

CERTAIN HOT-ROLLED LEAD AND BISMUTH CARBON STEEL PRODUCTS FROM BRAZIL, FRANCE, GERMANY, AND THE UNITED KINGDOM

Determinations of the Commission in
Investigations Nos. 701-TA-314 thru
317 (Final) Under the Tariff Act of
1930, Together With the Information
Obtained in the Investigations

USITC PUBLICATION 2611

MARCH 1993

Determinations of the Commission in
Investigations Nos. 731-TA-552 thru
555 (Final) Under the Tariff Act of
of 1930, Together With the Information
Obtained in the Investigations

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Janet A. Nuzum

Robert A. Rogowsky,
Director of Operations

Staff assigned:

Jim McClure, Investigator

Stephanie Kaplan, Commodity-Industry Analyst

Wallace Fullerton, Economist

John Ascienzo, Accountant/Auditor

Scott Andersen, Attorney

Robert Carpenter, Supervisory Investigator

**Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436**

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Note.--Information that would reveal business proprietary operations of individual concerns may not be published and therefore has been deleted from this report.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

DETERMINATIONS AND VIEWS OF THE COMMISSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 701-TA-314 through 317 (Final) and
Investigations Nos. 731-TA-552 through 555 (Final)

Certain Hot-Rolled Lead and Bismuth Carbon Steel Products
from Brazil, France, Germany, and the United Kingdom

Determinations

On the basis of the record¹ developed in the subject investigations, the Commission unanimously determines, pursuant to section 705(b) of the Tariff Act of 1930 (the Act) (19 U.S.C. § 1671d(b)), that an industry in the United States is materially injured by reason of imports from Brazil, France, Germany, and the United Kingdom of certain hot-rolled lead and bismuth carbon steel products, provided for in subheadings 7213.20.00, 7213.31.30, 7213.31.60, 7213.39.00, 7214.30.00, 7214.40.00, 7214.50.00, 7214.60.00 and 7228.30.80 of the Harmonized Tariff Schedule of the United States (HTS),² that have been found by the Department of Commerce to be subsidized by the Governments of those countries.

The Commission also unanimously determines, pursuant to section 735(b) of the Act (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Brazil, France, Germany, and the United Kingdom of certain hot-rolled lead and bismuth carbon steel products, provided for in subheadings 7213.20.00, 7213.31.30, 7213.31.60, 7213.39.00, 7214.30.00, 7214.40.00, 7214.50.00, 7214.60.00 and 7228.30.80 of the HTS, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

Background

The Commission instituted these investigations effective November 2, 1992, and November 13, 1992, following preliminary determinations by the Department of Commerce that imports of certain hot-rolled lead and bismuth

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

² For purposes of these investigations, the subject hot-rolled lead and bismuth carbon steel products are hot-rolled products of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of these investigations are other alloy steels, except steels classified as such by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, selenium, or tellurium. Also excluded are semifinished steels and flat-rolled carbon steel products.

carbon steel products from Brazil, France, Germany, and the United Kingdom were being subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(b)) and were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). 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 notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of November 19, 1992 (57 F.R. 54607) and December 9, 1992 (57 F.R. 58220). The hearing was held in Washington, DC, on February 2, 1993, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the information obtained in these final investigations, we determine that an industry in the United States is materially injured by reason of less than fair value (LTFV) and subsidized imports of hot-rolled lead and bismuth bar and rod from Brazil, France, Germany, and the United Kingdom.¹

I. LIKE PRODUCT AND THE DOMESTIC INDUSTRY

A. Statutory Criteria

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, we must first define the "like product" and the "industry." Section 771(4) (A) of the Tariff Act of 1930 (the "Act") defines the relevant domestic 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" ² In turn, the statute defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" ³

Our determination of the appropriate like product or products in an investigation is a factual determination, to which we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-

¹ Material retardation of a domestic industry by reason of the subject imports is not an issue in these investigations, and therefore will not be discussed further.

² 19 U.S.C. § 1677(4) (A).

³ 19 U.S.C. § 1677(10).

by-case basis.⁴ Generally, we disregard minor variations and look for clear dividing lines between possible like products.⁵

B. Background and Product Descriptions

In its notice of initiation, the Department of Commerce (Commerce) defined the class or kind of merchandise subject to investigation as follows:

[H]ot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of these investigations are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS), Chapter 72, note 1 (f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products.

The products covered by these investigations are primarily hot-rolled carbon steel bar and rod. The Report contains a detailed description of the categories of products involved in these investigations, the steel making processes, and definitions of the technical terms used herein.⁶ Set forth below is a brief overview of the products involved.

"Carbon steel" means all nonalloy steel that contains by weight two

⁴ In defining the like product, we generally consider a number of factors including: (1) physical characteristics and uses; (2) interchangeability of the products; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) the use of common manufacturing facilities and production employees; and, where appropriate, (6) price. No single factor is dispositive, and we may consider other factors relevant to our like product determination in a particular investigation. See, e.g., Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169, n.5 (CIT 1988).

⁵ S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

⁶ Report to the Commission, February 23, 1993 ("Report") I-6 - I-20; Glossary at C-3 - C-9.

percent or less of carbon.⁷ "Alloy steel" is defined as steels which contain a number of different elements in specified amounts.⁸

A "hot-rolled" carbon steel bar or rod is produced by heating (usually to above 2,200 degrees F) and reducing a semi-finished billet⁹ to a final thickness and shape by passing it through a series of rolls. A "cold-finished" or "cold-formed" bar or rod is a hot-rolled product which is descaled (submerged in an acid solution or shot blast) to remove oxide scale formed during the hot-rolling process, and then undergoes additional processing at ambient temperatures in the form of polishing, turning, grinding, and/or straightening.

Hot-rolled "bar" includes hot-rolled products in cut-lengths or

⁷ The American Iron and Steel Institute (AISI) classifies steels by a four digit numerical index system that describes their chemical composition. The first digit indicates the type of steel (e.g., "1" indicates a carbon steel, "2" indicates a nickel steel, and "3" indicates a nickel-chromium steel); the second digit indicates the percentage of the predominating alloying element (in alloy steels); and the last two digits indicate the average carbon content in hundredths of a percent. Lead steels have an L inserted between the second and third digit, while bismuth steels have a Bi inserted in the same place. Within the carbon steel series, 10xx grades are non-resulphurized with a manganese content not exceeding 1.00 percent; 11xx grades are resulphurized; 12xx steels are resulphurized and rephosphorized; and 15xx steels have a manganese content exceeding 1.00 percent. For example, a 12L14 steel is a carbon steel which is resulphurized and rephosphorized, contains lead and approximately 0.14 percent carbon. A 1018 steel is a carbon steel which has a carbon level of approximately 0.18 percent. Alloy steel grades include the 1300, 4000, 4100, 4300, 4400, 4600, 4800, 5000, 5100, 5200, 6100, 8100, 8600, 9200, and 9300 series. For a further discussion of steel series, see the Report at C-5.

⁸ HTSUS Chapter 72, Note 1(f), at 72-2.

⁹ A "billet" is a square or round cross-section of steel usually from 4 inches to 6 inches in diameter, and of various lengths. See Report I-18. A billet can be continuously cast directly from a strand caster, or it can be produced by rolling a heated larger sized "bloom" and pulling it through a series of rolls to reduce it in size. A hot-rolled bar or rod is produced by rolling a billet down in the same fashion to a much smaller width.

irregularly wound coils.¹⁰ Bar may be round, rectangular, and hexagonal, and consists of various diameters from 0.75 to 12 inches.¹¹ Hot-rolled "rod" includes coiled, hot-rolled product of a solid, approximately round cross section, not under 0.20 inches nor over 0.74 inches in diameter.

Special quality bar and rod ("SBQ bar and rod" or "SBQ steels") is a broad category of carbon and alloy hot-rolled steels which encompasses a wide variety of metallurgy, characteristics and uses. SBQ bar and rod is used where the steel is required to be hot-forged, heat-treated, cold-drawn, machined, or used in particular structural applications or in high product liability applications.¹² SBQ bar and rod is produced to be as free from visible surface defects and excessive chemical segregation as is possible.¹³ SBQ bar and rod generally is also subjected to rigorous chemical uniformity analysis during processing.¹⁴

"Free-machining" or "free-cutting"¹⁵ steels are a subcategory of SBQ bar and rod. Free-machining steels are primarily carbon steel products containing by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent phosphorus, 0.05 percent or more of selenium, and 0.01

¹⁰ Report at C-3.

¹¹ Id. C-4.

¹² American Iron and Steel Institute, Steel Products Manual - Alloy, Carbon and High Strength Low Alloy Steels: Semifinished for Forging; Hot Rolled Bars, Cold-finished Bars, Hot Rolled Deformed and Plain Concrete Reinforcing Bars, March 1986 (AISI Manual), at 87-89.

¹³ Id.

¹⁴ Id.

¹⁵ The term "free-machining" is typically used in the United States. In the HTSUS and in other countries the term "free-cutting" is also used.

percent or more of tellurium.¹⁶ These metallurgical additions and the resulting properties allow end users, after cold-finishing, to machine, cut, drill, and in some circumstances forge these steels more easily than other types of carbon steel. The term "machining" has been defined as "cutting a part from a steel bar using operations that include forming, shaving, drilling, treading, and burnishing."¹⁷

Hot-rolled lead and bismuth steels are a subcategory of free-machining steels. These steels contain small additions of lead and bismuth (usually 0.15 to 0.35 percent by weight) to carbon and a limited number of alloy steels to improve the machinability of the steel.

In our preliminary determinations, we found one like product of all hot-rolled special quality bar and rod steels (SBQ).¹⁸ We noted, however, that in any final investigations we would examine in detail alternative like products,

¹⁶ Report I-7. This definition includes all of the products subject to investigation, including 1000 series and alloy series steels which contain more than 0.03 percent lead. The record supports a finding that these steels, while not sulfurized, are like or most similar to the subject imports than other SBQ steels. The lead 1000 series steels such as 10L18 and 10L45 have higher machinability ratings than non-lead 1000 series steel with comparable carbon content. Respondents' Prehearing Brief Vol.II, exhibit D at 8-9. They are perceived and marketed as "improved machinability" products separately from other SBQ. Petitioners' Postconference Brief, exhibit 4. Lead 1000 series steels are manufactured by only integrated producers by bloom casting or ingot casting, as opposed to other SBQ 1000 series steels which are predominately billet cast. Producer Questionnaire Responses. The prices for lead 1000 grade steels, like free-machining steels in the 1100 and 1200 grades, sell at a premium over other SBQ steels. Producer questionnaire responses. We also note that based on the record developed by the Commission in these investigations such steels account for less than one percent of all free-machining steels produced in the United States. Preliminary Staff Report A-90.

¹⁷ Hearing Tr. 48 (Bob Squier, Curtis Screw Company); Report I-6 n.13.

¹⁸ Commissioner Rohr notes that in his preliminary determinations he found the like product to consist of hot-rolled free-machining bar and rod. See preliminary views of Commissioner Rohr at 31-44.

including a like product of hot-rolled free-machining bar and rod (free-machining steels).¹⁹

In these final investigations, petitioners²⁰ and Corey Steel Company²¹ assert that there should be one like product (a) which is identical with the products under investigation, i.e., limited to all hot-rolled lead and bismuth carbon steel bar and rod, or, alternatively (b) consisting of all hot-rolled free-machining bar and rod. Respondents²² assert that there should be two like products consisting of hot-rolled special quality bar and hot-rolled special quality rod.

C. Analysis of the Like Product Issues

The principal like product issue²³ in these final investigations is

¹⁹ Certain Hot-Rolled Lead and Bismuth Products from Brazil, France, Germany, and the United Kingdom, Inv. Nos. 701-TA-314 through 317, Inv. Nos. 731-TA-552 through 555, USITC Pub. 2512 (June 1992) at 22.

²⁰ The petitioners appearing in these final investigations include Inland Steel Industries including Inland Steel Bar Company (Inland), the Bar, Rod & Wire Division of Bethlehem Steel Corporation (Bethlehem), and USS/Kobe Steel Co. (USS/Kobe) (collectively referred to herein as "petitioners").

²¹ Corey Steel Company (Corey), a U.S. cold-finisher and importer of hot-rolled bar and rod, appeared at the hearing and filed pre- and post-conference briefs in support of the petition.

²² These respondents include the following: United Engineering Steel (UES) of the United Kingdom; Usinor Sacilor, Unimetal, Ascometal of France; Saarlust AG, Thyssen Stahl AG and Thyssen Inc. of Germany; and Villares Corporation of America, Mannesmann SA, and Asesita-CIA Acos Especiais Itabira of Brazil.

²³ In our preliminary determinations, we indicated that there was not a clear dividing line between lead and bismuth steels and inter alia, other free-machining steels. There has been no substantial new evidence presented in these final investigations which would provide a basis for such a clear dividing line between these types of free-machining steels. Indeed, respondents have presented considerable evidence from purchasers of both lead and bismuth free-machining steel and non-lead free-machining steels that demonstrates substantial substitution between such steels. See, e.g., Respondents' Post-Hearing Brief, Vol. II exhibit A, exhibit B, and exhibit D (Rutkowski statement).

whether the product "like or most similar to" the hot-rolled lead and bismuth bar and rod under investigation is hot-rolled free-machining bar and rod or the much broader category of hot-rolled special quality bar and rod. A second issue is whether bar and rod should be included within one or separate like products.

1. Like Product of Free-Machining Bar and Rod

We determine in these final investigations that there is one like product consisting of hot-rolled free-machining bar and rod. As we noted earlier, hot-rolled lead and bismuth bar and rod are a sub-category of hot-rolled free-machining bar and rod. There are substantial similarities between lead and bismuth bar and rod and other free-machining bar and rod in terms of physical characteristics, metallurgy, end uses, channels of distribution, manufacturing processes, and prices.

As discussed in more detail below, all types of free-machining steels contain particular additives that make machining these steels substantially easier than other SBQ steels. Lead and bismuth and other free-machining steels are used to produce many of the same end products, and are distributed through the same channels of distribution (primarily to cold-finishers). Free-machining steels, including lead 1000 series steels and lead alloy steels, are perceived and marketed as a distinct group of products by U.S. producers and cold-finishers. Finally, the prices of lead and bismuth steels and other free-machining steels generally sell at a premium compared to other SBQ steels.

By contrast, a like product of all SBQ steels, as urged by respondents, would include a diverse range of carbon and alloy bar and rod. The principal similarity among all SBQ steels is that all are hot-rolled steel manufactured

in similar facilities with the same workers and basic processes. However, there are substantial differences between free-machining SBQ steels (which include the subject imports) and other SBQ steels in terms of physical characteristics, end uses, channels of distribution, producer and customer perceptions, certain manufacturing processes, and prices.

a. Physical characteristics

Free-machining steels have distinctly different physical characteristics from other SBQ steels. Free-machining steels are resulfurized (sulfur added), rephosphorized (phosphorus added), and/or have had lead, bismuth, selenium or tellurium added.²⁴ In contrast, for other SBQ steels steelmakers remove sulphur, usually down to a level of .05 percent or less.²⁵ Free-machining

²⁴ Report I-9 n.19. Free machining carbon steels are categorized in a separate HTSUS heading. HTSUS numbers 7213.31.30, 7231.60, 7213.39, 7214.10, 7214.20, 7214.40, 7214.50, and 7214.60. The HTSUS segregates "free-cutting" steels from forged bars and rods, concrete reinforcing bars and rods, and "other" types of carbon bars in different thicknesses and shapes. Free-cutting steels are defined in the Subheading Note 1(b), as follows:

Nonalloy free-cutting steel

Nonalloy steel containing by weight one or more of the following elements in the specified proportions:

- 0.08 percent or more of sulfur
- 0.1 percent or more of lead
- more than 0.05 percent of selenium
- more than 0.01 percent of tellurium
- more than 0.05 percent of bismuth.

²⁵ ASM International, "Classification and Designation of Carbon and Low-Alloy Steels," Metals Handbook, 10th Ed. Vol. 1 (1991) ("Metals Handbook") at 150-153. Respondents' expert, Mr. Graham stated that "the fundamental means of improvement [of machinability] is to add sulphur . . . [t]ypically to the level of .26 to .35 percent from the base steel level of .02 to .04 percent." Preliminary Conference Transcript, May 4, 1992 ("Conference Tr.") at 126. This testimony contrasts with respondents' new assertions in their post-hearing brief that the only metallurgical difference between free-machining and other SBQ steels is only 0.01 percent sulphur, with free machining steels allegedly having a sulphur level from 0.06 percent to 0.35 percent, and other
(continued...)

steels, unlike other SBQ steels, also are produced without deoxidizers (such as silicon or aluminum) which enhance the distribution of manganese sulfide inclusions, resulting in higher machinability.²⁶

The presence of relatively large amounts of sulfur and/or lead particularly in the 1200 series free-machining grades, causes some reduction in cold formability, weldability,²⁷ forgeability and lowers the ductility²⁸ and impact resistance of these steels.²⁹ However, sulfur, phosphorus, lead, bismuth, selenium and/or tellurium additives do not create any differences in hardenability or tensile or yield strength between free-machining and other SBQ steels of comparable carbon content.³⁰

The addition of sulfur, phosphorus, lead, bismuth, selenium and/or tellurium in free-machining steel in the 1100 and 1200 grades of steel embrittle the steel and make it more prone to cracking than comparable 1000

²⁵ (...continued)

SBQ steels having a sulphur level of 0.02 to 0.05 percent. Respondents' Posthearing Brief at 4-5, 18. The maximum sulphur level of 1000 series grades is 0.05 percent, while the minimum sulphur level of 1100 series of free machining steels is 0.08 percent. The most popular 1200 series steels, accounting for the bulk of domestic production of free machining steels, have sulphur levels between 0.26 to 0.35 percent. Metals Handbook at 150-153.

²⁶ Transcript of Hearing, February 2, 1993 ("Hearing Tr.") at 72-73; Petitioners' Posthearing Brief Exhibit 2(A), at 11. Machinability is usually measured in the speed by which steel can be removed. The parties have presented a number of technical manuals and charts reflecting machining speeds of various types of SBQ steel. See, e.g., Respondents' Prehearing Brief Vol. II, exhibit 1(D).

²⁷ Hearing Tr. 71-72.

²⁸ Respondents' Posthearing Brief, Vol. II, at 7.

²⁹ Hearing Tr. 159. Exhibit 6 to UES Post-conference Brief, Statement of Derry Graham at 4. Report I-8 n.15; Hearing Tr. 72.

³⁰ Hearing Tr. 159-60.

series non-free-machining SBQ grades.³¹ This embrittlement makes the steel easier to machine by creating smaller chips. It also reduces machine tool wear, tool creep on automatic screw machines, and lowers the amount of energy necessary to produce the end product.³² A hot-rolled free-machining steel can be machined in a faster and more cost effective manner on automatic screw machines than other SBQ steels with the same carbon level.³³

Respondents argue that there is a continuum of machinability between free-machining and other SBQ grades of steel. They note, correctly, that some grades of high carbon leaded free-machining steels have a lower machinability than other SBQ low carbon steels.³⁴ We find, however, that respondents' machinability continuum does not reflect commercial reality because it improperly compares low and high carbon steels. The machinability of carbon steels is fundamentally determined by the level of carbon: low-carbon steels, such as 1018, 1117, 1215 and 12L14, have high ductility, low strength, and low hardenability and thus, machine faster.³⁵ Medium carbon grades, such as 1045, 10L45, and 1141, machine much slower due to their low ductility, high

³¹ Report I-7.

³² Id. I-6.

³³ Preliminary Conference Transcript, May 2, 1992 ("Preliminary Tr.") at 77.

³⁴ Respondents' Posthearing Brief Vol. II, exhibit 1(D), figure D. However, a comparison of grades in exhibit 1 with the same level of carbon illustrates that free machining steels are consistently more machinable than non-free machining steels. Thus, the grades which represent the greatest amount of production, free machining grades 12L14/1215, are considerably more machinable than base grades 1008 and 1018.

³⁵ Petitioners' Posthearing Brief exhibit 2(A), Affidavit of Roger A. Joseph ¶ 8; Metals Handbook at 140, 144 (1991); Corey Posthearing Brief at 10-12.

strength, and high hardenability.³⁶ When the machinability ratings of steels of the same carbon level are measured, free-machining steels are much more machinable than other SBQ grades.³⁷

In addition, most of the products in respondents' machinability continuum are not produced by domestic producers or are produced in relatively small quantities.³⁸ In fact, the vast majority of hot-rolled SBQ carbon bar and rod sold in the United States is split between free-machining grades 1215 and 12L14 and other SBQ grades 1008 and 1018 steel, with the free-machining grades being more machinable.³⁹

b. End use and interchangeability⁴⁰

Most free-machining steels, unlike other SBQ bar and rod, are used principally in screw machining operations or where extensive machining is

³⁶ Petitioners' Posthearing Brief exhibit 2(A), Affidavit of Roger A. Joseph ¶ 8.

³⁷ Respondents' Posthearing Brief exhibit 1; UES Conference exhibit 6, figure 6, Statement of Derry Graham.

³⁸ Corey Posthearing Brief at 10-11.

³⁹ Petitioners' Posthearing Brief Vol.II at 19-20, exhibit 1(H). Cf. Respondents' Posthearing Brief Vol. II at 10.

⁴⁰ Commissioner Crawford notes that considerable confusion within the Commission and the trade bar has resulted from the use of the terms "interchangeability" and "substitutability". The Commission has traditionally considered interchangeability in the context of the like product analysis. In this context, "interchangeability" refers to the physical, technical feasibility of switching among different products, that is, whether producers and/or purchasers can switch from one product to another. "Substitutability", on the other hand, refers to economic feasibility and to whether purchasers will switch products as a result of a change in their relative prices. In determining the degree of substitutability, non-price factors (e.g. quality differences, lead-times, contract terms, etc.) affect the relative value of the products and thus affect the purchasing decision. They are therefore important in evaluating the impact of subject imports on the domestic industry. In sum, interchangeability describes whether it is possible to switch among products, while substitutability describes whether it is economically feasible for purchasers to do so.

required. Where an end use product requires considerable machining on an automatic screw machine (removal of more than 20 percent of the bar or rod stock), free-machining steels, particularly lead and bismuth steels, are the principal steels specified by end users and used by screw machine operators.⁴¹

There is little commercial interchangeability between free-machining bar and rod and other SBQ bar and rod in screw machining operations. While any type of SBQ bar (but not rod) is usually machined,⁴² from a commercial standpoint, free-machining steel (particularly lead and bismuth) is the overwhelming choice of screw machine operators to manufacture parts requiring the extensive removal of steel. The substantial majority of purchasers that responded to the Commission's questionnaire indicated that free-machining and other SBQ steels have limited interchangeability because of the substantial loss in productivity and increased manufacturing costs which would result from the use of other SBQ bar and rod.⁴³ These purchasers also indicated that the majority of screw machine operators would continue to use free-machining steel even if price differentials in relation to other SBQ bar and rod increased.⁴⁴

Where only minor machining is required, such as threading the end of a shaft or drilling holes, free-machining bar and rod typically is not used.⁴⁵

⁴¹ Petitioners' Posthearing Brief, Vol. II, exhibit 1(C) at 2. Testimony from screw machine and cold finishing operators, as well as the responses to numerous producer questionnaires demonstrated the overwhelming demand and use of free-machining steels which are critical to the cost-efficient, rapid, energy efficient production of highly machined parts. Report I-16 - I-17.

⁴² Conference Tr. at 125-26, 136, 177-78.

⁴³ Report I-16 - I-17.

⁴⁴ Report I-17.

⁴⁵ Respondents' Posthearing Brief Vol II, exhibit B, at 1. This is due to the generally higher cost of free-machining steels and the lower weldability, ductility, impact resistance, and/or forgeability of free-machining steels.

There also are limited circumstances where other SBQ steels may be heavily machined in screw machine operations because the required physical or process requirements (hardness, ductility, impact resistance, forgeability, weldability and brazability) prohibit the use of free-machining steels.⁴⁶ Respondents presented additional evidence of alleged interchangeability between free-machining and other SBQ steel in screw machine operations. We find, however, that the statements of respondents' witnesses are generally unpersuasive because they fail to quantify the amount of machining (percentage of steel removed from the bar or rod stock) in circumstances where such substitution took place.⁴⁷

Respondents also argued that other SBQ steel is used in cold-forming operations to manufacture identical end use products made on screw machines from 1100 and 1200 series free-machining steel.⁴⁸ In analyzing the interchangeability of free-machining and other SBQ steel, we have considered

⁴⁶ Respondents' Prehearing Brief Vol. II, Tab 2 at 1; Respondents' Posthearing Brief Vol II, exhibit B (use of 4140 and other SBQ steel occurs in approximately 10 percent of one screw machine shop's operation where extensive machining is required).

⁴⁷ For example, one U.S. minimill representative provided examples where different U.S. manufacturers involved in machining operations used both free-machining and other SBQ steel to produce the same part, with the selection of other SBQ steel based solely on lower price. Respondents' Prehearing Brief, Vol II, Tab. 3 at 1-2; Respondents' Posthearing Brief Vol. II, exhibit D at 3. No information was provided regarding the extent of the machining operations (percentage of bar/rod stock removed) in these substitutable examples.

⁴⁸ Respondents' Prehearing Brief at 11. The parties agree that the first concerns of a purchaser of an end product manufactured with SBQ steel are the hardness, tensile strength, yield strength, impact resistance and/or fatigue resistance qualities of the steel. Thus, a high carbon or alloy steel generally would be used for high strength and hardness requirements, while a lower carbon steel -- such as the majority of the free-machining steels involved in these investigations -- would be used for end use products with less demanding strength and hardness requirements.

the following factors to be significant. First, there is little or no substitution of free-machining and other SBQ bar and rod between the cold-forming and screw machining operations: free-machining generally is used for screw machining while other SBQ steel is used for cold-forming.⁴⁹

Cold-forming is used where the end products are not intricate in shape, do not exceed 1 1/4" in diameter, have relatively loose tolerances, and surface quality is not important.⁵⁰ There are a number of intricately machined products made on screw machines with free-machining steel which cannot be made by cold-forming. Respondents' witnesses estimate that 75 percent of end use parts made from bar sold in the United States are made on screw machines, not cold-forming machines.⁵¹ None of respondents' witnesses indicated that most or even a majority of the parts currently made on screw machining operations could be made by cold-forming.⁵²

While specifications from some end users of less intricately formed parts may allow processors to choose between cold-forming and machining

⁴⁹ For example, petitioners note that sulphur in concentrations above 0.05 percent reduces the ductility, and thus the ability of the steel to withstand cold-forming. Petitioners' Posthearing Brief, exhibit 4 at 6. One of respondents' witnesses states:

[c]old heading requires all the requirements in a steel that are not found in free-machining steels. Free-machining steels possess and require all those properties that are actually detrimental to cold heading. In machining you want a certain level of brittleness so the steel separates as the tool cuts the parts. In heading you want softness and elasticity to move and mold the steel into a part.

Respondents' Prehearing Brief, exhibit 5 at 3.

⁵⁰ Report I-8.

⁵¹ Respondents' Posthearing Brief, Vol II, Tab A.

⁵² See e.g., Respondents' Posthearing Brief, Vol II, Tab. B (virtually any cold headed component can be machined, as backup or in case of cold heading difficulties, but no assertion that all machined products can be cold headed).

processes, in practice cold-forming will generally be used if the part must be produced in large volumes (over 150,000 parts).⁵³ Because cold-forming is less expensive than machining if substantial volumes are involved, petitioners assert that "any part that can be made on a cold-header already is made that way."⁵⁴ As one domestic screw machine operator testified:

[T]here is very little direct competition between screw machine shops and cold-headers, because there are very few parts for which one process or the other is not the obvious appropriate choice. Because of this lack of direct competition, there have been no switches, to my knowledge, nor are there likely to be any switches, from screw machining to cold-heading as a result of the recent or any likely increases in the price of leaded steels.⁵⁵

The statements of the five screw machine company representatives included in respondents' post-hearing submissions confirm that economics principally dictate that cold-forming will be used where there is a sufficiently high volume, and that, depending on volume, particular parts are made on either screw machines out of free-machining steel, or on a cold header out of other SBQ steel.⁵⁶

Substitution between free-machining and other SBQ steels is further limited by the qualification process of end users. While there is evidence that some end users have alternative specifications for either free-machining or other SBQ steels, specifications provided by original equipment

⁵³ Id. at 2.

⁵⁴ Petitioners' Posthearing Br., Vol. II, exhibit (C) (affidavit of Robert C. Squier) ¶¶ 7, 8, at 3. Cold-forming machines achieve typical speeds of 150 to 600 parts per minute while screw machine operations usually vary from a high of 30 parts per minute down to less than one per minute. Respondents' Prehearing Brief, Exhibit 5 at 2.

⁵⁵ Petitioners' Posthearing Br., Vol. II, exhibit (C) (affidavit of Robert C. Squier) ¶ 8, at 3.

⁵⁶ Respondents' Posthearing Brief Vol II, Tab B.

manufacturers are difficult to change, in part because of the long lead time required to qualify parts.⁵⁷ Purchasers responding to the Commission's questionnaires indicated that any changes away from free-machining to other SBQ steels would require customer approval, changes in part specifications, requalification of parts, and retooling of certain equipment to produce the parts.⁵⁸

Finally, we find that generally there is an absence of interchangeability in end use products between free-machining and other SBQ steels where the end use product requires high strength, hardness, or fatigue resistance in critical applications.⁵⁹ Such parts will be produced from other SBQ carbon or alloy steels and include moving engine parts or load-bearing parts of an automobile, such as motor shafts, piston pins, struts and shock absorbers, cam shafts and transmission parts.⁶⁰ Non-moving, non-load bearing parts that require substantial machining will almost always be made from free-machining steels.⁶¹

c. Channels of Distribution

Free-machining bar and rod moves in relatively distinct channels of distribution from the majority of other types of SBQ bar and rod. The significant majority (70.6 percent) of hot-rolled free-machining bar and rod moves from either U.S. producers or U.S. importers of foreign hot-rolled

⁵⁷ Preliminary Conference Tr. at 82.

⁵⁸ Report I-17.

⁵⁹ Petitioners' Postconference Brief, Vol. II, ¶¶ 7, 9(a).

⁶⁰ Id.

⁶¹ Id.

product to cold finishers.⁶² The majority of the cold-finished free-machining product is then sold to screw machine shops that produce machined parts for end users such as automobile manufacturers.⁶³ While U.S. cold finishers also purchase and process other SBQ grades, approximately 82.3 percent of other SBQ bar and rod is sold to distributors, steel service centers, and end users other than cold-finishers for construction, fabrication of components, and appliance parts.⁶⁴ Free-machining and other types of SBQ are both sold in much smaller percentages to forgers.⁶⁵

d. Customer and Producer Perceptions

As discussed above, cold-finishers and screw machine purchasers of cold-finished free-machining steels perceive such steels (particularly lead and bismuth steels) to be distinct from non-free-machining SBQ bar and rod.⁶⁶ U.S. cold-finishers, the primary purchasers of hot-rolled free-machining carbon steels, typically market free-machining bar and rod as distinct products from other SBQ products. For example, the marketing literature from the Cold-Finished Steel Bar Institute illustrates a variety of lead and bismuth and non-lead free-machining carbon steels marketed to end users by cold finishers.⁶⁷ In addition, LaSalle Steel, a U.S. cold-finisher, markets

⁶² Report I-85; Producer Questionnaire Responses.

⁶³ Id.

⁶⁴ Producer Questionnaire Data at 20.

⁶⁵ Id.

⁶⁶ Report I-15 - I-18.

⁶⁷ Petitioners' Postconference Brief, exhibit 4 (as supplemented with page three provided to the Commission by counsel for petitioner). This brochure also describes lead 1000 series and alloy steels which "improved machinability" through the addition of lead.

and advertises a 1215 grade "Super 1200" non-lead free-machining steel separate from its other SBQ steel.⁶⁸ One of the petitioners, Inland Steel, also markets free-machining steel separately from other SBQ steel it produces.⁶⁹

In addition, cold-forming operators view free-machining steel as separate from other SBQ steels, the former not being used in cold-forming operations.⁷⁰ The Industrial Fasteners Institute, whose members manufacture a wide variety of screws, bolts, nuts and other mechanical fasteners by the cold-forming process, considers free-machining steel to be distinct to the extent it is "not used in cold-forming" and is prohibited from being used in the manufacture of many fasteners.⁷¹ Petitioners' industry experts and respondents' experts indicated that in the great majority of cases, the automotive industry and other industries view free-machining steels as distinct because they specify the use of such steels.⁷²

Respondents have cited selected purchaser questionnaire responses to argue that other SBQ steels are viewed as interchangeable with free-machining steels.⁷³ The referenced statements indicate, however, that these purchasers use free-machining steels when it is economical to do so, even if the theoretical possibility of substituting other SBQ steels exists at a much

⁶⁸ Respondents' Posthearing Brief Vol.II, exhibit D, at 3.

