracy of the financial statements.

DOC Position: We examined the original Spanish financial statement and the English translation and determined that a typographical error had been in translation. One typographical error made in translation is not adequate to challenge the validity of the financial statements.

Comment 7: Petitioner contends that the general and adminstrative expense in the financial statements of SURAL should not be reduced by the amount of reimbursement paid by SURAL to ALNOR (SURAL's U.S. subsidary) because the records of ALNOR were not verified.

DOC Position: Although we are using best information available for the ESP sales because we were not able to verify completely the entire ESP data base, we did verify during the cost of production verification that SURAL did reimburse ALNOR for certain expenses incurred by ALNOR. Therefore, this amount is appropriately deducted from the general and administrative expenses in the cost of production.

Comment 8: Petitioner contends that the Department should not reduce general and administrative expenses by expenses which SURAL allocated to eight other companies which it claimed were sharing Caracas office space because all expenses were recorded in SURAL's books and the number of employees at other affiliates were not verifiable.

Respondent contends that SURAL's allocation of the Caracas office expenses to other affiliated companies which share office space should be accepted because the administrative personnel spend most of their time on administrative matters for the other companies or on start-up projects involving the other companies.

DOC Position: Since Caracas office expenses were recorded in SURAL's books and SURAL bore all expenses incurred at the office, these expenses cannot be allocated to other affiliated companies. General and administrative expenses were incurred for the overall operations of SURAL and were not attributable to any affiliated company. Moreover, the independent auditors also considered them to be SURAL's expenses.

Comment 9: Respondent contends that the depreciation for the Puerto Ordaz office should be used instead of the nominal rent because the rent was an intra-company transfer and did not represent the fair market rental value.

DOC Position: The Department viewed the rent payment in comparison with the purchase price for the property which SURAL was renting from its parent to determine whether the rent payment reflected a "fair market value" One year's rent exceeded the purchase price of the property. Therefore, the Department concluded that the rent did not represent the "fair market value".

The Department used the depreciation expense based on the purchase price for the seven months that SURAL actually occupied the building in fiscal year 1987, instead of the five months depreciation expense as reported by the company.

Comment 10: Petitioner contends that the Department should not use the total accounts receivable to offset the interest expenses. Only accounts receivable for trade should be considered for this offset, since only an imputed credit expense related to this one type of receivable would be included in the cost of production.

DOC Position: The Department did not make any offset for interest expense because there was no imputed credit expense for the third country sale included in the cost of production.

Comment 11: Petitioner contends that the Department should not deduct the amount of interest expense which the respondent claims as an accounting "error" on its financial statements because the "error" was unsupported and its validity was not confirmed.

DOC Position: The Department verified the amount of this "error" and we agree that it is an error. Accordingly, we deducted it from the amount of interest expense reported by respondent in its submission.

Comment 12: Respondent contends that export bonds received by respondent must be deducted from cost of production or added to price because revenues from the government are deducted from cost of production if they are directly related to either sales or production of the merchandise.

Petitioner contends that SURAL's argument that the Department should reduce the cost of production by deducting the value of the export bond or adding the value to revenue is without merit because the export bond is based on the value of the export sales rather than production. Petitioner also argues that the Department should not increase the price of the third country sale by the amount of the export bond proceeds because the respondent is unable to take the bond into account when setting a third country selling price.

DOC Position: We agree, in part, with respondent. Section 773(b) of the Act provides that the Department must disregard sales to a third country as the basis for foreign market value when substantial quantities of such sales occur at prices which do not permit the recovery of all costs within a reasonable period of time in the normal course of trade. If the seller's total return on its sales is greater than its cost, the prices clearly do permit the recovery of all costs.

In the present case, the Government of Venezuela provides "export bond" payments on the basis of a company's export sales rather than on any particular input or other component of production. In other words, we verified that the receipt of these payments is in no way dependent upon the use of any particular input or other component of production. To be entitled to payments, a producer need only establish that it has, in fact, exported redraw rod. Further, SURAL received export payments on all of its sales to the United States and the United Kingdom, and it recorded these payments as "sales revenue" in its financial records.

Insofar as the export bond proceeds were essentially part of SURAL's net return on its sale to the United Kingdom, the Department concluded that such proceeds must be taken into account in determining whether SURAL's sale prices to the United Kingdom was below its cost of production within the meaning of section 733(b). While the export bond proceeds might also have been treated as a reduction in the cost of production, it was more appropriate to consider them in the context of the third-country sales price. *See e.g., Certain Fuel Ethanol From Brazil; Final Determination of Sales at Less Than Fair Value,* (51 FR 5572, Feb. 14, 1986) (addition to selling price for export payments "because these payments were directly related to the exportation of the ethanol and because they effectively enhanced the net return . . ."). Despite the fact that the ostensible use of the export bond is to reduce the receipient's tax liability, which would seem to suggest that it has the effect of lowering costs, the bond is normally redeemed for cash to other firms or to banks at a slight discount from its face value. Thus, its *de facto* purpose is to enhance the revenue which a firm receives on each export sale, the effect of which is no different than if SURAL had charged a higher price. Consequently, the Department decided to treat the export bond proceeds as sales revenue and adjust the sales price upward rather than adjust the cost of production downward. A comparison of SURAL's third-country price, as "adjusted," revealed that this third country sale was above cost. Therefore, we are using SURAL's sale to the United Kingdom as the basis for foreign market value.

In connection with the Department's less than fair value comparison between foreign market value and United States price, it is our consistent practice to adjust foreign market value for export payments that are directly related to the production and/or sale of the products under investigation, and which are recorded in the financial records of th exporter. *See e.g., Certain Welded Carbon Steel Standard Pipe and Tube from India; Final Determination* (51 F 9089, March 17, 1986) (circumstances sales adjustment to foreign market va for export payment); *Certain Iron Construction Castings From India; Fi Determination of Sales of Less Than Fair Value* (51 FR 9486, March 19, 198 (export payment treated as direct offs to material costs); *Red Raspberries From Canada; Final Determination of Sales of Less Than Fair Value,* (50 FR 1976, May 10, 1985) (export payment unconnected with cost of inputs treat as general revenue and offset to gene expenses). Since the proceeds from th export payment were added to third- country price for purposes of our analysis under section 773(b) of the A it was appropriate, and consistent wi a reasonable interpretation of the statute, to also commence our less tha fair value analysis under section 731 the Act with a foreign market value based upon upwardly adjusted third- country prices. As a result, we achiev a fair comparison of foreign market value with United States price by making a circumstances of sale adjustment to SURAL's foreign mark value pursuant to section 353.15 of ou regulations in the amount of the difference between the value of the export bonds received on U.S. sales a the value of the export bond received the third-country sale, as adjusted. W believe a circumstances of sale adjustment is more appropriate than direct offset to production costs (including general expenses) because we explained above, receipt of the payments is not tied to the use of any particular input or other component c production, and SURAL recorded the payments in its financial records as "sales revenues."

Comment 13: Respondent argues th the level of export subsidies as determined in the concurrent final countervailing duty determination m be subtracted from the dumping mar for duty deposit purposes.

DOC Position: We disagree. Articl VI(5) of the General Agreement on Tariffs and Trade provides that "[n]c product * * * shall be subject to bot anti-dumping and countervailing dut to compensate for the same situation dumping or export subsidization." Consequently, it is our practice to ad antidumping duty deposit requireme in the amount of any estimated countervailing duties that have been imposed to offset unfair export subsidies, but only to the extent the

margin of price discrimination is due to export subsidies. In this case, the foreign market value is based on a sale to a third country, which as an export sale benefits from the same export subsidies as the U.S. sales. Since both the foreign market value and the U.S. sales benefit from the same export subsidy programs, we determine that the dumping margin is not attributable to the export subsidies. Therefore, we will not subtract the level of export subsidies found in the corresponding final countervailing duty determination from the final dumping margin.

Comment 14: Respondent contends that the same exchange rate must be used to convert the London Metals Exchange (LME) price to calculate the cost of production and to convert the sales price, because the average LME price in each month was converted into bolivares using the exchange rate in effect in that month. Therefore, the effect of exchange rate fluctuations on the price of aluminum can be eliminated by recalculating the LME price in bolivares using a single exchange rate.

DOC Position: The Department used the weighted-average price paid by SURAL for its aluminum purchases for the five months preceding its shipment of aluminum redraw rod to the United Kingdom. It is the Department's practice to use the actual costs incurred by the company to manufacture the product under investigation. Although the aluminum price may have been linked to the LME price, the price paid by SURAL to an unrelated supplier was charged and paid in bolivares. There is no basis for revising the actual costs incurred by the company for its aluminum. (*See, also DOC Position* to *Comment 20.*)

Comment 15: Petitioner contends that net foreign exchange gains claimed by the respondent should not be used to reduce the interest expenses because these gains were not incurred on funds held for operations.

Respondent contends that the Department should offset foreign exchange gains against financial expenses because SURAL incurred net foreign exchange gains on funds held for general business purposes in accounts denominated in foreign currencies.

DOC Position: Net foreign exchange gains were not considered as an offset against financial expenses because the gains were not identified with the production of aluminum redraw rod. For example, the aluminum, which constitutes a major portion of the cost of production, is purchased in Venezuela and all facilities used for the production of redraw rod are located in Venezuela.

Comment 16: Respondent contends that the Department should include certain "Other Income" items in calculating "costs of manufacture" because each of these items is directly related to the cost of production.

DOC Position: The Department included certain "Other Income" items in calculating "cost of manufacture" when these items (scrap revenue, prompt payment discount, any incidental income earnings, etc.) were directly related to the normal business operations.

Comment 17: Petitioner argues that the Department should continue to use the method it employed in the preliminary determination for allocating selling expenses in calculating cost of production and constructed value, *i.e.*, on the basis of cost of goods sold.

DOC Position: In our preliminary determination, we allocated general, selling and administrative expenses from SURAL's 1985–1986 audited financial statement over the cost of goods sold from SURAL's 1985–1986 financial statement. In the original questionnaire response, respondent allocated selling expenses were over orders processed, but later adopted the Department's allocation method both at verification and in its April 25, 1988 submission. For the final determination, the Department allocated selling expenses over cost of goods sold from SURAL's 1986–87 audited financial statement which was received March 9, 1988.

Comment 18: Petitioner argues that credit costs on purchase price transactions should be calculated on the basis of best information available because SURAL misidentified the payment date on five of six transactions.

Respondent contends that the terms of payment for all the sales were by letter of credit payable at sight. Because SURAL was entitled to payment at sight, no credit expenses were claimed for these sales. Respondent argues that this is consistent with the Department's practice in *Certain Iron Construction Castings from Brazil; Final Determination of Sales at Less than Fair Value*; (51 FR 9477, March 19, 1986) and *Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Products from Brazil*, (49 FR 28298, July 11, 1984).

DOC Position: We could not verify the short-term interest rate incurred by SURAL during the period of investigation in either Venezuela or the United States. In addition, we observed at verification that SURAL was not actually credited by the bank for substantial periods on a number of letters of credit which were termed as requiring payment at sight. As a result, we have determined that it is appropriate to make no adjustment for credit in either market on the basis of best information available under section 776(b) of the Act.

Comment 19: Petitioner argues that the Department should base its final determination on the best information available, which is the simple average of the dumping margins alleged in the petition (*i.e.*, 24.26 percent). ITA has issued numerous deficiency letters, and SURAL has submitted 13 supplemental responses. New data were submitted immediately before, during and after verification. At the very least, petitioner asserts that dumping margins for SURAL's ESP transactions should be based on best information available in light of the substantial revisions and additions submitted just prior to and after verification in Venezuela.

Respondent contends that the *de minimis* nature of the revisions does not warrant use of best information available. Respondent argues that its changes were limited to ESP sales that represented less than 13 percent of SURAL's total U.S. sales. Respondent claims that ESP sales were sufficiently verified in Venezuela and tied to SURAL's audited financial statements. With respect to individual variables in the ESP data base, respondent argues the following: ALNOR's interest on its overdrafts represents a penalty and should not be used to calculate the credit expense on ESP sales; if the overdraft rate is used it should be included as part of a weighted-average interest rate for SURAL since the account in question was under the control of SURAL; ALNOR's indirect selling expenses should be used because they were traced both to individual checks and to SURAL's audited financial statements, and should be allocated between purchasing and selling activities according to the ratio of ALNOR's total sales to its total purchases during the period of investigation. Finally, respondent submitted comments concerning the verification procedures followed by the Department's verification team, including the length of time spent on verification, and questioned the experience and abilities of the analysts conducting the verification.