⁶⁹ Inland Steel Company markets its "free-machining" steel with a brochure which identifies trademark lead, bismuth, and lead and tellurium steels.

⁷⁰ Respondents' Prehearing Brief, exhibit 5 at 3.

⁷¹ Petitioners' Posthearing Brief, Vol II. Tab. D.

⁷² Conference Tr. at 180; Corey Posthearing Brief at 3.

⁷³ Respondents' Posthearing Brief at 13-14.

higher cost in terms of lower tool life, higher energy expenses, and significantly higher production time.⁷⁴ Respondents correctly note that the American Iron & Steel Institute treats SBQ steels as a distinct category, and that there is no separate free-machining Committee in the American Society of Metals Product Committee on Carbon and Alloy Steel.⁷⁵ However, as noted above, U.S. steel producers and cold finishers both market free-machining steel as a separate product.

e. Production processes, workers and equipment

The majority of the processes for teeming, pouring, hot-rolling, inspecting, conditioning, and shipping hot-rolled free-machining bar and rod is the same for free-machining and other types of SBQ bar and rod. The same workers are used to produce both types of bar and rod. All U.S. producers of free-machining steel also produce other types of hot-rolled steels.

The primary difference in processes and equipment used to produce free-machining steels, as opposed to other SBQ steels, is the use by most domestic and foreign producers of large, extremely capital intensive bloom casters⁷⁶ in order to obtain an even distribution of sulfur, phosphorus, lead and/or

⁷⁴ Id.

⁷⁵ Id. at 14.

⁷⁶ A "bloom" is a very large width steel of rectangular shape, usually greater than approximately 8 inches in width, although the exact demarcation between a bloom and a smaller billet has not been firmly established in the industry. Report I-14 n.39. A "bloom caster" is a strand caster which produces a bloom as a result of continuous pouring of molten steel from a special container (tundish) in a controlled stream which is then rolled into the bloom shape and cut at regular intervals into the desired length. Id. I-12 - I-14.

bismuth.⁷⁷ Most other SBQ steels can be produced on smaller, more cost-efficient billet casters. However, no U.S. producer of lead and bismuth steel or 1200 grade free-machining steel produces and markets such hot-rolled steel in commercial quantities with smaller billet casters.⁷⁸ One U.S. minimill producer of SBQ steels indicated that "our caster cross-section is too small to produce acceptable free-machining steels."⁷⁹

Respondents dispute petitioners' assertion that free-machining steels require special bloom casters, claiming that all SBQ steels can be produced on billet casters. However, respondents UES and Unimetal produce their free-machining steel on a bloom caster. UES's expert, Mr. Graham, testified at the preliminary conference that UES selected a bloom caster for its free-machining steels "to maximize the manganese sulfide particle size [because] [b]igger cast sections cool and solidify more slowly which results in relatively larger sulfides which are desirable in the machining process."⁸⁰ Only respondent Saerstahl asserts that it produces some of its lead and bismuth steel on billet casters with a dimension of approximately 6" square.⁸¹

⁷⁷ Inland's General Manager of Sales and Marketing, Joe Alvarado, asserted that Inland would not have invested in its bloom caster if it were not required to produce lead and bismuth steel. No assertion was made by Mr. Alvarado that Inland does not use this bloom caster for other SBQ steels.

⁷⁸ A number of U.S. minimills produce 1100 grade free machining steel on billet casters. See Petitioners' Posthearing Brief Exhibit 8(C) for a discussion of one U.S. minimill's production of free-machining steels.

⁷⁹ Report E-5. One U.S. minimill producer claims to billet cast 1200 series free machining steel. But see Petitioners' Posthearing Br., exhibit 8(D), at 3. In addition, the quality of this minimill producer's 1200 series billet cast free machining steel is alleged by petitioners to be significantly less machinable than bloom cast free-machining steel. Id., exhibit 8(I).

⁸⁰ Conference Tr., exhibit 6 at 11.

⁸¹ Declaration of Viktor Grunenber, ¶¶ 3-7.

There are some differences in the processes and equipment used to produce free-machining steels, particularly lead and bismuth free-machining steel, and other types of SBQ. The resulfurization and rephosphorization process for free-machining steels is an additional process step performed at the ladle metallurgy station⁸² distinct from other SBQ steel.⁸³ Leaded and bismuth free-machining steels require specialized machinery to feed in the lead, for fume and dust collection, and for scrap metal segregation.⁸⁴ A number of U.S. producers identified particular casting, melting, refining, rolling, temperature, and conditioning practices involved only with free-machining steel.⁸⁵

Finally, production of lead and bismuth free-machining steels, as opposed to other SBQ steels, requires environmental controls consisting of flues, ducts, fans, bag houses, and specialized equipment for workers.⁸⁶ Production of leaded steel also requires segregation and separate disposal of waste lead which is classified as hazardous waste.⁸⁷ In addition, U.S. producers of leaded steel must comply with Occupational Safety and Health

⁸² The ladle metallurgy station is the point in the steel making process where additives are made to molten steel where its chemistry is refined to provide the steel with properties required for specific applications. Report I-11.

⁸³ Report I-11.

⁸⁴ Id. I-12.

⁸⁵ Id. E-3 - E-6. U.S. producers stated that free-machining steels have higher rejection rates, more surface defects and lower yields than other types of SBQ steels. Respondents generally stated that processes, equipment, and yields with lead steels do not differ in any significant way from other types of SBQ steels.

⁸⁶ Report I-15.

⁸⁷ Id.

Administration standards limiting the exposure of their workers to lead fume and dust by using specialized safety equipment including respirators or positive pressure cabins for operating crew, specialized protective gear, and blood sampling.⁸⁸ Respondent UES estimates that a facility that includes lead products in its product line must also incur a "relatively modest cost (\$2 to \$5 million out of a \$150-400 million total investment) to upgrade the usual environmental safeguards to cope with the toxicity of the lead fumes produced in production."⁸⁹

f. Price

Free-machining bar and rod, particularly the lead and bismuth and 1215 grades, commands a premium over other SBQ steels such as 1018 bar and rod.⁹⁰ Petitioners assert that the price premiums between low carbon 1200 free-machining grades and low carbon 1018 steels are significant because the 1018 steel is the "logical substitute for free-machining steels according to respondents."⁹¹ Petitioners argue that, in every quarter, U.S. prices for domestic 1018 steel were always \$4-\$5 per 100 pounds below the U.S. and imported prices for free-machining products.⁹² Contrary to respondents' assertions, there is no persuasive evidence of a shift by purchasers from 12L14 or 1215 free-machining steels to 1018 because of these price differentials.

The divergent price trends for free-machining and other SBQ steel

⁸⁸ Id.

⁸⁹ UES Post-Conference Br. at 9.

⁹⁰ Report I-94.

⁹¹ Petitioners' Prehearing Brief at 40.

⁹² Id. at 41.

obtained in these investigations also support our conclusion that there are more than minor differences between free-machining steels and other types of SBQ bar and rod. In particular, these data reflect that there was no shift in the marketplace from AISI grade 1215 and grade 1018 steels. Between 1989 and September 1992, the prices of 1215 rose by 11.2 percent while the prices for 1018 fell 3.4 percent during the same period.⁹³ Similar trends existed for the three lead products for which the Commission obtained pricing data.⁹⁴

Respondents do not dispute petitioners' assertion that the base grade steel that competes with free-machining steel -- 1018 -- is lower priced than free-machining steel, acknowledging that "free-machining steels are specially formulated grades with particular desired characteristics and, as such, they command a certain price premium."⁹⁵ Respondents argue that such price premiums are a characteristic of a number of SBQ grades, particularly alloy grades, many of which are allegedly priced higher than free-machining grades.⁹⁶ However, the fact that alloy steels may be priced higher than free-machining steels is immaterial unless such steels compete for the same end uses and markets of free-machining steels. Respondents have provided no credible evidence of such competition in the considerable majority of non-free-machining carbon and alloy steels.

In conclusion, we find that, while there are minor differences between lead and bismuth bar and rod and other types of free-machining steels (including leaded alloy and carbon non-sulphurized steels), there are major

⁹³ Report I-94.

⁹⁴ Id.

⁹⁵ Respondents' Posthearing Brief at 16.

⁹⁶ Id. at 16.

differences between free-machining steels and other SBQ steels. Accordingly, we determine that the like product consists of all hot-rolled free-machining steel.

2. Combining hot-rolled free-machining bar and
hot-rolled free-machining rod in one like product

We also find that the like product of hot-rolled free-machining steels includes both hot-rolled free-machining bar and hot-rolled free-machining rod.⁹⁷ Free-machining rod, with additions of lead, sulphur and other additives, has similar metallurgical characteristics to free-machining bar.⁹⁸ Free-machining rod, like free-machining bar, is used by screw machine operations to produce highly machined parts and is not used in cold-forming operations.⁹⁹ Free-machining rod, like free-machining bar, is typically further processed by cold-finishers prior to being sold to end users.¹⁰⁰ While the production processes for bar and rod are different, i.e., rod is made in separate rod mills, these differences are not significant due to the further cold-finishing processes performed on free-machining rod.¹⁰¹ Most

⁹⁷ Petitioners and the Domestic Producers of Carbon Steel Wire Rod (Rod Producers), argued for one like product of hot-rolled free-machining bar and rod. Respondents presented no arguments concerning whether bar and rod should be combined in a like product of hot-rolled free-machining steels.

⁹⁸ Unlike other types of rod, the sulphur, phosphorus, and/or lead additions in free-machining rod prevent it from being drawn into fine wire. Domestic Producers of Carbon Steel Wire Rod Brief ("Domestic Rod Producers Br.") at 7.

⁹⁹ The Rod Producers conclude that bar and rod free-machining products "share the same end-use applications" and free-machining rod is "used almost exclusively for bar applications." Id.

¹⁰⁰ Id. at 5.

¹⁰¹ Rod mills produce these products because of the limited capacity of the two largest market participants to roll bar products below .75 inches in diameter. Id. at 6.

free-machining bar undergoes similar cold-finishing. Finally, free-machining rod and bar are generally priced the same, in contrast to other SBQ rod which is priced significantly less per ton.¹⁰²

Our finding with respect to similarities of free-machining bar and rod in these investigations is based on the minor differences described above. It is analogous to our decision in Certain Tool Steels from Brazil and The Federal Republic of Germany.¹⁰³ Our decision to combine bar and rod in these investigations is a function of our finding that the like product is free-machining bar and rod. We do not intend to suggest that bar and rod in a much larger universe of a like product of SBQ steels should be part of one like product.¹⁰⁴

¹⁰² Id. at 8. Finally, we reject the arguments of Moltrup Steel Corporation that there should be two like products of hot-rolled lead steel flats and hot-rolled lead steel rounds. Both lead rounds and lead flats have the same distinctive metallurgy, i.e., additions of lead and sulphur, resulting in similar physical characteristics and limitations. Both lead rounds and flats, as well as other SBQ bar and rod (both flats and rounds) are manufactured using the same production processes, workers, and facilities as other steels, except for the final rolling process. Finally, both are distributed in the identical channels of distribution, to cold finishers. We note that Moltrup provided no information concerning the interchangeability of lead flats with other free-machining flats, or other non-free-machining flats. Nor did Moltrup provide any affidavits or other supporting documentation in support of its attorney's assertions.

¹⁰³ Inv. Nos. 701-TA-187 (Final), 731-TA-100 (Final), USITC Pub. 1403 (July 1983) at 8.

¹⁰⁴ See, e.g., Brazil SBQ Investigation at 18-19.

D. Domestic Industry

Section 771(4) (A) of the Tariff Act of 1930 defines domestic 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.¹⁰⁵

Based on our decision regarding the like product, we find that the domestic industry consists of all U.S. producers of hot-rolled free-machining bar and rod. In defining the domestic industry in these investigations we have examined two further issues: (1) whether the Bar, Rod & Wire Division of Bethlehem Steel Corporation, which produced SBQ and free-machining bar and rod until its shutdown in August 1992, is a "producer of a like product;" and (2) whether two domestic producers are related parties and, if so, whether appropriate circumstances exist to exclude them from the domestic industry.

1. Inclusion of Bethlehem as a domestic producer

Respondents claim that "Bethlehem cannot be considered as part of the domestic industries which are subject of the injury inquiry in this case."¹⁰⁶ They argue that because Bethlehem exited the SBQ bar and rod market in August 1992, allegedly for reasons which had "nothing to do with the subject imports," they cannot, as a matter of law, be considered part of the domestic producers of the like product.¹⁰⁷

The Commission obtained producer questionnaire data from Bethlehem which included production of free-machining and SBQ steels for all of 1989, 1990,

¹⁰⁵ 19 U.S.C. § 1677(4) (A) .

¹⁰⁶ Respondents' Prehearing Brief at 65.

¹⁰⁷ Id.

1991, and the first half of 1992. In addition, Bethlehem presently retains approximately 300 employees, and is taking orders in anticipation of commencing production when, and if, a purchase arrangement with ISPAT is completed.¹⁰⁸

The Commission has previously included within the domestic industry those producers that went out of business or shut down their operations during the period of investigation.¹⁰⁹ Using respondents' logic, no domestic producer that was forced out of an industry during the period of investigation could be included within the domestic industry, even if the cause of that departure was unfairly traded imports. We reject such an analysis and include the Bethlehem Bar Rod & Wire Division as part of the domestic industry.¹¹⁰

2. Related Parties

The related parties provision, 19 U.S.C. § 1677(4)(B), allows for the exclusion of certain domestic producers from the domestic industry for the purposes of an injury determination. Applying the provision involves two

¹⁰⁸ Petitioners' Posthearing Brief Vol. II, exhibit 1 at 6.

¹⁰⁹ See e.g., Nepheline Syenite from Canada, Inv. No. 731-TA-525 (Preliminary), USITC Pub. 2415 (August 1991) at 28; Fresh and Chilled Atlantic Salmon from Norway, Inv. No. 701-TA-302 (Final), USITC Pub. 2371 (April 1991), at 14, remanded sub nom, Chr. Bjelland Seafoods v. United States, Slip Op. 92-190 (CIT 1992); Urea from the German Democratic Republic and the U.S.S.R., 731-TA-338 -340 (Final), USITC Pub. 1992 (July 1987) at A-14 - A-15 (closed domestic facilities considered as part of the domestic industry).

¹¹⁰ This conclusion is supported by the Court of International Trade in Sandvik AB v. United States, 721 F.Supp. 1322, 1330 (CIT 1989), which held that there is "no basis for a firm by firm analysis of the condition of the domestic industry" and that the "ITC may only exclude data from a member of the domestic industry if that member is a related party. . . ." Accordingly, to the extent that Bethlehem's shutdown was caused by factors other than imports, as suggested by respondents, this assertion has been considered in the context of determining whether the domestic industry as a whole is being injured by reason of the subject imports.

steps.¹¹¹ First, we determine whether the domestic producer meets the definition of a related party. Second, we determine if "appropriate circumstances" exist to exclude such related parties.¹¹²

In these investigations, two domestic producers are related parties because they are producers of the like product and imported the subject merchandise during the period of investigation.¹¹³ Thus, the only issue is whether "appropriate circumstances" exist for the Commission to exclude them from the domestic industry. Based on the low relative shares of each of these producers vis-a-vis U.S. production of free-machining steels, as well as the absence of any convincing information that the purchase of imports resulted in shielding these producers from any injury that might be caused by the imports, we determine that appropriate circumstances do not exist for excluding either of these U.S. producers of free-machining steel from the domestic industry as related parties.

II. CONDITION OF THE DOMESTIC INDUSTRY

In determining whether there is material injury to a domestic industry by reason of the LTFV and subsidized imports, we are directed to consider "all relevant economic factors which have a bearing on the state of the industry in the United States"¹¹⁴ These include production, consumption, shipments, inventories, capacity utilization, market share, employment, wages, productivity, financial performance, capital expenditures, and research and

¹¹¹ See, e.g., Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520 and 521 (Final), USITC Pub. 2528 at 7 (June 1992).

¹¹² 19 U.S.C. § 1677(4)(B).

¹¹³ Report I-36.

¹¹⁴ 19 U.S.C. § 1677(7)(C)(iii).

development.¹¹⁵ No single factor is determinative, and we consider all relevant factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."¹¹⁶

We stress that the statute directs us to evaluate the condition of "the domestic producers as a whole" in the United States.¹¹⁷ Respondents have urged us to assess the condition of the industry by contrasting larger, allegedly less efficient, integrated producers with the so-called minimills that allegedly have a much lower, and more efficient cost structure.¹¹⁸ We decline to do so. In the final analysis, our evaluation and judgment must relate to the domestic industry as a whole, not its individual components.¹¹⁹

The domestic industry consists of nine U.S. producers of hot-rolled

¹¹⁵ Id.

¹¹⁶ Id.

¹¹⁷ 19 U.S.C. § 1677(C)(iii); See e.g., Calabrian Corporation v. United States, Slip. Op. 92-69 (CIT 1992) at 18.

¹¹⁸ Integrated producers traditionally have made special quality steel by processing iron ore, making coke, and iron prior to refining special quality steel. Several of these integrated producers "teem" or pour hot liquid special quality steel into ingots. The so-called minimills use electric arc furnaces and scrap as the primary raw material, and generally use continuous casting equipment to cast billets and blooms directly, bypassing the ingot process. Because some integrated producers now also use electric arc furnaces, scrap and continuous casting equipment, there increasingly is a blurring of the lines between the two types of producers. Report I-49 - I-50.

¹¹⁹ As our reviewing court has stated, the antidumping law "makes manifestly clear that Congress intended the ITC determine whether or not the domestic industry (as a whole) has experienced material injury due to imports. . . . [I]f Congress had intended that the ITC analyze injury on a disaggregated basis, Congress would have made this intention explicit, as it did for example in regard to regional industries." Copperweld Corporation v. United States, 682 F.Supp. 552, 569 (CIT 1988); see also United Engineering & Forging v. United States, 779 F.Supp. 1375 (CIT 1991) ("The focus of the ITC . . . is on whether or not the domestic industry as a whole is experiencing material injury.").

free-machining steel. Integrated producers account for approximately 80 percent of the production of hot-rolled free-machining bar and rod, with minimills producing the remainder. Most of the production of free-machining steels is concentrated in bar in the AISI 12L14 lead and 1215 non-lead series. These two series are produced primarily by integrated producers. There is a much smaller portion of free-machining bar produced in the AISI 1100 series, and a very small percentage of 1000 series and alloy grades which have lead added for enhanced machining. Minimills have a much greater percentage of free-machining steels produced in the AISI 1100 series.

One of the conditions of competition distinctive to the hot-rolled free-machining industry is its highly capital intensive nature. The steel industry in general, and the free-machining industry in particular, has high fixed costs. Hot-rolled free-machining bar and rod in the AISI 1200 series, which accounts for the considerable majority of free-machining steels consumed in the United States, is produced by rolling smaller semi-finished billets made from still larger width blooms made from bloom casters or ingot casting. The investment to build a bloom caster is considerable, estimated by one U.S. producer to cost up to \$230 million with related equipment.¹²⁰ Thus, producers of semifinished free-machining blooms cannot quickly enter the market; building the plant and production lines can require a substantial commitment of time and capital expenditure.

While there are some U.S. producers that purchase free-machining billets from producers and re-roll them to make hot-rolled free-machining bar and rod, the considerable majority of domestic free-machining bar and rod is produced by integrated producers from semi-finished bloom cast free-machining steel.

¹²⁰ Hearing Tr. 33.

Consequently, maintaining high levels of production volume, capacity utilization rates, and sales of hot-rolled free-machining bar and rod is critical in order to recover those costs.

The hot-rolled free-machining steel manufactured by these producers and the subject imports are used in the screw machine, automobile, appliance, and numerous other industries that require highly machined parts. Demand for these products depends largely on the level of overall economic activity. In general, weak demand in the domestic U.S. automobile sector, related auto parts, appliances, and construction sectors during 1991 contributed to declines in apparent U.S. consumption of such products. Demand of these end use products increased somewhat in the latter portion of 1991 and in 1992, resulting in increased sales of hot-rolled free-machining bar and rod.

Additional sales of domestic free-machining steel occurred following the announcement in January 1992 by Bethlehem that it was ceasing production in its bar, wire, and rod division in August 1992, as well as Inland's announcement that it would shut down its free-machining bar operation for equipment servicing in the end of 1992. These announcements led to additional purchases by cold-finishers and end users to build up their inventory.¹²¹

These conditions establish a framework within which the U.S. industry was operating during the period of investigation. Apparent U.S. consumption of free-machining products (bar and rod) dropped irregularly from 1,046,537

¹²¹ Moreover, on September 17, 1992, the U.S. Department of Commerce published its preliminary determinations that the subject imports were made with certain subsidies, and it required the posting of a bond covering the subject imports. Report I-3. Domestic producers and purchasers indicated that Commerce's and the Commission's preliminary investigations directly resulted in increased orders and prices received by U.S. producers for hot-rolled free-machining steels, particularly lead and bismuth free-machining steels. Hearing Tr. 39-40.

short tons in 1989 to 901,158 short tons in 1991, or by 13.9 percent. During January-September 1992, apparent consumption rose by 176,680 short tons, which, when compared with the corresponding period in 1991, was an increase of 29.1 percent. In addition to the impact of overall economic activity, the magnitude of recent increases may be partially explained by certain stockpiling activity,¹²² new long-term contracts for products previously supplied by foreign sources,¹²³ and accelerated purchases from Bethlehem following the announced sale of its Bar, Rod, and Wire Division.¹²⁴ The U.S. producers' market share of total apparent consumption of free-machining bar and rod dropped steadily from 79.4 percent in 1989 to 74.9 percent in 1991. During January-September 1992, U.S. producers held a 77.8 percent share of the market compared with 77.2 percent for January-September 1991.¹²⁵

The domestic industry's capacity increased from 1989 to 1990, before falling slightly in 1991.¹²⁶ Capacity utilization dropped irregularly to 47.3 percent in 1991 from 59.5 percent in 1989.¹²⁷ Production for January-September 1992 was up 32.6 percent compared with January-September 1991, yielding a 56.3 percent capacity utilization rate compared with a 44.0 percent for the earlier period.¹²⁸ The domestic industry's U.S. shipments declined by 18.8 percent from 1989 to 1991, while January-September 1992 shipments were up

¹²² Report I-37.

¹²³ Id. n.108.

¹²⁴ Id. I-37.

¹²⁵ Id. I-42.

¹²⁶ Id. I-44.

¹²⁷ Id. I-43.

¹²⁸ Id.

30.1 percent compared with shipments during January-September 1991.¹²⁹ The average number of production and related workers, hours worked and wages and total compensation paid fell between 1989 and 1991, but rose for the interim period of 1992 compared with the interim period of 1991.¹³⁰ The average hourly wage for production and related workers producing free-machining products rose from \$15.54 in 1989 to \$15.88 in 1991.¹³¹ Productivity rose slightly between 1989 to 1990, before falling between 1990 and 1991, and increasing in interim 1992 over the same period in 1991.¹³²

The financial performance of producers of hot-rolled free-machining bar and rod indicated that operating losses as a percentage of net sales increased from 4.1 percent in 1989 to 6.3 percent in 1991, before declining to 4.2 percent in January-September 1992.¹³³ Gross and operating incomes decreased marginally between 1989 and 1990, while net sales increased only slightly over the same period before declining by 19 percent in 1991.¹³⁴ However, despite the decreased sales, operating results remained about the same. The virtual opposite was true when comparing interim 1992 to interim 1991, as increased sales values by all but one of the companies resulted in a 26 percent increase in sales for the industry. However, despite the increase in sales, gross profits remained very small, and in interim 1992 operating losses as a percent of net sales (4.2 percent) and net losses as a percent of net sales (7.4

¹²⁹ Id. I-45.

¹³⁰ Id. I-50.

¹³¹ Id. I-52.

¹³² Id.

¹³³ Id. I-57.

¹³⁴ Id. I-56.

percent) remained at higher levels than at the beginning of the period of investigation in 1989.¹³⁵

A number of U.S. producers indicated that the subject imports had a negative effect on their revenue and thus, a negative impact on their development and production efforts.¹³⁶ Capital expenditures increased substantially between 1989 and 1990, before falling in 1991. Capital expenditure decreased considerably between interim 1991 and interim 1992.¹³⁷ Research and development expenses increased between 1989 and 1991, but decreased in the interim periods between 1991 and 1992.¹³⁸

III. CUMULATION

We are required to assess cumulatively the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with one another and with the like product of the domestic industry in the U.S. market.¹³⁹ In determining whether imports compete with each other and with the domestic like product, we generally consider four factors:

(1) the degree of fungibility between the imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;

(2) the presence of sales or offers to sell in the same geographic markets of imports from different countries and the domestic like

¹³⁵ Id.

¹³⁶ Report H-1.

¹³⁷ Id. I-71.

¹³⁸ Based on the factors noted above, Chairman Newquist and Commissioner Rohr conclude that the domestic hot-rolled free-machining bar and rod industry is currently experiencing material injury.

¹³⁹ 19 U.S.C. § 1677 (7) (C) (iv).

product;

(3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product; and

(4) whether the imports are simultaneously present in the market.¹⁴⁰

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide us with a framework for determining whether the imports compete with each other and with the domestic like product.¹⁴¹ Only a "reasonable overlap" of competition is required.¹⁴²

We are not required to cumulate those imports of merchandise subject to investigation that it determines are negligible and have no discernible adverse impact on the domestic industry.¹⁴³ In determining whether imports are negligible, we consider all relevant economic factors including whether:

(I) the volume and market share of the imports are negligible;

(II) sales transactions involving the imports are isolated and sporadic; and

(III) the domestic market for the like product is price sensitive by reason of the nature of the product, so that a small quantity of imports can result in price suppression or depression.¹⁴⁴

¹⁴⁰ See Cast Iron Pipe Fittings from Brazil, Korea & Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (CIT 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

¹⁴¹ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50, 52 (CIT 1989).

¹⁴² See, e.g., Granges Metallverken AB v. United States, 716 F. Supp. 17 (CIT 1989).

¹⁴³ 19 U.S.C. § 1677(7)(C)(v).

¹⁴⁴ Id.

A. Reasonable Overlap of Competition

In analyzing the competition issue, we find that there is a reasonable overlap of competition among all of the subject imports from Brazil, France, Germany, and the United Kingdom, as well as with domestic free-machining bar and rod. There was general agreement among a number of purchasers of imported and domestic lead and bismuth steel that imports from all four countries and the domestic products are relatively fungible.¹⁴⁵ Subject imports from each of the four countries were present simultaneously in the U.S. market with domestic free-machining products, as well as with imports from at least one other subject country.¹⁴⁶ The record indicates that fungible, commodity grade lead bar products were sold to U.S. purchasers by each of the countries subject to investigation at the same time as comparable fungible U.S. free-machining products.¹⁴⁷ Most of the subject imports from each country and the domestic product were sold through the same channels of distribution, i.e., to U.S. cold-finishers.¹⁴⁸ Finally, competition between the subject imports and domestic free-machining products took place in similar geographic areas, most notably in the U.S. mid-west region.¹⁴⁹

We reject the French and German respondents' arguments that subject imports from those countries did not compete with the U.S. like product because of longer lead times, non-reliable sources of supply, lack of availability during the winter months in the Great Lakes region, lack of

¹⁴⁵ Report I-87.

¹⁴⁶ Report I-89 - I-95; Purchaser Questionnaire Responses.

¹⁴⁷ Id.

¹⁴⁸ Id. I-89.

¹⁴⁹ Purchaser Questionnaire Responses.

warehousing facilities, the niche nature of some of the German products, and lack of competition in the spot market. Such competitive barriers did not prevent German and French imports from competing simultaneously with U.S. producers for many of the same U.S. purchasers involving the same leaded products.¹⁵⁰ In addition, these factors did not prevent the subject imports from France and Germany from increasing their share of apparent domestic consumption throughout the period of investigation.

B. Negligibility

We also find that none of the subject imports is eligible for application of the cumulation negligibility exception. The import shares of apparent domestic consumption of all of the subject imports were at levels where the Commission traditionally has not applied the exception, and we decline to do so in these investigations. Generally, the sales of the subject imports were not isolated or sporadic, with sales from France and the United Kingdom present in all 15 of the quarters in the period of investigation, German sales in 14 out of 15, and Brazilian subject imports present in 11 out of 15 quarters.¹⁵¹

Application of the negligibility exception is also not justified because the market for free-machining steels is price sensitive. Hot-rolled free-machining bar and rod are commodity type products, with specified metallurgy and machinability criteria. These products are relatively fungible and substitutable. Purchasers indicated in questionnaire responses that a number of different domestic producers and importers were "price leaders," which

¹⁵⁰ Purchaser Questionnaire Responses.

¹⁵¹ Importer Questionnaire Responses. Petitioners' Prehearing Brief at 91 n.182.

suggests that information flows freely within the industry. Moreover, most purchasers buy free-machining bar from different producers, supporting purchasers' statements concerning the substitutability of imported and domestic product, and indicating that price is a dominating factor in the decision-making of most purchasers.¹⁵²

Based on the foregoing, we cumulatively assess the subject imports from all four countries in our determination of material injury by reason of the subject imports.

IV. MATERIAL INJURY BY REASON OF LTFV AND SUBSIDIZED IMPORTS

In determining whether the domestic industry is materially injured by reason of the imports under investigation, the statute directs us to consider:

(I) the volume of imports of the merchandise which is the subject of the investigation;

(II) the effect of imports of that merchandise on prices in the United States for like products; and

(III) the impact of imports of such merchandise on domestic producers of like products, but only in the context of production operations within the United States.¹⁵³

In making this determination, we consider "such other economic factors as are relevant to the determination" ¹⁵⁴ However, we do not weigh causes. ^{155 156 157 158}

¹⁵² Commissioners Brunsdale and Crawford do not believe that this industry is so price sensitive that a volume or market share of imports small enough to be considered negligible would result in price suppression or depression. This is particularly true given the existing excess capacity in the industry. They find the arguments presented in the text, particularly those addressing price leadership, to be unpersuasive.

¹⁵³ 19 U.S.C. § 1677(7) (B) (i).

¹⁵⁴ 19 U.S.C. § 1677(7) (B) (ii).

¹⁵⁵ See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (CIT 1988).

In determining whether there is material injury by reason of the LTFV and subsidized imports, the statute directs us to consider "whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."¹⁵⁹

We find that the subsidized and LTFV subject imports were significant in terms of both volume and market share throughout the period of investigation. Imports of hot-rolled lead and bismuth carbon steel products from the four

¹⁵⁶ (...continued)

¹⁵⁶ Chairman Newquist, Commissioner Rohr, and Commissioner Nuzum have noted that the Commission need not determine that imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249, 96th Cong., 1st Sess. 57 and 74 (1979). Rather, a finding that imports are a cause of material injury is sufficient. E.g., Metallwerken Nederland, B.V. v. United States, 728 F. Supp. 730, 741 (CIT 1989); Citrosuco at 1101.

¹⁵⁷ Vice-Chairman Watson's views on the proper standard of causation are set out in Certain Helical Spring Lockwashers from the People's Republic of China and Taiwan, Inv. No. 731-TA-624 and 625 (Preliminary), USITC Pub. 2565 at 21, n.99 (October 1992).

¹⁵⁸ Commissioner Brunsdale and Commissioner Crawford note that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV and subsidized imports. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently is causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than the less-than-fair-value imports." S. Rep. No. 249 at 58, 75. However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 57, 74; H.R. Rep. No. 317 at 47. The Commission is not to determine if the allegedly LTFV and subsidized imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 249 at 57, 74. Rather, it is to determine whether any injury "by reason of" the allegedly LTFV and subsidized imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis supplied).

¹⁵⁹ 19 U.S.C. § 1677(7)(C)(i).

countries subject to investigation increased from 180,396 tons valued at \$91.3 million to 186,038 tons valued at \$87.3 million between 1989 and 1990, and then fell slightly to 185,029 tons valued at \$87.3 million in 1991.¹⁶⁰

Imports increased substantially by both value (30.5 percent) and quantity (28.8 percent) from interim 1991 to the same period in 1992. The subject import share of apparent domestic consumption of all free-machining bar and rod increased by quantity from 17.2 percent in 1989 and 1990, to 20.5 percent in 1991. The subject import share of apparent domestic consumption by quantity stayed essentially the same between interim 1991 (19.1 percent) and the comparable period in 1992 (19.0 percent), but increased by value from 18.2 to 18.7 during the same period.¹⁶¹

Import volumes stayed relatively constant (dropping only 0.5 percent by quantity, while increasing slightly by value) during the 1990-91 recession. At the same time, domestic consumption declined by 16.5 percent, and domestic production declined by 21.1 percent.¹⁶² The respondents argue that the domestic free-machining steel producers' condition is expected to move dramatically upward and downward in the business cycle, related primarily to swings in the production of automobiles.¹⁶³ As noted, however, the volume of dumped and subsidized imports -- which were also used in automobile related production -- did not decline during this same period. We find that the resulting relative increase in the import share of apparent domestic consumption further weakened the condition of an industry already adversely

¹⁶⁰ Report F-5.

¹⁶¹ Id. F-5.

¹⁶² Id. F-5 - F-6.

¹⁶³ Respondents' Prehearing Br. at 31.

affected by the recession. We note that our reviewing court has reminded us that "imports take the domestic industry as they find it."^{164 165}

Moreover, the volume of dumped and subsidized subject imports increased by 28.8 percent by quantity and 30.5 percent by value in interim 1991 compared with interim 1992.¹⁶⁶ While U.S. producers' shipments also increased by 30.1 percent during this period, the total subject import share of domestic consumption (19.0 percent) in interim 1991 exceeded the level at the beginning of the period of investigation in 1989 (17.2 percent).¹⁶⁷ Even though certain domestic industry performance indicators increased during the 1992 interim period, the continued high import share of apparent domestic consumption -- 19.0 percent -- during this period contributed to fewer workers, lower capacity utilization, and greater net losses for the domestic industry than existed at the beginning of the period of investigation in 1989.¹⁶⁸

¹⁶⁴ Iwatsu Electric Co., Ltd. v. United States, 758 F. Supp. 1506, 1518 (CIT 1991). Respondents argue that any injury suffered by the domestic industry coincided with increased production by U.S. minimills and not an increased volume of the subject imports. Respondents' Prehearing Brief at 31-34. As noted, we are required to examine the domestic industry as a whole. Moreover, the record does not support respondents' assertion, as both integrated and minimill production fell during the 1990-91 period of the recession. Compare Report G-5 with G-6.

¹⁶⁵ Commissioners Brunsdale and Crawford believe that there is material injury by reason of dumped imports. That finding is independent from any conclusions about the state of the industry during the period of investigation. We do not believe that a conclusion that the industry was "further weakened" is sufficient for an affirmative determination.

¹⁶⁶ Report F-5.

¹⁶⁷ Id. F-5 - F-6.

¹⁶⁸ The period of investigation is an arbitrary period established by the Commission for its administrative convenience and has no analytical significance. Commissioners Brunsdale and Crawford believe that a comparison of industry indicators at the beginning and end of a period of investigation is likewise arbitrary and is therefore not necessarily useful in determining whether an industry is injured by reason of dumped imports.

With respect to price, the statute directs us "to consider whether . . . there has been significant price underselling by the imported merchandise."¹⁶⁹ The statute also requires us to consider whether "the effect of imports . . . otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred to a significant degree."¹⁷⁰

The record indicates that the subject imports are relatively fungible products that compete directly with domestic free-machining bar and rod, particularly with lead and bismuth free-machining bar and rod.¹⁷¹ Purchasers generally indicated that imported hot-rolled lead bar and rod is similar in quality and machinability to domestically produced products.¹⁷² Some purchasers indicated that imported European lead products are superior, while Brazilian products are inferior to domestic products.¹⁷³ U.S. producers and importers generally agreed that the domestic and imported subject products are used interchangeably.¹⁷⁴

We find that price was a vital factor in the decisions of purchasers of hot-rolled free-machining bar and rod during the period of investigation. Virtually all purchasers stated that competitive pricing, quality, and availability are prime considerations in their choice of suppliers of free-machining bar and rod.¹⁷⁵ Domestic producers indicated that they were

¹⁶⁹ 19 U.S.C. § 1677(C) (ii) (I).

¹⁷⁰ 19 U.S.C. § 1677(C) (ii) (II).

¹⁷¹ Report I-94.

¹⁷² Id. I-88.

¹⁷³ Id.

¹⁷⁴ Id.

¹⁷⁵ Id. I-85.

continually forced to meet lower imported prices to attempt to maintain customers.¹⁷⁶

The data collected by the Commission demonstrate that the subject imports consistently undersold fungible domestic product. Purchaser price data revealed underselling by imports in all 104 possible comparisons.¹⁷⁷ Similarly, producer and importer questionnaire responses indicated underselling by the imported product in 111 of 130 possible price comparisons of sales by U.S. producers and importers.¹⁷⁸ Margins of underselling ranged up to 27.9 percent, with a substantial majority of the margins over 10 percent.¹⁷⁹ Given the relative fungibility of the subject imports with domestic free-machining bar and rod, we find that these margins of underselling are significant.^{180 181}

This consistent underselling resulted in lost sales and lost revenue by the domestic producers. We confirmed a number of the purchasers' allegations

¹⁷⁶ Hearing Tr. 37, 41, 45, 56.

¹⁷⁷ Report I-93.

¹⁷⁸ Id. I-90 - I-93.

¹⁷⁹ Id. I-90 - I-91, I-94.

¹⁸⁰ Many of these margins are also too large to be rationalized on the basis of costs associated with lack of warehousing or lead times, even if such costs were appropriately factored into our analysis. However, we note that in British Steel Corp. v. United States, 593 F.Supp. 405, 412 (CIT 1984), the Court of International Trade stated that "[p]lainly, the statute does not contemplate an adjustment to actual selling prices for the cost factors [long lead times] cited by plaintiffs."

¹⁸¹ Commissioner Crawford and Commissioner Brunsdale do not give great weight to the evidence of underselling contained in this record. In this investigation, domestic prices reported by producers differ from domestic prices reported by purchasers for the same products, calling into question the credibility of any price comparisons. In addition, lead-times and inventory carrying costs are non-price factors that may account for differences in absolute prices and limit the accuracy of the price comparisons.

of lost sales and lost revenue to the subject imports.¹⁸² Some of these purchasers acknowledged that the lower prices of the imports were important or at least considered in the purchasing decisions.¹⁸³ This is consistent with the purchasers' pricing information in which all of the imported products were priced below the domestic product.¹⁸⁴

We also find significant price depressing or suppressing effects due to the prices of the subject imports.¹⁸⁵ Domestic prices generally declined or did not increase for much of the period 1989-91.¹⁸⁶ However, beginning in the second quarter of 1992, domestic prices for each of the three lead bar and rod products, as well as free-machining non-lead 1215 grades which compete with the subject imports, increased by approximately \$1.00 to \$1.50 per hundred pounds.¹⁸⁷ These increases raised domestic producers' prices above the 1989 levels for the first time during the period of investigation.¹⁸⁸ Prices for other SBQ bar and rod generally declined slightly or remained flat throughout the period of investigation.¹⁸⁹

The connection between the unfairly traded subject imports and the

¹⁸² Report I-96 - I-97.

¹⁸³ Id.

¹⁸⁴ Commissioners Brunsdale and Crawford agree that dumping caused the domestic industry to lose sales and revenue, relying on economic analysis to reach that conclusion. They do not find anecdotal evidence of any particular lost sales, submitted by petitioners, to constitute reliable evidence of such losses.

¹⁸⁵ See generally, Iwatsu, 758 F. Supp. at 1414-18.

¹⁸⁶ Report I-90 - I-91.

¹⁸⁷ Id.

¹⁸⁸ Id.

¹⁸⁹ Id. I-90 - I-91, I-94.

depression or suppression of domestic prices was demonstrated when U.S. producer representatives testified that between 1989 and 1991 prices declined as a result of pressure from lower priced imports.¹⁹⁰ For example, one U.S. industry representative stated that "[c]old finishers, our primary customers, press us continually to meet import prices."¹⁹¹ The domestic price increases during and after the third and fourth quarters of 1992¹⁹² resulted, at least in part, because importers of the subject imports reduced their shipments of product to the United States after the implementation of the preliminary duties.¹⁹³ By late 1992, a number of U.S purchasers who formerly purchased the dumped and subsidized imports had placed significant orders with domestic producers at the higher prices.¹⁹⁴

In addition, the price depressing or suppressing effects by the subject imports were not limited by substantial quantities of fairly traded imports. Imports of lead and bismuth bar and rod from countries other than Brazil, Germany, France and the United Kingdom never exceeded 5 percent of total apparent domestic consumption of free-machining bar and rod.^{195 196}

¹⁹⁰ Hearing Tr. 37, 41, 45, and 56.

¹⁹¹ Conference Tr. at 17.

¹⁹² Report I-93 - I-94.

¹⁹³ Hearing Tr. 39-40.

¹⁹⁴ See, e.g., Petitioners' Posthearing Brief, Vol. II, exhibit 8.

¹⁹⁵ Report I-83. Chairman Newquist and Commission Nuzum do not join in the observation made in this paragraph.

¹⁹⁶ Commissioner Crawford and Commissioner Brunsdale do not join in the remaining discussion. They make their determinations based on the analysis of the volume effects, price effects and impact of subject imports on the domestic industry. The 20.5% market share of subject imports is significant, especially since fairly traded nonsubject imports are not a significant factor
(continued...)

We stress that the modest price increases imposed by the domestic industry beginning in the second quarter of 1992, as well as the increased domestic production in 1992, have not eliminated the present injurious effects of the substantial dumped and subsidized subject imports on the domestic industry.¹⁹⁷ By the end of the period of investigation, these price increases had not created a profitable situation for U.S. producers, who continued to experience injury from continued high levels of dumped and subsidized imports, which increased substantially between January-September 1991 and January-September 1992. A number of U.S. producers indicated that they are not presently as competitive as they should be because they were not able to invest in much needed capital equipment during the period of investigation.¹⁹⁸ Even apart from these investment effects, these domestic producers' operating incomes remained well below 1989 levels, and their net incomes remained negative.¹⁹⁹

¹⁹⁶ (...continued)

in the market. Subject imports and the domestic products are moderate to close substitutes. As stated above, price plays an important role in purchaser decisions, and there are few substitute products. The extremely high margins for imports from Brazil, France and Germany make it unlikely that any imports from those countries would be sold, if offered at fairly traded prices. Similarly, the high margins on U.K. imports make it improbable that many U.K. imports would be sold at fairly traded prices. To the extent that this is a competitive market, U.S. producers would more likely increase their volume than their prices. In either case, the domestic industry would have been materially better off if the subject imports had been fairly traded.

¹⁹⁷ See CHR. Bjellard Seafoods v. United States, Slip. Op. 92-196 (CIT 1992) at 18-22 (appeal docketed).

¹⁹⁸ Report H-1.

¹⁹⁹ We have not placed any reliance on petitioners' so called "survival subsidies" analysis. We agree with respondents that the bankruptcy of one firm does not necessarily "mean that the facilities for producing lead and bismuth steels would have ceased operation or would have been less modernized than is in fact the case today," and that "even if the corporation goes
(continued...)

We find that any limited improvements in the domestic industry's condition is due not only to the ending of the recession, as suggested by respondents, but also to the effects of Commerce's and the Commission's preliminary investigations which contributed to the ability of the domestic industry to raise its prices.²⁰⁰ Any improvements in the domestic industry's production in the last half of 1992 does not significantly affect our finding that the domestic industry is suffering present material injury by reason of the subject LTFV and subsidized imports.

Based on the foregoing, and given the relatively high degree of substitutability among the subject imports and the like product, the

¹⁹⁹ (...continued)

bankrupt and is reorganized or even liquidated, those of its productive assets that have commercial value will survive and continue to operate, whether in new hands or in a reorganized version of the bankrupt company." Respondents' Posthearing Brief at 39. This analysis is particularly troubling when applied to more than one firm. In assessing the respondents' assertion that adoption by the Commission of petitioners' survival subsidies would be illegal, we note that the Court of International Trade has cautioned that the Commission is neither "competent or authorized to speculate about matters such as whether certain imports have been or are being dumped, or whether dumping is likely to continue or resume if an order is revoked." American Permac, Inc. v. United States, 656 F.Supp. 1228, 1233 n.8 (CIT 1986), aff'd, 831 F.2d 269 (Fed. Cir. 1987). To the extent that applying the survival subsidies approach of petitioners involves speculation concerning the Commerce's subsidy determination, it would be improper for the Commission to engage in such speculation.

²⁰⁰ We reject respondents' assertions that we should examine the condition of the domestic industry and the issue of causation excluding the data of Bethlehem from the domestic industry producing the like product. We have not made any separate determination with respect to causation for Bethlehem, nor would it be proper for us to do so. 19 U.S.C. § 1677(7)(C)(iii). Rather, we have treated respondents' allegations concerning the reasons for Bethlehem's exit from the production of free-machining bar and rod in August 1992 to be simply another piece of evidence regarding whether the domestic industry as a whole is suffering present material injury by reason of the subject LTFV and subsidized imports. In any event, we note that petitioners presented evidence that indicated that Bethlehem's departure from the production of free-machining steel was due, in part, to persistent underselling by the heavily subsidized and LTFV subject imports. See e.g., Hearing Tr. 55; Report H-8.

substantial import volume and import share of apparent domestic consumption which increased over the period of investigation, the concurrent decline in domestic market share and the price depressing or suppressing effects of the subject imports, we determine that the domestic industry producing hot-rolled free-machining bar and rod is materially injured by reason of the subject imports.

INFORMATION OBTAINED IN THE INVESTIGATIONS

INTRODUCTION

On September 17, 1992, the U.S. Department of Commerce (Commerce) published in the Federal Register its preliminary determinations that certain benefits which constitute subsidies within the meaning of section 703 of the Tariff Act of 1930 (19 U.S.C. § 1671b) (the Act) are being provided to manufacturers, producers, or exporters in Brazil, France, Germany, and the United Kingdom of certain hot-rolled lead and bismuth carbon steel products.^{1 2} Subsequently, on September 28, 1992, Commerce published in the Federal Register its preliminary determinations that imports of certain hot-rolled lead and bismuth carbon steel products from France, Germany, and the United Kingdom are being sold in the United States at less than fair value (LTFV).³ Accordingly, effective November 2, 1992, the Commission instituted the final countervailing duty and antidumping investigations listed below under the applicable provisions of the Act 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 of such merchandise into the United States:⁴

<u>Country</u>	<u>Countervailing duty investigation No.</u>	<u>Antidumping investigation No.</u>
Brazil.....	701-TA-314 (F)	
France.....	701-TA-315 (F)	731-TA-553 (F)
Germany.....	701-TA-316 (F)	731-TA-554 (F)
United Kingdom..	701-TA-317 (F)	731-TA-555 (F)

On November 13, 1992, Commerce advised the Commission of its preliminary determination that imports of certain hot-rolled lead and bismuth carbon steel products from Brazil are being sold in the United States at LTFV.⁵ Accordingly, effective November 13, 1992, the Commission instituted antidumping investigation No. 731-TA-552 (Final) under the applicable provisions of the Act to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the

¹ For purposes of these investigations, the subject imports of hot-rolled lead and bismuth carbon steel products are hot-rolled products of nonalloy or other alloy steel (i.e., other than stainless steel or alloy tool steels), whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of investigation, as defined by Commerce, are products of other alloy steels, except steels classified as such solely because the products contain 0.4 percent or more by weight of lead and/or 0.1 percent or more by weight of bismuth, tellurium, or selenium. Also excluded are semifinished steels and flat-rolled products. See tariff treatment, below, for tariff provisions covering the subject products.

² 57 F.R. 42971. Copies of the U.S. International Trade Commission's (Commission) and Commerce's Federal Register notices relevant to these investigations appear in app. A.

³ 57 F.R. 44551.

⁴ 57 F.R. 54607, Nov. 19, 1992.

⁵ Letter from Joseph A. Spetrini, Deputy Assistant Secretary for Compliance, Import Administration, Department of Commerce, to Don E. Newquist, Chairman, U.S. International Trade Commission, Nov. 10, 1992.

establishment of an industry in the United States is materially retarded by reason of imports of such merchandise into the United States. All of the aforementioned investigations were conducted on the same schedule at the Commission.

Notice of the institution of these investigations, and of the public hearing to be held in connection therewith, was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register on November 19, 1992 (57 F.R. 54607) and December 9, 1992 (57 F.R. 58220). The hearing in these investigations was held in Washington, DC, on February 2, 1993.⁶ The Commission voted in these investigations on March 4, 1993, and transmitted its determinations to Commerce on March 10, 1993.

Commerce made its final dumping/subsidy determinations in all these investigations on January 19, 1993.⁷

Background

These investigations result from a petition filed by Inland Steel Industries, Inc., including Inland Steel Bar Co. (Inland), Chicago, IL, and the Bar, Rod and Wire Division, Bethlehem Steel Corp. (Bethlehem), Johnstown, PA, on April 13, 1992. The petition alleges that imports of certain hot-rolled lead and bismuth carbon steel products from Brazil, France, Germany, and the United Kingdom are being subsidized and sold in the United States at LTFV, and that an industry in the United States is materially injured and threatened with material injury by reason of such imports.

Previous and Related Investigations

Hot-rolled lead and bismuth carbon steel products have been included in a number of investigations conducted by the Commission since 1921. A listing of those investigations is presented in table 1. The 1982 countervailing duty and antidumping investigations resulted in negative preliminary determinations with respect to hot-rolled carbon steel bars; the petitions with respect to hot-rolled alloy steel bars were withdrawn and the investigations terminated. In 1984 the Commission unanimously determined in an investigation under section 201 of the Trade Act of 1974 that imports of carbon and alloy steel bar and wire rod products were not a substantial cause of serious injury, or threat thereof, to those domestic industries. The 1984 investigations of carbon steel wire rod resulted in an affirmative determination in the countervailing duty investigation concerning Spain, and affirmative

⁶ A list of witnesses who appeared at the hearing is presented in app. B.

⁷ 58 F.R. 6202, Jan. 27, 1993.

Table 1
Carbon steel bar, rod, and bar-size shapes: Previous and related investigations since 1921

Item	Investigation number	Date of issue	Report No.
Steel billets and bars.....	N.A.	1921	C-7
Hot-rolled carbon steel wire rods:			
Belgium.....	AD-27	1963	TC 93
Luxembourg.....	AD-28	1963	TC 94
West Germany.....	AD-29	1963	TC 95
France.....	AD-30	1963	TC 99
Carbon steel bars and shapes:			
Canada.....	AD-39	1964	TC 135
Steel bars, reinforcing bars, and shapes: Australia.....	AD-62	1970	TC 314
Carbon steel wire rods and wire....	TEA-W-100	1971	TC 418
Carbon steel wire rods and round wire.....	TEA-W-181	1973	TC 566
Carbon steel bars and shapes:			
The United Kingdom.....	AD-INQ-8, 9	1978	USITC 855
Certain steel products (Hot-rolled carbon steel bar, and hot-rolled alloy steel bar):			
Belgium, Brazil, France, Italy, Luxembourg, United Kingdom, West Germany.....	701-TA-86-144 (P)	1982	USITC 1221
Carbon and certain alloy steel products (Hot-rolled carbon steel bars).....	TA-201-51	1984	USITC 1553
Carbon steel wire rod:			
Brazil, Belgium, France, Venezuela.....	701-TA-148-150 (P)	1982	USITC 1230
	731-TA-88 (P)		
Venezuela.....	731-TA-88 (F)	1983	USITC 1338
Brazil, Trinidad and Tobago.....	731-TA-113-114 (P)	1982	USITC 1316
	731-TA-113-114 (F)	1983	USITC 1444
Argentina, Mexico, Poland, Spain.....	701-TA-209 (P)	1984	USITC 1476
	731-TA-157-160 (P)		
Spain.....	701-TA-209 (F)	1984	USITC 1544
Poland.....	731-TA-159 (F)	1984	USITC 1574
Argentina, Spain.....	731-TA-157, 160 (F)	1984	USITC 1598
German Democratic Republic.....	731-TA-205 (P)	1984	USITC 1607
Poland, Portugal, Venezuela.....	701-TA-243-244 (P)	1985	USITC 1701
	731-TA-256-258 (P)		
Steel Industry Annual Reports.....	332-209 and 332-289	Various	
Lead and bismuth carbon steel products:			
Brazil, France, Germany, United Kingdom.....	701-TA-314-319 (P)	1992	USITC 2512
	731-TA-552-555 (P)		
Special quality hot-rolled and semifinished carbon and alloy steel products:			
Brazil.....	731-TA-572 (P)	1992	USITC 2537

Source: Various Commission reports.

determinations in the antidumping investigations involving Argentina, Brazil, Spain, and Trinidad and Tobago.⁸

THE PRODUCT

Description⁹

The hot-rolled lead and bismuth carbon steel products (bars, rods, and bar-size shapes¹⁰) covered by these investigations are hot-rolled products of nonalloy or other alloy steel,¹¹ containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Flat-rolled carbon steel products and reinforcing bars and rods are not included in these investigations. The subject hot-rolled lead and bismuth carbon steel products are principally provided for in subheadings 7213.20.00 (bars and rods of free-cutting steel, hot-rolled, in irregularly wound coils) and 7214.30.00 (other bars and rods of free-cutting steel) of the HTS.

Additions of lead and bismuth¹² to base grades of carbon and certain alloy steels improve the machinability¹³ of the steel. These additions, consisting of small amounts (typically, 0.15 to 0.35 percent) of lead or bismuth by weight, increase the speed of removal of relatively large amounts of metal in machining operations, improve the surface finish of the part, reduce machine tool wear¹⁴ and energy expenditure, and reduce tool creep on automatic screw machines, lathes, and drill presses. The use of leaded and bismuth steel is dictated by the economics of producing the particular part (which is driven by the application) and the machining equipment available. For certain applications, the greater machinability of leaded steels far

⁸ In addition, Commerce conducted several countervailing duty investigations of countries that were not signatories to the GATT subsidies code from 1986 to 1988 that resulted in affirmative countervailing duty determinations regarding carbon steel wire rod from Malaysia, New Zealand, Saudi Arabia, and Zimbabwe.

⁹ See app. C for definitions of selected steel industry terms.

¹⁰ Based on responses to the Commission's questionnaires in its preliminary investigations, lead and/or bismuth bar-size shapes are not produced by either U.S. producers or foreign manufacturers.

¹¹ Stainless and alloy tool steels are excluded from the scope of the investigations. Included alloy steels are those described in the Harmonized Tariff Schedule of the United States (HTS) as free-cutting steel (those which do not comply with the definitions of stainless and alloy tool steels); see note 1(f), defining "other alloy steel," chapter 72, HTS. Nonalloy free-cutting steel is described in subheading note 1(b) to chapter 72.

¹² Tellurium and/or selenium also may be included as additions to leaded steels.

¹³ Machinability is an interactive property of the work material with respect to the tool, the machine, and the lubricant; improvements in the machinability of the work material can be brought about through changes in the chemistry of the steel, or through changes in steel processing. (Debanshu Bhattacharya, "Machinability of Steel," Journal of Metals, Mar. 1987, p. 33.) Also see definitions in app. C for a further discussion of machinability.

¹⁴ According to testimony presented by the Curtis Screw Company, 150,000 parts could be made between tool changes using leaded or bismuth steel while no more than 200 to 500 parts could be made using 1000 series (non-free-machining) steel. Testimony of Mr. Squier, President, Curtis Screw Company, Hearing TR, p. 53.

outweighs the cost of the steel, which is typically about one-third of the cost of finished products.¹⁵

Lead and bismuth are commonly added to steels that have been resulphurized and/or rephosphorized, e.g., AISI and SAE grades 1108-1151 and 1211-1215, particularly the latter series.¹⁶ Additions of either lead alone or in combination with selenium or tellurium, or of bismuth, cause embrittlement in the steel, making the steel more prone to cracking. Lead and bismuth are insoluble and form inclusions in the steel, attaching themselves as tails to manganese sulfides. These inclusions aid chip formation and improve the lubricity or machinability of the steel. These reductions in tool-chip friction increase the useful life of cutting tools and improve the finish of machined surfaces. However, these steels pose problems in terms of manufacture and rolling, and their production is subject to environmental and health restrictions.

Free-Machining Steels

Carbon steel grades with additions of lead and/or bismuth are part of a group of steels, termed "free-cutting" or "free-machining," of the same or similar base grades,¹⁷ which either have been resulphurized, rephosphorized, renitrogenized, and/or have had additions of lead, bismuth, selenium, or tellurium.^{18 19} All steel, irrespective of grade or content, is machinable to some degree, and the machinability of the base steel is largely dictated by the engineering requirements for the end product.²⁰ These requirements, which are properties of the base grade of the steel, include the steel's strength, ductility, and fatigue resistance. Free-machining steels possess a significantly higher level of machinability compared with non-free-machining grades and are chosen when large amounts of material must be removed. However, the effect of certain free-machining additives on steel properties may also preclude the use of these steels in certain applications for which optimum strength or toughness is a prime consideration.

¹⁵ Testimony of Mr. Squier, Hearing TR, pp. 48-49.

¹⁶ The first two numbers define the series (i.e., 11xx or 12xx); the latter two numbers indicate the carbon content in hundredths of a percent. These two series are the resulphurized, and resulphurized and rephosphorized series, respectively. These two series are termed "free-machining" steels. The presence of relatively large amounts of sulfur (about 0.10 percent) and phosphorus causes some reduction in cold formability, weldability, and forgeability and lowers the ductility, toughness, and fatigue strength.

¹⁷ See definitions in app. C for further discussion of grades of steel.

¹⁸ Staff interview with the personnel at the Cold Finished Steel Bar Institute on May 1, 1992. Also, Dr. Bhattacharya, Conference TR, p. 77.

¹⁹ In the Commission's questionnaires in these investigations, "free-machining carbon and certain alloy steel products" were defined as follows:

Nonalloy (carbon) and certain alloy steel products containing by weight one or more of the following elements in the specified proportions:

- 0.03 percent or more of lead
- more than 0.05 percent of bismuth
- 0.08 percent or more of sulfur
- more than 0.05 percent of selenium
- more than 0.01 percent of tellurium.

²⁰ Bhattacharya, "Machinability of Steel," p. 33.

Non-free-machining steels may be subjected to less substantial machining operations to produce a variety of parts when the amount of metal to be removed by machining does not justify the extra cost of free-machining steels. Non-free-machining steels are also used for the production of parts using cold-heading or cold-forming processes. In contrast to machining, in which material is removed mechanically from a bar to form an intricate shape, cold-heading or cold-forming uses force to change contour. Cold-forming is a forging process in which force, developed by blows of a mechanical hammer or heading tool, is used to displace or upset a portion of a blank to form a section of different contour or configuration. Although this process has the advantage of being able to process pieces more quickly than machining,²¹ increasing work volume and reducing processing costs, it is unable to duplicate the precision and fine tolerances required in many of the products currently produced by screw machine operations.²²

Free-machining bars can provide substantial savings by increasing the production rate in high-speed machining operations. Over a period of many years, steel producers have conducted intensive research programs to develop steels having improved machinability. This has been particularly true for the low-carbon, free-cutting steels which are utilized extensively for the production of a wide variety of parts in automatic screw machines operating at high production rates.²³

Special Quality Steels

Free-machining steels, including leaded and bismuth steels, are a subset of the larger category of special quality steels. Such steels react favorably to various surface or heat treating operations, such as direct hardening, carburizing, induction hardening, and/or nitriding, and are used in applications requiring critical levels of hardness and/or hardenability, strength, toughness, fatigue resistance, high-temperature creep and fracture resistance, wear resistance, machinability, and formability. These steels are commonly referred to as "engineered" or "special bar quality" (SBQ) steels.

²¹ According to respondents, once a cold-heading operation is set up, it is a much cheaper way to make products because they are substantially faster: cold-heading machines achieve typical speeds of 150 to 600 parts per minute while screw machine operations usually vary from a high of 30 parts per minute down to less than one per minute. Respondents consolidated prehearing brief, exhibit 5, p. 2.

Petitioners contend that because cold-heading is cheaper than machining if substantial volumes are involved "any part that can be made on a cold-header already is made that way." Robert C. Squier, President, Curtis Screw Machine, speaking for petitioners, stated that "none of the parts made on screw machine by Curtis Screw Co. could be made on cold-headers," and that Curtis Screw makes parts "only when it is impossible to make them on a cold-header." Petitioners' posthearing brief, Answers to Commission questions, affidavit of Robert C. Squier, exhibit 1(C).

²² According to petitioners, cold-heading is used where the end products are not intricate in shape, do not exceed 1-1/4 inches in diameter, have relatively loose tolerances, and surface quality is not important. Petitioners' posthearing brief, Answers to Commission questions, affidavit of Robert C. Squier, exhibit 1(C); letter of C.G. Scofield, Managing Director, Industrial Fasteners Institute.

²³ USS, "Chapter 51: Machinability of Carbon, Alloy, and Stainless Steels, The Making, Shaping and Treating of Steel," edited by Harold E. McGannon, 9th ed., 1971, pp. 1275-1294.

In contrast to merchant quality, special quality steel is typically produced to customer order and characterized by tighter surface and chemical tolerances. It is produced with minimal segregation and porosity, tighter grain size tolerances, and restrictive limits on incidental chemical element content. A tight range for chemical composition is prescribed for carbon, manganese, phosphorus, and sulfur. Standards on surface irregularities, including seams, are stricter than for merchant quality.

Bars vs. Rods²⁴

Bars and rods are solid hot-rolled products produced by rolling heated billets into cut lengths or coils of a smaller predetermined cross-sectional size. Although most bars and rods are rolled from strand-cast billets, some bars, including those subject to the investigations, are hot-rolled from billets which were processed from ingots or strand-cast blooms. In general practice, bars are rolled on a bar mill, and rods are rolled on a rod mill; these two types of hot-rolling mills differ somewhat in their engineering requirements, such as the number of stands and their speed of operation. Chemistry, size tolerances, and end use typically define most differences between bars and rods.

With respect to chemistry and form differences, most carbon steel rod is produced in the 1000 and 1500 series carbon steels, and very little, if any, is produced in the 1100 or 1200 series, which along with the 1000 and 1500 series, are common bar grades.^{25 26} While rods are typically produced in coils of one continuous length, bars may either be produced in coils or cut to length. Most of the rod products that are produced in the United States are designated "wire rods," intended for cold-drawing into wire for the production of wire products; this also means that most rod is of a circular cross-section.²⁷ Bars may be further hot-worked (e.g., forged) or cold-finished (including cold-drawn), depending upon their end use. Bars are hot-rolled to a number of shapes, including rounds, squares, round-cornered squares, hexagons, square-edge and round-edge flats,²⁸ and angles.²⁹

²⁴ See also the Memorandum prepared by Charles Yost in investigation No. 731-TA-572 (P), Certain Special Quality Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil, for an in-depth discussion of the physical and quality distinctions between bar and rod, based on telephone surveys of industry personnel.

²⁵ AISI, *Steel Products Manual: Wire and Rods, Carbon Steel*, Mar. 1984. See definitions in app. C for a discussion of steel series.

²⁶ In 1991, only 3.9 percent of U.S. rod shipments reported by U.S. producers responding to Commission questionnaires were in the 1100 and 1200 (free-machining) series.

²⁷ According to one estimate made by a steel industry executive, approximately 95 percent of the U.S. rod production is "wire rod," with another 3 to 4 percent designated for cold-heading applications and structural applications requiring large diameter wires welded at the intersection.

²⁸ Moltrup Steel Products Company (Moltrup), an independent steel drawer located in Beaver Falls, PA, argued at the hearing in these investigations that the domestic industry producing "flats" is essentially nonexistent and is, indeed, a separate industry not being injured by imports of foreign-produced "flats." A summary of Moltrup's arguments in this regard and summaries of petitioner's and respondent's posthearing responses concerning this issue are presented in app. D.

Bar tolerances are tighter and more exacting than those for rod. The specifications written for the two products reflect these differences and are based mainly on the different end uses. Hot-rolled wire rods are generally produced in nominal fractional diameters, and are not comparable to hot-rolled bars in accuracy of cross-section or surface finish because of the methods of manufacture and intended end use.³⁰

Industry usage of size distinctions is in transition, creating an overlap between the definitions of bar and rod. In general, forms that exceed 3/4 inch (19 mm) in diameter are "bar," those under 1/2 inch (12.7 mm) in diameter are "rod," and those between 1/2 and 3/4 inches may be "bar" or "rod," depending upon the mill or the customer and the end use.³¹ This overlap is reflected in the HTS, where both bars and rods may be between 14 (0.55 inch) and 19 mm (0.74 inch) in diameter.³² Standardized nomenclature is lacking. The HTS sets the minimum diameter for bars at 14 mm, even though U.S. steel industry specifications for bar include sizes down to 7.94 mm (5/16 inch).³³ In addition, the HTS provides no definition of maximum size for bars. However, the American Iron and Steel Institute uses the following guidelines for bars: rounds may be up to 10 inches in diameter; squares may be up to 8 inches; hexagons may be up to 4 inches; and flats may be up to 1.5 inches thick and 6 inches wide.³⁴

²⁹ (...continued)

²⁹ AISI, *Steel Products Manual: Alloy, Carbon and High Strength Low Alloy Steels: Semifinished for Forging; Hot Rolled Bars, Cold Finished Bars, Hot Rolled Deformed and Plain Concrete Reinforcing Bars*, pp. 91-94.

³⁰ AISI, *Steel Products Manual (Wire and rods)*, p. 35.