DOC Position: The Department made every attempt to verify the information supplied. Standard verification procedures were followed. The Department extended every reasonable opportunity to respondent to ensure the filing of complete and accurate responses prior to both verifications. Where the information or documentation supplied was unclear,

we requested clarification. When completely new data were submitted during the course of the verification, (*e.g.*, U.S. warehousing and handling charges), we made every effort to verify those data. The verification reports reflect the results of that process. New data were submitted on the eve of verification, during verification, and after verification in the United States. This proceeding has been extended at the request of both parties by a total of over 100 days. Yet, even after the examination of the ESP data submitted during verification in Venezuela, there were still major variables in the ESP data base that could not be verified.

During the public hearing, respondent conceded that there were "problems obtaining information from ALNOR's offices regarding ESP transactions" and that "in the initial verification at ALMOR certain facts could not be verified." (Transcript of public hearing at pages 53 and 54.) In addition, respondent's efforts to support the ESP data during the verification in Venezuela failed. Under these circumstances, where the deficiencies in the verification of the ESP sales are too numerous and too grave to remedy, the Department is required to use best information available. (*See* also the discussion of use of best information available in the "Fair Value Comparisons" section of this notice.) Given the number of revisions to the ESP data that were submitted by SURAL, there is a serious question of whether SURAL's information should be rejected under the Department's procedures as substantially a "new" response submitted after the preliminary determination. Since the new data was not ultimately usable as verified, we do not need to reach this question (*See Final Determination of Sales at Less Than Fair Value; Certain Internal-Combustion, Industrial Forklift Trucks from Japan* (53 FR 12552, April 15, 1988)).

In contrast, for purchase price sales and the third country sale, we were able to verify all the data reported with the exception of SURAL's short-term credit expenses (for which the Department is using the best information available). Therefore, these sales are being used for the price-to-price comparisons.

Comment 20: Respondent argues that if the exchange rate and the cost of production are determined on a consistent basis, the sale to the United Kingdom is not below the cost of production. Respondent contends that, in the period between the contract date and the actual shipment date, both the value of the British pound vis-a-vis the bolivar and the cost of primary aluminum in bolivars increased. In the preliminary determination, the Department used the weighted average cost of production for the February to June period but exchanged the sale to the United Kindgom on the date of sale. Respondent argues that this methodology seriously distorted the price-to-cost comparison insofar as the sole sale to the United Kingdom occurred at the beginning of a period in which production costs increased significantly because the cost of the primary material input, aluminum, rose in tandem with the appreciating British pound. Respondent concludes that it is unreasonable and unfair to take the appreciation of the pound into account in measuring the cost of aluminum, while at the same time ignoring it in measuring the price that SURAL received.

Petitioner asserts that the Department followed the proper cost and currency conversion methodologies in the preliminary determination. Petitioner rebuts respondent's argument on the grounds that the methods proposed by respondent either artificially reduce SURAL's production costs or take into account exchange rate gains realized after the date of sale. Petitioner claims that respondent's reliance on *Melamine Chemicals, Inc. v. United States*, 732 F. 2d 924 (Fed. Cir. 1984), as authority to abandon the Department's usual practice is erroneous. Petitioner argues that *Melamine* in fact validates section 353.56(b) of Commerce's regulations (19 CFR 353.56(b)), which sets forth the Department's rule for exchange rate conversions in the presence of "temporary exchange rate fluctuations." According to petitioner, two conditions must be present before the section applies: (1) The exchange rate must fluctuate rather than merely undergo a sustained change, and (2) the dumping margin must be solely the result of the exchange rate fluctuation. Petitoner contends that, in this care, neither criterion has been met.

DOC Position: We determined that the third country price was above the cost of production using the exchange rate on the date of sale. Since the price was found to be above cost using our standard procedure for exchanging the price to an average cost of production, there is no need to reach this issue in this case.

Verification

Except where noted, we verified the information used in making our final determination in accordance with section 776(a) of the Act. Department officials spent approximately three weeks both in Venezuela and in the United States verifying the responses submitted. We used standard verification procedures including examination of relevant accounting records and original source documents of the respondent. Our verification results are outlined in detail in the public versions of the verification reports which are on file in the Central Records Unit (Room B-099) of the Main Commerce Building.

Continuation of Suspension of Liquidation

We are directing the U.S. Customs Service to continue to suspend liquidation of all entries of redraw rod from Venezuela entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**. The U.S. Customs Service shall continue to require on all entries a cash deposit or the posting of a bond equal to the estimated average amounts by which the foreign market value of redraw rod from Venezuela exceeds the United States price as shown below. This suspension of liquidation will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Weighted-average margin (percentage)
SURAL	5.80
All Others	5.80

The cash deposit or bonding rate established in the preliminary antidumping duty determination shall remain in effect with respect to entries or withdrawals from warehouse made prior to the date of publication of this notice in the **Federal Register**. This suspension of liquidation will remain in effect until further notice.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

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 on redraw rod from Venezuela entered or withdrawn from warehouse, for consumption, after the effective date of the suspension of liquidation, equal to the amount by which the foreign market value exceeds the U.S. price.

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

Jan W. Mares,

Assistant Secretary for Import Administration.

June 22, 1988

[FR Doc. 88-14656 Filed 6-29-88; 8:45 am]

BILLING CODE 3510-OS-M

[C-307-702]

Final Affirmative Countervailing Duty Determination; Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

AGENCY: Import Administration, International Trade Administration, Commerce.

ACTION: Notice.

SUMMARY: We determine that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Venezuela of certain electrical conductor aluminum redraw rod (redraw rod). The estimated net subsidy is 64.62 percent *ad valorem*. However, consistent with our policy of taking into account verified program-wide changes that occur before our preliminary determination, we are adjusting the duty deposit rate to reflect changes in the Exchange of Export Earnings Under the Multiple Exchange Rate System and the Export Bond Program. Therefore, the rate for duty deposit purposes is 38.40 percent *ad valorem*.

We have notified the U.S. International Trade Commission (ITC) of our determination. If the ITC determines that imports of redraw rod materially injure, or threaten material injury to, a U.S. industry, we will direct the U.S. Customs Service to resume suspension of liquidation of all entries of redraw rod from Venezuela that are entered, or withdrawn, from warehouse, for consumption on or after the date of publication of our countervailing duty order and to require a cash deposit on entries of redraw rod in an amount equal to the duty deposit rate.

EFFECTIVE DATE: June 30, 1988.

FOR FURTHER INFORMATION CONTACT: Roy Malmrose or Barbara Tillman, Office of Investigations, Import Administration, International trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: 202/377-2815 (Malmrose) or 202/377-2438 (Tillman).

SUPPLEMENTARY INFORMATION:

Final Determination

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

- Exchange of Export Earnings Under the Multiple Exchange Rate System
- Export Bond Program
- Preferential Input Pricing
- Short-term FINEXPO Financing
- Interest-free Loan from a Government-owned Aluminum Supplier

Case History

Since the last **Federal Register** publication pertaining to this investigation [*Preliminary Affirmative Countervailing Duty Determination: Certain Electrical Conductor Aluminum Redraw Rod from Venezuela* (52 FR 38113, October 14, 1987)], the following events have occurred. On October 2, 1987, we presented respondents with a supplemental questionnaire concerning petitioner's allegations. On October 16, 1987, we presented respondents with a supplemental questionnaire concerning an equity investment by a government-owned aluminum supplier in one of the respondent companies.

On November 2, 1987, at petitioner's request, we extended the final determination date in this investigation to March 7, 1988, to coincide with the final determination date in the companion antidumping investigation (52 FR 42703, November 6, 1987). On December 1, 1987, again at petitioner's request, the date for the preliminary determination in the companion antidumping investigation was extended until February 1, 1988, thereby extending the final determination in both investigations until April 16, 1988 (52 FR 46386, December 7, 1987). On January 26, 1988, we received responses from respondents to our questionnaire concerning the equity investment. On February 9, 1988, we notified Customs to terminate the suspension of liquidation in this investigation as of February 12, 1988. On February 23, 1988, we presented respondents with another supplemental questionnaire concerning aluminum input pricing, FINEXPO financing, and the equity investment. On March 21, 1988, at respondents' request, we extended the final determination date for this investigation and the antidumping investigation until June 22, 1988 (53 FR 9675, March 24, 1988). On March 25, 1988, we received a request from the Government of Venezuela (GOV) for a 13-day postponement of our verification to April 18, 1988.

On April 5, and April 11, 1988, we received partial responses from respondents to our October 2, 1987, and February 23, 1988, supplemental questionnaires. Between April 18 and May 12, 1988, we conducted verification in Venezuela. On May 4, 1988, we received data from respondents regarding the purchase of imports by the redraw rod producers during the review period. On May 9, 1988, we received revised data from respondents regarding CABELUM's and ICONEL's purchases of primary aluminum. On May 16, 1988, we received amended responses regarding the levels of FINEXPO financing received by SURAL and ICONEL during the review period.

In response to requests made at verification, On May 27, 1988, we received all of ALCASA's price lists for primary aluminum and an amended response concerning SURAL's purchases of primary aluminum. On June 2, 1988, we received further information from respondents with respect to the determination of domestic aluminum prices in Venezuela. Although no public hearing was requested, initial briefs were filed on June 8, 1988, and rebuttal briefs on June 10, 1988, by petitioner and respondents.

On April 19, 1988, we received a proposed suspension agreement from respondents. On May 17, 1988, we received from respondents a public interest argument in support of their proposed suspension agreement. On May 18, 1988, we received a letter from Reynolds Aluminum Corporation supporting the proposed suspension agreement. We reviewed the respondents' suspension agreement and its public interest letter. We determined that a suspension agreement was not appropriate in this case and notified the respondents of our decision.

Scope of Investigation

The product covered by this investigation is certain electrical conductor aluminum redraw rod, which is wrought rod of aluminum, electrically conductive and containing not less than 99 percent of aluminum by weight. Redraw rod is currently classified under item numbers 618.1520 and 618.1540 of the *Tariff Schedules of the United States, Annotated* and under item numbers 7604.10.30 and 7604.29.30 of the Harmonized System.

Standing

An August 31,1987, the Department received a letter from Reynolds Aluminum stating that the company takes no position with respect to the petition filed by Southwire. On September 7, 1987, we received a letter from the respondents challenging Southwire's standing to file the petition and requesting dismissal of the petition on the grounds that the petition was not filed "on behalf of" the United States industry, as required by section 702(b)(1) of the Act.

On September 24, 1987, we received a letter from Alcoa Conductor Products Company (ACPC), a division of the Aluminum Company of America (ALCOA), stating that ACPC does not support the position taken by Southwire in its petition and that the petitioner did not speak on behalf of or represent that firm in the proceeding. On October 8, 1987, we sent a letter and a questionnaire to ALCOA requesting information as to the nature and extent of the firm's activities, including its production of redraw rod in the United States, and its percentage share of the United States market. In an October 22, 1987 letter, responded to the Department's request for information. In its ALCOA response ALCOA included an estimate of its share of the U.S. redraw rod market in 1986.

In a November 2, 1987 letter, respondent asserted that on the basis of the ACPC letter, the Department was now required to "canvass the views of all industry members to determine whether they in fact support Southwire." On November 12, 1987, the Department received a letter from the Aluminum Trades Council opposing Southwire's petition because jobs may be jeopardized as a result of a lack of availability of aluminum rod. On June 6, 1988, the Department received a letter from the Aluminum, Brick and Glass Workers International Union expressing its opposition to the petition.

The statutory provision that governs the standing of parties to bring petitions requires the commencement of an investigation "whenever an interested party . . . files a petition . . . on behalf of an industry" (section 702 of the Act). As we have stated in prior cases [*see e.g., Final Affirmative Countervailing Duty Determination; Certain Stainless Steel Hollow Products from Sweden* (52 FR 5794, February 26, 1987); *Final Negative Countervailing Duty Determinations; Certain Textile Mill Products and Apparel from Malaysis* (50 FR 9852, March 12, 1985)], as well as in the preliminary determination in this case, the Department relies upon the petitioner's representation that it has filed "on behalf of" the domestic industry until it is affirmatively shown that a majority of the domestic industry opposes the petition. The Department bases this position on the fact that neither the Act nor its legislative history restricts access to the unfair trade laws by requiring that parties petitioning for relief under these laws establish affirmatively that a majority of the members of the relevant domestic industry support the petition. The only requirement is that the party filing the petition act as the representative of the domestic industry.