³¹ Six producers responding to Commission questionnaires in these investigations were able to provide separate trade data concerning rod operations on product sized between 0.5 and 0.74 inches. For three, ***, ***, and ***, shipments in this size range accounted for *** 1991 shipments of special quality rod product, while for the other three, ***, ***, and ***, shipments in this size range accounted for less than *** percent of 1991 shipments of special quality rod product.

³² Under the predecessor Tariff Schedules of the United States (TSUS), bars and wire rod were separate products covered by different provisions. Steel bar was defined as having cross-sections in the shape of circles, ovals, triangles, rectangles, hexagons, or octagons; and imports were reported under separate categories based on configuration and whether or not they were cold-formed. Wire rod was defined as a coiled hot-rolled product, approximately round in cross-section, and not under 0.20 inch nor over 0.74 inch in diameter; imports were reported under separate categories based on carbon content and further processing.

As of the adoption of the HTS, hot-rolled bars and rods are classified together with a distinction between "hot-rolled bars and rods in irregularly wound coils" and "other bars and rods" (which would include hot-rolled bars and rods cut to length). A size dimension continues to be maintained, however, with a separate statistical reporting number, for coiled product less than 14 mm (0.74 inch) in diameter.

³³ AISI, *Steel Products Manual (Bars)*, p. 91. This grey area was discussed by Mr. de Ravel D'Esclapon, representing respondent Usinor Sacilor (and its subsidiaries, Ascometal, Unimetal, and Saerstahl). Conference TR, p. 149.

³⁴ AISI, *Steel Products Manual (Hot-rolled bar)*, pp. 91-94.

Cut-lengths vs. coils

After hot-rolled steel is rolled, it can be cut to convenient shipping lengths or can be coiled. Special quality coiled products up to approximately 2 inches in diameter are produced on a bar or rod mill equipped with reels to coil the final product. Special quality cut-length products are produced on a mill equipped with facilities to produce the cut lengths, such as shears, hot saws, or abrasive saws, as well as notch turnover hot beds to ensure product straightness off the hot-mill. There is virtually no metallurgical difference between cut-length and coiled products, although the maximum diameter of coiled products is limited. The choice between these two products is based on the purchaser's manufacturing equipment. Coiled products are generally not used for hot forging or direct machining operations. Both cut-lengths and coiled products are used by cold finishers.

Manufacturing Process

The manufacturing process leading to the production of hot-rolled lead and bismuth carbon steel products is analyzed below and consists of three different stages: (1) melting, (2) casting, and (3) hot-rolling.

Melting Stage

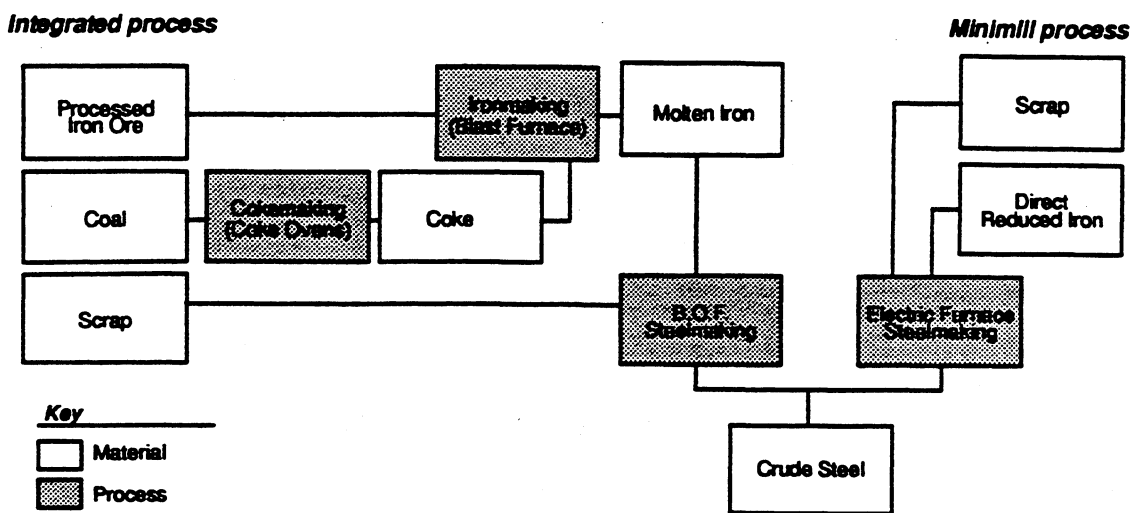
Steel is produced by either an integrated or a nonintegrated process (see figure 1). The nonintegrated process produces molten steel by melting scrap in an electric arc furnace (EAF). In contrast, the integrated process typically smelts iron ore and coke in a blast furnace to produce molten iron, which is subsequently poured into a steelmaking furnace, generally a basic oxygen furnace (BOF), together with scrap metal. The hot metal is processed into steel when oxygen is blown into the metal bath. Lime is added to serve as a fluxing agent; it combines with impurities to form a floating layer of slag, which is later removed. Alloy steels are produced by additions of alloying agents (including chromium, nickel, and molybdenum) to liquid steel to impart specific properties to finished steel products. Molten steel is poured or tapped from the furnace into a ladle, an open-topped, refractory-lined vessel, typically with an off-center bottom opening equipped with a nozzle. Meanwhile, the primary steelmaking vessel (EAF or BOF) may be charged with new materials to begin another refining cycle.

Whether the integrated or nonintegrated process is used, it is increasingly common for molten steel to pass through a ladle metallurgy station, where its chemistry is refined to embody the steel with properties required for specific applications.³⁵ At the ladle metallurgy or secondary steelmaking station, the chemical content and temperature are adjusted for optimum casting. The temperature for optimum casting of lead and bismuth steels is around 2,900° F, or about *** higher than that for the same base grades.³⁶

³⁵ Ladle metallurgy stations differ in their sophistication and ability to refine the steel. Steels used to produce most merchant quality products and concrete reinforcing bar usually are not processed in a ladle metallurgy station.

³⁶ Staff interviews with engineering personnel at *** and ***.

Figure 1
Simplified steelmaking flowchart



Source: U.S. International Trade Commission, *Steel Industry Annual Report*, USITC 2436, Sept. 1991, p. 2-2.

Lead and bismuth additions are typically made after the base grade steel has been melted but prior to casting into solid form. It is apparently the operating practice of two respondent companies, *** and ***, to add lead or bismuth at the ladle metallurgy station,³⁷ whereas the petitioners add lead or bismuth at the casting stage, described below.

Casting Stage

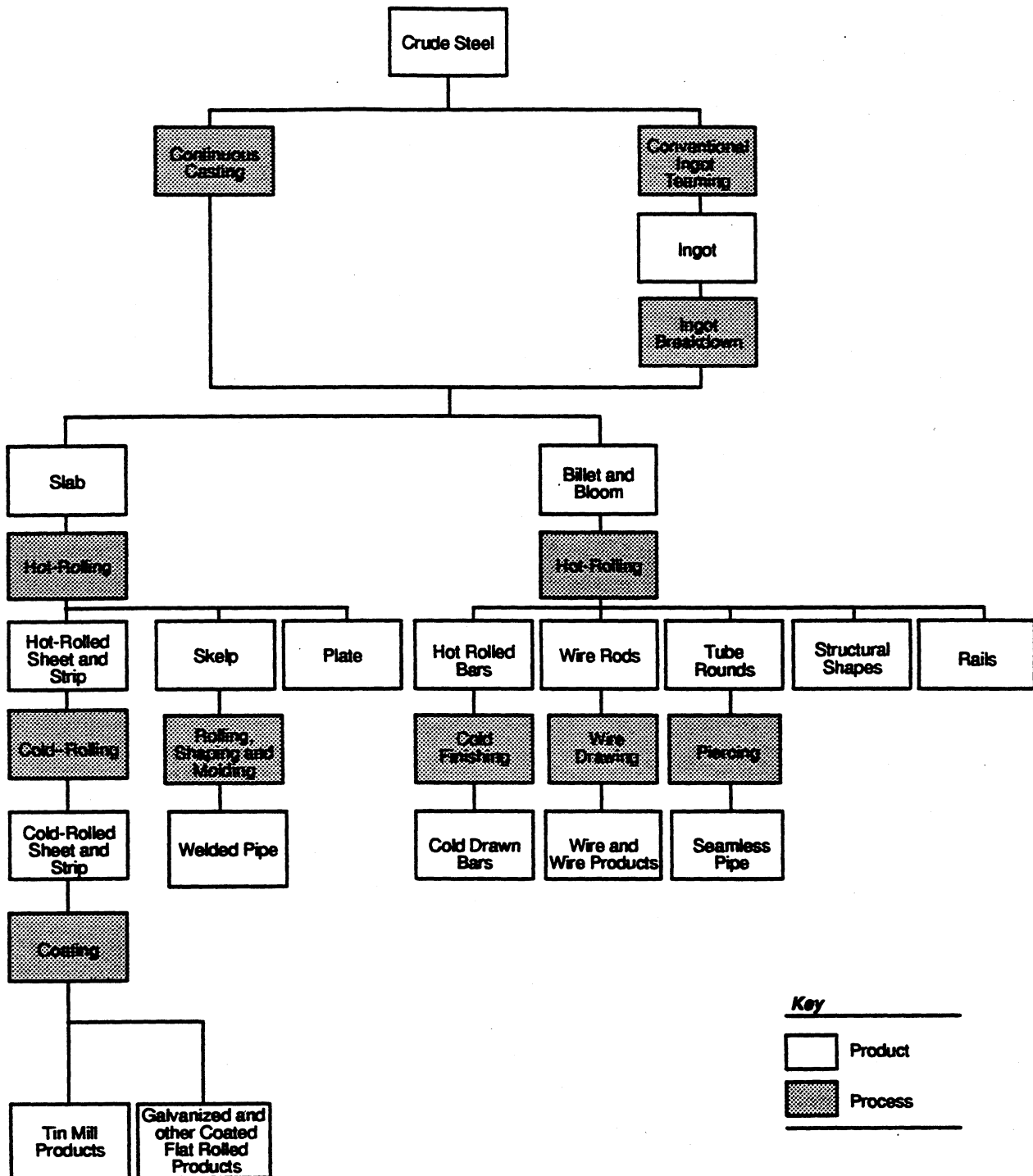
Once molten steel with the correct properties has been produced, it is cast into a form that can enter the rolling process (see figure 2 for a presentation of steel products and processes). In the ingot-based process, the ladle is moved by an overhead crane to a pouring platform where the steel is poured or "teemed" into ingot molds, either through the top of each mold or, in the preferred method for lead and bismuth production, through a pipe system that fills each mold from the bottom (bottom casting).³⁸ As the steel begins to solidify, the mold is stripped from the ingot and the ingot is transferred to a soaking pit, a specialized heating furnace that equalizes the temperature within the ingot.

Lead and bismuth additions may be made into the stream of molten steel as it is teemed into the ingot molds; such additions are made in the form of leaded wire or shot feeds. This requires some specialized machinery to feed in the lead, for fume and dust collection, and for scrap metal segregation. Following removal from the soaking pit, the ingots are hot-rolled on a breakdown mill to bloom sizes and then transferred to a billet mill for hot-rolling to bar or rod configurations.

³⁷ Steptoe and Johnson, Postconference brief, p. 8 (reference to Mr. Graham's testimony).

³⁸ Bottom casting increases the quality of the solidified ingot by improving the separation of inclusions and reducing porosity.

Figure 2
Steel products and processes



Source: Steel Industry Annual Report, USITC 2436, Sept. 1991, p. 2-3.

In the strand (or "continuous") casting method, the ladle is transferred from the ladle metallurgy station to the caster. The molten steel is poured at a controlled rate into a tundish, which in turn controls the rate of flow into the strand caster. The tundish may have a special design or electromagnetic stirring for the purpose of ensuring homogeneity of the steel. Lead and bismuth may be added to the tundish in the form of shot, requiring some specialized machinery and operating practices. The strand caster is designed to produce blooms or billets in desired cross-sectional dimensions.³⁹

With regard to lead and bismuth steels, Inland, UES, and Saarlust cast blooms, whereas Bethlehem, Republic, and Copperweld cast ingots.⁴⁰ According to certain industry participants, lead and bismuth steel cannot be billet cast, due to their small cross section.⁴¹ A bloom's larger cross section allows a more homogeneous distribution of lead and bismuth within the steel; also, the bloom's greater cooling time allows manganese-sulfides to grow larger than is possible in a billet, leading to higher quality.

Hot-Rolling Stage

After being cast, ingots or blooms are transferred to a hot-rolling mill where they are reduced in cross-sectional dimension. There are additional losses in weight at each processing stage of the ingot or bloom associated with the production of lead and bismuth steels. For example, *** reported that because of cropping and hot scarfing of ingots and blooms, the additional yield loss is *** percent above that associated with base-grade steels, a figure also reported by ***.⁴² One firm also reported higher surface losses, estimated at between *** and *** percent.⁴³ According to *** and ***, lead and bismuth steels must also be rolled at a faster speed.⁴⁴

³⁹ Although blooms are larger than billets, there is disagreement on the cross-sectional dimension demarcation between the two shapes.

⁴⁰ Staff interviews with officials at Republic on Apr. 24, 1992, and Copperweld on May 13, 1992 and testimony of Jim Fritsch of Bethlehem Steel (conference TR, p. 34), commenting that Bethlehem could not afford the cost of installing a new bloom caster. See also, Wiley, Rein and Fielding, postconference brief, app. 1, which contradicts Saarlust's description of billet casting these steels. See also, LeBoeuf, Lamb, Leiby & MacRae, postconference brief, app. 1, indicating that a bloom caster is used by Unimetal. Officials at Inland have indicated that their desire to continue as a producer of leaded steels necessitated their investment in a "jumbo" bloom caster that became operational in 1988; their billet caster is not used to produce leaded steels. *** indicated that they cannot cast leaded steels on their billet caster at ***, but were constrained by the capital cost of installing a bloom caster.

⁴¹ Staff interviews with *** and *** on Dec. 3 and Dec. 4, 1992, respectively. Testimony of Mr. Luerksen, Former Chairman and CEO of Inland Steel Industries, hearing TR, pp. 30-31. Respondents allege that lead and bismuth steels are billet cast by certain European steel firms. Petitioners, on the other hand, allege that the casters in question use molds in dimensions that qualify as blooms.

⁴² Staff interviews with company officials on Apr. 24 and Apr. 29, 1992, respectively.

⁴³ Staff interview of engineering personnel at *** on Apr. 24, 1992.

⁴⁴ Staff interviews with company officials on Dec. 3 and Dec. 4, 1992, respectively.

Blooms and billets are usually channeled through a reheat furnace prior to rolling. This procedure increases the malleability of the steel, reducing energy consumption and wear on the rolling mill. The semifinished steel is successively reduced in size as it passes through several stands. Most modern rolling mills are in-line, although cross-country mills⁴⁵ are still in use. At the final stage, the bar may be channeled to a coiler, or it may be cooled in a water or oil bath and cut. Rod is rolled in a similar manner, although there are usually one or more additional stands in the rolling mill (or one or more additional passes made through a cross-country mill) to reduce the rod's finished diameter. Most rod mills roll multiple strands; rod is almost always coiled.

Environmental controls and worker safety and health regulations are more stringent for lead and bismuth steels than for steel-base grades. For example, additional venting of exhaust fumes is undertaken, and bag house dust must be processed separately. Steel scrap, refractory brick (used to line the tundish), and waste lead and bismuth metal are classified as hazardous waste, necessitating their segregation and separate treatment from other scrap.⁴⁶ Specialized safety equipment and more rigorous operating procedures are used, in compliance with Occupational Safety and Health Administration (OSHA) standards (including respirators or positive pressure cabins for operating crew, specialized protective gear, and blood sampling).⁴⁷ A current waiver of OSHA regulations allows lead producers to control a significant portion of worker exposure to airborne lead through respirators. Petitioners expect this waiver to be revoked shortly, requiring costly investments in additional environmental control equipment by most U.S. leaded steel producers.⁴⁸

Characteristics and Uses

Free-Machining (Including Lead and Bismuth) Bar and Rod

The primary purchasers of all free-machining (including lead and bismuth) hot-rolled bar and rod are cold-finished bar companies, which account for 95 percent of shipments of these products.⁴⁹ In contrast, non-free-machining special quality bars and rods have much wider distribution channels, with a much smaller percentage going to cold finishers.⁵⁰

⁴⁵ A cross-country mill is a multistand rolling mill in which mill stands are not placed continuously in line. The steel product being rolled generally changes direction for each roll pass and relies on a transfer mechanism to be aligned with successive mill stands. As additional reductions are imparted, the steel travels in a direction perpendicular to the primary rolling vectors. Unlike a continuous rolling mill, the piece being worked may pass more than once through each mill stand.

⁴⁶ Relevant Environmental Protection Agency regulations result from the Resource Conservation and Recovery Act, the Clean Water Act, and the Safe Drinking Water Act.

⁴⁷ OSHA regulations include a general industry lead standard (CFR 1910.1025) and a hazard communication standard (CFR 1910.1200).

⁴⁸ Staff interviews with company officials at *** and *** on Dec. 3 and Dec. 4, 1992, respectively.

⁴⁹ Testimony of Mr. Alvarado, Inland Steel, discussion of Exhibit 1 (Distribution Flow Chart, Hot-Rolled Lead and Bismuth Steel), conference TR, p. 15.

⁵⁰ Testimony of Mr. Alvarado, hearing TR, pp. 35-36.

Cold-finishing companies, which include some steelmakers,⁵¹ perform valued-added work on hot-rolled bar and rod; cold-finishing work includes cold-drawing (improving mechanical properties, such as increasing tensile strength, yield strength, torsional strength, hardness, and wear resistance), straightening, or other surface treatments, such as turning, grinding, and polishing. These companies in turn supply companies that manufacture parts using screw machines, lathes, and drill presses (collectively called screw machine companies).

The companies that purchase highly machined parts⁵² first identify the necessary mechanical properties (e.g., ductility, strength, and hardness) for a part and then select a group of steels that meet these criteria.⁵³ Among other considerations for the purchaser of parts are defect rates and close adherence to or improvement over stated tolerances. These include surface quality and dimensional adherence. Where a long production run of small highly machined parts with extensive metal removal is required, screw machine shops are likely to choose lead and bismuth steels to meet the criteria established by their customers.⁵⁴

As indicated earlier, substitution between free-machining steels may occur where the economics of production or subsequent working of the part allow it. Although not completely interchangeable with a leaded steel grade (for example, a 12L14), a subsequent welding operation or case-hardening requirement may call for a steel from the 1000 or 1100 series; in this example, the subsequent processing (and property of the steel) is more important to making the part than is the enhanced machinability.⁵⁵ For certain uses, a clear distinction is drawn between lead and bismuth and other free-machining steels; for others, a steel will be chosen from the range of machinability, due to engineering requirements.

With respect to interchangeability of free-machining steels and other special quality steels (non-free-machining steels), respondents to Commission purchaser questionnaires generally indicated that there is interchangeability from the standpoint that all special quality steels have some degree of machinability. One, ***,⁵⁶ called this "almost total interchangeability," while many others viewed it as "technical" interchangeability. However, regardless of their view, nearly all offered the caveat that a switch to non-free-machining steels would be achieved at a loss in productivity and increased manufacturing expenses, and would require customer approval of the switch and some reengineering of parts and processes. On the latter point *** commented:

"Everything is interchangeable if enough engineering and work is put into the change. Problem exists (because) most parts are now being made in the most

⁵¹ For instance, Republic and Nucor have cold-finishing operations.

⁵² Such parts include valves and hydraulic fittings, couplings and pressure fittings, and brake assemblies for automobiles, heavy equipment, and aircraft.

⁵³ Testimony of Mr. Christopher, Conference TR, p. 27. The postconference brief of Mr. Darling, Corey Steel, p. 3, indicates that "approximately 90 percent of Corey's customer base purchases...pursuant to end-user specifications that prescribe the grade... In those instances where the part to be manufactured requires extensive machining, most, if not all, of the specifications require the use of...lead or bismuth."

⁵⁴ See testimony of Mr. Christopher, Conference TR, p. 81.

⁵⁵ Statement of Mr. Graham, United Engineering Steels, p. 6.

⁵⁶ During the period of investigation, the majority of ***.

efficient manner. Restricting the efficient raw material drives up the part price by inefficient production and high engineering costs."

In general, purchasers indicated the increased costs would likely more than offset price increases in free-machining steels of 5 to 10 percent. As ***⁵⁷ noted, this is due to the tradeoff between material and manufacturing costs:

"If a non-free-machining steel is used on a machined part, the steel cost may be lower but the manufacturing cost may more than offset the steel savings."

Among those viewing interchangeability as possible only from a "technical standpoint," ***⁵⁸ indicated:

"From a practical standpoint they are not (interchangeable) when one considers productivity, cost and quality."

Substitution between free-machining and non-free-machining steels is further complicated by the qualification process of end users; as representatives of the domestic steel industry indicated during the staff conference in the preliminary investigations, specifications provided by original equipment manufacturers are difficult to change, in part because of the long lead time required to qualify parts.⁵⁹ On this note, respondents to the Commission's purchaser questionnaires indicated that any changes away from free-machining to other special quality steels would require customer approval, changes in part specifications, requalification of parts, and retooling of certain equipment to produce the parts, all of which would add costs in terms of time and efficiencies related to parts production.⁶⁰

Screw machine and cold-finishing companies presented evidence to the Commission during the investigations that indicates the use of lead and bismuth carbon steels is increasing. One reason for this is that efforts to supplement or supplant such steels have not been successful, and the companies that tried to do so have for the most part returned to using lead or bismuth carbon steels. Another factor is that several of the Japanese automotive transplants utilize a higher proportion of machined parts using low-lead steels on their cars than do U.S. producers.

Lead and bismuth steelmaking is subject to more stringent environmental regulations than production of other free-machining steels. There is reportedly a reluctance by other steelmakers to enter the market, due, in part, to environmental and worker health liabilities they would incur. Several steelmakers have experimented with producing lead and bismuth steels, but have not done so on a commercial basis. Other mills (particularly minimills) roll lead bars and rods from purchased billets.⁶¹

⁵⁷ During the period of investigation, the majority of ***.

⁵⁸ During the period of investigation, the majority of ***.

⁵⁹ Mr. Alvarado (Inland Steel), Conference TR, p. 82.

⁶⁰ Purchasers indicated that machinists did not make changes in steel used independent of customer approval.

⁶¹ ***, ***, and *** fall into this category.

Based on information supplied by the parties to these investigations, it appears most customers consider domestic and imported lead and bismuth bar and rod to be comparable in quality.⁶² According to Mr. Paul Darling, of the Corey Steel Company, a purchaser of domestically produced and imported lead and bismuth hot-rolled carbon steel bar and rod, there is no difference in quality or machinability between the domestic product and its imported counterpart.⁶³ Other witnesses at the preliminary conference and the hearing also indicated that they believed the domestic and imported products are fungible on the basis of quality. However, according to domestic purchasers, there are several differences between the domestic and imported products in the area of customer service. There are significantly longer lead times associated with purchasing from a foreign source; inventories are larger because of larger purchase orders; shipping delays are more frequent; and the domestic industry provides a greater amount of customer and technical service.⁶⁴

Some respondents to the Commission's purchaser questionnaire suggested that, for certain applications, they had found the quality of the imported product to be superior to that of the domestic product. In particular, ***.⁶⁵

According to domestic industry officials, imports of lead and bismuth steels are concentrated in the AISI/SAE grade 12L14, a resulfurized, rephosphorized low-carbon steel containing 0.15 to 0.35 percent lead, by weight. According to those same officials, U.S. shipments of lead and bismuth steels made by U.S. producers are concentrated in the same grade.

Special Quality Bar and Rod

Through its questionnaires, the Commission sought data regarding the configuration and ultimate end-use customers⁶⁶ of hot-rolled special quality carbon and certain alloy products, whether U.S.-produced or imported from the subject countries. Nine U.S. producers (accounting for the majority of U.S. production in 1991) and 18 importers (accounting for the majority of total imports of hot-rolled special quality carbon and certain alloy products from the subject countries in 1991) provided information on total U.S. shipments or imports of hot-rolled special quality carbon and certain alloy steel products by end-use customer and configuration. The data for all special quality carbon and certain alloy steel products (bars and rods) are presented in the tabulations on the following page (in percent):

⁶² Consolidated posthearing brief on behalf of respondents, vol. II, p. 8.

⁶³ Testimony of Mr. Darling, conference TR, p. 38.

⁶⁴ Mr. Darling, conference TR, pp. 102-103. Customer service includes the settlement of quality claims.

⁶⁵ The grade of steel for this particular application was ***.

⁶⁶ Because hot-rolled carbon and alloy steel products are intermediate products, U.S. producers and importers were generally unable to identify ultimate end-use markets.

<u>End-use markets</u>	<u>United States</u>	<u>Brazil</u>	<u>France</u>	<u>Germany</u>	<u>United Kingdom</u>
Automotive.....	30.9	***	***	***	***
Construction, including maintenance...	7.4	***	***	***	***
Machinery, industrial equip. & tools....	14.4	***	***	***	***
Mining, lumbering, & quarrying.....	0.3	***	***	***	***
Other ¹	47.0	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

¹ Consists principally of shipments of product to cold finishers where the ultimate end-use market could not be identified.

<u>Configuration</u>	<u>United States</u>	<u>Brazil</u>	<u>France</u>	<u>Germany</u>	<u>United Kingdom</u>
Rounds.....	84.6	***	***	***	***
Squares & round-cornered squares..	6.3	***	***	***	***
Hexes & octagons....	2.0	***	***	***	***
Flats.....	4.6	***	***	***	***
Other.....	2.4	***	***	***	***
Total.....	100.0	100.0	100.0	100.0	100.0

The unique characteristics of all special quality steel products, including temperature creep and fracture resistance, wear resistance, machinability, and formability, make them especially suited for forging into critical components. According to petitioner in the investigation concerning special quality products from Brazil, no other products compete in these markets.⁶⁷ Information from firms responding to the Commission's questionnaires indicates that although there are generally no economically practical substitutes for the subject special quality steel products, occasionally aluminum, graphite composites, or powdered metal may be used for certain applications.⁶⁸

Like Product Considerations

Throughout these investigations, by way of written submissions and oral presentations at the hearing, petitioners argued that, on the basis of the factors the Commission considers in analyzing like-product issues (physical characteristics and uses, interchangeability among products, channels of distribution, producer and customer perceptions of the articles, production facilities and employees, and, where appropriate, price), there is a single like product and a single industry producing hot-rolled lead and bismuth carbon, or at most free-machining, steel products. Counsel for respondents,

⁶⁷ Conference TR in Inv. No. 731-TA-572 (Preliminary), Special Quality Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil, testimony of Mr. Guilfoyle, p. 42.

⁶⁸ See questionnaire responses of ***, ***, and *** in Inv. No. 731-TA-572 (Preliminary), Special Quality Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil.

relying on those same like-product factors, argued that there are no clear and bright-line distinctions between certain hot-rolled lead and bismuth carbon steel products and other hot-rolled carbon steel bar and rod products.

In the preliminary investigations, the Commission found that there "is not a clear dividing line between hot-rolled leaded and bismuth carbon steel bar and rod and special quality carbon steel bar and rod."⁶⁹ Consequently, the Commission found a like product to be hot-rolled special quality carbon steel bar and rod.

In the subsequent investigation concerning special quality steel products from Brazil,⁷⁰ the Commission found two separate like products of special quality carbon and alloy semifinished products and hot-rolled bar (including cut-length rod). The Commission indicated that the special quality like products included lead and bismuth steels, stating:

"We are also not persuaded that any substantial new evidence has been presented by petitioners or Bethlehem and Inland regarding whether lead and bismuth steels should be considered separately from all other types of special quality steels."⁷¹

As a result of the preliminary determinations, the questionnaires in these final investigations were designed to capture information concerning like-product issues (see appendix E for producers' comments) as well as data on hot-rolled special quality carbon and certain alloy steel bar and rod. Within these product groupings, questionnaire respondents were asked to break-out information on the basis of "free-machining" and "other special" carbon and certain alloy steel to allow the Commission to examine those like product issues. Summary tables providing trade, employment, financial, and import information on all special quality bars and rods and free-machining bars and rods are presented in appendix F.

In addition to the aforementioned data, the Commission also requested summary data on lead and bismuth carbon steel products to allow it to review information on operations producing those products. Those data are also presented in appendix F.

To recapitulate, the broadest category of data collection and presentation in this report is hot-rolled special quality and certain alloy steel products. That broad category is the sum of two subcategories--"free-machining" and "other special." "Free-machining" consists of lead and bismuth plus non-lead and bismuth free-machining steel products. The term "other special" refers to special quality products which are not free-machining. Throughout the report, the discussion is presented to highlight the competing like-product scenarios.

⁶⁹ Certain Hot-rolled Lead and Bismuth Carbon Steel Products from Brazil, France, Germany, and the United Kingdom, USITC Publication 2512, p. 16.

⁷⁰ Certain Special Quality Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil, USITC Publication 2537.

⁷¹ Id. at 21.

U.S. Tariff Treatment

Most imports of the lead and bismuth carbon steel products subject to these investigations are provided for in subheadings 7213.20.00 and 7214.30.00 of the HTS, and are described as being of "free-cutting steel." Imports subject to the investigations may also enter under the following HTS subheadings:

<u>HTS subheading</u>	<u>Comment</u>
7213.31.30	Lead level of 0.03 to 0.10 percent and/or bismuth content of 0.05 percent.
7213.31.60	
7213.39.30	
7213.39.60	
7213.39.90	
7214.40.10	
7214.40.30	
7214.40.50	
7214.50.10	
7214.50.30	
7214.50.50	Lead content equal to or exceeding 0.40 percent and/or bismuth content equal to or exceeding 0.1 percent.
7214.60.10	
7214.60.30	
7214.60.50	
7228.30.80	
7207.11.00.00	
7207.12.00.10	
7207.19.00.30	
7207.20.00.25	
7207.20.00.75	
7207.20.00.90	Imports of large bars entered as semifinished steel.
7224.90.00.45	
7224.90.00.75	

The column 1-general (most-favored-nation) rates of duty for these products, applicable to imports from the four subject countries, range from 1.9 to 6 percent *ad valorem*. The general duty rate for carbon free-cutting steels is 1.9 percent, and that for certain alloy grades of carbon free-cutting steels is 4.7 percent.

Voluntary Restraint Agreements

Between October 1, 1984, and March 31, 1992, imports of bar, rod, and bar-size shapes from Brazil, France, Germany, and the United Kingdom, including the products subject to these investigations, were subject to quantitative limitations under the Voluntary Restraint Agreements (VRAs) negotiated with 19 foreign governments and the European Community.⁷² The VRA program was, in part, an outgrowth of earlier trade measures during the period 1969-84, although these arrangements principally covered flat-rolled products, pipe and tube, and wire rod. The immediate cause of the VRA program was a determination by the President, on September 18, 1984, that taking "escape clause" action was not in the national economic interest; this decision followed an investigation conducted by the Commission in which imports of certain steel products, not including bars, were found to be a substantial cause of serious injury, or threat thereof, to certain domestic industries (inv. No. TA-201-51).⁷³ The President directed the United States Trade Representative (USTR) to negotiate VRAs to cover a five-year period, October 1, 1984 through September 30, 1989, with countries whose exports to the United States had increased significantly in previous years. Although the structure of the arrangements varied from one country to another, each involved an agreement by the foreign government to limit exports of the pertinent steel products to the United States. In order to bring the agreements into effect, U.S. producers withdrew pending unfair trade petitions and the U.S. Government suspended antidumping and countervailing duties that were in effect on steel products covered by the VRAs. The trade measures were expected to return the share of imports in the U.S. market to a level of approximately 18.5 percent, excluding semifinished steel (subsequent Administration statements indicated such imports were limited to about 1.7 million tons per year). In this manner, export restraints were to allow the U.S. steel industry to restructure in response to the structural crisis, improve capacity utilization rates, and become competitive with foreign producers.

On July 25, 1989, the President announced a Steel Trade Liberalization Program, under which the VRAs were extended for 2-1/2 years, terminating on March 31, 1992. The President directed the USTR to negotiate VRAs at an overall restraint level of 18.4 percent (the 1988 VRA import penetration ceiling). The President authorized up to an additional one percent import penetration annually that would be available to countries that entered into bilateral consensus agreements, to provide incentives for countries to eliminate trade-distorting practices and to respond to concerns of steel consumers for adequate supplies of raw materials.⁷⁴

On December 12, 1989, the USTR announced that negotiations had been completed with the European Community (EC) and 16 other countries, including Brazil, that previously had VRAs. As a result of the negotiations, overall restraint levels were raised. Product coverage under the VRAs remained essentially unchanged, although the agreements were modified to include those

⁷² The restraint limits discussed in this section are more accurately defined as export limits because the countries under agreement controlled their shipments of exports in lieu of U.S. import quotas.

⁷³ Affirmative decisions were rendered in the case of semifinished steel, plates, sheets and strip, wire and wire products, and structural shapes and units. Negative determinations were rendered in the case of wire rod, railway type products, bars, and pipe and tube.

⁷⁴ Negotiations for bilateral agreements were conducted in order to restrict trade-distorting practices, particularly subsidies to the steel industry. See USTR Press Release of Dec. 12, 1989.

specialty steel products (e.g., stainless and alloy tool steels) that were previously subject to relief under section 203 of the Trade Act of 1974.

The categories for hot-rolled bar, rod, bar-size shapes, and semifinished products subject to the VRAs are broader than for those products subject to these investigations. Moreover, the VRA categories, where product coverage is specified, are broader than the products described earlier in the HTS or do not cover products subject to the investigations. Overall, the category limits had not been binding for several years. Nonetheless, restraint limits and exports of hot-rolled bars from Brazil and the EC for the relevant periods are shown in the following tabulation, based on export certificate data and final consultations conducted by the Department of Commerce's Office of Agreements Compliance (in metric tons). Data are not available for individual European countries.

Source	VRA period ¹		Jan.-Sept. 1989		Oct. 1989-Dec. 1990	
	1988		(9 months)		(15 months)	
	(12 months)		(9 months)		(15 months)	
	Exports to U.S.	Adjusted ceiling	Exports to U.S.	Adjusted ceiling	Exports to U.S.	Adjusted ceiling
Brazil.....	31,517	33,932	21,045	23,044	94,158	149,218
European Community.	133,520	160,763	94,243	123,547	160,263	228,907

¹ Final period data (Jan. 1991-Mar. 1992) not yet available.

Based on the data in the previous tabulation, the extent to which Brazil and the EC filled their VRA subcategory limits on hot-finished bars is shown in the following tabulation (in percent):

Source	VRA period ¹		Jan.-Sept. 1989		Oct. 1989-Dec. 1990	
	1988		(9 months)		(15 months)	
	(12 months)		(9 months)		(15 months)	
Brazil.....	92.88		91.33		63.10	
European Community.	83.05		76.28		70.01	

¹ Final period data (Jan. 1991-Mar. 1992) not yet available.

Bilateral Consensus Agreements/Multilateral Consensus Agreement

When the VRAs were extended in 1989, the United States sought to address the causes of unfair trade and to eliminate subsidization and overcapacity in the steel industry. The bilateral agreements attempted to include commitments by countries to prohibit export and production subsidies specifically for steel products, to reduce tariffs and non-tariff barriers to steel trade, and to incorporate a binding arbitration mechanism; the bilateral consensus agreements were to be multilateralized within the General Agreement on Tariffs and Trade (GATT) through incorporation in the Uruguay Round of multilateral

GATT negotiations.⁷⁵ As envisioned, negotiations on the new Multilateral Steel Agreement (MSA) were to be completed by December 1990. On March 31, 1992, negotiations on an MSA were suspended without agreement, although considerable progress had been made. Multilateral discussions resumed December 9, 1992; however, no detailed time schedule for formal negotiations has been set.

THE NATURE AND EXTENT OF SUBSIDIES AND SALES AT LESS THAN FAIR VALUE

Subsidies⁷⁶

Brazil⁷⁷

Based on its investigation, Commerce determined that manufacturers, producers, or exporters of certain lead and bismuth carbon steel products in Brazil receive benefits that constitute subsidies within the meaning of the countervailing duty law under the following domestic programs:

- o Government Debt Forgiveness to ACESITA
- o Government Equity Infusions into ACESITA
- o Incentive Related to Industrialized Products Tax (IPI)
 - IPI Rebate Program Under Law 7554/86
- o Exemption of IPI and Duties on Imports Under Decree-Law 2324
- o Exemptions of IPI and Duties on Imports Under Law 2894

As a result of these findings, Commerce's final determination placed into effect the estimated net subsidy/duty deposit rates listed below:

<u>Producer/exporter</u>	<u>Amount</u> <u>(percent ad valorem)</u>
ACESITA.....	19.19
Mannesmann.....	0.82
All others.....	0.82

France⁷⁸

Commerce determined that manufacturers, producers, or exporters of certain lead and bismuth carbon steel products in France receive benefits that

⁷⁵ Press Release of USTR, Dec. 12, 1989, and accompanying STEEL TRADE LIBERALIZATION PROGRAM (Fact Sheet).

⁷⁶ Commerce's period of investigation for which it measured subsidies was calendar year 1991.

⁷⁷ The respondents at Commerce were the Government of Brazil, Companhia Aços Especiais Itabira (ACESITA), and Mannesmann, S.A. (Mannesmann). During Commerce's period of investigation, ACESITA was a state-owned company. In accordance with the Government of Brazil's national privatization plan, ACESITA's stock was auctioned to the public on Oct. 22, 1992. Because that auction occurred after Commerce's preliminary determination, it did not consider the auction, or its possible effect on any of the programs examined, in this investigation.

⁷⁸ The respondents at Commerce were the Government of France, Usinor Sacilor, and the European Community. Usinor and Sacilor were separate companies owned by the Government of France, which were merged to become one holding company called Usinor Sacilor in late 1986.

constitute subsidies within the meaning of the countervailing duty law under the programs listed below and imposed a final duty deposit rate of 23.14 percent *ad valorem*.

<u>Program</u>	<u>Amount</u> <u>(percent ad valorem)</u>
European Coal and Steel Community (ECSC)	
Article 54 Loans.....	0.03
ECSC Redeployment Aid (Article 56(2)(b)).....	0.28
Repaid Loans with Special Characteristics (PACs).....	0.01
Long-term Loans From Fond de Development Economique et Social (FDES).....	0.02
Loans from Credit National and Caisse Francaise de Development Industriel (CFDI).	0.48
Equity Infusions and Grants:	
PACs, Fonds d'Intervention Siderurgique (FIS), Shareholders' Advances.....	22.28
Equity Infusion in 1978.....	0.04

Germany⁷⁹

With respect to German manufacturers, producers, or exporters of certain lead and bismuth carbon steel products, Commerce determined that they are receiving benefits that constitute subsidies within the meaning of the countervailing duty law under the programs listed below and imposed a final duty deposit rate of 17.28 percent *ad valorem*.

<u>Program</u>	<u>Amount</u> <u>(percent ad valorem)</u>
Government Forgiveness of Saarstahl's Debt in 1989.....	16.02
Debt Forgiveness by Private Banks.....	0.88
Worker Assistance Program.....	0.38

This final rate is applied to all imports from Germany save those of Thyssen, whose estimated net subsidy under the Worker Assistance Program was found to be *de minimis* (0.16 percent) by Commerce.

The United Kingdom⁸⁰

Based on its investigation, Commerce determined that manufacturers, producers, or exporters of certain lead and bismuth carbon steel products in the United Kingdom receive benefits that constitute subsidies within the meaning of the countervailing duty law.

In its subsidy investigation, Commerce focused on UES, which was created as a joint venture between Guest, Keen and Nettlefolds (GKN) and the British Steel Corporation (BSC). That action was taken as part of a wider program of the UK Government which sought to rationalize and restructure the overlapping

⁷⁹ The respondents at Commerce were Saarstahl AG and Thyssen AG.

⁸⁰ The respondents at Commerce were United Engineering Steels Limited (UES), Allied Steel and Wire Limited (ASW), and Glynwed International plc (Glynwed).

interests of the small, independent, and essentially profitable private sector steel industry and the peripheral steelmaking activities of the then-state-owned BSC. Commerce determined that UES did receive certain countervailable "pass-through" benefits from BSC at the time of its formation in 1986.⁸¹ With respect to benefits received subsequent to formation of the joint venture, Commerce found UES to be a "separate corporate entity" not controlled by BSC, and, therefore, determined BSC's benefits received after formation did not "pass-through" to UES. Commerce calculated the pass-through benefit received by UES to be 12.69 percent *ad valorem*.

Commerce determined that Glynwed International plc had a *de minimis* net subsidy. ASW, which is a joint venture company formed in 1981 between BSC and GKN, withdrew from participation at Commerce prior to verification. Since ASW refused verification of its questionnaire response, Commerce used best information available (BIA). As BIA, Commerce assumed ASW received the same benefits as BSC in 1981 (the year ASW was formed). Therefore, Commerce assigned ASW a rate of 20.33 percent *ad valorem*.⁸²

Sales at LTFV

For each of the countries covered by these investigations, Commerce calculated LTFV margins by comparing the United States price (USP) with the foreign market value (FMV). The following tabulation provides the dumping margins for each of the countries subject to the investigations (in percent *ad valorem*):

<u>Country</u>	<u>Amount</u> <u>(Percent ad valorem)</u>
Brazil: ¹	
Mannesmann.....	148.12
All others.....	148.12
France: ²	
Usinor Sacilor.....	75.08
All others.....	75.08
Germany: ³	
Saarstahl AG.....	85.05
All others.....	85.05
United Kingdom:	
UES.....	25.82
All others.....	25.82

¹ Commerce based its LTFV margins on the best information available (BIA) as supplied in the petition, assigning the petitioners' highest adjusted margin due to Mannesmann's failure to cooperate.

² Commerce based its LTFV margins on BIA as supplied in the petition, assigning the petitioners' highest adjusted margin due to Usinor Sacilor's failure to cooperate.

³ Commerce based its LTFV margins on BIA as supplied in the petition, assigning an average of the margins in the petition due to Saarstahl's cooperation in the investigation.

⁸¹ These countervailable benefits consisted of "Equity Infusions," "Loan Cancellation," and "Regional Development Grants."

⁸² This was the rate calculated for BSC in Commerce's Final Affirmative Countervailing Duty Determinations: Carbon Steel Structural Shapes, Hot-Rolled Carbon Steel Plate, and Hot-Rolled Carbon Steel Bar from the United Kingdom; and Final Negative Countervailing Duty Determination: Cold-Formed Carbon Steel Bar from the United Kingdom, (47 F.R. 39384, Sept. 7, 1982).

THE U.S. MARKET

This report is structured to provide data and information on three industries encompassing the following products:

- I. Special quality carbon and certain alloy steel products.-- Hot-rolled carbon and alloy steel products manufactured of a type of steel that is dependent upon chemical composition, quality, and customer's specification. Special quality products are used when the application, method of fabrication, or subsequent processing treatment requires quality characteristics not available in merchant quality products.
- II. Free-machining carbon and certain alloy steel products.-- Nonalloy (carbon) and certain alloy steel products containing by weight one or more of the following elements in the specified proportions:
 - 0.03 percent or more of lead
 - more than 0.05 percent of bismuth
 - 0.08 percent or more of sulfur
 - more than 0.05 percent of selenium
 - more than 0.01 percent of tellurium.
- III. Other special quality carbon and certain alloy steel products.--These products are special quality steel products other than the free-machining steel products described above.

U.S. Producers

For these final investigations, the Commission sent questionnaires to each of the producers of special quality carbon and certain alloy steel. Useable responses were received from 15 producers.

Of the 15 producers providing useable information for this report, 6 produce lead and bismuth carbon steel as part of their overall special quality carbon and certain alloy steel operations. Those six, ***, ***, ***, ***, ***, and ***, accounted for more than *** percent of 1991 production of hot-rolled lead and bismuth products.⁸³

The firms that produce hot-rolled special quality carbon (including lead and bismuth) and certain alloy steel products in the United States are described below. The first 15 firms discussed are those that provided the data used in this report, with the first 9 producers mentioned being those that provided the data used for free-machining bar and rod.

American Steel & Wire

American Steel & Wire, which *** the petition, purchases billets (including lead billets) and then produces hot-rolled special quality carbon and certain alloy steel products at its facilities in Cuyahoga Heights, OH. American accounted for *** percent of U.S. production of such steel products in 1991. American's operations producing hot-rolled special quality carbon and certain alloy steel products accounted for *** percent of its establishment's total net sales in 1991. American's free-machining products held a ***-percent share of reported U.S. production of such products in 1991. *** of American's free-machining production is in the ***, with the billets being purchased from *** and ***.⁸⁴

Bethlehem Steel, Bar, Rod & Wire Division

Bethlehem, a petitioner in these investigations, produced special quality semifinished carbon (including semifinished lead and bismuth) and certain alloy steel products at its facility in Johnstown, PA; special quality hot-rolled carbon (including lead and bismuth) and certain alloy steel bar products at its facility in Lackawanna, NY; and special quality (including lead and bismuth) rod products at its facility in Sparrows Point, MD. Bethlehem's Bar, Rod & Wire Division accounted for *** percent of U.S. production of hot-rolled special quality carbon and certain alloy steel products in 1991. Bethlehem's operations producing semifinished and special quality carbon and alloy steel products accounted for *** percent of Bethlehem's establishment total net sales in 1991, with free-machining products accounting for *** percent of the total.⁸⁵ Bethlehem was the *** U.S. producer of free-machining products in 1991 holding a *** share of reported free-machining production.

On January 29, 1992, Bethlehem announced its decision to exit the bar, rod, and wire industry, offering its Bar, Rod & Wire Division for sale. Unable to complete a transaction for the entire division, Bethlehem announced, on May 15, 1992, that it was initiating "an orderly phasing down" of the division, exiting the business "as quickly as possible."⁸⁶ That phasing down was completed in September 1992. On November 23, 1992, Bethlehem and ISPAT Mexicana S.A. de CV, a member of the Ispat Group, with international headquarters in Indonesia, announced the signing of a letter of intent for the sale of substantially all of Bethlehem's Bar, Rod & Wire Division to ISPAT.⁸⁷ To date, a binding purchase agreement has not been signed.^{88 89}

⁸⁴ Lead and bismuth products accounted for slightly more than *** percent of American's free-machining sales in 1991 and *** percent of its special quality products sales. American accounted for *** percent of lead and bismuth production in 1991.

⁸⁵ Lead and bismuth products accounted for *** percent of Bethlehem's free-machining product sales in 1991 and *** percent of its special quality products sales. Bethlehem was the *** producer of lead and bismuth products in 1991.

⁸⁶ May 15, 1992, Press Release, Bethlehem Steel Corp.

⁸⁷ Nov. 23, 1992, Press Release, Bethlehem Steel Corp. The ISPAT Group owns and operates steel facilities in Trinidad and Tobago, Mexico, India, and Indonesia. Hearing TR, p. 104.

⁸⁸ Testimony of James E. Fritsch, General Manager-Commercial Bar, Rod & Wire Division of Bethlehem Steel Corp. Hearing TR, p. 57.

Inland Steel, including Inland Steel Bar Co.

Inland, a petitioner in these investigations, produces special quality carbon and alloy semifinished and hot-rolled steel products at its facility in East Chicago, IN, and accounted for *** percent of U.S. production of special quality carbon and certain alloy products in 1991. Inland's operations producing special quality carbon and certain alloy steel products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for almost entirely by flat-rolled products, with a very small portion going to structurals. Free-machining products accounted for *** percent of Inland's special quality operations.⁹⁰ Inland was the *** producer of free-machining products in 1991, accounting for *** percent of reported U.S. production.

North Star Steel

North Star Steel, which *** the petition, produces special quality carbon and alloy hot-rolled steel bars, rods, and semifinished products at its facilities in St. Paul, MN; Monroe, MI; Wilton, IA; and Beaumont, TX; and is the *** U.S. producer of such products. It accounted for *** percent of U.S. production of such products in 1991. North Star's operations producing special quality steel products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for by merchant bar, structurals, wire rod, and rebar. Free-machining products, ***, held a ***-percent share of North Star's special quality operations in 1991. North Star accounted for *** percent of reported U.S. production of free-machining products in 1991. North Star is a ***.

Nucor

Nucor, which opposes the petition, produces special quality carbon and alloy hot-rolled steel bars (including free-machining), rods, and semifinished products at its facilities in Darlington, SC; Norfolk, NE; and Plymouth, UT; and accounted for approximately *** percent of U.S. production of such products in 1991. A good deal of Nucor's production goes to Nucor Cold Finish Division which has facilities located at or near its production facilities. Free-machining products, ***, represented *** percent of Nucor's special quality operations in 1991. Nucor accounted for *** percent of reported free-machining production in 1991. Most of Nucor's free-machining product is

⁸⁹ (...continued)

⁸⁹ In response to Commissioner Crawford's hearing question, "If your clients were to stop producing lead and bismuth steel, is there any particular equipment in your facility that you would have to close down," (Hearing TR, p. 81) counsel for petitioners responded (in part, as it pertains to Bethlehem):

"With respect to Bethlehem, ***." Petitioner's posthearing brief, Exhibit 1, p. 2.

⁹⁰ Lead and bismuth products accounted for *** percent of Inland's free-machining product sales in 1991 and *** percent of its special quality products. Inland was the *** of lead and bismuth products in 1991.

rolled from feedstock purchased ***.⁹¹ ***. Nucor's operations producing special quality products accounted for approximately *** percent of its establishment's total net sales in 1991, with the remainder accounted for by structurals and hot- and cold-rolled sheet and coil.

Raritan River Steel Co.

Raritan River, which *** the petition, produces special quality semifinished and hot-rolled carbon (including lead) and alloy steel bars and rods at its facility in Perth Amboy, NJ, and accounted for *** percent of U.S production of special quality carbon and alloy steel products in 1991. Raritan River's operations producing special quality carbon and certain alloy steel products accounted for *** percent of the firm's total net sales in 1991, with the remainder accounted for by merchant quality carbon steel products. Free-machining products accounted for a ***-percent share of special quality operations in 1991.⁹² Raritan River accounted for *** percent of reported free-machining production in 1991. With respect to the lead and

⁹¹ Nucor testified that it had "recently rolled some leaded billets that were purchased from other producers," at Darlington, SC, and Plymouth, UT. Testimony of John Rutkowski, General Manager, Nucor Steel. Hearing TR, p. 169.

John Correnti, President and Chief Operating Officer of Nucor, in testifying in opposition to the imposition of duties on imports of lead and bismuth bar and rod, stated that Nucor was a "buyer of hot rolled lead and bismuth imports which we then cold finish in our plants." Hearing TR, p. 178.

***.

Counsel for petitioners claims that Nucor's testimony should be fully discounted because as a domestic cold finisher, it is a major importer/purchaser of dumped and subsidized leaded steels. Counsel further states:

"...Nucor does not make lead and bismuth steel. Nucor's claim that it produces the 1200 series steels is a gross exaggeration; its production is not yet commercial. Nucor is not qualified to comment on the injury caused by imported leaded steel since it is a customer, not a producer.

While Nucor does not melt lead and bismuth and is *** producer of other free-machining, it is one of the largest purchasers of dumped and subsidized imports." Posthearing brief of petitioners, pp. 13-14.

Counsel for the petitioners additionally stated that Nucor is *** and ***. Posthearing brief of petitioners, Exhibits B and C. In its ***, Nucor states that Nucor Cold Finish ***. Nucor went on to say:

***.

Nucor ***.

⁹² Lead and bismuth product sales accounted for *** percent of free-machining product sales for Raritan River in 1991 and *** percent of its special quality products.

bismuth portion of its operations, Raritan River purchases ***. Raritan River is ***-percent owned by ***.

Republic Engineered Steels, Inc.

Republic, which *** the petition, produces special quality semifinished and hot-rolled carbon and certain alloy steel products at its facility in Canton, OH, and accounted for *** of U.S. production of such steel products in 1991. Republic's operations producing special quality products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for by cold-finished products, stainless steel, and tool steel products. Free-machining products held a ***-percent share of special quality sales in 1991.⁹³ Republic accounted for *** percent of reported free-machining production in 1991. Republic is a petitioner in investigation No. 731-TA-572 (Final), Certain Special Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil.

Timken Co.

The Timken Co., which *** the petition, produces special quality carbon and certain alloy hot-rolled steel bars, rods, and semifinished products at its facility in Canton, OH, and accounted for *** percent of U.S. production of such products in 1991. Timken's operations producing special quality products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for by stainless bar, pipe and tube, and tool steel. Free-machining products, ***, held only a ***-percent share of Timken's special quality operations in 1991 and a ***-percent share of reported U.S. free-machining production. *** of its free-machining production was of lead and bismuth products. Timken is a petitioner in investigation No. 731-TA-572 (Final), Certain Special Hot-Rolled and Semifinished Carbon and Alloy Steel Products from Brazil.

USS/Kobe Steel Co.

USS/Kobe, which *** the petition, produces special quality semifinished and hot-rolled carbon and certain alloy steel bars and rods at its facility in Lorain, OH, and accounted for *** percent of U.S. production of such special quality steel products in 1991. USS/Kobe's operations producing hot-rolled special quality carbon and certain alloy steel products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for by tubular products. Free-machining products held a ***-percent share of USS/Kobe's special quality operations in 1991.⁹⁴ USS/Kobe accounted for *** percent of reported free-machining production in 1991. USS/Kobe's ownership is ***.

⁹³ Republic was the ***. Its sales of such products represented a ***-percent share of free-machining product sales in 1991 and *** percent of its special quality products.

⁹⁴ Lead and bismuth products accounted for *** percent of USS/Kobe's free-machining sales in 1991 and *** percent of its special quality products.

Atlantic Steel

Atlantic, which *** the petition, produces hot-rolled special quality carbon and certain alloy steel bar and rod products at its facility in Atlanta, GA, and accounted for approximately *** percent of U.S. production of such products in 1991. Atlantic's operations producing special quality steel products accounted for *** percent of its establishment's total net sales in 1991, with the balance being accounted for by merchant bars and rods, rebar, and wire. *** of Atlantic's special quality sales fell into the *** category. Atlantic is ***.

Calumet Steel

Calumet Steel, which *** the petition, produces special quality carbon and certain alloy hot-rolled steel bars and semifinished products at its facility in Chicago Heights, IL, and accounted for less than *** percent of U.S. production of such products in 1991. Calumet's operations producing special quality steel products accounted for *** percent of its establishment's total net sales in 1991, with the remainder accounted for by rebar, merchant bar, and structurals. *** of Calumet's special quality sales were of *** products.

Chaparral Steel

Chaparral Steel, which *** the petition, produces special quality carbon and alloy hot-rolled steel bars and semifinished products at its facility in Midlothian, TX, and accounted for *** percent of U.S. production of such products in 1991. Chaparral produces special quality steel products in its establishment producing rebar, merchant bar, and structurals. Special quality products, ***, accounted for *** percent of Chaparral's total net sales in 1991. Chaparral is ***.

Laclede Steel

Laclede Steel produces special quality carbon and alloy hot-rolled steel bars and semifinished products at its facility in Alton, IL, and accounted for approximately *** percent of U.S. production of such products in 1991. Laclede produces special quality products, ***, in its establishment producing wire rod, hot-rolled strip and plate, chain, and pipe and tube. ***.⁹⁵

MacSteel

MacSteel, which *** the petition, produces special quality carbon and alloy hot-rolled steel bars and semifinished products at its facilities in Jackson, MI, and Ft. Smith, AR, and accounted for nearly *** percent of U.S. production of such products in 1991. MacSteel's operations producing special quality steel products accounted for *** percent of its establishment's total net sales in 1991. MacSteel does produce some free-machining steel, but ***. MacSteel is owned by the Quanex Corporation of Houston, TX.

⁹⁵ ***.

Sheffield Steel

Sheffield, which *** the petition, produces hot-rolled special quality carbon and certain alloy steel bar products at its facility in Joliet, IL, and accounted for less than *** percent of U.S. production of such products in 1991. Sheffield's special quality sales accounted for only *** percent of its establishment's total net sales in 1991. *** of Sheffield's special quality sales were of ***.

Other Producers of Special Quality and Certain Alloy Steel

Other U.S. producers of special quality carbon and certain alloy steel products who have not provided questionnaire responses in these final investigations, but did submit limited responses in the preliminary investigations covering total establishment operations, are described below.

Auburn Steel

Auburn Steel produces hot-rolled special quality carbon and certain alloy steel bars and semifinished products at its facility in Auburn, NY, and accounted for less than *** percent of U.S. production of such products in 1991. Auburn produces special quality products in its establishment producing rebar, merchant bar, and structurals.

Copperweld Steel Co

Copperweld, which *** the petition, produces special quality semifinished and hot-rolled carbon (including lead) and alloy steel products at its facility in Warren, OH, and accounted for *** percent of U.S. production of special quality steel products in 1991. Copperweld's operations producing special quality products accounted for *** percent of its establishment's total net sales in 1991. Copperweld ***.

Green River Steel

Green River Steel produces special quality carbon and alloy hot-rolled steel bars and semifinished products at its facility in Owensboro, KY, and accounted for less than *** percent of U.S. production of such products in 1991. Green River's operations producing special quality products accounted for *** percent of its establishment's total net sales in 1991.

Kentucky Electric Steel

Kentucky Electric Steel Corp. is a wholly owned subsidiary of NS Group, Inc., and produces special quality carbon and alloy hot-rolled steel bars and semifinished products at its facility in Ashland, KY, and accounted for less than *** percent of U.S. production of such products in 1991. Kentucky Electric's operations producing special quality products accounted for about *** of its establishment's total net sales in 1991, with the remainder accounted for by merchant quality products.

Koppel Steel

Koppel Steel Corp. is a wholly owned subsidiary of NS Group, Inc., and was started as a company on October 5, 1990, when it purchased certain assets of Babcock & Wilcox Tubular Products Group. Koppel produces special quality carbon and alloy hot-rolled steel bars, rods, and semifinished products (as cast blooms and billets) at its facility in Beaver Falls, PA, and accounted for approximately *** percent of U.S. production of such products in 1991. Koppel's operations producing special quality products accounted for nearly *** percent of its establishment's total net sales in 1991, with the remainder accounted for by seamless tubular products.⁹⁶

Minimills

The traditional definition of a minimill distinguishes it from an integrated mill by focusing on the minimill's method of steelmaking, its product mix and geographical sales base, management philosophy, and its different cost structure. Originally, minimills were described as scrap-based, EAF steelmakers with up to 100,000 tons of raw-steelmaking capacity. Their products were usually restricted to concrete reinforcing bars, merchant bars, and in some instances light structural shapes (e.g., small angles and channels), and they served a market located within a 200- to 300-mile radius from the mill.^{97 98} However, minimill parameters have changed considerably since the 1960s, just as the integrated mill concept has also undergone some changes. The distinction between the two types of mills currently rests primarily on differences in the steelmaking process: one definition terms minimills as those mills that usually bypass the first three steps of steelmaking (iron ore processing, cokemaking, and ironmaking) and use scrap as the primary raw material in electric arc furnaces. In other words, the definition no longer distinguishes the minimill from an integrated mill according to its product line, its capacity, or its market. This evolution has come about because of increases in the average production capacity and geographic marketing area of minimills, their ownership of more than one production facility, and their entrance into more technologically demanding products such as structurals and flat-rolled products, special quality steels, and wire rod.⁹⁹ This blurring of the distinction between integrated mills and minimills has come about because of major changes in steelmaking technology, particularly trends toward decreasing the minimum efficient scale of

⁹⁶ ***.

⁹⁷ William T. Hogan, S.J., Minimills and Integrated Mills (D.C. Heath and Co.: Lexington Books, Lexington, MA), 1987, p. 9.

⁹⁸ The economic consultant for the Brazilian respondents defined minimills as (a) producing from a scrap-based process using electric arc furnaces, (b) having production capacities of a million tons or lower, (c) servicing regional rather than national markets, and (d) being non-unionized (Conference TR, pp. 171-172).

⁹⁹ There are several minimill companies with more than 1 million tons production capacity, and one with a capacity of over 4 million tons. Each of several integrated mills have production capacities of less than 1 million tons, although integrated mills are larger on average. In general, the average size of integrated mills has decreased.

production and the convergence of integrated and nonintegrated production processes.¹⁰⁰

In its majority opinion in the preliminary investigations concerning hot-rolled lead and bismuth carbon steel products, the Commission expressed interest in reviewing information regarding the operation of U.S. minimills.¹⁰¹ Four minimills accounted for 22.3 percent of the 1991 free-machining bar and rod production; 10 minimills accounted for 56.0 percent of 1991 production of all special quality bar and rod production presented in this report. Appendix G presents summary data for traditional¹⁰² and minimill¹⁰³ producers separately. Information on minimill criteria is presented in the following tabulation:

<u>Firm</u>	<u>Production process¹</u>	<u>Production method</u>	<u>Production capacity</u>	<u>Union re-presentation</u>	<u>Markets served:</u>	
					<u>% shipments--</u>	
					<u>< 500 mi.</u>	<u>> 500 mi.</u>
American ² . .	EAF	Cast billet	***	***	***	***
Atlantic ² . .	EAF	Cast billet	***	***	***	***
Bethlehem ³ .	EAF	Ingot	***	***	***	***
Calumet ² . .	EAF	Cast billet	***	***	***	***
Chaparral ² .	EAF	Cast billet	***	***	***	***
Inland ³ . . .	BOF	Bloom, cast billet	***	***	***	***
Laclede ² . .	EAF	Cast billet	***	***	***	***
MacSteel ² . .	EAF	Cast billet	***	***	***	***

North Star ² .	EAF	Cast billet	*** ⁴	***	***	***
Nucor ² . . .	EAF	Cast billet	***	***	***	***
Raritan River ² . . .	EAF	Cast billet	***	***	***	***
Republic ³ . .	EAF	Ingot, cast billet	***	***	***	***
Sheffield ² .	EAF	Cast billet	***	***	***	***
Timken ³ . . .	EAF	Ingot	***	***	***	***
USS/Kobe ³ . .	BOF	Ingot	***	***	***	***

¹ EAF=Electric-arc furnace and BOF=Basic-oxygen furnace.

² Minimill producer.

³ Traditional producer.

⁴ Only includes data for 4 divisions that produce special quality steel products.

¹⁰⁰ For further discussion see, USITC, Steel Industry Annual Report On Competitive Conditions in the Steel Industry and Industry Efforts to Adjust and Modernize, USITC Publication 2436, September 1991, pp. 3-38 and 3-39.

¹⁰¹ Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from Brazil, France, Germany, and the United Kingdom, USITC Publication 2512, p. 26.

¹⁰² ***, ***, ***, ***, and ***.

¹⁰³ ***, ***, ***, ***, ***, ***, ***, ***, ***, and ***.

U.S. Importers

Information identifying importers of hot-rolled lead and bismuth carbon steel products was provided by counsel for the petitioner and was verified against files provided by the U.S. Customs Service. The Commission sent questionnaires to approximately *** importers, which include all the known major importers of the subject hot-rolled lead and bismuth carbon steel products. The importers are believed to account for approximately *** percent of total imports of hot-rolled lead and bismuth carbon steel products from the countries subject to these investigations.

As the Commission reported during its 1982 countervailing duty investigations of hot-rolled carbon steel bar,¹⁰⁴ imports from the subject countries generally entered the United States through one or two exclusive importers, and these firms were owned by or affiliated with major steel producers in the subject countries. Major importers of hot-rolled lead and bismuth carbon steel products from the subject countries include the following:

<u>Country</u>	<u>Importing firm¹</u>
Brazil.....	***

France.....	***
Germany.....	***

United Kingdom.....	***

¹ These firms are owned by or affiliated with foreign steel producers.

U.S. Producers' Imports

Three U.S. producers, Nucor, ***, and ***, reported imports or purchases of semifinished and/or hot-rolled lead carbon steel products, reportedly to economically supplement their product (hot-rolled and cold-finished) lines. As noted earlier, Nucor has previously purchased imported leaded bar from *** and ***, and *** purchasing imported *** product from those countries. *** does not produce semifinished carbon steel products, and *** for production of hot-rolled products from *** and ***. *** imported *** from ***, accounting for *** percent of its lead and bismuth carbon steel billet consumption in 1991, and imported hot-rolled lead carbon bar and rod products from *** and ***, equal to *** percent of its hot-rolled lead and bismuth bar and rod production in 1991.¹⁰⁵

¹⁰⁴ Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the United Kingdom, and West Germany, Invs. Nos. 701-TA-125 through 129, and 146 and 147 (Preliminary), USITC Pub. 1221 (Feb. 1982), pp. VII-4 and 5.

¹⁰⁵ ***.

Apparent U.S. Consumption

The demand for hot-rolled special quality carbon and certain alloy steel products, as intermediate products, depends largely on the level of overall economic activity. In general, weak demand in the automotive and construction sectors during 1991 contributed to declines in apparent U.S. consumption of such products. Data on apparent U.S. consumption of all hot-rolled special quality carbon and certain alloy steel products are presented in table 2, are derived from responses to the Commission's questionnaires, and are composed of the sum of U.S. shipments (domestic shipments and company transfers) of U.S.-produced hot-rolled special quality carbon and certain alloy steel products, imports of subject lead and bismuth hot-rolled carbon steel products (L/B in the table), imports of non lead and bismuth free-machining products from Brazil, and imports of other special quality products.¹⁰⁶

Trends in Apparent Consumption

Free-machining

Apparent consumption of free-machining products (bars and rods) dropped irregularly from 1,046,537 short tons in 1989 to 901,158 short tons in 1991, or by 13.9 percent. During January-September 1992, apparent consumption rose by 176,680 short tons when compared with the corresponding period in 1991, an increase of 29.1 percent. In addition to the impact of overall economic activity, the magnitude of recent increases may be partially explained by certain stockpiling activity,¹⁰⁷ new long-term contracts for products previously supplied by foreign sources,¹⁰⁸ and accelerated purchases from Bethlehem following the announced sale of its Bar, Rod & Wire Division.¹⁰⁹ Trends in total apparent consumption were driven by activity in the bar category, as it represented 82.9 percent of total apparent consumption (based on quantity) in 1991.