As we have noted in other cases, to require a petitioner to establish affirmatively that it has the support of a majority of the industry on whose behalf it has filed the petition would, in many cases, "be so onerous as to preclude access to import relief under the antidumping and countervailing duty laws." *Frozen Concentrated Orange Juice from Brazil; Final Determination of Sales at Less than Fair Value* (52 FR 8324, 8325, March 17, 1987).

When a member or members of the domestic industry challenge the assertion of the petitioner that it has filed "on behalf of" the domestic industry, the Department will examine the challenge. When evaluating the challenge, the Department does not consider the following circumstances as evidence of opposition to a petition: a statement by a member of the domestic industry that it does not take any position with respect to the petition, *e.g.*, the Reynolds letter; a statement by an entity that is not a member of the domestic industry, *e.g.*, the letter from the Aluminum Trades Council; opposition to a petition expressed by the respondents or the government that is subject to the investigation.

Where domestic industry members opposing a petition provide a clear indication that there are grounds to doubt a petitioner's standing, the Department will evaluate the opposition to determine whether the opposing parties do, in fact, represent a majority of the domestic industry. Commerce tailors its examination of opposition to the particular facts of the case. Typically, the Department does not canvass the entire domestic industry. Instead, it generally requests the opponent to supply information on the nature and extent of its involvement in the domestic industry. By cumulating the proportion of the domestic industry that is represented by each of the parties in opposition, the Department is able to determine the degree of opposition overall. This was the course followed by the Department in this case.

After ACPC registered its opposition to the petition, the Department sent a questionnare to ACPC to determine the nature and extent of its involvement in the redraw rod industry. From the response, Commerce determined that ALCOA did not represent a majority of the domestic industry. After the Department received the letter from the Aluminum, Brick and Glass Workers International Union, it sent a questionnaire on June 15, 1988 to the Union to determine the proportion of the domestic industry represented by the Union. As of the date of the final determination, the Union had not responded to the questionnaire. No other industry members have expressed opposition to the petition.

Absent evidence of opposition to the petition by other members of the domestic industry, the Department had no basis to conclude that a majority of the industry opposed the petition.

Therefore, the Department reaffirms its preliminary determination in this case that the petition was filed on behalf of the domestic industry, and that the petitioner has standing to bring this petition.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidization (the review peroid) is calendar year 1986. As is common under our method of analysis, if the companies under investigation have different fiscal years, which was the case in this investigation, our review period is the most recently completed calendar year. Based upon our analysis of the petition, the responses to our questionnaires, verification, and written comments from respondents and petitioner, we determine the following:

I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters of redraw rod in Venezuela under the following programs:

A. Exchange of Export Earnings Under the Multiple Exchange Rate System

We have divided our discussion of the multiple exchange rate system into four parts. In this section, we will provide a brief history of the multiple exchange rate system and an overview of how the system currently operates. We will also discuss one aspect of the multiple exchange rate system: the exchange of export earnings. The two other aspects of the multiple exchange rate system, the granting of foreign currency at preferential rates of exchange for the purchase of imports, and the registration of foreign currency debt, are discussed in the "Programs Determined Not to Confer a Subsidy" section.

1. *History and Overview of the Multiple Exchange Rate System.* After more than 19 years under a fixed rate system of 4.30 bolivares (Bs.) to the dollar, the GOV authorized the establishment of a multiple exchange rate system following the devaluation of the bolivar on February 22, 1983. The multiple exchange rate system was intended to give the Venezuelan government greater control over Venezuela's foreign exchange reserves and to manage the inflationary impact of the devaluation of the bolivar.

The Central Bank of Venezuela (CBV) and the Ministry of Finance (MOF) signed an Exchange Agreement on February 28, 1983, instituting the multiple exchange rate system. A fixed rate of Bs. 4.30 to the dollar was established for, among other things, the sale of foreign exchange by the CBV for payments on foreign-sourced private and public debt and the importation of products designated as "essential goods." A second fixed rate of Bs. 6.00 to the dollar was applied to, among other things, the importation of goods and services not declared essential. In addition to these rates, a floating free market rate was established for all exchange operations not specifically provided for elsewhere.

On February 24, 1984 a new Exchange Agreement between the MOF and the CBV was signed altering the multiple exchange rate system. The rate of Bs. 6.00 to the dollar, as it applied to the importation of goods and services not declared essential, was replaced by a new rate of Bs. 7.50 to the dollar. The new Exchange Agreement also initiated a procedure whereby exporters were required to exchange a portion of their export earnings, depending on the value of the imported component of the exported good, at the Bs. 7.50 rate. The remainder of their export earnings could be exchanged at the free rate.

On December 6, 1986, another new multiple exchange rate system to approximately its present state. A new fixed rate of Bs. 14.50 to the dollar was established which applied to the importation of goods and services not declared essential and to the conversion of export earnings. As of the date of this Agreement exporters were required to exchange 100 percent of their foreign exchange export earnings at the Bs. 14.50 to the dollar rate. The Bs. 7.50 to the dollar rate was applied to imports deemed "essential" and found on the "essential goods" list. This same rate also applied to the payment of private debt which had been registered with the GOV. (Access to other rates of exchange are also available for payment of shipping costs.)

2. Exchange of Export Earnings Under the Multiple Exchange Rate System. As noted above, beginning in 1984, exporters were required to exchange a portion of their export earnings at the official controlled rate of Bs. 7.50 to the dollar. The exact percentage of export earnings that had to be exchanced at this rate was determined by the imported value of the exported product. The imported content of a company's exports was determined by deducting a company's national value-added (VAN) percentage from 100 percent. The VAN percentage is calculated for every exporter in Venezuela by the Institute of Foreign Trade. A company's VAN percentage is based on the difference between the FOB value of a company's exported goods and the cost of the goods' imported components.

From January through June 1986, exporters wre required to sell 50 percent of the value of the imported component of their exported goods at the official controlled rate of Bs. 7.50 per dollar. In July 1986, the percentage was increased to 80 percent. Finally in December 1986, Decree 1379 obligated exporters to sell 100 percent of their export earnings at the official Bs. 14.50 per dollar rate of exchange.

Until the December 1986 change in the multiple exchange rate system, the redraw rod producers were able to buy imports at the official controlled rate of exchange of Bs. 7.50 per dollar but convert a portion of their export earnings at the free market rate of exchange, which was substantially higher. (The imports found on the essential goods list applicable for the period, which could be purchased at the Bs. 4.30 per dollar rate, consisted of medicinal and agricultural products; thus, the Bs. 4.30 rate did not benefit the redraw rod producers.) The difference between the official controlled exchange rate of Bs. 7.50 to the dollar, available to purchase the majority of Venezuelan imports, and the higher composite rate—consisting of the free and the official controlled rates—used for exchanging export earnings, provided a benefit to exporters.

We determine that, under the multiple exchange rate system as it existed bedfore December 1986, a subsidy was conferred on exports because one dollar received from export sales yielded more bolivares than the amount exporters had to pay to purchase one dollar for imports. Because receipt of the higher exchange rate is contingent upon selling dollars earned from export sales, we determine that the exchange of export earnings under the multiple exchange rate system conferred an export subsidy.

To calculate the benefit from this program during the review period, we first converted the total FOB dollar value of redraw rod sales to the United States to bolivares at the official controlled rate of exchange (*i.e.*, Bs 7.50 to the dollar). We then subtracted this amount from the total bolivar amount, as recorded in the accounting records of the redraw rod producers, actually received from sales of redraw rod to the United States. (The bolivar amount recorded in the accounting records of the redraw rod producers is reflective of a composite exchange rate, consisting of the free and official controlled rate). The difference is the benefit. We then divided the beneift by the total bolivar value of sales of redraw rod to the United States. On this basis, we calculated an estimated net subsidy of 53.06 percent *ad valorem*.

We verified that the December 6, 1986 change in the multiple exchange rate system unified the rate at which exporters must convert their export earnings and the rate available to buy the vast majority of Venezuelan imports, *i.e.*, Bs. 14.50 per dollar. We also verified that the number of essential goods eligible to be imported at the Bs. 7.50 rate is very limited, has been decreasing over time, and consists of medicinal and agricultural products. This rate for essential goods is not used by the redraw rod producers to purchase imports; the imports of the redraw rod producers can only be obtained at the Bs. 14.50 rate.

Because the GOV eliminated the differential between the rate for purchasing imports and the rate at which export proceeds are converted, we determine the benefit to exporters of redraw rod under the multiple exchange rate system to be eliminated. Therefore, consistent with our policy of taking into account verified and measurable program-wide changes that occur before our preliminary determination, we determine that the multiple exchange rate system no longer confers an export

ubsidy on exports of redraw rod. Therefore, the duty deposit rate for this program is zero.

3. Export Bond Program

The export bond program was established in 1973 by the Law on Export Incentives. It is administered by the Fund for Financing Exports (FINEXPO). Under the program, Venezuelan redraw rod exporters are remunerated for their exports by the GOV in the form of export bonds which may be used to pay taxes or sold for cash.

The value of the export bond is based on a percentage, known as the export bond percentage, of the FOB value of the product exported. The applicable export bond percentage for a company corresponds to that company's VAN percentage. For example, during part of the review period, a company with a VAN of 70 percent was eligible for a 25 percent export bond percentage.

The face value of the export bond is calculated by multiplying the export bond percentage by the FOB value of the exported goods expressed in bolivares (converted at the official rate of exchange: Bs. 7.50 to the dollar prior to December 1986 and Bs. 14.50 to the dollar after December 1986). The resulting figure is the face value of the export bond. We verified that the redraw rod producers enter the value of the export bonds into their accounting records on the date of the invoice.

To receive an export bond, a firm submits to its commercial bank the invoice and shipping documents for the exported merchandise. The bank reviews the documents and remits them to the CBV which issues the export bond.

We verified that all three redraw rod producers took advantage of the export bond program during the review period. We also verified that during the review period, the export bond percentage for the redraw rod producers varied from 20 to 25 percent. Because this program is limited to exporters and does not operate to rebate any indirect taxes, we determine that this program confers an export subsidy on redraw rod.

To calculate the benefit for the review period, we divided the bolivar amount of bonds earned on export sales of redraw rod to the United States by the export sales of redraw rod to the United States. On this basis, we calculated a net subsidy of 11.06 percent *ad valorem*.

The various export bond percentages were increased in January and June of 1987. In January 1987, the applicable export bond percentages for the redraw rod producers rose from 18 and 25 percent to 25 and 30 percent, respectively. In July 1987, the applicable rates were increased again from 25 and 30 percent to 30 and 38 percent, respectively. Consistent with our policy of taking into account verified and measurable program-wide changes that occur before the preliminary determination, we are taking into account the latest increase in the applicable export bond percentages for duty deposit purposes.

To calculate the benefit for duty deposit purposes, we weight-averaged the export bond percentage applicable to each redraw rod producer by each company's proportion of the value of Venezuelan exports of redraw rod to the United States. (This methodological approach was not feasible for the review period because the dollar FOB value for export bond calculation purposes during the review period was totally converted at the official controlled rate, while the redraw rod producers were able to convert part of the dollar FOB value of each sale into bolivares at the free market rate). On this basis, the duty deposit is 37.90 percent *ad valorem*.

C. Preferential Pricing of Inputs Used To Produce Exports

Petitioner alleged that ALCASA and VENALUM, government-owned producers of primary aluminum, are directed by the GOV to charge preferential prices to domestic customers who purchase aluminum for further processing and subsequent export.

The questionnaire responses indicated that the price of primary aluminum for incorporation into domestically sold products (the domestic price) was set based on an average of the London Metals Exchange (LME) price in the three months previous to the sale of the primary aluminum. Contrary to this information, it now appears that the domestic price of primary aluminum in Venezuela has generally been based upon the cost of production of ALCASA, plus a reasonable profit.

The price charged by ALCASA and VENALUM for primary aluminum to be incorporated into exported products (the export price) is calculated according to the export price formula agreed to by certain government agencies and the two aluminum suppliers, ALCASA and VENALUM. The basis of the export price formula is the LME cash settlement price, in the month previous to the export date, as listed in *Metals Week*. To calculate the final price charged, certain discounts are first deducted from the LME price. Then the discoutned LME price is converted into bolivares. For most of the review period, the exchange rate at which the LME price was converted was the rate at which the aluminum suppliers could exchange their export earnings. (This was a composite rate, similar to that described with respect to the redraw rod producers in the section, "Exchange of Export Earnings Under the Multiple Exchange Rate System", above.) Beginning in December 1986, the official controlled rate of Bs. 14.50 to the dollar was used to convert the discounted LME into bolivares.