All special quality

Trends in apparent consumption for all special quality products (bars and rods) were similar, though not as pronounced, as those exhibited by free-machining products. Apparent consumption fell irregularly from 7,459,697 short tons in 1989 to 7,141,476 short tons in 1991, or by 4.3 percent. January-September 1992 consumption rose to 5,586,835 short tons, or by 5.8 percent, in comparison with the corresponding period in 1991. The factors affecting consumption discussed above relative to free-machining products were similarly at work in this broader product category.

¹⁰⁶ Such imports from Brazil, in the latter two categories, are the subject of ongoing investigation No. 731-TA-572 (Final), Certain Special Quality Hot-Rolled Carbon and Alloy Steel Bars and Rods and Semifinished Products from Brazil.

¹⁰⁷ ***.

¹⁰⁸ ***.

¹⁰⁹ See section of the report entitled "U.S. producers", at I-28.

Table 2

Hot-rolled special quality carbon and certain alloy steel products: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
				Quantity (short tons)	
Free-machining bars:					
Producers' U.S. shipments..	727,858	761,524	588,126	404,086	523,453
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	118,355	130,426	140,637	86,038	112,322
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	140,271	153,372	166,222	100,336	127,556
Apparent consum-					
ption.....	868,129	914,896	754,348	504,422	651,009
Free-machining rods:					
Producers' U.S. shipments..	103,383	93,173	86,682	64,963	86,775
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	62,041	55,612	44,392	29,920	37,038
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	75,025	70,875	60,128	38,403	46,684
Apparent consum-					
ption.....	178,408	164,048	146,810	103,366	133,459
Free-machining bars and					
rods:					
Producers' U.S. shipments..	831,241	854,697	674,808	469,049	610,228
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	180,396	186,038	185,029	115,958	149,360
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	215,296	224,247	226,350	138,739	174,240
Apparent consum-					
ption.....	1,046,537	1,078,944	901,158	607,788	784,468

Table continued on next page.

Table 2--Continued

Hot-rolled special quality carbon and certain alloy steel products: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Quantity (short tons)				
Other special quality bars:					
Producers' U.S. shipments..	3,494,976	3,743,434	3,407,761	2,597,592	2,783,550
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	140,134	138,274	169,724	120,325	63,126
Apparent consum-					
ption.....	3,635,110	3,881,708	3,577,485	2,717,917	2,846,676
Other special quality rods:					
Producers' U.S. shipments..	2,172,054	2,082,839	2,102,494	1,576,767	1,605,905
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	605,996	557,981	560,339	380,302	349,786
Apparent consum-					
ption.....	2,778,050	2,640,820	2,662,833	1,957,069	1,955,691
Other special quality bars					
and rods:					
Producers' U.S. shipments..	5,667,030	5,826,273	5,510,255	4,174,359	4,389,455
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	746,130	696,255	730,063	500,627	412,912
Apparent consum-					
ption.....	6,413,160	6,522,528	6,240,318	4,674,986	4,802,367
All special quality bars					
and rods:					
Producers' U.S. shipments..	6,498,271	6,680,970	6,185,063	4,643,408	4,999,683
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	180,396	186,038	185,029	115,958	149,360
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	961,426	920,502	956,413	639,366	587,152
Apparent consum-					
ption.....	7,459,697	7,601,472	7,141,476	5,282,774	5,586,835

Table continued on next page.

Table 2--Continued

Hot-rolled special quality carbon and certain alloy steel products: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. -Sept. - -	
				1991	1992
	Value (1,000 dollars)				
Free-machining bars:					
Producers' U.S. shipments..	372,400	383,759	295,681	202,673	256,693
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	60,642	60,969	66,392	41,185	54,233
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	72,067	73,079	78,822	48,688	61,386
Apparent consum-					
ption.....	444,467	456,838	374,503	251,361	318,079
Free-machining rods:					
Producers' U.S. shipments..	56,418	49,556	46,523	34,801	44,567
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	30,675	26,300	20,909	14,091	17,879
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	37,333	33,588	28,000	18,109	22,211
Apparent consum-					
ption.....	93,751	83,144	74,523	52,910	66,778
Free-machining bars and					
rods:					
Producers' U.S. shipments..	428,818	433,315	342,204	237,474	301,260
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	91,317	87,269	87,301	55,276	72,112
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	109,400	106,667	106,822	66,797	83,597
Apparent consum-					
ption.....	538,218	539,982	449,026	304,271	384,857

Table continued on next page.

Table 2--Continued

Hot-rolled special quality carbon and certain alloy steel products: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Value (1,000 dollars)				
Other special quality bars:					
Producers' U.S. shipments..	1,799,026	1,809,643	1,651,617	1,262,498	1,305,502
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	68,815	64,606	76,144	53,844	28,517
Apparent consum-					
ption.....	1,867,841	1,874,249	1,727,761	1,316,342	1,334,019
Other special quality rods:					
Producers' U.S. shipments..	804,493	801,112	738,340	554,389	558,138
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	254,497	228,629	224,044	154,729	131,830
Apparent consum-					
ption.....	1,058,990	1,029,741	962,384	709,118	689,968
Other special quality bars					
and rods:					
Producers' U.S. shipments..	2,603,519	2,610,755	2,389,957	1,816,887	1,863,640
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	323,312	293,235	300,188	208,573	160,347
Apparent consum-					
ption.....	2,926,831	2,903,990	2,690,145	2,025,460	2,023,987
All special quality bars					
and rods:					
Producers' U.S. shipments..	3,032,337	3,044,070	2,732,161	2,054,361	2,164,900
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	91,317	87,269	87,301	55,276	72,112
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	432,712	399,902	407,010	275,370	243,944
Apparent consum-					
ption.....	3,465,049	3,443,972	3,139,171	2,329,731	2,408,844

Note.--The term 'L/B' is an abbreviation for 'lead and bismuth.'

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

U.S. Producers' Share of Apparent Consumption

Free-machining

The U.S. producers' share of total apparent consumption of free-machining products (bars and rods), on a quantity basis, dropped steadily from 79.4 percent of the market in 1989 to 74.9 percent in 1991. During January-September 1992, U.S. producers held a 77.8-percent share of the market compared with 77.2 percent for January-September 1991. A decline in the share of the bar market accounted for most of the decline in overall market share.

All special quality

U.S. producers' share of total apparent consumption of all special quality products (bars and rods) declined irregularly from 87.1 percent of the market in 1989 to 86.6 percent in 1991. January-September 1992 market share for U.S. producers was 89.5 percent compared with 87.9 percent for January-September 1991.

Channels of Distribution

As was found in the 1982 countervailing duty investigations of hot-rolled carbon steel products,¹¹⁰ and confirmed during the current investigations, the major channel of distribution for hot-rolled special quality carbon and certain alloy steel products for both U.S. producers and importers continues to be end users. For purposes of the Commission's questionnaires, cold finishers are considered end users of the intermediate hot-rolled product. Following cold-finishing, the products are then frequently sold to screw machine shops for further processing before being sold to end users in the automotive and appliance industries, among others. The following tabulation provides the shares of shipments of hot-rolled lead and bismuth carbon steel products by channels of distribution for both U.S. producers and U.S. importers (in percent) in 1991.

Item	<u>Distributors/</u>	
	<u>Service centers</u>	<u>End users</u>
U.S. producers.....	5.5	94.5 ¹
U.S. imports of hot-rolled lead and bismuth products from:		
Brazil.....	***	***
France.....	***	***
Germany.....	***	***
United Kingdom....	***	***
Average.....	2.1	97.8

¹ Shipments to related end users account for approximately 13.6 percent of this channel of trade.

¹¹⁰ See Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the United Kingdom, and West Germany, USITC Pub. 1221, Feb. 1982.

CONSIDERATION OF MATERIAL INJURY TO AN
INDUSTRY IN THE UNITED STATES

The information in this section of the report was compiled from responses to questionnaires of the U.S. International Trade Commission. The 15 producers that provided useable trade data in their questionnaire responses are believed to have accounted for nearly 90 percent of U.S. shipments of total hot-rolled special quality carbon and certain alloy steel products in 1991.

The trade data in this report differ from the data in the prehearing report due primarily to ***.

U.S. Production, Capacity, and Capacity Utilization

Data on reported U.S. production, average-of-period capacity,¹¹¹ and capacity utilization in connection with operations on hot-rolled special quality carbon and certain alloy steel products are presented in table 3.

Free-Machining¹¹²

Production of all free-machining steel products (bars and rods) dropped irregularly, by 17.2 percent, from 1989 to 1991, leaving free-machining products with a 47.3-percent capacity utilization rate in 1991 compared with 59.5 percent in 1989. Production for January-September 1992 was up 32.6 percent compared with January-September 1991, yielding a 56.3-percent capacity utilization rate compared with 44.0 percent for the earlier period.

All Special Quality

For all special quality products, production dipped irregularly from 1989 to 1991, by 2.2 percent, dropping the average capacity utilization rate from 70.0 percent to 65.8 percent. Production for January-September 1992 was up 10.0 percent in comparison with the same period of 1991, with producers operating at an average capacity utilization rate of 70.0 percent compared with 65.8 percent for January-September 1991.

¹¹¹ During these investigations, some of the responding firms have indicated that because their bar and rod mills are capable of producing all hot-rolled carbon and alloy steel products, they have encountered difficulties in allocating capacity to free-machining and other special products.

¹¹² Data with respect to lead and bismuth operations are presented in app. F.

Table 3

Hot-rolled special quality carbon and certain alloy steel products: U.S. capacity, production, and capacity utilization, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. -Sept. - -	
				1991	1992
	Average-of-period capacity (short tons)				
Free-machining:					
Bars.....	1,183,125	1,236,854	1,220,520	906,578	939,983
Rods.....	170,592	170,510	165,744	123,952	124,175
Subtotal.....	1,353,717	1,407,364	1,386,264	1,030,530	1,064,158
Other special-quality:					
Bars.....	4,835,106	4,985,447	5,032,115	3,745,114	3,816,149
Rods.....	2,814,874	2,808,353	2,896,590	2,140,793	2,158,806
Subtotal.....	7,649,980	7,793,800	7,928,705	5,885,907	5,974,955
All special-quality bars and rods.....	9,003,697	9,201,164	9,314,969	6,916,437	7,039,113
	Production (short tons)				
Free-machining:					
Bars.....	711,992	768,084	593,263	406,685	538,521
Rods.....	106,889	92,177	85,054	63,778	85,134
Subtotal.....	818,881	860,261	678,317	470,463	623,655
Other special-quality:					
Bars.....	3,441,414	3,783,804	3,396,790	2,573,297	2,858,964
Rods.....	2,151,993	2,130,864	2,198,083	1,587,341	1,609,926
Subtotal.....	5,593,407	5,914,668	5,594,873	4,160,638	4,468,890
All special-quality bars and rods.....	6,412,288	6,774,929	6,273,190	4,631,101	5,092,545
	Capacity utilization (percent)				
Free-machining:					
Bars.....	59.1	60.9	46.7	43.0	54.7
Rods.....	62.7	54.1	51.3	51.5	68.6
Average.....	59.5	60.1	47.3	44.0	56.3
Other special-quality:					
Bars.....	69.1	73.7	65.2	66.4	72.1
Rods.....	76.5	75.9	75.9	74.1	74.6
Average.....	71.8	74.5	69.1	69.2	73.0
All special-quality bars and rods.....	70.0	72.3	65.8	65.5	70.5

Note.--Capacity utilization is calculated using data of firms providing both capacity and production information.

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

U.S. Producers' Shipments

Data on U.S. producers' total shipments of hot-rolled special quality carbon and certain alloy steel products, by type of product, are presented in table 4.

Free-Machining

Producers' U.S. shipments of free-machining products (bars and rods) declined irregularly, by 18.8 percent, from 1989 to 1991,¹¹³ while January-September 1992 shipments were up 30.1 percent compared with shipments during January-September 1991.¹¹⁴ Free-machining bar was the dominant product shipped, on both a quantity and value basis. Export shipments accounted for only a small portion of overall shipments (generally less than 2 percent) with *** exported. U.S. producers, principally ***, exported to ***.

All Special Quality

Shipments of all special quality products (bars and rods) followed trends similar, though not as pronounced, to those of free-machining products. Shipments dropped irregularly from 1989 to 1991, by 3.4 percent, while January-September 1992 shipments were up 8.1 percent in comparison with January-September 1991. Bars accounted for the majority of product shipped, but were not as dominant as they were in the free-machining category. Exports of all special quality products accounted for 1.6 percent of total shipments in 1991, with rods, ***, accounting for the majority of product shipped.

U.S. Producers' Inventories

U.S. producers' inventories of special quality carbon and certain alloy steel products are presented in table 5.

Free-Machining

Inventories (bars and rods), as a share of total shipments, increased from 7.0 percent in 1989 to 8.6 percent in 1991. January-September 1992 inventories were 8.6 percent of annualized total shipments compared with 9.1 percent for January-September 1991. Increased bar inventories drove the trends.

All Special Quality

Inventories of all special quality products (bars and rods) followed the trend of free-machining products from 1989 to 1991, increasing from 6.4 percent to 7.9 percent of total shipments. Inventories during January-September 1992 were at 7.4 percent of annualized total shipments, compared with 7.5 percent for the same period of 1991.

¹¹³ ***.

¹¹⁴ ***.

Table 4

Hot-rolled special quality carbon and certain alloy steel products: Shipments by U.S. producers, by products and by types, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. - Sept. - -	
				1991	1992
	Quantity (short tons)				
Free-machining bars:					
Company transfers.....	108,147	101,162	96,516	66,875	76,653
Domestic shipments.....	619,711	660,362	491,610	337,211	446,800
Subtotal.....	727,858	761,524	588,126	404,086	523,453
Exports.....	1,599	7,987	6,140	4,614	923
Total.....	729,457	769,511	594,266	408,700	524,376
Free-machining rods:					
Company transfers.....	0	261	404	385	254
Domestic shipments.....	103,383	92,912	86,278	64,578	86,521
Subtotal.....	103,383	93,173	86,682	64,963	86,775
Exports.....	0	0	0	0	0
Total.....	103,383	93,173	86,682	64,963	86,775
Free-machining bars and rods:					
Company transfers.....	108,147	101,423	96,920	67,260	76,907
Domestic shipments.....	723,094	753,274	577,888	401,789	533,321
Subtotal.....	831,241	854,697	674,808	469,049	610,228
Exports.....	1,599	7,987	6,140	4,614	923
Total.....	832,840	862,684	680,948	473,663	611,151
Other special quality bars:					
Company transfers.....	601,526	602,712	584,095	443,506	470,749
Domestic shipments.....	2,893,450	3,140,722	2,823,666	2,154,086	2,312,801
Subtotal.....	3,494,976	3,743,434	3,407,761	2,597,592	2,783,550
Exports.....	8,937	24,468	22,641	19,952	42,991
Total.....	3,503,913	3,767,902	3,430,402	2,617,544	2,826,541
Other special quality rods:					
Company transfers.....	196,934	230,037	223,869	169,453	173,500
Domestic shipments.....	1,975,120	1,852,802	1,878,625	1,407,314	1,432,405
Subtotal.....	2,172,054	2,082,839	2,102,494	1,576,767	1,605,905
Exports.....	312	34,997	76,740	19,617	22,776
Total.....	2,172,366	2,117,836	2,179,234	1,596,384	1,628,681
Other special quality bars and rods:					
Company transfers.....	798,460	832,749	807,964	612,959	644,249
Domestic shipments.....	4,868,570	4,993,524	4,702,291	3,561,400	3,745,206
Subtotal.....	5,667,030	5,826,273	5,510,255	4,174,359	4,389,455
Exports.....	9,249	59,465	99,381	39,569	65,767
Total.....	5,676,279	5,885,738	5,609,636	4,213,928	4,455,222
All special quality bars and rods:					
Company transfers.....	906,607	934,172	904,884	680,219	721,156
Domestic shipments.....	5,591,664	5,746,798	5,280,179	3,963,189	4,278,527
Subtotal.....	6,498,271	6,680,970	6,185,063	4,643,408	4,999,683
Exports.....	10,848	67,452	105,521	44,183	66,690
Total.....	6,509,119	6,748,422	6,290,584	4,687,591	5,066,373

Table continued on next page.

Table 4--Continued

Hot-rolled special quality carbon and certain alloy steel products: Shipments by U.S. producers, by products and by types, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Value (1,000 dollars)				
Free-machining bars:					
Company transfers.....	49,533	48,847	45,118	30,816	34,372
Domestic shipments.....	322,867	334,912	250,563	171,857	222,321
Subtotal.....	372,400	383,759	295,681	202,673	256,693
Exports.....	787	3,765	2,898	2,172	409
Total.....	373,187	387,524	298,579	204,845	257,102
Free-machining rods:					
Company transfers.....	0	123	236	234	143
Domestic shipments.....	56,418	49,433	46,287	34,567	44,424
Subtotal.....	56,418	49,556	46,523	34,801	44,567
Exports.....	0	0	0	0	0
Total.....	56,418	49,556	46,523	34,801	44,567
Free-machining bars and rods:					
Company transfers.....	49,533	48,970	45,354	31,050	34,515
Domestic shipments.....	379,285	384,345	296,850	206,424	266,745
Subtotal.....	428,818	433,315	342,204	237,474	301,260
Exports.....	787	3,765	2,898	2,172	409
Total.....	429,605	437,080	345,102	239,646	301,669
Other special quality bars:					
Company transfers.....	311,643	295,216	303,059	221,444	231,422
Domestic shipments.....	1,487,383	1,514,427	1,348,558	1,041,054	1,074,080
Subtotal.....	1,799,026	1,809,643	1,651,617	1,262,498	1,305,502
Exports.....	4,840	12,483	11,800	10,416	17,394
Total.....	1,803,866	1,822,126	1,663,417	1,272,914	1,322,896
Other special quality rods:					
Company transfers.....	67,509	78,173	76,040	57,122	55,883
Domestic shipments.....	736,984	722,939	662,300	497,267	502,255
Subtotal.....	804,493	801,112	738,340	554,389	558,138
Exports.....	233	10,066	19,289	5,188	6,068
Total.....	804,726	811,178	757,629	559,577	564,206
Other special quality bars and rods:					
Company transfers.....	379,152	373,389	379,099	278,566	287,305
Domestic shipments.....	2,224,367	2,237,366	2,010,858	1,538,321	1,576,335
Subtotal.....	2,603,519	2,610,755	2,389,957	1,816,887	1,863,640
Exports.....	5,073	22,549	31,089	15,604	23,462
Total.....	2,608,592	2,633,304	2,421,046	1,832,491	1,887,102
All special quality bars and rods:					
Company transfers.....	428,685	422,359	424,453	309,616	321,820
Domestic shipments.....	2,603,652	2,621,711	2,307,708	1,744,745	1,843,080
Subtotal.....	3,032,337	3,044,070	2,732,161	2,054,361	2,164,900
Exports.....	5,860	26,314	33,987	17,776	23,871
Total.....	3,038,197	3,070,384	2,766,148	2,072,137	2,188,771

Table continued on next page.

Table 4--Continued

Hot-rolled special quality carbon and certain alloy steel products: Shipments by U.S. producers, by products and by types, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. - Sept. - -	
				1991	1992
	Unit value (per short ton)				
Free-machining bars:					
Company transfers.....	\$458.02	\$482.86	\$467.47	\$460.80	\$448.41
Domestic shipments.....	521.00	507.16	509.68	509.64	497.59
Average.....	511.64	503.94	502.75	501.56	490.38
Exports.....	492.18	471.39	471.99	470.74	443.12
Average.....	511.60	503.60	502.43	501.21	490.30
Free-machining rods:					
Company transfers.....	1/	471.26	584.16	607.79	562.99
Domestic shipments.....	545.72	532.04	536.49	535.28	513.45
Average.....	545.72	531.87	536.71	535.70	513.59
Exports.....	1/	1/	1/	1/	1/
Average.....	545.72	531.87	536.71	535.70	513.59
Free-machining bars and rods:					
Company transfers.....	458.02	482.83	467.95	461.64	448.79
Domestic shipments.....	524.53	510.23	513.68	513.76	500.16
Average.....	515.88	506.98	507.11	506.29	493.68
Exports.....	492.18	471.39	471.99	470.74	443.12
Average.....	515.83	506.65	506.80	505.94	493.61
Other special quality bars:					
Company transfers.....	518.09	489.81	518.85	499.30	491.60
Domestic shipments.....	514.05	482.19	477.59	483.29	464.41
Average.....	514.75	483.42	484.66	486.03	469.01
Exports.....	541.57	510.18	521.18	522.05	404.60
Average.....	514.81	483.59	484.90	486.30	468.03
Other special quality rods:					
Company transfers.....	342.80	339.83	339.66	337.10	322.09
Domestic shipments.....	373.13	390.19	352.55	353.34	350.64
Average.....	370.38	384.63	351.17	351.60	347.55
Exports.....	746.79	287.62	251.36	264.46	266.42
Average.....	370.44	383.02	347.66	350.53	346.42
Other special quality bars and rods:					
Company transfers.....	474.85	448.38	469.20	454.46	445.95
Domestic shipments.....	456.88	448.05	427.63	431.94	420.89
Average.....	459.42	448.10	433.73	435.25	424.57
Exports.....	548.49	379.20	312.83	394.35	356.74
Average.....	459.56	447.40	431.59	434.87	423.57
All special quality bars and rods:					
Company transfers.....	472.85	452.12	469.07	455.17	446.26
Domestic shipments.....	465.63	456.20	437.05	440.24	430.77
Average.....	466.64	455.63	441.74	442.43	433.01
Exports.....	540.19	390.11	322.09	402.33	357.94
Average.....	466.76	454.98	439.73	442.05	432.02

1/ Not applicable.

Note.--Unit values are calculated using data of firms supplying both quantity and value information.

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

Table 5

Hot-rolled special quality carbon and certain alloy steel products:
End-of-period inventories of U.S. producers, by products, 1989-91,
January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Quantity (short tons)				
Free-machining:					
Bars.....	50,567	53,642	53,358	52,163	67,098
Rods.....	7,500	6,504	4,876	5,319	3,235
Subtotal.....	58,067	60,146	58,234	57,482	70,333
Other special-quality:					
Bars.....	268,460	315,204	296,559	292,474	315,666
Rods.....	69,092	92,120	110,989	88,787	84,965
Subtotal.....	337,552	407,324	407,548	381,261	400,631
All special-quality bars and rods.....	395,619	467,470	465,782	438,743	470,964
	Ratio to total shipments (percent)				
Free-machining:					
Bars.....	6.9	7.0	9.0	9.6	9.6
Rods.....	7.3	7.0	5.6	6.1	2.8
Average.....	7.0	7.0	8.6	9.1	8.6
Other special-quality:					
Bars.....	8.4	9.3	9.7	9.4	9.3
Rods.....	3.2	4.3	5.1	4.2	3.9
Average.....	6.3	7.4	7.8	7.3	7.2
All special-quality bars and rods.....	6.4	7.4	7.9	7.5	7.4

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

U.S. Producers' Employment and Wages

Data on U.S. producers' employment and wages for their operations producing hot-rolled special quality carbon and certain alloy steel products, by types of products, are presented in table 6.^{115 116}

Free-Machining

The average number of production and related workers producing free-machining products (bars and rods) dropped steadily from 1,737 in 1989 to 1,509 in 1991. January-September 1992 employment stood at 1,517 workers compared with 1,371 during January-September 1991. For hours worked and wages and total compensation paid, trends exhibited irregular declines from 1989 to 1991 and showed gains in all three categories for the interim period of 1992 compared with the interim period of 1991. The average hourly wage for production and related workers producing free-machining products increased steadily from \$15.54 in 1989 to \$15.88 in 1991. Worker productivity fluctuated between 0.23 and 0.26 short tons per hour during the period of investigation, while unit labor costs rose from \$98.86 per short ton in 1989 to \$108.23 per short ton in 1991.

All Special Quality

For all special quality products (bars and rods), the number of production and related workers dropped irregularly from 10,042 in 1989 to 9,665 in 1991. January-September 1992 employment, at 9,753 workers, was up from the 9,241 workers employed during the same period of 1991. The same full-year and interim period trends were present for hours worked and wages and total compensation paid. The average hourly wage for production and related workers producing all special quality products increased steadily from \$15.85 in 1989 to \$16.41 in 1991. Worker productivity fluctuated between 0.27 and 0.28 short tons per hour during the period of investigation. Unit labor costs increased irregularly, rising from \$88.07 per short ton in 1989 to \$90.93 per short ton in 1991.

¹¹⁵ As noted earlier, in January 1992, Bethlehem announced its decision to exit the bar, rod, and wire industry, offering its Bar, Rod & Wire Division for sale. Unable to complete a transaction for the entire division, Bethlehem announced, in May 1992, that it was initiating "an orderly phasing down" of the division, exiting the business "as quickly as possible." However, that phasing down was not completed in September 1992. Hence, the impact of that shutdown on employment-related data is not reflected in interim 1992 data.

¹¹⁶ ***.

Table 6

Average number of total employees and production and related workers in U.S. establishments wherein hot-rolled special quality carbon and certain alloy steel products are produced, hours worked, 1/ wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, 2/ by products, 1989-91, January-September 1991, and January-September 1992 3/

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Number of production and related workers (PRWs)					
Free-machining:					
Bars.....	1,627	1,531	1,375	1,245	1,386
Rods.....	110	105	134	126	131
Subtotal.....	1,737	1,636	1,509	1,371	1,517
Other special-quality:					
Bars.....	7,061	7,151	6,751	6,563	6,877
Rods.....	1,244	1,315	1,405	1,307	1,359
Subtotal.....	8,305	8,466	8,156	7,870	8,236
All special-quality bars and rods.....	10,042	10,102	9,665	9,241	9,753
Hours worked by PRWs (1,000 hours)					
Free-machining:					
Bars.....	3,013	3,028	2,476	1,757	2,100
Rods.....	232	229	273	183	188
Subtotal.....	3,245	3,257	2,749	1,940	2,288
Other special-quality:					
Bars.....	14,643	15,302	13,938	10,313	11,031
Rods.....	2,727	2,884	3,013	1,977	2,068
Subtotal.....	17,370	18,186	16,951	12,290	13,099
All special-quality bars and rods.....	20,615	21,443	19,700	14,230	15,387
Wages paid to PRWs (1,000 dollars)					
Free-machining:					
Bars.....	47,089	48,145	39,448	27,857	34,989
Rods.....	3,354	3,482	4,215	2,781	3,528
Subtotal.....	50,443	51,627	43,663	30,638	38,517
Other special-quality:					
Bars.....	230,107	249,554	226,769	144,811	163,275
Rods.....	46,169	49,500	52,785	35,974	37,922
Subtotal.....	276,276	299,054	279,554	180,785	201,197
All special-quality bars and rods.....	326,719	350,681	323,217	211,423	239,714
Total compensation paid to PRWs (1,000 dollars)					
Free-machining:					
Bars.....	72,400	71,849	62,787	43,897	54,105
Rods.....	5,413	5,215	6,676	4,282	5,430
Subtotal.....	77,813	77,064	69,463	48,179	59,535
Other special-quality:					
Bars.....	330,626	341,912	324,497	237,773	262,823
Rods.....	65,566	69,691	75,625	50,527	55,675
Subtotal.....	396,192	411,603	400,122	288,300	318,498
All special-quality bars and rods.....	474,005	488,667	469,585	336,479	378,033

See footnotes at end of table.

Table 6--Continued

Average number of total employees and production and related workers in U.S. establishments wherein hot-rolled special quality carbon and certain alloy steel products are produced, hours worked, 1/ wages and total compensation paid to such employees, and hourly wages, productivity, and unit production costs, 2/ by products, 1989-91, January-September 1991, and January-September 1992 3/

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Hourly wages paid to PRWs					
Free-machining:					
Bars.....	\$15.63	\$15.90	\$15.93	\$15.85	\$16.66
Rods.....	14.46	15.21	15.44	15.20	18.77
Average.....	15.54	15.85	15.88	15.79	16.83
Other special-quality:					
Bars.....	15.71	16.31	16.27	16.02	16.76
Rods.....	16.93	17.16	17.52	18.20	18.34
Average.....	15.91	16.44	16.49	16.41	17.03
All special-quality bars and rods.....	15.85	16.35	16.41	16.32	17.00
Hourly total compensation paid to PRWs					
Free-machining:					
Bars.....	\$24.03	\$23.73	\$25.36	\$24.98	\$25.76
Rods.....	23.33	22.77	24.45	23.40	28.88
Average.....	23.98	23.66	25.27	24.83	26.02
Other special-quality:					
Bars.....	22.58	22.34	23.28	23.06	23.83
Rods.....	24.04	24.16	25.10	25.56	26.92
Average.....	22.81	22.63	23.60	23.46	24.31
All special-quality bars and rods.....	22.99	22.79	23.84	23.65	24.57
Productivity (short tons per hour)					
Free-machining:					
Bars.....	0.23	0.25	0.23	0.22	0.24
Rods.....	.38	.33	.27	.30	.41
Average.....	.24	.25	.23	.23	.26
Other special-quality:					
Bars.....	.21	.22	.22	.22	.23
Rods.....	.54	.50	.49	.53	.51
Average.....	.26	.27	.27	.27	.28
All special-quality bars and rods.....	.26	.27	.26	.27	.27
Unit labor costs (per short ton)					
Free-machining:					
Bars.....	\$103.74	\$95.46	\$110.28	\$112.79	\$105.37
Rods.....	60.65	68.91	92.16	78.51	70.48
Average.....	98.86	93.03	108.23	108.57	100.82
Other special-quality:					
Bars.....	105.66	99.52	106.19	102.68	102.18
Rods.....	44.73	48.42	51.58	48.40	52.97
Average.....	86.22	84.43	88.48	85.82	87.90
All special-quality bars and rods.....	88.07	85.68	90.93	88.47	89.71

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

2/ On the basis of total compensation paid.

3/ Firms providing employment data accounted for 80 percent of reported total U.S. shipments (based on quantity) in 1991.

Note.--Ratios are calculated using data of firms supplying both numerator and denominator information.

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

Most firms reported that production and related workers producing hot-rolled special quality carbon and certain alloy steel products were represented by the United Steelworkers of America, and those workers accounted for 95 percent of total reported subject product production and related workers.¹¹⁷ The following firms reported some form of labor reductions:

<u>Firm</u>	<u>Date(s) of reductions</u>	<u>No. of workers</u>	<u>Duration of reductions</u>	<u>Reason for reductions</u>
	*	*	*	*

¹ Ongoing reduction through temporary layoffs; then attrition to permanent reduction with no-hire policy.

² Attributed to the increase in imports plus customer base shifting to out-of-country production.

³ See fn. 115, p. I-50.

¹¹⁷ Production and related workers at *** and *** are not represented by a union.

Financial Experience of U.S. Producers

Nine producers of hot-rolled free-machining special quality carbon and certain alloy steel bar and rod products¹¹⁸ and 14 producers of all hot-rolled special quality carbon and certain alloy steel bar and rod products¹¹⁹ supplied financial data on their operations. These producers represented approximately 90 percent of 1991 U.S. production in both categories.

Besides presenting data on (1) hot-rolled free-machining special quality carbon and certain alloy steel bars and rods, and (2) hot-rolled other special quality carbon and certain alloy steel bars and rods, this section also presents data on (3) the sum of these two products (which is all hot-rolled special quality carbon and certain alloy steel bars and rods) and their individual components, which are (4) hot-rolled free-machining special quality carbon and certain alloy steel bars, (5) hot-rolled free-machining special quality carbon and certain alloy steel rods, (6) hot-rolled other special quality carbon and certain alloy steel bars, and (7) hot-rolled other special quality carbon and certain alloy steel rods.

The financial data in this report differ from the data in the prehearing report for three main reasons--the ***, we determined that, in this particular case, their transfers had a much smaller effect on the financial data than we originally anticipated.

The staff verified the data of ***. ***, ***,¹²⁰ *** would result in decreased operating incomes in every period, often substantially so.

Overall Establishment Operations

Income-and-loss data on the overall establishment operations of the producers are shown in table 7. The data for most of the companies show the same overall trend--decreasing sales and profitability from 1989 to 1991 with moderate improvement in interim 1992 as compared to interim 1991. However, the data are dominated by *** and *** results.

For instance, ***. The companies had an even more profound effect on the interim period data, as they accounted for virtually all of the net increases in net sales, gross profits, and operating incomes.

Restructuring charges played a large part in sharply reducing profit levels in 1991. ***. Bethlehem also ***. The company decided to get out of that segment of the steel business because "these businesses have been

¹¹⁸ The producers are ***, ***, ***, ***, ***, ***, ***, ***, and ***.

¹¹⁹ The producers are ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, and ***.

¹²⁰ The production procedure is an uninterrupted series of processes, all in the same facility.

Table 7

Income-and-loss experience of U.S. producers on the overall operations of their establishments wherein hot-rolled special quality carbon and certain alloy steel products are produced, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Value (1,000 dollars)					
Net sales.....	8,072,646	7,974,376	7,220,968	5,412,184	5,538,826
Cost of goods sold.....	7,162,406	7,238,385	7,015,167	5,114,908	5,196,126
Gross profit.....	910,240	735,991	205,801	297,276	342,700
Selling, general, and administrative expenses....	368,171	374,938	381,113	268,439	266,942
Operating income or (loss)...	542,069	361,053	(175,312)	28,837	75,758
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other expense, net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	382,526	194,218	(528,481)	(110,735)	(44,589)
Depreciation and amortiza- tion.....	374,561	355,621	375,149	280,058	299,894
Cash flow ²	757,087	549,839	10,668 ⁽³⁾	169,323	255,305
Ratio to net sales (percent)					
Cost of goods sold.....	88.7	90.8	97.1	94.5	93.8
Gross profit.....	11.3	9.2	2.9	5.5	6.2
Selling, general, and administrative expenses....	4.6	4.7	5.3	5.0	4.8
Operating income or (loss)...	6.7	4.5	(2.4)	0.5	1.4
Net income or (loss) before income taxes.....	4.7	2.4	(7.3)	(2.0)	(0.8)
Number of firms reporting					
Operating losses.....	1	2	7	5	6
Net losses.....	3	5	7	7	8
Data.....	14	14	14	14	14

¹ Companies which did not have fiscal years ending Dec. 31, together with their respective fiscal year-ends, are as follows: ***, ***, ***, ***, ***, and ***.

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

³ 1991 cash flow is adjusted by adding back ***.

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

unprofitable and there is no reasonable prospect for their return to profitability."¹²¹

The percentage of overall establishment operation revenues relating to hot-rolled free-machining carbon and certain alloy steel (free-machining) bar and rod products was only about 4 to 5 percent. Only *** free-machining bar and rod product revenues were an appreciable percentage *** of its overall establishment. On the other hand, about 28 to 29 percent of overall establishment operations revenues related to hot-rolled other special quality carbon and certain alloy steel bar and rod products. These revenues accounted for *** revenues in 9 of the 13 companies. If *** and *** data are disregarded, the percentage of overall establishment operations revenues relating to free-machining bar and rod products *** at about *** to *** percent while the percentage relating to other bar and rod products rises to about ***.

Operations on Free-Machining Bar and Rod Products

Financial data relating to free-machining bar and rod product operations are shown in table 8. The lackluster 1989 results carried over to 1990 as net sales increased marginally while gross and operating incomes decreased marginally. In 1991, six of the nine companies reported a decrease in net sales, and the aggregate total decreased about 19 percent. This decrease in sales was due to a decrease in sales quantities, as the unit sales value remained unchanged from 1990. However, despite the decreased sales, operating results remained about the same.

The virtual opposite was true when comparing interim 1992 to interim 1991, as increased sales values by all but one of the companies resulted in a 26-percent increase for the industry. Despite the increase in sales, gross profits remained slim, and the operating and net losses remained operating and net losses.

As shown in table 9, the nine companies involved in the production of free-machining bar and rod can almost be evenly divided into two groups-- those operating profitably, and those not. ***, ***, and *** were consistently profitable while ***, ***, ***, and *** were consistently not profitable. None of the three profitable companies ranked higher than the middle of the pack with respect to net sales. There seems to be *** (see table 10). This suggests that controlling production costs is key to profitability.

¹²¹ Bethlehem's 1991 annual report.

Table 8

Income-and-loss experience of U.S. producers on their operations producing hot-rolled free-machining carbon and certain alloy steel bars and rods, fiscal years 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. -Sept. --	
				1991	1992
Quantity (short tons)					
Net sales.....	719,678	745,100	608,919	427,947	552,254
Value (1,000 dollars)					
Net sales.....	376,682	379,810	308,616	217,400	274,596
Cost of goods sold.....	369,730	374,531	305,622	215,312	269,765
Gross profit.....	6,952	5,279	2,994	2,088	4,831
SG&A expenses.....	22,363	24,858	22,458	15,922	16,363
Operating (loss).....	(15,411)	(19,579)	(19,464)	(13,834)	(11,532)
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Net other income or (expense)	***	***	***	***	***
Net (loss) before income taxes.....	(17,167)	(23,230)	(26,959)	(19,076)	(20,218)
Depreciation and amortization.....	12,555	10,745	10,374	7,545	12,154
Cash flow	(4,612)	(12,485)	(16,585)	(11,531)	(8,064)
Value (per short ton)					
Net sales.....	\$523.40	\$509.74	\$506.83	\$508.01	\$497.23
Cost of goods sold.....	513.74	502.66	501.91	503.13	488.48
Gross profit.....	9.66	7.08	4.92	4.88	8.75
SG&A expenses.....	31.07	33.36	36.88	37.21	29.63
Operating (loss).....	(21.41)	(26.28)	(31.96)	(32.33)	(20.88)
Ratio to net sales (percent)					
Cost of goods sold.....	98.2	98.6	99.0	99.0	98.2
Gross profit.....	1.8	1.4	1.0	1.0	1.8
SG&A expenses.....	5.9	6.5	7.3	7.3	6.0
Operating (loss).....	(4.1)	(5.2)	(6.3)	(6.4)	(4.2)
Net (loss) before income taxes.....	(4.6)	(6.1)	(8.7)	(8.8)	(7.4)
Number of firms reporting					
Operating losses.....	4	4	5	4	5
Net losses.....	4	5	6	5	5
Data.....	9	9	9	9	9

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

Table 9

Income-and-loss experience of U.S. producers on their operations producing hot-rolled free-machining carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

Table 10

Selected financial data in dollars per short ton of U.S. producers on their operations producing hot-rolled free-machining carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

Operations on All Special Quality Bar and Rod Products

Financial data relating to all special quality hot-rolled bar and rod product operations are shown in table 11. Results for 1990 were virtually the same as those posted in 1989, as net sales and gross profits remained basically unchanged. Operating profits were off a bit due to increased SG&A costs, and net profits were off a bit more because of increased interest expense.

In 1991, all indicators were down. Sales volume and unit sales value both decreased about 5 to 6 percent, resulting in an 11-percent decrease in net sales value. This more than offset a slight decrease in unit cost of goods sold. As a result, both gross and operating profits were down sharply, and 1990 net income became a 1991 net loss. The downward trend was pretty well across the board, as 11 of the 14 companies had decreased net sales and 12 of the 14 had decreases in both operating and net income (see table 12).

In contrast, interim 1992 results were much better than interim 1991 results, since virtually all indicators were up. A sizeable increase in sales quantities more than countered a modest decrease in unit sales values. Coupled with an approximate 5-percent decrease in unit cost of goods sold, this resulted in much improved gross and operating profits, and succeeded in turning the net loss into a net profit. This upward trend was as across the board as was the downward trend in 1991.

A review of the company-by-company financial results (table 12) reveals three tiers. The operations of ***, ***, ***, ***, ***, and *** generated large profits, while ***, ***, and *** generated large losses. The five other companies are somewhere in between, sometimes operating profitably, sometimes not. Although a high unit sales value (table 13) apparently had little to do with profitability, a low unit cost of goods sold did. Companies which operated profitably did not have especially high unit sales values, but had low unit cost of goods sold values.

Table 11

Income-and-loss experience of U.S. producers on their operations producing all hot-rolled special quality carbon and certain alloy steel bars and rods, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Quantity (short tons)					
Net sales.....	5,705,345	5,875,506	5,541,921	4,042,474	4,417,597
Value (1,000 dollars)					
Net sales.....	2,639,982	2,664,648	2,382,930	1,778,592	1,885,293
Cost of goods sold.....	2,372,060	2,396,785	2,225,407	1,667,645	1,733,912
Gross profit.....	267,922	267,863	157,523	110,947	151,381
SG&A expenses.....	135,110	159,946	144,149	103,406	101,070
Operating income.....	132,812	107,917	13,374	7,541	50,311
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	91,992	43,762	(60,733)	(44,552)	3,898
Depreciation and amortization.....	93,399	93,494	101,127	73,801	83,289
Cash flow	185,391	137,256	40,394	29,249	87,187
Value (per short ton)					
Net sales.....	\$462.72	\$453.11	\$429.61	\$439.82	\$426.31
Cost of goods sold.....	415.76	407.54	401.16	412.39	392.00
Gross profit.....	46.96	45.57	28.44	27.43	34.31
SG&A expenses.....	23.68	27.20	25.98	25.57	22.85
Operating income or (loss)...	23.28	18.37	2.46	1.86	11.46
Ratio to net sales (percent)					
Cost of goods sold.....	89.9	89.9	93.4	93.8	92.0
Gross profit.....	10.1	10.1	6.6	6.2	8.0
SG&A expenses.....	5.1	6.0	6.0	5.8	5.4
Operating income.....	5.0	4.0	0.6	0.4	2.7
Net income or (loss) before income taxes.....	3.5	1.6	(2.5)	(2.5)	0.2
Number of firms reporting					
Operating losses.....	3	3	6	4	5
Net losses.....	3	6	7	7	6
Data.....	13	14	14	14	14

¹ All 14 companies supplying financial data produced this product.

Note.--Unit values calculated using data of firms providing both quantity and value of shipments.

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

Table 12

Income-and-loss experience of U.S. producers on their operations producing all hot-rolled special quality carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

Table 13

Selected financial data in dollars per short ton of U.S. producers on their operations producing all hot-rolled special quality carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

A detailed cost breakout (corresponding to table 11) is set forth below in dollars per short ton:

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Net sales.....	\$462.72	\$453.11	\$429.61	\$439.82	\$426.31
Raw materials.....	165.81	162.23	151.71	156.46	148.32
Direct labor.....	65.74	65.09	63.05	62.42	62.54
Factory overhead.....	184.21	180.22	186.40	193.51	181.14
Cost of goods sold.....	415.76	407.54	401.16	412.39	392.00
Gross profit.....	46.96	45.57	28.44	27.43	34.31
SG&A expenses.....	23.68	27.20	25.98	25.57	22.85
Operating income or (loss)...	23.28	18.37	2.46	1.86	11.46

Note.--Numbers may not add due to rounding.

A review of the submitted data indicates that the average fixed and variable costs per short ton are approximately \$119 and \$324, respectively.

Operations on Other Special Quality Bar and Rod Products

Financial data relating to other special quality bar and rod products (other bars and rods) are shown in table 14, and selected company-by-company financial data for such operations are shown in tables 15 and 16. The trends were quite similar to those for all bars and rods.

Table 14

Income-and-loss experience of U.S. producers on their operations producing hot-rolled other special quality carbon and certain alloy steel bars and rods, fiscal years 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Net sales.....	4,985,667	5,130,406	4,933,002	3,614,527	3,865,343
Value (1,000 dollars)					
Net sales.....	2,263,300	2,284,838	2,074,314	1,561,192	1,610,697
Cost of goods sold.....	2,002,330	2,022,254	1,919,785	1,452,333	1,464,147
Gross profit.....	260,970	262,584	154,529	108,859	146,550
Selling, general, and administrative expenses....	112,747	135,088	121,691	87,484	84,707
Operating income.....	148,223	127,496	32,838	21,375	61,843
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	109,159	66,992	(33,774)	(25,476)	24,116
Depreciation and amortiza- tion.....	80,844	82,749	90,753	66,256	71,135
Cash flow	190,003	149,741	56,979	40,780	95,251
Value (per short ton)					
Net sales.....	\$453.96	\$444.89	\$420.08	\$431.75	\$416.18
Cost of goods sold.....	401.62	393.73	388.73	401.65	378.22
Gross profit.....	52.34	51.16	31.35	30.10	37.96
Selling, general, and administrative expenses....	22.61	26.31	24.64	24.19	21.88
Operating income.....	29.73	24.85	6.71	5.91	16.08
Ratio to net sales (percent)					
Cost of goods sold.....	88.5	88.5	92.6	93.0	90.9
Gross profit.....	11.5	11.5	7.4	7.0	9.1
Selling, general, and administrative expenses....	5.0	5.9	5.9	5.6	5.3
Operating income.....	6.5	5.6	1.6	1.4	3.8
Net income or (loss) before income taxes.....	4.8	2.9	(1.6)	(1.6)	1.5
Number of firms reporting					
Operating losses.....	2	3	6	5	5
Net losses.....	3	6	7	7	6
Data.....	13	14	14	14	14

Note.--Unit values calculated using data of firms providing both quantity and value of shipments.

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

Table 15

Income-and-loss experience of U.S. producers on their operations producing hot-rolled other special quality carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * * * *

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

Table 16

Selected financial data in dollars per short ton of U.S. producers on their operations producing hot-rolled other special quality carbon and certain alloy steel bars and rods, by firms, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * * * *

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

Operations on Bar and Rod Products Separately

Financial data on the separate special quality bar products and special quality rod products, whether free-machining or other special, are presented as follows:

<u>Product</u>	<u>Table</u>
Free-machining bars.....	17
Other special bars.....	18
Free-machining rods.....	19
Other special rods.....	20

Table 17

Income-and-loss experience of U.S. producers on their operations producing hot-rolled free-machining carbon and certain alloy steel bars, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Net sales.....	619,820	651,556	510,439	363,369	465,724
Value (1,000 dollars)					
Net sales.....	321,982	330,038	255,757	182,863	230,166
Cost of goods sold.....	322,066	329,749	257,627	182,652	228,870
Gross profit or (loss).....	(84)	289	(1,870)	211	1,296
Selling, general, and administrative expenses....	20,085	22,770	20,264	14,355	14,596
Operating (loss).....	(20,169)	(22,481)	(22,134)	(14,144)	(13,300)
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net (loss) before income taxes.....	(20,996)	(24,581)	(27,893)	(18,172)	(19,514)
Depreciation and amortization.....	11,496	9,695	9,141	6,746	10,918
Cash flow.....	(9,500)	(14,886)	(18,752)	(11,426)	(8,596)
Value (per short ton)					
Net sales.....	\$519.48	\$506.54	\$501.05	\$503.24	\$494.21
Cost of goods sold.....	519.61	506.09	504.72	502.66	491.43
Gross profit or (loss).....	(0.14)	0.44	(3.66)	0.58	2.78
Selling, general, and administrative expenses....	32.40	34.95	39.70	39.51	31.34
Operating (loss).....	(32.54)	(34.50)	(43.36)	(38.92)	(28.56)
Ratio to net sales (percent)					
Cost of goods sold.....	100.0	99.9	100.7	99.9	99.4
Gross profit or (loss).....	0.0	0.1	(0.7)	0.1	0.6
Selling, general, and administrative expenses....	6.2	6.9	7.9	7.9	6.3
Operating (loss).....	(6.3)	(6.8)	(8.7)	(7.7)	(5.8)
Net (loss) before income taxes.....	(6.5)	(7.4)	(10.9)	(9.9)	(8.5)
Number of firms reporting					
Operating losses.....	4	4	5	4	4
Net losses.....	4	5	6	5	4
Data.....	8	8	8	8	8

¹ The producers are ***, ***, ***, ***, ***, ***, ***, and ***.

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

Table 18

Income-and-loss experience of U.S. producers on their operations producing hot-rolled other special quality carbon and certain alloy steel bars, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Net sales.....	2,925,400	3,038,377	2,808,713	2,080,445	2,271,922
Value (1,000 dollars)					
Net sales.....	1,499,456	1,477,984	1,341,805	1,009,664	1,058,964
Cost of goods sold.....	1,318,255	1,301,085	1,234,401	930,415	950,524
Gross profit.....	181,201	176,899	107,404	79,249	108,440
SG&A expenses.....	65,372	78,448	80,172	59,206	57,903
Operating income.....	115,829	98,451	27,232	20,043	50,537
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	94,692	59,022	(19,877)	(11,806)	26,371
Depreciation and amortiza- tion.....	59,253	59,622	67,426	49,027	51,828
Cash flow.....	153,945	118,644	47,549	37,221	78,199
Value (per short ton)					
Net sales.....	\$512.56	\$485.65	\$476.99	\$485.01	\$465.22
Cost of goods sold.....	450.62	427.47	438.71	446.94	417.41
Gross profit.....	61.94	58.18	38.28	38.06	47.81
SG&A expenses.....	22.35	25.78	28.49	28.44	25.43
Operating income.....	39.59	32.40	9.79	9.62	22.38
Ratio to net sales (percent)					
Cost of goods sold.....	87.9	88.0	92.0	92.2	89.8
Gross profit.....	12.1	12.0	8.0	7.8	10.2
SG&A expenses.....	4.4	5.3	6.0	5.9	5.5
Operating income.....	7.7	6.7	2.0	2.0	4.8
Net income or (loss) before income taxes.....	6.3	4.0	(1.5)	(1.2)	2.5
Number of firms reporting					
Operating losses.....	2	2	5	3	4
Net losses.....	2	3	5	6	5
Data.....	12	13	13	13	13

¹ The producers are ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, ***, and ***.

Note.--Unit values calculated using data of firms providing both quantity and value of shipments.

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

Table 19

Income-and-loss experience of U.S. producers on their operations producing hot-rolled free-machining carbon and certain alloy steel rods, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Quantity (short tons)					
Net sales.....	99,858	93,544	98,480	64,578	86,530
Value (1,000 dollars)					
Net sales.....	54,700	49,772	52,859	34,537	44,430
Cost of goods sold.....	47,664	44,782	47,995	32,660	40,895
Gross profit.....	7,036	4,990	4,864	1,877	3,535
Selling, general, and administrative expenses....	2,278	2,088	2,194	1,567	1,767
Operating income.....	4,758	2,902	2,670	310	1,768
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income or (expense), net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	3,829	1,351	934	(904)	(704)
Depreciation and amortiza- tion.....	1,059	1,050	1,233	799	1,236
Cash flow	4,888	2,401	2,167	(105)	532
Value (per short ton)					
Net sales.....	\$547.78	\$532.07	\$536.75	\$534.81	\$513.46
Cost of goods sold.....	477.32	478.73	487.36	505.74	472.61
Gross profit.....	70.46	53.34	49.39	29.07	40.85
Selling, general, and administrative expenses....	22.81	22.32	22.28	24.27	20.42
Operating income.....	47.65	31.02	27.11	4.80	20.43
Ratio to net sales (percent)					
Cost of goods sold.....	87.1	90.0	90.8	94.6	92.0
Gross profit.....	12.9	10.0	9.2	5.4	8.0
Selling, general, and administrative expenses....	4.2	4.2	4.2	4.5	4.0
Operating income.....	8.7	5.8	5.1	0.9	4.0
Net income or (loss) before income taxes.....	7.0	2.7	1.8	(2.6)	(1.6)
Number of firms reporting					
Operating losses.....	1	1	3	2	2
Net losses.....	1	2	4	3	3
Data.....	5	5	5	5	5

¹ The producers are ***, ***, ***, ***, and ***.

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

Table 20

Income-and-loss experience of U.S. producers on their operations producing hot-rolled other special quality carbon and certain alloy steel rods, fiscal years 1989-91, January-September 1991, and January-September 1992¹

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
Quantity (short tons)					
Net sales.....	2,060,267	2,092,029	2,124,289	1,534,082	1,593,421
Value (1,000 dollars)					
Net sales.....	763,844	806,854	732,509	551,528	551,733
Cost of goods sold.....	684,075	721,169	685,384	521,918	513,623
Gross profit.....	79,769	85,685	47,125	29,610	38,110
Selling, general, and administrative expenses....	47,375	56,640	41,519	28,278	26,804
Operating income.....	32,394	29,045	5,606	1,332	11,306
Startup or shutdown expense..	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other expense, net.....	***	***	***	***	***
Net income or (loss) before income taxes.....	14,467	7,970	(13,897)	(13,670)	(2,255)
Depreciation and amortiza- tion.....	21,591	23,127	23,327	17,229	19,307
Cash flow	36,058	31,097	9,430	3,559	17,052
Value (per short ton)					
Net sales.....	\$370.75	\$385.68	\$344.83	\$359.52	\$346.26
Cost of goods sold.....	332.03	344.72	322.64	340.22	322.34
Gross profit.....	38.72	40.96	22.18	19.30	23.92
Selling, general, and administrative expenses....	22.99	27.07	19.54	18.43	16.82
Operating income.....	15.72	13.88	2.64	0.87	7.10
Ratio to net sales (percent)					
Cost of goods sold.....	89.6	89.4	93.6	94.6	93.1
Gross profit.....	10.4	10.6	6.4	5.4	6.9
Selling, general, and administrative expenses....	6.2	7.0	5.7	5.1	4.9
Operating income.....	4.2	3.6	0.8	0.2	2.0
Net income or (loss) before income taxes.....	1.9	1.0	(1.9)	(2.5)	(0.4)
Number of firms reporting					
Operating losses.....	2	2	3	4	2
Net losses.....	3	3	4	4	3
Data.....	7	7	7	7	7

¹ The producers are ***, ***, ***, ***, ***, ***, and ***.

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

Investment in Productive Facilities and Return on Assets

Data on investment in productive facilities and return on assets are shown in table 21.

Capital Expenditures

The capital expenditures of the producers are shown in table 22. ***.
***.

Research and Development Expenses

The research and development expenditures of the responding producers are shown in table 23. ***.

Capital and Investment

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of hot-rolled lead or bismuth carbon steel bar or rod products from Brazil, France, Germany, or the United Kingdom on their firms' growth, investment, ability to raise capital, and/or development and production efforts. Their responses are shown in appendix H.

Table 21

Value of assets and return on assets of U.S. producers' operations producing hot-rolled special quality carbon and certain alloy steel products, fiscal years 1989-91, January-September 1991, and January-September 1992

Item	As of the end of fiscal year--			As of Sept. 30--	
	1989	1990	1991	1991	1992
Value (1,000 dollars)					
All products:					
Fixed assets:					
Original cost.....	6,897,961	7,278,437	7,488,654	6,552,947	6,978,800
Book value.....	3,178,305	3,328,328	3,275,121	3,169,486	3,062,676
Total assets <u>1/</u>	5,043,202	5,323,683	5,000,491	4,993,212	4,758,833
Free-machining bars and rods:					
Fixed assets:					
Original cost.....	394,101	443,827	453,099	252,705	293,783
Book value.....	188,867	201,906	195,771	134,108	152,567
Total assets <u>2/</u>	310,421	327,086	307,874	235,041	258,829
Other special quality bars and rods:					
Fixed assets:					
Original cost.....	1,190,945	1,301,775	1,380,524	881,925	975,145
Book value.....	502,203	525,970	563,378	406,939	442,810
Total assets <u>2/</u>	777,811	853,968	837,851	681,808	682,782
All special quality bars and rods:					
Fixed assets:					
Original cost.....	1,585,046	1,745,602	1,833,623	1,134,630	1,268,928
Book value.....	691,070	727,876	759,149	541,047	595,377
Total assets <u>2/</u>	1,088,232	1,181,054	1,145,725	916,849	941,611
Return on book value of fixed assets (percent) <u>3/</u>					
All products:					
Operating return <u>4/</u>	14.0	7.3	(8.2)	(0.1)	0.6
Net return <u>5/</u>	9.4	2.5	(18.9)	(5.9)	(4.1)
Free-machining bars and rods:					
Operating return <u>4/</u>	(9.0)	(10.3)	(10.6)	(1.2)	1.0
Net return <u>5/</u>	(9.8)	(12.0)	(14.4)	(6.3)	(4.3)
Other special quality bars and rods:					
Operating return <u>4/</u>	18.8	15.1	(1.5)	4.4	10.6
Net return <u>5/</u>	14.2	7.7	(9.5)	(5.2)	5.0
All special quality bars and rods:					
Operating return <u>4/</u>	11.2	8.1	(3.9)	3.1	8.2
Net return <u>5/</u>	7.7	2.3	(10.8)	(5.5)	2.6

Table continued on next page.

Table 21--Continued

Value of assets and return on assets of U.S. producers' operations producing hot-rolled special quality carbon and certain alloy steel products, fiscal years 1989-91, January-September 1991, and January-September 1992

Item	As of the end of fiscal year--			As of Sept. 30--	
	1989	1990	1991	1991	1992
	Return on total assets (percent) ³				
All products:					
Operating return <u>4</u> /.....	8.7	4.5	(5.4)	(0.1)	0.4
Net return <u>5</u> /.....	5.8	1.6	(12.4)	(3.8)	(2.7)
Free-machining bars and rods:					
Operating return <u>4</u> /.....	(5.5)	(6.4)	(6.8)	(0.7)	0.6
Net return <u>5</u> /.....	(6.0)	(7.4)	(9.1)	(3.6)	(2.6)
Other special quality bars and rods:					
Operating return <u>4</u> /.....	12.0	9.3	(1.1)	2.6	6.9
Net return <u>5</u> /.....	9.0	4.7	(6.5)	(3.2)	3.2
All special quality bars and rods:					
Operating return <u>4</u> /.....	7.0	4.9	(2.6)	1.7	5.1
Net return <u>5</u> /.....	4.8	1.4	(7.2)	(3.3)	1.6

¹ Defined as book value of fixed assets plus current and noncurrent assets.

² Total establishment assets are apportioned, by firm, to product groups on the basis of the ratios of the respective book values of fixed assets.

³ Computed using data from only those firms supplying both asset and income-and-loss information and, as such, may not be derivable from data presented. Data for the partial-year periods are calculated using annualized income-and-loss information.

⁴ Defined as operating income or loss divided by asset value.

⁵ Defined as net income or loss divided by asset value.

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

Table 22

Capital expenditures by U.S. producers of hot-rolled special quality carbon and certain alloy steel products, by products, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

Table 23

Research and development expenses of U.S. producers of hot-rolled special quality carbon and certain alloy steel products, by products, fiscal years 1989-91, January-September 1991, and January-September 1992

* * * * *

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

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 the merchandise, the Commission shall consider, among other relevant economic factors¹²²--

(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,

¹²² 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."

(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 706 or 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.¹²³

The available information on the nature of the subsidies as alleged by the petitioners (item (I) above) is presented in the section of this report entitled "The Nature and Extent of Subsidies and Sales at Less Than Fair Value;" information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the Causal Relationship Between Imports of the Subject Products and Material Injury;" and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts (item (X)) is presented in appendix H. Item (IX) above is not applicable in these investigations.

Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), and (VIII) above); and any other threat indicators, if applicable (item (VII) above), follows. No evidence has been presented of any dumping in third-country markets.

¹²³ Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

**Ability of Foreign Producers to Generate Exports
and the Availability of
Export Markets Other Than the United States**

Information presented in this section has generally been provided by counsels for the responding foreign firms. Telegrams were also sent to the U.S. embassies in the countries under investigation seeking information regarding the respective foreign industries.¹²⁴

Brazil

As identified in the petition, there are three producers of hot-rolled lead and bismuth carbon steel products in Brazil: Acesita, the Villares Group, and Mannesmann SA. Information on capacity, production, and shipments of hot-rolled lead and bismuth carbon steel products for the Brazilian manufacturers/exporters was provided by counsel, and the data are presented in table 24.

The capacity of the three Brazilian producers of hot-rolled lead carbon steel products (bars and rods) rose by *** percent during 1989-91. Capacity remained unchanged during January-September 1992 when compared to the same period in 1991.

Exports to the United States by the Brazilian manufacturers accounted for *** percent of total shipments of hot-rolled lead carbon steel products in 1989; this share *** percent in 1990, and then *** percent in 1991. All Brazilian exports to the United States consisted of lead (as opposed to bismuth) carbon steel products.

Table 24

Hot-rolled lead carbon steel bars and rods: Brazilian capacity, production, capacity utilization, and shipments, 1989-91, January-September 1991, January-September 1992, and projected 1992

* * * * * * *

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

¹²⁴ Only the embassy in Bonn responded, and then only with confirmation that information would be provided by the U.S. counsels for the German manufacturers/exporters.

France

As identified in the petition, there are three producers of hot-rolled lead and bismuth carbon steel products in France: Ascometal, Unimetal, and Usinor-Sacilor. Information on production and shipments of hot-rolled lead and bismuth carbon steel products for the French manufacturers/exporters was provided by counsel, and the data are presented in table 25.

The French firms report that they cannot meaningfully break down their rolling mill capacity for lead carbon steel products, as these mills produce rods and bars of many different steel qualities. However, the firms report that capacity to produce all carbon steel products in France remained unchanged at approximately *** million tons during the period of investigation.

Exports to the United States by the French manufacturers accounted for *** percent of total shipments of hot-rolled lead carbon steel products (bars and rods) in 1989, *** percent in 1990, and then *** percent in 1991. All French exports to the United States consisted of lead (as opposed to bismuth) carbon steel products.

Table 25

Hot-rolled lead carbon steel bars and rods: French capacity, production, capacity utilization, and shipments, 1989-91, January-September 1991, January-September 1992, and projected 1992

* * * * *

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

Germany

As identified in the petition, there are two producers of hot-rolled lead and bismuth carbon steel products in Germany: Saarlöh AG and Thyssen AG. Information on capacity, production, inventories, and shipments of hot-rolled lead and bismuth carbon steel products for the German manufacturers/exporters was provided by counsel, and the data are presented in table 26.

Exports to the United States by the German manufacturers accounted for *** percent of total shipments of hot-rolled lead carbon steel products (bars and rods) in 1989; this share *** percent in 1990, and then *** percent in 1991. All German exports to the United States consisted of lead (as opposed to bismuth) carbon steel products.

Table 26

Hot-rolled lead carbon steel bars and rods: German capacity, production, capacity utilization, and shipments, 1989-91, January-September 1991, January-September 1992, and projected 1992

* * * * * * *

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

United Kingdom

As identified in the petition, there are three producers of certain lead and bismuth carbon steel products in the United Kingdom: Allied Steel & Wire, Glynwed International PLC, and United Engineering Steels, Ltd. (UES). Information on capacity, production, inventories, and shipments of hot-rolled lead and bismuth carbon steel products for the British manufacturers/exporters, Glynwed and UES, was provided by counsel, and the data are presented in table 27.¹²⁵

Exports to the United States by the British manufacturers accounted for *** percent of total shipments of hot-rolled lead carbon steel products (bars and rods) in 1989; this share *** percent in 1990, and then *** percent in 1991. All British exports to the United States consisted of lead (as opposed to bismuth) carbon steel products. The British firms reported operating at *** percent of capacity in 1989, *** percent in 1990, and then *** percent utilization in 1991.

Table 27

Hot-rolled lead carbon steel bars and rods: The United Kingdom's capacity, production, capacity utilization, and shipments, 1989-91, January-September 1991, January-September 1992, and projected 1992

* * * * * * *

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

Aggregate data

Aggregate data on the industries in Brazil, France, Germany, and the United Kingdom are presented in table 28.

Table 28

Hot-rolled lead carbon steel bars and rods: Subject sources' capacity, production, capacity utilization, and shipments, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	January-September--	
				1991	1992
				Quantity (short tons)	
Lead carbon steel bars:					
Capacity.....	(1)	(1)	(1)	(1)	(1)
Production.....	424,620	392,332	350,107	262,510	300,729
Shipments:					
Home market.....	172,220	133,766	105,459	78,861	87,507
Exports to--					
The United States.....	107,063	125,405	133,851	92,119	101,718
All other markets.....	139,359	134,551	114,694	82,696	102,349
Total exports.....	246,422	260,068	248,545	174,815	203,957
Total shipments....	418,642	393,722	354,004	253,676	291,574
Lead carbon steel rods:					
Capacity.....	(1)	(1)	(1)	(1)	(1)
Production.....	410,990	354,622	339,699	251,400	303,882
Shipments:					
Home market.....	150,270	128,132	139,739	104,476	107,685
Exports to--					
The United States.....	57,523	55,462	42,143	26,660	43,336
All other markets.....	202,287	171,028	158,300	118,670	151,592
Total exports.....	259,810	226,490	200,443	145,330	194,928
Total shipments....	410,080	354,622	340,182	249,806	301,613
Lead carbon steel bars & rods:					
Capacity.....	(1)	(1)	(1)	(1)	(1)
Production.....	834,710	745,954	689,706	508,910	605,108
Shipments:					
Home market.....	322,490	261,898	245,198	183,329	195,190
Exports to--					
The United States.....	164,586	180,867	175,994	115,779	145,054
All other markets.....	341,646	305,579	272,994	201,377	253,941
Total exports.....	505,232	487,558	448,988	317,136	398,566
Total shipments....	828,722	748,244	694,186	503,482	593,756
				Ratios and shares (percent)	
Lead carbon steel bars:					
Share of total shipments:					
Home market.....	41.1	34.0	29.8	31.1	30.0
Exports to--					
The United States.....	25.6	31.9	37.8	36.4	34.9
All other markets.....	33.3	34.2	32.4	32.7	35.1
Lead carbon steel rods:					
Share of total shipments:					
Home market.....	36.6	36.1	41.1	41.8	35.7
Exports to--					
The United States.....	14.0	15.6	12.4	10.7	14.4
All other markets.....	49.3	48.2	46.5	47.5	50.3
Lead carbon steel bars & rods:					
Share of total shipments:					
Home market.....	38.9	35.0	35.3	36.4	32.9
Exports to--					
The United States.....	19.9	24.2	25.4	23.0	24.4
All other markets.....	41.2	40.8	39.3	40.0	42.8

¹ Because of data deficiencies within individual firms, data on aggregate capacity are not being presented.