The general practice of VENALUM and ALCASA is to first invoice their customers at the domestic price. When the amount of product exported by their customers can be confirmed, through the provision of quarterly reports, a price adjustment is made. This procedure was followed by two of the three redraw rod producers. The third redraw rod producer was invoiced at the export price for January through August of 1986. Thereafter, this redraw rod producer was billed the domestic price. The price adjustment, covering the second half of 1986 and the first half of 1987 (the adjustment for the second half of 1987 has not yet been made), for this redraw rod producer was made on April 21, 1988. The information obtained regarding this price adjustment indicates that the LME base price for this redraw rod producer differed from the LME price charged the other redraw rod producers.

We verified the final monthly net domestic and export prices charged and paid by each of the three redraw rod producers. We found that in two months, for two producers, the export price charged was lower than the domestic price. Since receipt of the lower export price was contingent upon export performance, we determine that the difference between the domestic price and the export price in the above-referenced months constitutes an export subsidy.

We calculated the benefit by subtracting the amount paid under the export price from the amount that would have been paid under the domestic price. The difference is the benefit. Dividing the benefit by the total export sales of the three redraw rod producers, we calculated an estimated net subsidy of 0.22 percent *ad valorem*.

D. Short-Term FINEXPO Financing

The Fund for Financing Exports (FINEXPO) administers a number of financing programs available to exporters. (See the "Programs Determined Not To Be Used" section of this notice for a description of all the FINEXPO programs.) We verified that

two of the three producers of redraw rod had loans on which interest was paid during the review period under one of the FINEXPO short-term financing programs. Under this program, FINEXPO, in conjunction with Venezuelan commercial banks, provides short-term loans to Venezuelan exporters. Export receivables, such as drafts under letters of credit, are used as collateral. FINEXPO provides to the participating commercial bank up to 60 percent of the loan principal for these loans at five percent interest. The commercial bank provides the remaining loan principal amount and is required to charge the exporter an average of the FINEXPO rate and its own commercial rate.

Because only exporters are eligible for these loans, we determine that they are countervailable to the extent that they are provided at preferential interest rates. It is our practice to use the national average commercial interest rate or the most comparable, predominant commercial rate for short-term financing as the benchmark for short-term loans. We are using as our benchmark rate the national average interest rate charged on loans of less than one year, as shown in the 1986 Annual Report of the CBV. Based on our discussions at the CBV, this rate reflects the average short-term commercial lending rate of commercial banks. Comparing this interest rate to the rate charged under the FINEXPO program, we find that the rate on the FINEXPO financing is preferential. Therefore, we determine the FINEXPO loans under this program to be countervailable.

To derive the benefit for one of the redraw rod producers, we calculated the amount of interest that would have been paid at the benchmark rate on those loans related to sales to the United States on which interest was paid during the review period. For the other producer, we calculated the amount of interest that would have been paid at the benchmark interest rate on those FINEXPO loans related only to sales of redraw rod to the United States (this methodology was not feasible for the first redraw rod producer because the export receivables of the first producer, used as collateral, related to both redraw rod and other products). We subtracted from the above two figures the amount of interest that was actually paid. We then divided the difference by the total sales to the United States by the first producer and the total sales of redraw rod to the United States by the other two producers. On this basis, we calculate an estimated net subsidy of 0.14 percent *ad valorem*.

E. Interest-Free Loan From a Government-Owned Aluminum Supplier

During verification we discovered that one of the government-owned primary aluminum supplier companies had provided one of the redraw rod producers with a large loan. In response to our questions, company officials stated that no principal or interest payments had been made on this loan since 1985. No other information concerning this loan was offered. Using the limited information on the record as best information available, we assume that this loan was made to a specific enterprise and that it was given on terms inconsistent with commercial considerations. Therefore, the loan is countervailable.

To calulate the benefit, we considered this loan to be a one-year interest-free loan during the review period. We calculated the interest that would have been paid at the national average short-term interest rate found in the 1985 Annual Report of the CBV. The interest that would have been paid at the national average interest rate is the amount of the benefit. We then divided the benefit by the total sales of all three redraw rod producers. On this basis, we calculated an estimated net subsidy of 0.14 percent *ad valorem*.

II. Programs Determined Not To Confer a Subsidy

We determine that subsidies are not being provided to manufacturers, producers, or exporters of redraw rod in Venezuela under the following programs:

A. Granting of Foreign Currency at Preferential Rates for Imports Under the Multiple Exchange Rate System

As discussed above, one of the purposes in instituting the multiple exchange rate system was to establish greater control over Venezuela's foreign currency reserves. To this end, the MOF through its Office of the Differential Exchange Rate System (RECADI) issues import permits (DCIs) to importers which allow them access to preferential exchange rates for their imports.

As explained previously, imports into the Venezuelan economy are separated by the GOV into goods considered essential and non-essential. In December 1986, the exchange rate at which essential goods could be imported into Venezuela rose from Bs. 4.30 to the dollar to Bs. 7.50 to the dollar. The rate for non-essential goods rose rom Bs. 7.50 to the dollar to Bs. 14.50 to the dollar. We verified that goods considered essential were for agricultural or medicinal use and were not used by the redraw rod producers.

Since the amount of foreign exchange available in any given year for imports into Venezuela is limited, a system of allocating it among Venezuelan companies has been devised. Each year a series of negotiations takes place between the MOF and the Venezuelan Federation of Chambers of Commerce in which all Venezuelan industries are represented. As a result of these negotiations, companies receive a foreign exchange budget to purchase imports at the official controlled rate. We verified that over 8,000 individual companies, representing a broad range of industries, have been given foreign currency budgets.

Because the allocation of foreign currency at preferential rates for imports is not limited to a specific enterprise or industry, or group of enterprises or industries, we determine that it is not countervailable.

B. Registration of Foreign Currency Debt Under the Multiple Exchange Rate System

The process of registering foreign debt was begun in 1983 under Decree 1930 in order to allow Venezuelan companies to continue paying their debts at the original rate of exchange even though the GOV was devaluing the bolivar. After debts are registered at RECADI, companies are eligible to pay off the debt with foreign currency obtained at preferential exchange rates. Originally, debtors were eligible to repay their debts at Bs. 4.30 to the dollar, but the system was revised in December 1986. Debts are now eligible for a repayment rate of Bs. 7.50 to the dollar with a guarantee permium added for locking in that preferential rate. We verified that all three redraw rod producers had at least some of their foreign debt registered.

To be eligible for a registration, a company's debt must have been contracted before February 1983. The application form and all necessary documentation of the loan was to be filed with RECADI by June 1983. The ultimate decision-making power for granting debt registration was placed in a body named "Commisison 61." We verified that the registration criteria used by this body did not not favor certain industries or regions over others and did not provide a preference for exporters. We also verified through a random sample of decisions made by Commission 61 that registration decisions were made solely on the basis of the established legal criteria. In addition, we verified that the companies

which benefitted from this program were regionally diverse and included producers of a wide variety of products, including the following: tools, pumps, shoes, chemicals, plastics, non-ferrous metals, refrigeration equipment, electrical goods, petrochemicals and graphic arts.

Because registration of foreign currency debt is not limited to a specific enterprise or industry, or group of enterprises or industries, we determine that this program is not countervailable.

C. Import Duty Reductions

Petitioner alleged that a system of import duty reductions is maintained by the GOV which is aimed specifically at providing a benefit to the aluminum products industry. We verified that all three redraw rod producers received import duty reductions.

The sole program allowing import duty reductions is provided by Title IV of the Venezuelan Organic Customs Law. We verified that import duty reductions under this law are granted whenever national production or supply is inadequate to meet the demand for a particular item. We also verified that a board range of products were granted import duty reductions, including: storage batteries, adhesives and gums, coal briquets, spring water, ferrous alloys, pottery, foodstuffs, electrical insulation, carpets and fatty acids. Furthermore, we verified that if an import duty reduction is provided to one company, an other company can receive the same reduction. Since import duty reductions are not limited to a specific enterprise or industry, or group of enterprises or industries, we determine that this program is not countervailable.

D. The Financing Company of Venezuela (FIVCA)

FIVCA was established in 1976 as the financing society subsidiary to the Industrial Bank of Venezuela. (Financing societies serve to provide long-term financing in Venezuela). Its objectives are to make long-term funds available to the Venezuelan industrial sector according to the economic policies established by the GOV. FIVCA financing is covered under Article 2 of Resolution 85-10-03 of the CBV, which specifies a maximum interest rate of 14 percent for financing societies operating under Article 63, Number 6 of the General Law on Banks. Article 63 relates to the financing of industrial, agricultural, and forestry activities.

We verified that the one FIVCA loan outstanding to one of the rod producers was set at the maximum interest rate of 14 percent and that the company was making the scheduled principal and interest payments. Furthermore, we verified through an examination of the loan documentation that the interest rate charged is variable according to the maximum interest rate allowable under CBV regulations. Because this loan program does not offer financing on terms inconsistent with commercial considerations, we determine that it is not countervailable.

E. The Industrial Credit Fund (FONCREI)

FONCREI was created in 1974 by the Government of Venezuela in order to make long-term credits available to the Venezuelan industrial sector. FONCREI does not loan to applicant companies directly but does so through commercial banks and financing societies. We verified that one redraw rod producer had a FONCREI loan outstanding during the review period.

FONCREI applies the same interest rate to all of its loans in a single year. The interest rate is set by FONCREI subject to the approval of the CBV. The term of a loan differs depending on a company's ability to repay, which, in turn, depends upon a company's projected rate of return. However, no term can exceed 15 years.

Applicant companies must first be approved under a process of "prior consultation," and then after acceptance by a commercial bank, must gain final approval by FONCREI. We reviewed the criteria used by FONCREI in its decision-making process and did not find any preference given to exporters. We verified that FONCREI financing was used by the producers of: foodstuffs, footwear, basic metals, textiles, lumber, chemicals, rubber products, machinery and graphic arts. We also verified that industries throughout Venezuela benefitted from FONCREI loans. Because this loan program is not limited to a specific enterprise or industry, or group of enterprises or industries, we determine that it is not countervailable.

F. Government Equity Investment in CABELUM

In March 1986, ALCASA acquired 30 percent of CABELUM's capital stock. We examined CABELUM's financial condition by an analysis of the financial statements for the years prior to the equity acquisition. We found that prior to this acquisition, profts were increasing, the company had a positive shareholders equity, and the return on equity was adequate. Therefore, we find that CABELUM was equityworthy in 1986 at the date of the acquisition. Thus, we determine that ALCASA's acquisition of equity was not on terms inconsistent with commercial considerations.

III. Programs Determined Not To Be Used

Based on verified information, we determine that manufacturers, producers, or exporters of redraw rod in Venezuela did not apply for, claim, or receive benefits, unless otherwise noted, during the review period for exports of redraw rod to the United States under the programs listed below. Programs not described below are fully described in the preliminary determination of this investigation (52 FR 38113, October 14, 1987).

A. Preferential Tax Incentives

Petitioner originally alleged that tax incentives were available to the redraw rod producers under decrees 1384, 1374, and 1776. We verified that Decree 1384 was part of the Venezuelan customs code and that Decree 1374 had lapsed prior to the review period. At verification, we found that certain tax benefits are available to Venezuelan manufacturers under decrees 1776 and 1775, which were both promulgated on December 31, 1982.

Decree 1776 seeks to stimulate the domestic production of capital goods in order to reduce Venezuela's dependence on foreign supplies of technology. The decree sets out a series of tax benefits for makers of specific capital goods which are listed in the decree. Eligible companies may receive a variety of fiscal and financial incentives.

Decree 1775 establishes tax credits for manufacturers of finished or intermediate goods based on their level of domestic value-added. Eligible companies could receive tax credits ranging from 10 to 25 percent of the value of new investments depending on the percentage of domestic value-added of the acquired asset. These rates of credit applied only in the three years subsequent to the publication of the decree after which the rate fell to 10 percent for all eligible investments.

Although one redraw rod producer claimed Decree 1775 benefits on its tax return filed in the review period, we verified that the MOF rejected the claim. The other redraw rod producers claimed Decree 1775 benefits on their tax returns filed in 1987. Thus under our standard lag methodology for income tax programs, no benefit was provided during the review period. However, if a countervailing duty order is issued as a result of this investigation, Decree 1775 benefits will be examined closely in any administrative review under section 751 of the Act, if a review is requested.

B. Preferential Export Financing (FINEXPO)

FINEXPO was established in 1973 to promote the export of non-traditional goods and services of Venezuelan origin. FINEXPO operates a variety of programs which provide financing at preferential rates to Venezuelan exporters and, under one program, foreign importers of Venezuelan goods. Operations or capital needs for which companies can receive this financing include feasibility studies, market research, promotional expenses, fixed capital investment, working capital, bills financing, inventory financing, financing of services rendered abroad, and financing for importers representing foreign state-owned companies. FINEXPO also provides financing of bills of exchange of foreign importers of Venezuelan goods by foreign banks through lines of credit established with FINEXPO.

At verification, we discovered that one redraw rod producer applied, and was approved, for a FINEXPO working capital loan after the review period. However, FINEXPO officials stated that the loan documents had not yet been signed. We will examine this loan in any administrative review under section 751 of the Act, if a review is requested.

We verified that the other redraw rod producers did not have any other FINEXPO financing on which principal or interest was outstanding during the review period.

C. The Basic Ingredient Export Program (PIBE)

PIBE, which was established by Decree 1645 of July 8, 1987, allows for expedited approval of foreign exchange acquisitions to purchase raw material inports intended for exported goods. The program is managed by the Institute for Foreign Trade under RECADI's budget. Users of PIBE are required to resell to the CBV at the official exchange rate a percentage of their export earnings equal to the percentage of those earnings accounted for by the imported raw materials. This provision is intended to remain in effect even if the law requiring all export earnings to be exchanged at the official rate is revised. We verified that none of the redraw rod producers have been approved for the PIBE program.

D. Other Government Loans

1. Ministry of Finance (MOF)
2. The Industrial Bank of Venezuela (BIV)
3. The Venezuela Investment Fund (FIV)
4. E. Government Loan Guarantees
5. F. Sales Tax Exemption

IV. Programs Determined Not To Exist

Based on verified information, we determine that the following programs do not exist. These programs were discussed in the preliminary determination in this investigation (52 FR 38113, October 14, 1987).

A. Tax Contributions to Cover Debt Service Costs

B. Assumption of Foreign Currency Debt

Interested Party Comments

Comment 1: Respondents challenge the standing of petitioner to bring the petition "on behalf of" the domestic industry. For the proposition that a petitioner must establish that a majority of the domestic industry supports the petition, respondents rely upon *Gilmore Steel Corp. v. United States*, 7 CIT 219, 585 F. Supp. 670 (CIT 1984). In particular, respondents point to a statement by the Court that a petitioner "must also show that a majority of that industry backs its petition." *Gilmore*, 585 F. Supp. at 676. Respondents argue that because Southwire has not demonstrated that its petition has the support of a majority of the domestic industry, Southwire lacks standing to bring the petition.

DOC Position: A close examination of the *Gilmore* case reveals that the particular statement relied upon by respondent is *dicta*; it was not part of the holding or even the reasoning for the decision. It was part of the Court's recognition that there are two standing requirements in the statute: the "interested party" requirement and the "on behalf of an industry" requirement. The Court determined that the plain meaning of the words "on behalf of" is "as the representative of," "as the proxy for," or "as the surrogate." 585 F. Supp. at 675. Accordingly, the Court concluded that a petitioner may file in a representative capacity, on behalf of an industry. *Id.* at 676. The Court did not consider the question as to who bears the burden of establishing whether a petitioner is in fact representative of the industry. Indeed, there was no issue in the *Gilmore* case as to who bore the burden of establishing the petitioner's representation of the industry, because the record in that case established that Gilmore's petition was opposed nearly unanimously by the entire industry. [*See, Carbon Steel Plate from Belgium and the Federal Republic of Germany; Rescission of Notice Announcing Initiation of Antidumping Investigation and Dismissal of Petition*, 49 FR 3504 (January 27, 1984)]. The issue before the Court in *Gilmore* was whether the Department had the authority to terminate an investigation where a majority of the domestic industry affirmatively opposed the petition.

There is nothing in the statute, its legislative history, or our regulations which requires that petitioners establish affirmatively that they have the support of a majority of their industry. (*See* "Standing" section above.)

Comment 2: Although respondents do not agree that section 771(6) of the Act is inapplicable in this case, they argue that the export bond program and exchange control system must be viewed as component parts of a single mechanism through which the GOV controls exchange transactions. Respondents contend that the issue is not whether the multiple exchange rate system should be an "offset" to the export bond market. Rather, the issue is whether the net effect of the multiple exchange rate system and the export bond program confers any benefit upon the producers of redraw rod. Respondents further maintain that the relevant legislation establishing the two programs should not be expected to show a link because the legislation was not written to meet the requirements of the verification process.

Respondents make four arguments to support their proposition that the two programs are interrelated. First, they argue that the interrelationship was confirmed by statements of GOV officials during verification. Second, they point out that the original purpose of the export bond program was to compensate Venezuelan exporters for the overvaluation of the bolivar, then fixed at Bs. 4.30/dollar. Third, respondents assert that the interrelationship of the two programs is evidenced by the fact that, as the differential between the free market rate and the official controlled rate has widened, the GOV has reponded by increasing the value of the export bond. Finally, respondents contend that the interrelationship of the two programs is shown by the high correlation between the prevailing free market exchange rate and the "effective" exchange rate realized by the exporters after taking into account the value of the export bonds received.

Petitioner disagrees with respondents' position that the export bond program is a mechanism whereby Venezuelan exporters are compensated for losses allegedly sustained under the multiple exchange rate system. Petitioner asserts that the legislative history of the statutory offset provision in section 771(6) of the Act precludes treatment of

the alleged currency exchange losses as an offset to benefits received under the export bond program. Petitioner also cites the *Final Affirmative Countervailing Duty Determination: Certain Fresh Cut Flowers from Ecuador* (52 FR 1361, January 13, 1987) and a recent opinion by the Court of International Trade in *Fabricas El Carmen, S.A. v. U.S.*, 9 ITRD 1457 (CIT 1987), to support its position that the requirement of exchanging foreign exchange earnings at the official controlled rate of exchange is not a permissible offset to other subsidies received. Moreover, petitioner notes that the verification process failed to establish any relationship between the export bond program and the multiple exchange rate system.

Finally, petitioner points out that respondents' efforts to establish a linkage between the export bond program and the multiple exchange rate system in Venezuela by reference to a 1971 study of the overvaluation of Venezuela's currency actually undermines respondents' position. In particular, petitioner contends that devaluation through the adoption of a single free market exchange rate would have assisted exporters and would have had a broad impact on the Venezuelan economy. However, the GOV chose not to devalue fully the currency; it decided to maintain an overvalued currency and simply pay exporters, through the export bond program, to export merchandise. This, petitioner argues, is the most fundamental form of export subsidization.

DOC Position: We disagree with respondents that an interrelationship between the two programs has been established. First, we do not consider the exchange of export earnings under the multiple exchange rate system prior to December 1986 to be an offset to the export bond program, as provided for under section 771(6) of the Act. This section of the Act permits the Department to subtract from the gross subsidy the amount of "any application fee, deposit or similar payment." We have consistently interpreted this provision very narrowly, in accordance with the plain meaning of the language and, as petitioner points out, the very clear legislative history.

The restrictions of the multiple exchange rate system are clearly not in the nature of an "application fee, deposit or similar payment." Such payments are an essential first step in qualifying for the receipt of a benefit. The fundamental characteristic of an application fee, for example, is that it is a procedural step intrinsic to the program providing the benefit. In this case, there is a very limited amount of probative evidence that the exchange of export earnings under the multiple exchange rate system is intrinsic to satisfying the administrative and procedural requirements for qualifying for export bonds. Furthermore, we note that the legislative history makes it very clear that the list of offsets cited in section 771(6) is all-inclusive. The Department has no discretion in expanding the list of allowable offsets.

Respondents' assertion that the two programs are, in fact, components of a single mechanism by which the GOV control exchange transactions clearly poses an even more onerous burden of proof on the respondents than demonstrating that the multiple exchange rate system is an offset. The respondents are, in essence, asking the Department to find that the two programs are actually one. Yet, no hard evidence has been offered by respondents to support their assertion of an interrelationship. Despite numerous clear and repeated requests to do so, in our verification outline and during verification, respondents were unable to produce a single piece of documentary evidence showing that the two programs are related.

The Department is well aware of the fact that national legislation is not written to satisfy the requirements of a countervailing duty investigation. However, as respondents know, the Department did not limit its request for evidence of some interrelationship to national legislation. The verification outline only asked for "documentary evidence." Despite respondents' claims that the two programs are interrelated and our repeated requests for documentary evidence, we were not shown any relevant legal documents, legislative history, government agency annual reports, policy statements, internal memoranda, or academic studies which even superficially indicate that the two programs are interrelated. The annual reports of the administering authority for the export bond program, the Fund for Financing Exports, strongly indicates that the policy behind the export bond program is to stimulate non-traditional exports. In the same report, the multiple exchange rate system is not even mentioned in the description of the export bond program.

Although respondents have been able to show some correlation between the prevailing free market exchange rate and the "effective" exchange rate in 1986, this still fails to prove that a unitary system exists. (We note that the correlation is negligible in 1987.) Furthermore, without any hard evidence that the GOV created or administers these two programs as a single unified policy, this correlation is meaningless in terms of the standards set forth in the Act for determining whether a program confers a subsidy. For these reasons, we determine that respondents have not met their burden of providing that the two programs are in fact one integrated program.

Comment 3: Respondents argue that the purpose and effect of the multiple exchange rate program, as it existed for most of 1986, was to provide special treatment for certain imported goods. Therefore, according to respondents, the Department's assumption, in its preliminary determination, that the intended benefit under the multiple exchange rate system was to allow exporters to exchange a portion of their exports earnings at the free rate, is incorrect. Respondents maintain that the correct analytical approach to the multiple exchange rate system is to examine whether or not the granting of foreign currency at preferential rates of exchange to purchase imports constitutes a subsidy under U.S. law.

Respondents also take issue with the Department's statement in the preliminary determination that "one dollar received for export sales yields more bolivares than exporters paid to purchase one dollar for imports." Respondents maintain this statement is incorrect because during 1986: (1) exporters could not exchange all their earnings at the free market rate and (2) exporters often had to make use of the free market rate to import goods. In a related argument, respondents assert that the calculation of the benefit under the multipe exchange rate system did not take into account the extent to which exporters had actually utilized the preferential rates available for imports.

Respondents further contend that the implicit rationale of the Department's analysis, that a subsidy automatically arises where exporters are permitted to exchange their export earnings at a free market rate when a lower, controlled rate exists for other transactions, is without statutory support. According to respondents, the theory would lead to the imposition of countervailing duties even in situations where only a limited class of products was eligible for importation at the official rate.

Finally, respondents point out that benefitting from the exchange rate differential was not dependent upon "selling dollars earned from export sales" as was stated in the preliminary determination. According to

respondents, under Venezula's exchange control law, companies and individuals are permitted to maintain foreign currency accounts outside Venezuela and exchange such funds for bolivares at the free market rate.

Petitioner disagrees with respondents' argument that the purpose and effect of the multiple exchange rate system was to subsidize imports. Petitioner, citing a report by the United States Trade Representative, claims that since 1983, Venezuela has actively restricted imports to conserve foreign exchange.

DOC Position: The Department does not take into account the intent of the foreign government when determining the countervailability of a program. However, even if we were to assume that the intention of the GOV in establishing the multiple exchange rate system was to insulate the economy from higher price imports, the fact remains that exporters, during the review period, were able to convert a portion of their export earnings at an exchange rate more beneficial than the official controlled rate used to purchase most imports. Thus, we disagree that the focus of our attention should be solely on whether or not the granting of foreign currency at preferential rates to purchase imports constitutes a subsidy under U.S. law.

We are cognizant of the fact that during 1986 exporters could not exchange all their earnings at the free market rate and that exporters in 1986 may have had to use the free market rate to import goods. These facts, however do not change our analysis. We did not assume, in our calculation of the benefit under the multiple exchange rate system, that exporters could exchange all their export earnings at the free rate. The benefit under our methodology is the difference between the composite rate (a combination of the free and official controlled rates of exchange) used by the producers of redraw rod and the rate at which foreign currency could be obtained to purchase the vast majority of Venezuelan imports. Although respondents maintain that exporters in 1986 often had to make use of the free market rate to import goods, this assertion could not be verified.

We also disagree with respondents' contention that the implicit rationale of the Department's analysis is that a subsidy automatically arises where exporters are permitted to exchange their export earnings at a free rate when a lower controlled rate applies only to a limited class of products. These essence of our methodological approach with respect to the exchange of export earnings under the multiple exchange rate system is that the effective rate upon which the Venezuelan economy operates is the exchange rate used to import goods not designated by GOV as "essential goods." In this regard, we note that at verification we obtained a periodic economic report prepared by CBV. This report indicates that the weighted-average exchange rate for imports is predominantly reflective of the exchange rate used to obtain foreign currency to purchase products not designated as essential. We verified that "essential goods," as designated by GOV, is a rather limited class of products. Therefore, we did not use the exchange rate used to buy these goods. Instead, we used the exchange rate used to obtain foreign currency for the purchase of most other Venezuelan imports (*i.e.*, Bs. 7.50 to the dollar during most of the review period) as our benchmark.

The fact that we are not countervailing the conversion of the export earnings under the multiple exchange rate system as it now exists, despite the existence of a lower rate for importing "essential goods" belies respondents' contention that we would find a benefit where only a limited class of products was eligible for a lower rate.

While respondents' last point, that benefitting from the exchange rate differential was not dependent upon "selling dollars earned from export sales," may have merit, respondents provided no information at verification to demonstrate or support their argument. Therefore, we cannot consider it for purposes of our final determination.

Comment 4: Respondents contend that Venezuelan exporters would have to obtain dollars at the free rate of exchange to pay any possible countervailing duties assessed. If the Department were to use the current applicable nominal percentage of the export bond program, the resulting duty deposit rate should be at most, 18.37 percent, assuming a free rate of exchange rate of Bs. 30 to the dollar.

Petitioner disagrees with respondents' position that the methodology used by the Department to calculate the benefit of the export bond program overstates the real economic benefit of the program because the basis of the calculation assumes that a Venezuelan exporter can obtain foreign exchange at the official rate to pay any resulting countervailing duty. Petitioner maintains that countervailing duties are paid by the U.S. importer of record, not the Venezuelan exporter.

DOC Position: The importer is responsible for the payment of any countervailing duty. Therefore, respondents' argument is irrelevant.

Comment 5: Petitioner contends that, in the preliminary determination, the Department improperly included subsidy income, derived from the multiple exchange rate system, in the denominator of the benefit calculation for the export bond program. Petitioner cites the *Final Affirmative Countervailing Duty Determination: Brass Sheet and Strip from Brazil (Brazil Sheet and Strip)* (51 FR 40837, November 10, 1986) to support its position. For the final determination, petitioner asserts that any countervailable exchange earnings received by the redraw rod producers under the multiple exchange rate system in 1986 should be excluded from the sales value over which the Department allocates the bolivar value of export bonds and other subsidies received by the companies during the review period. Finally, petitioner argues that the exclusion of subsidy income from the denominator will not result in the double counting of subsidies because the subsidy income to be excluded from the denominator was provided under a program the termination of which was taken into account in establishing the duty deposit rate.

Respondents argue that even if the multiple exchange rate system could be properly described as conferring a subsidy, exclusion of the alleged subsidy income under the system would double count the amount of any benefit.

DOC Position: We do not agree with petitioner that exchange earnings earned under the multiple exchange rate system should be excluded from the sales value used as the denominator in calculating the estimated net subsidy of the other countervailable programs. It is reasonable to assume that, if Venezuelan exporters of redraw rod are denied the subsidy inherent in the higher rate of exchange available for converting export earnings than for buying imports, they would have exported less redraw rod in quantity terms. It is impossible to say precisely, however, by what quantity the level of exports would have fallen. If we were to accept petitioner's contention, by eliminating the subsidy income from the denominator, we may inadvertently penalize exporters for exports that they would never have made absent the subsidy income.

The present case is distinguishable from *Brazil Sheet and Strip* because the benefit in that case was clearly identifiable and recorded as a separate line item in the accounting records of the respondent companies. In the instant case, the value of the benefit cannot be similarly isolated. Therefore, it would be

too speculative to attempt to extract the benefit from the multiple exchange rate system from the companies' sales values.

Comment 6: Petitioner contends that the duty deposit rate should reflect increases in the export bond percentage which occurred after the review period but prior to the preliminary determination.

Respondents argue that the continued fluctuation in the dollar/bolivar exchange rate (see *Comment 4*) and the possibility that the value of the export bond might be reduced, mandate that the Department base its calculation on data for the review period.

DOC Position: We verified that the export bond percentages under this program were increased both during and after the review period, with the most recent change occurring in July 1987. This latest increase became effective after the review period but prior to our preliminary determination and we were able to verify and measure the benefits from that increase. Therefore, our criteria for a program-wide change determination have been met and we have accordingly adjusted the duty deposit rate to reflect this change.

Comment 7: Petitioner argues that the benefit under the export bond program should be calculated according to the current nominal export bond percentage applicable to redraw rod producers. Petitioner maintains that the value of the export bonds does not depend upon any future contingency, such as the recipients' total taxable income or income tax liability and can be calculated precisely at the time of export. Petitioner refers to the *Final Affirmative Countervailing Duty Determination: Certain Steel Wire Nails from New Zealand ("New Zealand Nails")* (52 FR 37196, October 5, 1987) as support for its position.

DOC Position: We agree. Respondents are able to predict accurately the value of the bond at the time of the sale. In fact, the redraw rod producers book the value of the bonds on the date of the invoice even though CBV has not actually issued the bond to the company. Therefore, we have followed our methodology in *New Zealand Nails* in this determination.

Comment 8: Respondents argue that any benefit under the export bond program should be reduced to reflect the discounted amount exporters of redraw rod normally received after selling their right to receive the bond.

Petitioner contends that the value of export bonds should not be reduced to reflect the discounted amount exporters receive after discounting. Petitioner argues that companies discount the bonds due to administrative delays by the GOV in processing bond applications and that the Department in the past has not taken into account, in calculating subsidies, reductions in benefits due to administrative delays.

DOC Position: We have consistently disallowed as an offset under section 771(6) of the Act, reductions in benefits due to administrative delays. [See *Final Affirmative Countervailing Duty Determination: Certain Welded Carbon Steel Pipe and Tube Products from Turkey* (51 FR 1268, January 10, 1986)].

Comment 9: Petitioner argues that the producers of redraw rod receive a certain discount under the export price formula applicable to primary aluminum purchases and that there is no commercial justification for this discount. Furthermore, petitioner contends that, if the domestic price does not have an equivalent discount and there is nothing inherent in the domestic price calculation to make up for the lack of such a discount, the discount in the export price formula constitutes an export subsidy.

Moreover, petitioner contends that the current domestic price ceiling on primary aluminum may not always be so far below the LME price as to negate the preference enjoyed by exporters over domestic consumers by reason of the discount available in the export price formula. In addition, petitioner maintains that, given the respondents' history of misleading the Department concerning the domestic pricing of aluminum, the existence of the ceiling price should not be assumed. Consequently, petitioner submits that the Department should use the best information available and assume that the discount under the export price formula is not available under the domestic price. Finally, petitioner asserts that the final net export and domestic prices for primary aluminum were not verified because verification could not be performed at the aluminum suppliers.

Respondents argue that, because the bases of the export price and domestic price are different, the fact that a discount is included in the export price calculation and not the domestic price calculation is unimportant. The only relevant consideration, according to the respondents, is the final prices paid for primary aluminum under both pricing structures.

Respondents also contend that the domestic and export prices paid by the redraw rod producers were verified at the companies and that verification at the aluminum suppliers was not necessary. Finally, respondents maintain that the Department is neither required, nor permitted, to speculate as to what may happen in the future concerning aluminum input pricing in Venezuela.

DOC Position: We were able to sufficiently verify at the three respondent companies that the export price charged was generally higher than the domestic price during 1986, our review period. (When it was not, we determined the difference to be countervailable.) This is true even with the inclusion of certain discounts in the export price formula. We note petitioner's concerns with respect to the often untimely and inaccurate information submitted by respondents regarding the aluminum input pricing issue. If a countervailing duty order is issued as a result of this investigation, we will reexamine the entire aluminum input pricing issue in any administrative review that may be requested.

Comment 10: Petitioner contends that the cost of export credit insurance, which is required to receive FINEXPO financing, should not be considered an offset to the benefit under the program. As support for its argument, petitioner points out that in consideration of credit insurance premium payments, a firm not only becomes eligible for FINEXPO financing, but also receives something of value, namely credit insurance.

Respondents contend that the cost of the credit insurance should be considered an offset. They argue that the purchase of insurance has no real practical purpose other than to qualify for FINEXPO financing, since the payment obligations used as collateral for the financing were backed by irrevocable letters of credit.

DOC Position: We determine that the payment of the export credit insurance premiums is not an offset under section 771(6) of the Act. Payment of credit insurance premiums is not analogous in this case to "an application fee, deposit or similar payment." In consideration for the payments cited as offsets in the statute, a company only becomes eligible for receipt of the government benefit. In the instant case, in consideration for the purchase of export credit insurance, a company not only becomes eligible for a government benefit but also receives something of additional value, limited though it may be.

Comment 11: Respondents argue that FINEXPO short-term loans provide a mechanism for the financing of dollar-denominated export receivables within Venezuela. Thus, respondents assert, in all practical purposes the loans are the functional equivalent of dollar-denominated loans. Therefore,

according to respondents, the appropriate benchmark is the average United States prime rate charged by banks on short-term business loans. However, respondents continue, if the Department were to use a Venezuelan benchmark, the benefit under the program would be negligible. Respondents argue that the benefit should be calculated by: (1) using as a benchmark the interest rate charged by the commercial bank on the portion of the financing provided from such bank's own resources; (2) deducting the cost of insurance as an offset; and (3) allocating the benefit over redraw rod sales to the United States.

Moreover, respondents contend that the loans under the FINEXPO program are relatively unique because of the use of high quality collateral and the added security of an insurance policy guaranteeing payment. Consequently, respondents argue that the standard national average interest rates are clearly inapplicable as benchmarks.

Petitioner asserts that the most appropriate benchmark in calculating a benfit under the short-term FINEXPO financing program is the national average commercial interest rate for short-term financing in Venezuela. Petitioner cites the *Subsidies Appendix* in support of its position. Petitioner also disagrees with respondents' contention that the Department should calculate company-specific countervailing duty rates for FINEXPP financing. Petitioner maintains that a "significant differential" under section 706(a)(2)(A) of the Act does not exist among the companies.

DOC Position: In accordance with past practice [See the *Final Affirmative Countervailing Duty Determination: Certain Steel Wire Nails from Thailand* (52 FR36987, October 2, 1987)], we have used the national average shrot-term interest rate as our benchmark in calculating the benefit under the FINEXPP program. Using a U.S. benchmark is inappropriate because the loan is not denominated in dollars. Finally, although the collateral for these loans may be of high quality, the high inflation rate in Venezuela and the government-controlled interest rates would tend to encourage banks to charge the highest interest rates possible, regardless of the quality of the collateral.

Comment 12: Petitioner contends that the redraw rod producers received a tax credit under Decree 1775 in 1987 and that the duty deposit rate should reflect the receipt of the credit.

Respondents argue that the benefits under Decree 1775 are available to a wide range of industrial sectors and, therefore, do not confer a countervailable benefit..

DOC Position: We disagree with petitioner that the tax credits received outside the review period should be reflected in the duty deposit rate. Any benefits that may have accrued from this program in 1987 would be captured in any administrative review that may be requested, if the program is found to confer a subsidy. Furthermore, in accordance with past practice, under our lag methodology, tax benefits claimed in 1987 would be allocated over 1988 sales, for which data are unavailable.

Comment 13: Petitioner argues that, if SURAL paid a lower rate of slaes tax than other companies during the review period, the difference should be treated as a countervailable subsidy.

Respondents contends that the sales taxes were paid at the full rate under the law.

DOC Position: We verified that SURAL paid the same rate of sales tax in 1986 as other industries within the same municipality. We also verified that SURAL paid its municipal sales taxes at the rate decreed by law. Therefore, there is no countervailable subsidy.

Comment 14: Respondents assert that the following programs should be found not to exist: MOF loans and loan guarantees, and sales tax exemptions.

DOC Position: We verified that a program of MOF-provided loans to public sector companies does exist. We also verified that public sector companies are eligible to contract for loans with private financial institutions with the full guarantee of the loan provided by the GOV.

We cannot determine that the provision of a sales tax exemption does not exist. While it is not a program as such, we cannot dismiss it entirely because a sales tax exemption was arranged by a Venezuelan steel company in 1984. [See *Preliminary Affirmative Countervailing Duty Determinations: Certain Carbon Steel Products from Venezuela* (50 FR 11227, March 20, 1985)]. We have determined, however, that the producers of redraw rod did not receive any exemptions from sales taxes during the review period.

Verification

Except where noted, we verified the information used in making our final determination in accordance with section 776(a) of the Act. We used standard verification procedures including meeting with government and company officials, examination of relevant accounting records and original source documents of the respondents. Our verification results are outlined in the public versions of the verification reports which are on file in the Central Records Unit (Room B-099) of the Main Commerce Building.

Suspension of Liquidation

In accordance with our preliminary affirmative countervailing duty determination published on October 14, 1987, we directed the U.S. Customs Service to suspend liquidation on the products under investigation and to require that a cash deposit or bond be posted equal to the estimated bonding rate. The final countervailing duty determination was extended to coincide with the final antidumping duty determination on the same product from Venezuela, pursuant to section 606 of the Trade and Tariff Act of 1984 (section 705(a)(1) of the Act). Under Article 5, paragraph 3 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (the Subsidies Code), provisional measures cannot be imposed for more than 120 days without final affirmative determinations of subsidization and injury. Therefore, on February 9, 1988, we instructed the U.S. Customs Service to discontinue the suspension of liquidation on the subject merchandise entered on or after February 12, 1988, but to continue the suspension of liquidation of all entries, or withdrawals from warehouse, for consumption of the subject merchandise entered between October 14, 1987, and February 11, 1988. We will reinstate suspension of liquidation under section 703(d) of the Act, if the ITC issues a final affirmative injury determination, and will require a cash deposit on all entries of the subject merchandise in an amount equal to 38.40 percent *ad valorem*.

ITC Notification

In accordance with section 705(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material

injury, or the threat of material injury, does not exist, this proceeding will be terminated, and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue a countervailing duty order directing Customs officers to assess countervailing duties on all entries of redraw rod from Venezuela entered, or withdrawn from warehouse, for consumption, as described in the "Suspension of Liquidation" section of this notice.

This notice is published pursuant to section 705(d) of the Act [19 U.S.C. 1671d(d)].

Jan W. Mares,

Assistant Secretary for Import Administration.

June 22, 1988.

[FR Doc. 88-14773 Filed 6-29-88; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

WITNESSES APPEARING BEFORE THE COMMISSION

Calendar of Public Conference

Investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary)

CERTAIN ELECTRICAL CONDUCTOR ALUMINUM REDRAW ROD FROM VENEZUELA

Those listed below appeared at the United States International Trade Commission's conference held in connection with the subject investigations on August 6, 1987, in the Hearing Room of the USITC Building, 701 E Street, N.W., Washington, DC.

In support of the imposition of countervailing and antidumping duties

Wigman & Cohen, P.C.--Counsel
Arlington, VA.
on behalf of--

Southwire Company

Ronald J. Hanson, Manager of Marketing Services, Southwire Company
Roy B. Long, Assistant Vice President Manufacturing, Southwire Company
Michael Preston, Manufacturing Materials Manager, Southwire Company
Michael Joe Williamson, Manager of Primary Aluminum and Industrial Sales, Southwire Company

Victor M. Wigman)
--OF COUNSEL
Ralph C. Patrick)

In opposition to the imposition of countervailing and antidumping duties

Briger & Associates--Counsel
New York, NY.
on behalf of--

Aluminio del Caroni, S.A. (Alcasa)
Bauxita Venezolana C.A. (Bauxiven)
Conductores de Aluminio del Caroni, C.A. (Cabelum)
ICONEL
Industria Venezolana de Aluminio, C.A. (Venalum)
Interamericana de Alumina, C.A. (Interalumina)
Suramericana de Aleaciones Laminadas, C.A. (Sural)
ALNOR
Minemet Asoma

Dr. James Burrows, Vice President, Charles River Associates, Inc.
Mr. Renda Butler, Executive Vice President, Sural
Dr. Alfredo Riviere, President, Sural
Lucas E. Rincon, Assistant to the President, Venalum

Peter L. Briger)
--OF COUNSEL
Andrew W. Sheldrick)

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

Inv. Nos. : 731-TA-378 and 701-TA-287 (Final)

Date and time: June 23, 1988 - 9:30 a.m.

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

In support of the imposition of antidumping and/or countervailing duties:

Wigman & Cohen, P.C.--Counsel
Arlington, Virginia
Rose, Schmidt, Hasley & DiSalle--Counsel
Washington, D.C.
on behalf of

Southwire Company

Steven A. McLendon, Assistant Vice-President, Utility Products

Roy B. Long, Assistant Vice-President Manufacturing

Michael Joe Williamson, Manager, Primary Aluminum and Industrial Sales

Wigman & Cohen

Victor M. Wigman)
Ralph C. Patrick) --OF COUNSEL

Rose, Schmidt, Hasley & DiSalle

Peter Buck Feller)
Lawrence J. Bogard) --OF COUNSEL

In opposition to the antidumping and countervailing duties:

Briger & Associates--Counsel
New York, N.Y.
Arnold & Porter--Counsel
Washington, D.C.
on behalf of

Conductores de Aluminio del Caroni, C.A. ("CABELUM"),
Industria de Conductores Electricos, C.A. ("ICONEL")
Alnor, Ltd. ("ALNOR")

Martin V. Alonzo, formerly Chief Financial Officer of ALUMAX

Michael Dooley, Esq., Professor, Corporate Law, University of Virginia Law School

Roy Albert, Vice President, Aluminum, Brick & Glassworkers, International Union, AFL-CIO

Thomas Powers, Counsel, Powers & Lewis, on behalf of: Aluminum, Brick & Glassworkers, International Union, AFL-CIO

Renda Butler, Executive Vice President, Sural

Pete Richardson, Vice President of Operations, ACPC Inc.

Lucas E. Rincon, Assistant to the President (Venalum)

John Keeler, Vice President (Alcasa)

Dr. James Burrows, Vice President, Charles River Associates, Inc.

John C. Tecklenburg, II, Senior International Attorney, Legal Department, Aluminum Company of America

Briger & Associates

Peter L. Briger
Andrew W. Sheldrick
Jack Governale
--OF COUNSEL

Arnold & Porter

Thomas Wilner
Shelley R. Slade
--OF COUNSEL

In opposition to the antidumping and countervailing duties:

Baker & McKenzie--Counsel
Washington, D.C.
on behalf of

General Electric Company, Fairfield, Connecticut

James W. Robertson, Corporate Contracting Agent, Aluminum, General Electric Company

John E. Gross, President, J.E. Gross & Associates

William D. Outman, II--OF COUNSEL

APPENDIX C

U.S. WIRE AND CABLE SHIPMENTS AND IMPORTS FOR CONSUMPTION

Table C-1
Aluminum wire and cable: U.S. producers' net domestic shipments and U.S. imports for consumption, 1984-87

(Short tons)

Item	1984	1985	1986	1987
Net domestic shipments:				
Bare wire	4,500	3,500	3,500	4,500
ACSR 1/ and bare cable	170,500	138,500	119,500	111,500
Insulated or covered wire and cable	196,500	197,500	198,000	204,000
Total	371,500	339,500	321,000	320,000
Imports, all sources:				
Wire 2/	3,326	4,671	3,545	3,872
Cable 3/	2,668	2,236	2,465	2,797

1/ ACSR is aluminum conductor steel reinforced cable.
2/ Includes imports under TSUS items 618.20 (aluminum wire, not coated or plated with metal) and 618.22 (aluminum wire, coated or plated with metal).
3/ Includes imports under TSUS item 688.20 (uninsulated electrical conductors, composed of aluminum wire or strand spirally wound or twisted around a steel or aluminum core).

Source: Domestic shipments, compiled from the Aluminum Association and imports, compiled from official statistics of the U.S. Department of Commerce.

Table C-2
Aluminum wire: U.S. imports 1/ for consumption, by principal sources, 1984-87, January-March 1987, and January-March 1988

Source	1984	1985	1986	1987	January-March-- 1987	1988
	Quantity (tons)					
Canada	690	933	1,406	1,923	772	440
United Kingdom	152	352	584	410	98	200
West Germany	55	87	323	37	26	5
Venezuela	1,430	2,080	308	969	11	168
Yugoslavia	18	118	277	126	73	0
Japan	307	102	197	90	13	8
Israel	0	44	168	0	0	2
France	245	354	119	62	18	18
Belgium and Luxembourg	155	184	110	20	0	0
Taiwan	2	0	39	15	2	1
Brazil	37	291	0	0	0	0
All other	235	128	14	220	95	66
Total	3,326	4,671	3,545	3,872	1,108	907
	Value (1,000 dollars) 2/					
Canada	1,711	2,343	4,192	5,846	1,549	1,647
United Kingdom	491	1,183	2,487	1,443	326	682
West Germany	273	280	698	348	233	39
Venezuela	1,960	2,004	332	1,617	20	512
Yugoslavia	67	428	865	498	282	0
Japan	934	514	580	389	51	55
Israel	0	192	772	0	0	7
France	636	882	305	149	40	48
Belgium and Luxembourg	357	358	233	49	0	0
Taiwan	5	0	64	59	17	4
Brazil	186	368	0	0	0	0
All other	493	326	77	696	199	196
Total	7,113	8,878	10,605	11,095	2,717	3,191

1/ Includes imports under TSUS items 618.20 (aluminum wire, not coated or plated with metal) and 618.22 (aluminum wire, coated or plated with metal).
2/ Import values are c.i.f. duty-paid values.

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

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

Table C-3
Aluminum cable: U.S. imports 1/ for consumption, by principal sources, 1984-87, January-March 1987, and January-March 1988

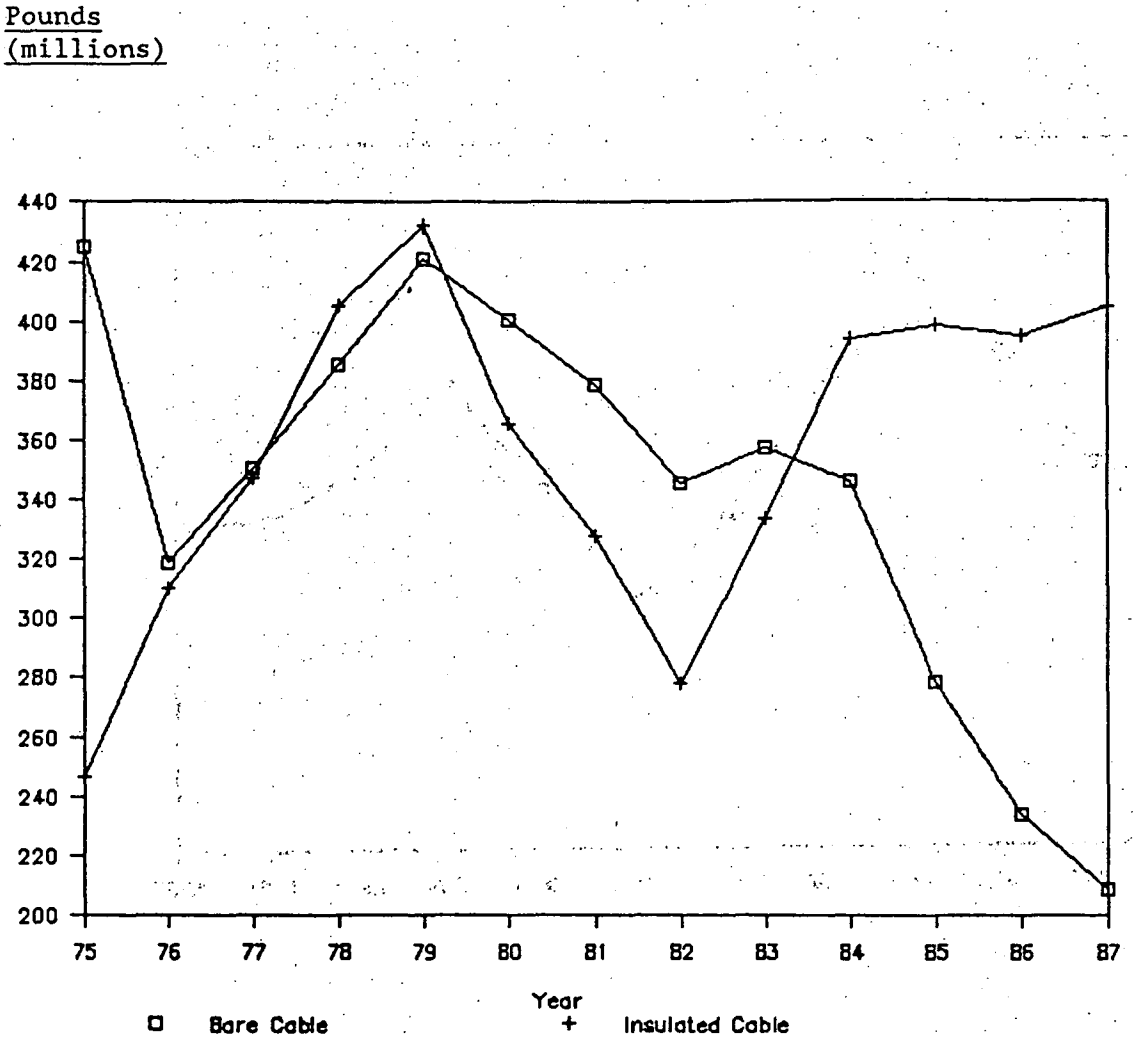
Source	1984	1985	1986	1987	January-March-- 1987	1988
	Quantity (tons)					
Canada	38	144	8	47	0	23
United Kingdom	10	0	11	1	0	11
West Germany	0	48	7	14	1	9
Venezuela	0	697	1,434	2,275	711	139
Yugoslavia	110	66	0	0	0	0
Japan	315	162	150	51	19	62
Belgium and Luxembourg	0	0	50	0	0	0
Taiwan	1	9	8	22	6	1
Brazil	1,979	303	92	18	0	10
Spain	150	485	283	0	0	18
South Korea	0	265	403	1	2/	2
All other	65	57	19	367	3	4
Total	2,668	2,236	2,465	2,797	740	269
	Value (1,000 dollars) 3/					
Canada	79	438	14	102	0	52
United Kingdom	56	-	300	18	0	28
West Germany	-	137	34	109	4	24
Venezuela	-	914	2,029	3,864	1,024	272
Yugoslavia	143	108	0	0	0	0
Japan	450	258	321	300	142	150
Belgium and Luxembourg	-	-	109	0	0	0
Taiwan	17	25	28	96	29	3
Brazil	3,263	395	127	37	0	0
Spain	325	834	521	0	0	41
South Korea	-	463	595	18	2	9
All other	138	306	45	581	17	297
Total	4,471	3,878	4,123	5,125	1,218	876

1/ Includes imports under TSUS item 688.20 (uninsulated electrical conductors, composed of aluminum wire or strand spirally wound or twisted around a steel or aluminum core).
2/ Less than 0.5 ton.
3/ Import values are c.i.f. duty-paid values.

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

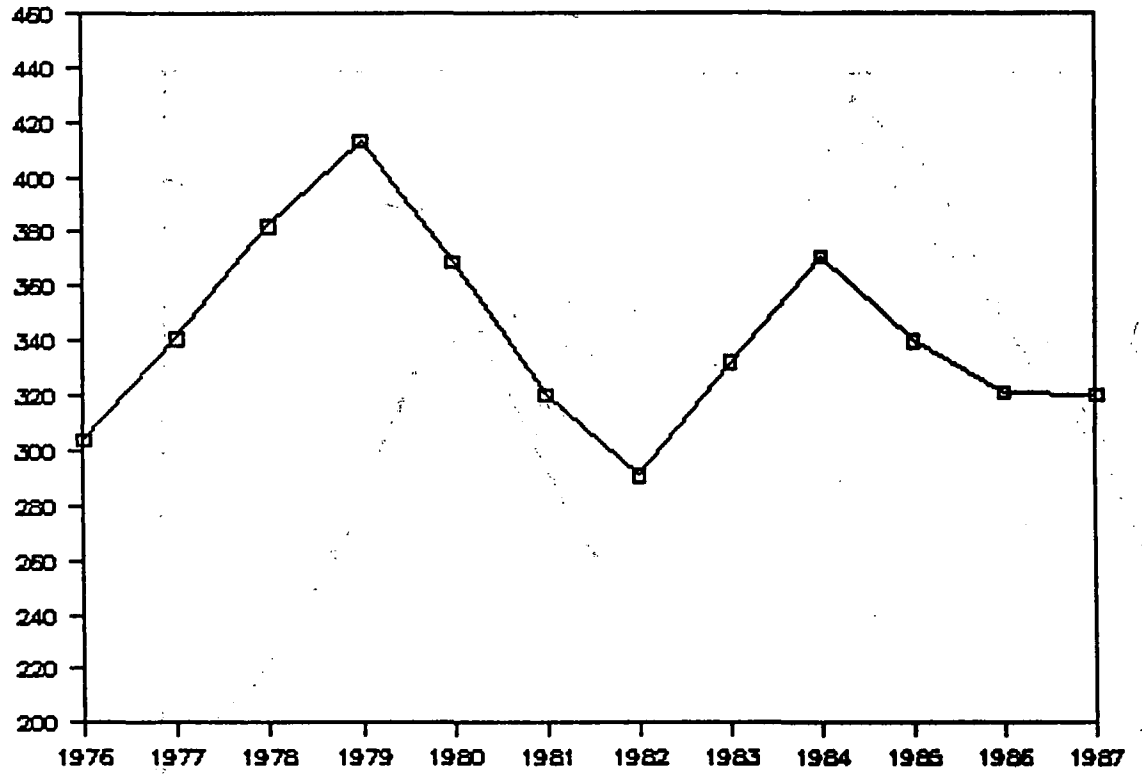
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure C-1
Domestic shipments of bare and insulated aluminum cable and wire products, by year, 1975-87



Source: Aluminum Association.

Figure C-2
Domestic shipments of aluminum cable and wire products, by year, 1975-87



Source: Aluminum Association.

APPENDIX D

IMPACT OF IMPORTS ON U.S. PRODUCERS AND THE HALDI MODEL

Impact of imports on U.S. producers' growth, investment, and ability to raise capital.--The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of aluminum rod from Venezuela on their firm's growth, investment, and ability to raise capital. Their responses are presented below.

* * * * * * *

Table D-1
Income-and-loss from fabrication of aluminum rod, using the Haldi Economic Methodology, accounting years 1984-87, and interim periods ended March 31, 1987, and March 31, 1988 1/

Item	1984	1985	1986	1987	Interim period ended March 31-- 1987	1988
	Value (1,000 dollars)					
Revenues:						
Toll fees	3,622	1,702	2,042	517	152	645
Fabrication fees on merchant sales 2/	8,711	7,682	9,020	10,409	2,515	3,876
Imputed fabrication fees on company transfers 2/	31,408	26,704	21,138	23,161	5,817	6,874
Total revenues	43,741	36,088	32,200	34,087	8,484	11,395
Direct expenses:						
Direct labor	4,712	4,058	3,358	3,330	844	1,012
Other factory	22,895	20,148	15,460	13,573	3,708	4,048
Total direct expenses	27,607	24,206	18,818	16,903	4,552	5,060
Gross profit	16,134	11,882	13,382	17,184	3,932	6,335
General selling and administrative expense 3/	9,188	8,306	8,982	10,494	2,297	3,195
Operating income 3/	6,946	3,576	4,400	6,690	1,635	3,140
	Share of net revenues (Percent)					
Operating income	15.9	9.9	13.7	19.6	19.3	27.6

1/ * * *.
2/ A fabrication adder of 6.5 cents per pound for all periods, except for Southwire, was used in the calculations. Haldi's fabrication adders for the petitioner (p. 33) were used and the results added to the other data.
3/ * * *.

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

APPENDIX E

SOURCES OF ALUMINUM PRICES

Ken Jacobson, Senior Editor for Metals Week, constructs both the U.S. market price and the U.S. transaction price for aluminum. Both measure the price of aluminum on a delivered basis to the U.S. Midwest. However, they are created differently and are based on different sources.

For the Metals Week U.S. market price, Jacobson surveys 18 to 20 consumers, producers, and traders of aluminum each week. He asks where they had done business that week, or if they know where business has taken place. Price and volume data are gathered and a high-low price range is compiled and presented as the weekly price. The monthly average is the average of all the weekly lows. In creating this range of prices, Jacobson stated that he will only drop extremes if there exists a fairly good volume of transactions that week and prices are concentrated in one range. However, he will not drop the extremes if the market is considered highly volatile, or if a small volume of business occurred during the week.

The U.S. transaction price is the daily London Metal Exchange (LME) cash settlement price plus or minus a premium differential depending on the differences between the LME and U.S. market prices. The differential is calculated by taking the difference between the average daily LME official cash price for the week and the most common price of U.S.-produced aluminum for that specific week, as determined through discussions with people in the U.S. industry. The differential is then added or subtracted to the LME daily price to calculate the daily transaction price. The transaction price is developed in such a way that the price will never be lower than the U.S. market price's low.

Aluminum is traded on the LME on a 3-month-option and spot (cash) basis. The aluminum that is traded on the exchange is based on purity levels of 99.5 percent, as opposed to 99.7 percent used in formulating the Metals Week prices. Jacobson, however, dismissed this as causing a significant price differential. 1/

Jacobson commented that as recently as January 1987, prices were considered somewhat linked to the U.S. market. However, in the next 6 months, this link declined. There have been charges of market manipulation, as well as a general erosion of confidence in the LME, since the tin crisis of October 1985. Also, a "backwardation" of the market presently exists (spot price greater than the 3-month price), which has added to the apprehensiveness of the market. At one time, Jacobson remarked, people in the industry would respond to his questions in terms of premiums over the LME price; now, however, responses have been in terms of total selling price.

1/ Recently, high-grade aluminum (99.7 percent purity) has been traded on the LME on a 3-month option basis. However, these sales have not as yet been popular on the exchange.

*** commented that the Metals Week price was an inflated number because it was based on an average of producers, consumers, and the COMEX (traders). The LME, he states, is more in line with the world price of aluminum. Sellers prefer the Metals Week because of the higher prices, but there has been a gradual evolution in the industry to the LME for the purchase of both U.S.-produced rod and imports.

The LME cash (spot) price of aluminum for June 1988 was $1.62 per pound, 36 cents per pound higher than the U.S. market price and 35 cents per pound higher than the LME 3-month price. During January 1984-February 1988, these prices were generally within a few cents of each other. However, the LME cash price increased dramatically in comparison with the other two values (by 67.3 percent) between March and June of 1988, whereas the U.S. market price rose by 31.1 percent and the LME 3-month price increased by 41.1 percent. Industry sources have reported that the rapid increase in the LME cash price has been due to two factors: the tightness of supply in the world market and possible market manipulation in the LME. The LME cash price for aluminum has recently fallen, however, declining by 34 percent in value from June 22 to July 1.

APPENDIX F

ALUMINUM ROD AND FABRICATION PRICES

Table F-1
Aluminum rod: Weighted-average delivered prices reported by U.S. producers and importers of Venezuelan aluminum rod for non-toll sales of products 1 and product 2 to unrelated purchasers, weighted-averaged f.o.b. purchase prices of Venezuelan product 1 reported by U.S. importers for captive consumption in wire and cable facilities, and Metals Week U.S. market prices for aluminum, by quarters, January 1985-March 1988

(In cents per pound)

	Product 1			Product 2		
	Sales to unrelated purchasers		Purchases for captive consumption	Sales to unrelated purchasers		
Period	U.S.	Venezuelan	Venezuelan 1/	U.S.	Venezuelan	Aluminum prices 2/
1985:						
Jan.-Mar...	56.7	***	***	***	3/	50.9
Apr.-June..	57.6	54.0	***	***	3/	50.6
July-Sept..	52.6	***	***	***	3/	46.9
Oct.-Dec...	51.5	***	***	***	3/	46.9
1986:						
Jan.-Mar...	58.0	***	***	***	***	57.9
Apr.-June..	65.6	***	***	***	***	57.9
July-Sept..	61.0	***	***	***	***	54.7
Oct.-Dec...	60.0	***	***	***	***	53.0
1987:						
Jan.-Mar...	60.5	61.9	***	***	***	58.9
Apr.-June..	69.0	***	***	***	***	68.8
July-Sept..	82.0	***	***	***	***	78.9
Oct.-Dec...	87.7	86.3	***	***	3/	82.6
1988:						
Jan.-Mar...	100.4	***	***	***	3/	97.7

1/ * * *.
2/ Metals Week market price.
3/ No data reported.

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

Table F-2
Aluminum rod: Weighted-average toll account fabrication adders for product 1 and 2 reported by U.S. producers of aluminum rod, by quarters, January 1985-March 1988

(In cents per pound)

Period	Product 1	Product 2
1985:		
Jan.-Mar.	***	***
Apr.-June	***	***
July-Sept	***	***
Oct.-Dec	***	***
1986:		
Jan.-Mar	***	***
Apr.-June	***	***
July-Sept	***	***
Oct.-Dec	***	***
1987:		
Jan.-Mar	***	***
Apr.-June	***	***
July-Sept	***	***
Oct.-Dec	***	***
1988:		
Jan.-Mar	***	***

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