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

U.S. Importers' Inventories

U.S. importers of hot-rolled lead and bismuth carbon steel products from the subject countries reported almost no inventories of the subject products,¹²⁶ as they import to order.

CONSIDERATION OF THE CAUSAL RELATIONSHIP BETWEEN IMPORTS OF THE SUBJECT PRODUCTS AND MATERIAL INJURY

Imports

U.S. imports of hot-rolled lead and bismuth carbon steel products (L/B in the table), imports of non lead and bismuth free-machining products from Brazil, and imports of other special quality products based on responses to the Commission's questionnaires are presented in table 29. Imports from Brazil, in the latter two categories, are the subject of ongoing investigation No. 731-TA-572 (Final), Certain Special Quality Hot-Rolled Carbon and Alloy Steel Bars and Rods and Semifinished Products from Brazil.

Imports of hot-rolled lead and bismuth carbon steel products from the four countries subject to investigation increased from 180,396 short tons in 1989 to 186,038 short tons in 1990, or by 3.1 percent, then dipped slightly by 0.5 percent to 185,029 short tons in 1991. During January-September 1992 imports from the four countries increased by 33,402 short tons, or by 28.8 percent when compared to the same period of 1991.

Market Penetration of Imports

Shares of apparent U.S. consumption accounted for by imports of hot-rolled lead carbon steel products¹²⁷ (bars and rods) are presented in table 30. On the basis of quantity, imports of hot-rolled lead carbon steel products from the four countries subject to investigation represented 17.2 percent of apparent consumption of all free-machining (bars and rods) steel products in 1989 and 1990, increasing to a 20.5-percent share of the market in 1991. For apparent consumption of all special quality (bars and rods) steel products, imports of hot-rolled lead carbon steel products from the four countries subject to investigation represented 2.4 percent of apparent consumption in 1989 and 1990, increasing to a 2.6-percent market share in 1991.

¹²⁶ ***.

¹²⁷ No imports or exports to the United States of bismuth carbon steel products were reported by firms responding to the Commission's importer's and foreign producer's questionnaires.

Table 29

Hot-rolled special quality carbon and certain alloy steel products: U.S. imports, by products and by sources, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Quantity (short tons)				
Free-machining bars:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	118,355	130,426	140,637	86,038	112,322
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	140,271	153,372	166,222	100,336	127,556
Free-machining rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	62,041	55,612	44,392	29,920	37,038
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	75,025	70,875	60,128	38,403	46,684
Free-machining bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	180,396	186,038	185,029	115,958	149,360
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	215,296	224,247	226,350	138,739	174,240
Other special quality bars:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	140,134	138,274	169,724	120,325	63,126
Other special quality rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	605,996	557,981	560,339	380,302	349,786
Other special quality bars and rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	746,130	696,255	730,063	500,627	412,912
All special quality bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	180,396	186,038	185,029	115,958	149,360
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	961,426	920,502	956,413	639,366	587,152

Table continued on next page.

Table 29--Continued

Hot-rolled special quality carbon and certain alloy steel products: U.S. imports, by products and by sources, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Value (1,000 dollars)					
Free-machining bars:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	60,642	60,969	66,392	41,185	54,233
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	72,067	73,079	78,822	48,688	61,386
Free-machining rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	30,675	26,300	20,909	14,091	17,879
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	37,333	33,588	28,000	18,109	22,211
Free-machining bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	91,317	87,269	87,301	55,276	72,112
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	109,400	106,667	106,822	66,797	83,597
Other special quality bars:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	68,815	64,606	76,144	53,844	28,517
Other special quality rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	254,497	228,629	224,044	154,729	131,830
Other special quality bars and rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	323,312	293,235	300,188	208,573	160,347
All special quality bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	91,317	87,269	87,301	55,276	72,112
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	432,712	399,902	407,010	275,370	243,944

Table continued on next page.

Table 29--Continued

Hot-rolled special quality carbon and certain alloy steel products: U.S. imports, by products and by sources, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Unit value (per short ton)					
Free-machining bars:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Average.....	\$512.37	\$467.46	\$472.08	\$478.68	\$482.84
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	513.77	476.48	474.20	485.25	481.25
Free-machining rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Average.....	494.43	472.92	471.01	470.96	482.72
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	497.61	473.90	465.67	471.55	475.77
Free-machining bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Average.....	506.20	469.09	471.82	476.69	482.81
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	508.14	475.67	471.93	481.46	479.78
Other special quality bars:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	491.07	467.23	448.63	447.49	451.75
Other special quality rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	419.96	409.74	399.84	406.86	376.89
Other special quality bars and rods:					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	433.32	421.16	411.18	416.62	388.33
All special quality bars and rods:					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Average.....	506.20	469.09	471.82	476.69	482.81
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Average.....	450.07	434.44	425.56	430.69	415.47

1/ Not applicable.

Note.--The term 'L/B' is an abbreviation for 'lead and bismuth.' Unit values are calculated using data of firms supplying both quantity and value information.

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

Table 30

Hot-rolled special quality carbon and certain alloy steel products: Apparent U.S. consumption and market shares, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.-- 1991	1992
Apparent U.S. consumption quantity (short tons)					
Free-machining bars.....	868,129	914,896	754,348	504,422	651,009
Free-machining rods.....	178,408	164,048	146,810	103,366	133,459
Subtotal.....	1,046,537	1,078,944	901,158	607,788	784,468
Other special quality bars...	3,635,110	3,881,708	3,577,485	2,717,917	2,846,676
Other special quality rods...	2,778,050	2,640,820	2,662,833	1,957,069	1,955,691
Subtotal.....	6,413,160	6,522,528	6,240,318	4,674,986	4,802,367
Total.....	7,459,697	7,601,472	7,141,476	5,282,774	5,586,835
Apparent U.S. consumption value (1,000 dollars)					
Free-machining bars.....	444,467	456,838	374,503	251,361	318,079
Free-machining rods.....	93,751	83,144	74,523	52,910	66,778
Subtotal.....	538,218	539,982	449,026	304,271	384,857
Other special quality bars...	1,867,841	1,874,249	1,727,761	1,316,342	1,334,019
Other special quality rods...	1,058,990	1,029,741	962,384	709,118	689,968
Subtotal.....	2,926,831	2,903,990	2,690,145	2,025,460	2,023,987
Total.....	3,465,049	3,443,972	3,139,171	2,329,731	2,408,844
Share of the quantity of U.S. consumption (percent)					
Free-machining bars:					
Producers' U.S. shipments..	83.8	83.2	78.0	80.1	80.4
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	13.6	14.3	18.6	17.1	17.3
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	16.2	16.8	22.0	19.9	19.6
Free-machining rods:					
Producers' U.S. shipments..	57.9	56.8	59.0	62.8	65.0
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	34.8	33.9	30.2	28.9	27.8
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	42.1	43.2	41.0	37.2	35.0
Free-machining bars and rods:					
Producers' U.S. shipments..	79.4	79.2	74.9	77.2	77.8
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	17.2	17.2	20.5	19.1	19.0
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	20.6	20.8	25.1	22.8	22.2

See footnotes at end of table.

Table 30--Continued
 Hot-rolled special quality carbon and certain alloy steel products: Apparent U.S. consumption and market shares, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan.-Sept.--	
				1991	1992
	Share of the quantity of U.S. consumption (percent)				
Other special quality bars:					
Producers' U.S. shipments..	96.1	96.4	95.3	95.6	97.8
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	3.9	3.6	4.7	4.4	2.2
Other special quality rods:					
Producers' U.S. shipments..	78.2	78.9	79.0	80.6	82.1
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	21.8	21.1	21.0	19.4	17.9
Other special quality bars and rods:					
Producers' U.S. shipments..	88.4	89.3	88.3	89.3	91.4
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	11.6	10.7	11.7	10.7	8.6
All special quality bars and rods:					
Producers' U.S. shipments..	87.1	87.9	86.6	87.9	89.5
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	2.4	2.4	2.6	2.2	2.7
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	12.9	12.1	13.4	12.1	10.5
	Share of the value of U.S. consumption (percent)				
Free-machining bars:					
Producers' U.S. shipments..	83.8	84.0	79.0	80.6	80.7
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	13.6	13.3	17.7	16.4	17.1
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	16.2	16.0	21.0	19.4	19.3
Free-machining rods:					
Producers' U.S. shipments..	60.2	59.6	62.4	65.8	66.7
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	32.7	31.6	28.1	26.6	26.8
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	39.8	40.4	37.6	34.2	33.3

See footnotes at end of table.

Table 30--Continued

Hot-rolled special quality carbon and certain alloy steel products: Apparent U.S. consumption and market shares, by products, 1989-91, January-September 1991, and January-September 1992

Item	1989	1990	1991	Jan. - Sept. --	
				1991	1992
	Share of the value of U.S. consumption (percent)				
Free-machining bars and rods:					
Producers' U.S. shipments..	79.7	80.2	76.2	78.0	78.3
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	17.0	16.2	19.4	18.2	18.7
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	20.3	19.8	23.8	22.0	21.7
Other special quality bars:					
Producers' U.S. shipments..	96.3	96.6	95.6	95.9	97.9
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	3.7	3.4	4.4	4.1	2.1
Other special quality rods:					
Producers' U.S. shipments..	76.0	77.8	76.7	78.2	80.9
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	24.0	22.2	23.3	21.8	19.1
Other special quality bars and rods:					
Producers' U.S. shipments..	89.0	89.9	88.8	89.7	92.1
U.S. imports from--					
Brazil.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	11.0	10.1	11.2	10.3	7.9
All special quality bars and rods:					
Producers' U.S. shipments..	87.5	88.4	87.0	88.2	89.9
U.S. imports from--					
Brazil (L/B).....	***	***	***	***	***
France (L/B).....	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***
Subtotal.....	2.6	2.5	2.8	2.4	3.0
Brazil (non-L/B).....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Other sources.....	***	***	***	***	***
Total.....	12.5	11.6	13.0	11.8	10.1

1/ Less than 0.05 percent.

Note.--The term 'L/B' is an abbreviation for 'lead and bismuth.' Because of rounding, shares may not add to the totals shown.

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

Prices

Market Characteristics

Approximately 95 percent of all special quality steel bars and rods are sold to end users, of which 26 percent go to cold finishers. Similarly, 98 percent of free-machining steel products are sold to end users, 71 percent of which go to cold finishers.¹²⁸ The product is normally sold in bar form as either coils or cut lengths. The cold finisher typically draws the coil or cut-length bar in a draw bench, reducing its diameter slightly and imparting a finish to the bar. After cold finishing, these steel bars are resold to screw machine shops to produce finished parts.

Most domestic producers distribute price lists to their customers but all producers reported that final transaction prices are negotiated from list, and each will depart from the price schedule to meet prevailing prices or competitive price quotes.¹²⁹ In general, list prices for a particular grade of hot-rolled steel product are the same for all sizes within a wide range.

***¹³⁰

Importers do not distribute price lists to their customers. Those responding to the Commission's questionnaires generally agreed that prices are negotiated based on market conditions. For example, *** reported that prices are negotiated based on competing market prices for a given product and geographic region. *** reported that prices are negotiated on a customer-by-customer basis based on prevailing prices.

Purchasers reported that there are a number of factors that affect their choice of suppliers. Virtually all purchasers noted that quality, availability, and competitive pricing are prime considerations. Other factors mentioned included contract terms, delivery, lead time, traditional supplier relationships, and service.

Although price was among the most frequently noted factors in selecting a supplier, purchasers were not consistent regarding the firms they consider to be price leaders. In most cases, purchasers reported that they maintain multiple suppliers of special quality products to guarantee availability and competitive prices. Virtually all purchasers named one, and in the majority of cases, more than one of their regular suppliers as among the firms they consider to be price leaders, and U.S. producers were named more frequently than suppliers of imported steel. The most frequently mentioned U.S. firms were ***. Each of the countries subject to investigation was mentioned by one or more purchasers as price leaders, but less often than domestic sources.

U.S. producers sell special quality steel products on both a spot and contract basis. U.S. producers' contracts generally establish price, and may

¹²⁸ *** percent of the subject imported lead and bismuth products are sold to end users.

¹²⁹ Several producers stated that the purpose of the price lists is to maintain "pricing discipline" in the marketplace to the extent possible.

¹³⁰ ***.

fix quantity as well, for 6-12 months. Few contracts have meet-or-release provisions.

Most imported subject products are sold on a contract basis although a few imports are sold on a spot basis. Responding importers reported that ***.¹³¹ These contracts generally fix price and quantity for *** months and rarely have ***. Several importers maintain minimum order sizes ranging between *** and *** metric tons. ***.

Domestic producers of special quality carbon steel and certain alloy products quote prices on both an f.o.b. mill and delivered basis, although the overwhelming majority of those reporting stated that f.o.b. plant is most common. *** is the only U.S. producer reporting that prices are usually quoted on a delivered basis. ***.¹³²

Importers of special quality carbon steel products similarly quote prices on both an f.o.b. point-of-entry and delivered basis. Importers of the *** products usually quote prices on an f.o.b. U.S. point-of-shipment basis, but upon the customer's request will provide delivered price quotes by adding U.S. inland freight. Prices for the *** product are typically quoted on a delivered basis. *** prices are generally quoted f.o.b. port-of-entry, and *** prices are quoted on either a c.i.f. or a delivered basis.

U.S. producers' inland transportation costs can be significant, accounting for up to 17 percent of the delivered cost to the purchaser depending on the distance shipped, although in most cases these costs are less than 2 percent. U.S. producers serve the entire U.S. market, but concentrate in the Great Lakes region where the cold finishers are concentrated. Most U.S. special quality steel products are shipped by truck to locations within 500 miles of the plant; a large percentage is shipped less than 100 miles.¹³³ Lead times vary from 2 to 8 weeks.

Importers' U.S. inland transportation costs are lower because their ports of entry are often closer to their customers than are U.S. producers. In most cases, importers' U.S. inland transportation costs account for only 2-3 percent of the delivered cost to the purchaser. Most imported hot-rolled special quality steel products are shipped by truck to purchasers located within 100 miles of the point of entry. Imports are also concentrated in the Great Lakes region, but are sold in other U.S. locations as well.¹³⁴

Lead times for the imported product, however, were significantly longer than for U.S. producers, ranging from 2 to 6 months. All imported subject

¹³¹ ***.

¹³² ***.

¹³³ The location of the producer can have a significant effect on the shipping costs. For example, *** reported that *** percent of sales are further than 500 miles. *** reported that *** percent are greater than 500 miles and that an additional *** percent are between 100 and 500 miles. Most U.S. producers reported that the largest proportion of their sales are within 100 miles of their plant.

¹³⁴ ***.

products were ordered from abroad, and importers of the French, U.K., and Brazilian product reported that they cannot sell from U.S. inventories because they do not own U.S. warehouses.¹³⁵ Because of the greater total distance that the imported product must be shipped (U.S. inland and overseas), import delivery times are not as reliable, and quality problems are harder to resolve.¹³⁶ In addition, both importers and purchasers reported that weather conditions may force closing of the St. Lawrence Seaway and Great Lake ports, preventing delivery of imported products during the winter months. As a result, purchasers are unlikely to commit themselves solely to imported products unless they are capable of warehousing quantities sufficient to meet production requirements through the winter.

Testimony at the conference in the preliminary investigations indicated that imported special quality steel bar and rod are identical in quality and machinability to domestically produced products because the imported products are manufactured on the same type of equipment and by the same techniques as domestic products.¹³⁷

U.S. producers and importers generally agreed in their questionnaire responses that the domestic and imported subject products are used interchangeably. However, importers noted that they sell some sizes and shapes that are not available from U.S. producers,¹³⁸ and two U.S. producers and three importers reported examples where distinctions are drawn based on specific characteristics or overall quality. ***, a U.S. producer, reported that one of its customers considers hot-rolled ladle lead carbon steel products from the United Kingdom to be of better quality than ***'s leaded steel. ***, another U.S. producer, reported that the consistency of machinability of its leaded product is equal to or better than that from the United Kingdom, Germany, France, or Brazil. Alternatively, ***, an importer of *** material, reported that its customers prefer the *** product to U.S.-produced and other imported products because of its superior surface finish and machinability. ***, an importer of *** material, reported that its customers consider the *** product to be of better quality than the U.S. product because it has less lead segregation and better surface quality. ***, an importer of *** product, maintains that since it produces its bars directly

¹³⁵ Conference TR, p. 191. Purchasers also reported that some U.S. producers will roll special quality steel products to order and keep them in inventory up to several months until needed by the purchaser. ***.

¹³⁶ Paul Darling, President and CEO of Corey Steel Co., stated at the conference that it is easier to resolve quality problems with the domestic sources because their laboratory people and other specialists are immediately available. On the other hand, if the purchaser identifies a quality problem with the imported product, a sample must be sent back to the foreign mill, and it takes weeks or months to resolve the issue. Conference TR, p. 103.

¹³⁷ Conference TR, p. 38.

¹³⁸ Michael P. Pitterich, President, Moltrup Steel Products Company, testified that leaded steel flats are produced in the United States only by Republic and all production is used internally. Pitterich stated that the only commercial source for this product is the United Kingdom. Hearing TR, pp. 243-247. In addition, *** reported in its purchaser questionnaire that it purchases *** because these are not available from U.S. sources.

from the continuous caster, it can produce leaded steel of more consistent quality than that produced by domestic producers.

Purchasers generally agreed that imports from the four subject countries are comparable in quality with similar products produced in the United States, although some indicated that, for some uses, European leaded products are superior and Brazilian products are inferior to domestic products. For example, *** stated that it purchases domestic cold heading quality steel products for "quality reasons and delivery." *** also stated that it purchases "leaded squares and hexagons and rounds for hydraulic applications" from the European countries because U.S. products "are not up to hydraulic standards." *** noted that these products are superior to U.S. products because these mills "bloom cast and ladle treat for lead content and consistency."

* * * * *

Questionnaire Price Data

The Commission requested U.S. producers and importers to provide U.S. f.o.b. prices (i.e., plant and U.S. point-of-shipment, respectively), delivered prices and delivery costs, and total quantities and values of seven representative special quality hot-rolled carbon and certain alloy steel bar and rod products, of which the first three are lead and bismuth carbon steel products, the last three are non-leaded free-machining products, and product 4 is a non-free-machining special quality product.¹⁴⁰ For each product listed below, the Commission requested price data for the largest sale to cold finishers for each quarter during January 1989-September 1992.¹⁴¹ In addition, purchasers of these items were requested to provide f.o.b. and delivered prices paid during 1990-92.¹⁴²

¹³⁹ ***.

¹⁴⁰ The three lead and bismuth products for which price data were requested were those for which the most complete response had been received in the preliminary investigations.

¹⁴¹ Although data were requested for sales to cold finishers, staff subsequently determined that most sales of item 7, type 4140 alloy steel bar and rod, are made to forgers or other end users rather than to cold finishers. Several respondents to the questionnaire provided price information for sales to these other groups of customers.

¹⁴² Purchasers were requested to provide data for their largest quarterly purchase of U.S. products and products from each of the four subject countries. Purchasers were asked for the quantity in the sale, the f.o.b. price, and the delivered price.

- PRODUCT 1: 3/4" round coil, grade 12L14 (0.15-0.35 percent lead) hot-rolled carbon steel products.
- PRODUCT 2: 1-1/16" round coil, grade 12L14 (0.15-0.35 percent lead) hot-rolled carbon steel products.
- PRODUCT 3: 13/16" to 2-15/16" round coil, grade 11Lxx hot-rolled lead carbon steel products.
- PRODUCT 4: 1" to 1-1/2" cut-to-length rounds, grade 1018, hot-rolled carbon steel products.
- PRODUCT 5: 1" to 1-1/2" round coil, grade 1144, hot-rolled carbon steel products.
- PRODUCT 6: 1-1/16" round coil, grade 1215, hot-rolled carbon steel products.
- PRODUCT 7: 1-1/2" to 3" cut-to-length rounds, grade 4140, hot-rolled alloy steel products.

Six U.S. producers and six importers reported price data, although not necessarily for all products, countries, or quarters during January 1989-September 1992. The six responding U.S. producers¹⁴³ accounted for *** percent of total reported U.S. production of domestic hot-rolled lead and bismuth carbon steel products in 1991 and *** percent of all special quality products. The responding importers of the subject product from Brazil, France, the United Kingdom, and Germany accounted for ***, ***, ***, and *** percent, respectively, of total reported U.S. imports of the subject product from each of these countries in 1991.

Seventeen purchasers reported usable price data in response to the Commission's questionnaire. These firms' purchases accounted for *** percent of the 1991 shipment value of domestic hot-rolled lead and bismuth carbon steel products, *** percent of special quality bar and rod from U.S. producers, and ***, ***, ***, and ***¹⁴⁴ percent of subject imports from Brazil, France, Germany, and the United Kingdom, respectively.

Tables 31-34 present weighted-average net f.o.b. selling prices. Prices that were quoted on a delivered basis were adjusted to an f.o.b. plant or U.S. point-of-shipment basis by subtracting the reported U.S. inland transportation cost paid by the U.S. producer or importer.¹⁴⁵ Subsequent tables present simple average net delivered prices reported by purchasers.¹⁴⁶

¹⁴³ The six producers providing usable information were ***. *** provided only annual totals. The remaining producers provided no pricing data.

¹⁴⁴ The total value of purchases reported from ***.

¹⁴⁵ ***.

¹⁴⁶ In an effort to reduce the reporting burden on purchasers, they were requested to provide only information on the size of the largest shipment and
(continued...)

Price trends for U.S.-produced products

Weighted-average net f.o.b. prices for U.S.-produced leaded products 1-3 showed differing trends, but were generally flat or declining through 1989-91 with increases appearing during 1992. The 1992 increases brought the price of product 1 to 1.1 percent below its early 1989 price, while products 2 and 3 ended the period at levels above their early 1989 prices by 3.0 percent and 7.7 percent, respectively.

Table 31

Weighted-average net f.o.b. prices of product 1 reported by U.S. producers and importers, and margins of underselling (overselling), by quarters, January 1989-September 1992

* * * * * * *

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

Table 32

Weighted-average net f.o.b. prices of product 2 reported by U.S. producers and importers, and margins of underselling (overselling), by quarters, January 1989-September 1992

* * * * * * *

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

¹⁴⁶ (...continued)

the prices paid. The quantity data were inconsistently reported and may not be reliable for use as weights in calculating averages. Accordingly, the simple averages are shown. For those purchasers that did provide quantity data, weighted averages were calculated and compared with the simple averages for all purchases. In most cases the simple averages showed lower margins of underselling but in no case did the general magnitude of underselling change.

Table 33

Weighted-average net f.o.b. prices of products 3, 4, and 5 reported by U.S. producers and importers, and margins of underselling (overselling), by quarters, January 1989-September 1992

* * * * * * *

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

Table 34

Weighted-average net f.o.b. prices of products 6 and 7 reported by U.S. producers and importers, and margins of underselling (overselling), by quarters, January 1989-September 1992

* * * * * * *

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

Prices for product 4, a non-free-machining product, and products 5 and 6, the non-leaded free-machining special quality carbon steel products, also showed little consistency in their movements. The product 4 price generally declined during the period for which data were collected and by the third quarter of 1992 was 14.5 percent below its initial value. The price of product 5 suffered declines in 1989-90 but increased thereafter to 9.8 percent above the initial 1989 level. The average price of product 6 fluctuated in a relatively narrow range in 1989-90, declining somewhat during 1990-91, but increasing in late 1991 through 1992 to end the period at 7.8 percent above the 1989 level.

Finally, the price of U.S.-produced product 7, a hot-rolled alloy steel product, also fluctuated in a relatively narrow range until mid-1991, after which it declined to a level 2.2 percent below the initial 1989 level.

Price trends for imported products

During January 1989-September 1992, the responding importers did not report prices for product 4.¹⁴⁷ Price trends for each product from each country are discussed only in cases where three or more quarterly observations exist. Nearly all of the "weighted-average prices" consist of only one

¹⁴⁷ Industry sources noted that product 4 is a common grade steel produced by nearly all U.S. mills at highly competitive prices and, as such, there are few imports of this product.

observation since relatively few importers reported price data for steel produced in any single country. In most cases, prices for the imported products declined during the period for which data were collected, although most show significant fluctuation.

Brazil.--One importer, ***, reported limited price data for sales of Brazilian product 2.^{148 149} The reported price generally ***.

France.--Only one importer, ***, reported price data for sales of imported French hot-rolled carbon and certain alloy steel products. During 1989-September 1992, prices for the leaded French products 1 and 2 ***. Prices for products 1 and 2 then ***. ***.

Germany.--Two importers of the German subject products, *** and ***, reported price data for sales of products 1 and 2. The limited price data for product 1 and the more complete price data for product 2 indicate *** price trends. Sales reported by each of the two importers were ***. ***.

United Kingdom.--*** was the only importer to report useable price data for sales of the U.K. subject product. Although ***, prices for imported U.K. leaded products 1-3 showed ***. Prices for these products ***.¹⁵⁰

Prices of free-machining products 5 and 6 produced by ***. ***.

Prices reported for product 7, an alloy steel product, ***.¹⁵¹

Price comparisons

The reported price data for U.S. producers' and importers' largest quarterly sales during January 1989-September 1992 resulted in a total of 130 direct net f.o.b. price comparisons with six products from the four countries subject to these investigations. The imported products were priced below the domestic product in 111 of the 130 available price comparisons.¹⁵² A discussion of each subject country follows.

Brazil.--Price comparisons between U.S.-produced and Brazilian lead carbon steel products were possible in a total of 8 quarters for product 2. In 6 of these quarters, the Brazilian product was priced below the domestic product by margins ranging from *** to *** percent. In the remaining 2 quarters, the Brazilian product was priced above the domestic product by margins of *** and *** percent.¹⁵³

¹⁴⁸ The product for which *** reported prices is in ***.

¹⁴⁹ Also, *** reported ***.

¹⁵⁰ ***.

¹⁵¹ ***.

¹⁵² Of these comparisons, 104 were for the leaded products 1, 2, and 3. In these instances, 88 showed underselling.

¹⁵³ For the single comparison of a Brazilian sale of product 6 in 1989, the margin of underselling was *** percent.

France.--A total of 39 quarterly price comparisons between U.S.-produced and French steel products 1, 2, 3, and 6 were possible. In 30 of these 39 comparisons, the French products were priced below the U.S. products, with margins of underselling ranging from *** to *** percent. In the remaining 9 quarters, prices for imported products were higher than the comparable U.S. products. Margins of overselling ranged from *** to *** percent.

Germany.--German lead carbon steel products 1 and 2 were priced below comparable domestic products in 20 of the 21 available quarterly price comparisons. Margins of underselling ranged from *** percent to *** percent. Margins of underselling were particularly high for price comparisons of product 2, ranging from *** to *** percent. In the single instance where the German product was priced above the U.S. product, the margin was *** percent.

United Kingdom.--U.K. carbon steel products 1, 2, 3, 5, 6, and 7 were priced below comparable domestic products in 54 of 61 available quarterly price comparisons. Margins of underselling ranged from *** to *** percent. Margins of overselling ranged from *** to *** percent.^{154 155}

Data reported by purchasers

Prices of U.S.-produced products.--Purchasers reported delivered price data for each of the seven products specified in the questionnaire (tables 35-38). In general, price levels reported were similar to those reported by U.S. producers but for certain products purchaser price fluctuations differed from those seen in producers' data.¹⁵⁶ As with the comparisons of prices reported by producers and importers, purchaser price data demonstrated a dominant pattern of underselling by imports in the 104 possible comparisons.

In the case of products 1, 2, and 3 (the three leaded products), purchasers' data do not show the clear decline in 1990-91 that is found in producers' price data. While fluctuations occurred in prices of each product, a relatively consistent pattern of increases is evident throughout 1990-92. Prices of products 1, 2, and 3 increased by *** percent, *** percent, and *** percent, respectively, during the three years.

¹⁵⁴ Forty-four of these comparisons are for leaded products 1, 2, and 3. In 39 of these instances, the U.K. product was priced below the average U.S. price by margins that ranged up to *** percent.

¹⁵⁵ ***.

¹⁵⁶ It is likely that purchaser data reflect longer term supply contracts than the data reported by producers. In most cases, purchasers reported prices from single suppliers for several quarters, and these prices were often steady over those periods. Producers, on the other hand, generally reported sales to different customers in each quarter and these prices may therefore reflect changing market conditions and sales terms.

Table 35

Average net delivered prices paid by purchasers to U.S. producers and importers for product 1, and margins of underselling (overselling), by quarters, January 1989-December 1992

* * * * * * *

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

Table 36

Average net delivered prices paid by purchasers to U.S. producers and importers for product 2, and margins of underselling (overselling), by quarters, January 1989-December 1992

* * * * * * *

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

Table 37

Average net delivered prices paid by purchasers to U.S. producers and importers for products 3, 4, and 5, and margins of underselling (overselling), by quarters, January 1989-December 1992

* * * * * * *

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

Table 38

Average net delivered prices paid by purchasers to U.S. producers and importers for products 6 and 7, and margins of underselling (overselling), by quarters, January 1989-December 1992

* * * * * * *

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

Purchasers' prices of product 4, a non-leaded and non-free-machining product, were similar to those reported by producers. These prices increased in 1990 but subsequently declined. Although prices of product 4 declined by *** percent over the period for which data were collected, a slight increase occurred in late 1992.

Prices reported by purchasers for the two non-leaded free-machining products differed somewhat from each other, and, in the case of product 5, from prices reported by producers. While prices of product 5 decreased *** percent, prices of product 6 fluctuated upward, increasing by *** percent in 1990-92.

Prices of the alloy steel product, item 7, reported by purchasers showed a clearer decline than did those reported by producers for this product. These prices declined sharply in 1990 and fluctuated from mid-1990 through mid-1992, but declined again in July-September 1992, ending the period with a ***-percent decline overall.

Brazil.--A single purchaser reported buying product 1 imported from Brazil ***. ***. The price reported by this purchaser was consistently below those reported for U.S.-produced product 1, with margins of underselling ranging from *** percent to *** percent in the eight possible comparisons.

France.--Prices for products imported from France were reported by purchasers in the cases of leaded products 1, 2, and 3, and free-machining product 6, although the data are not complete. In the cases of products 1, 2, and 6, prices of the French products fluctuated with no apparent trend but increased slightly over the period for which data were collected. Prices of product 3 varied in a narrow range, declining slightly during the few quarters for which data are available. Twenty-three comparisons with prices of the competing domestic product are possible and in all cases the French product was lower. Margins of underselling ranged from *** percent to *** percent.

Germany.--Purchasers of German products reported prices for leaded products 1 and 2, and for free-machining product 6. In each case, the German product fluctuated without a discernible trend. In July-September 1992, prices of product 2 increased; no similar increase was apparent in the prices of the other two products. Twenty-five comparisons of prices of German products with domestic products are possible. In all cases, the German product was priced below the comparable U.S.-produced product by margins ranging from *** percent to *** percent.

United Kingdom.--Purchasers reported the most complete import data for products from the United Kingdom. For the three leaded products 1, 2, and 3, and for free-machining product 6, prices of U.K. material generally fluctuated in a relatively narrow range and without any clear trend. Products 1, 2, and 6 showed increases over the period (***, ***, and *** percent, respectively) but, except for product 2, the end-of-the-period levels were within or close to the range of fluctuation. Forty-eight comparisons are possible between prices of U.S. and U.K. material; in all 48 instances, the price of the U.K. material was below that of the competing domestic material. Margins of underselling ranged from *** percent to *** percent.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the currencies of the four countries subject to these investigations fluctuated widely in relation to the U.S. dollar over the period from January-March 1989 through July-September 1992 (table 39).¹⁵⁷ The nominal value of the Brazilian currency depreciated by 99.98 percent while the respective values of the French, German, and British currencies appreciated by 26.9 percent, 26.4 percent, and 9.0 percent. When adjusted for movements in producer price indexes in the United States and the specified countries, the real value of the Brazilian currency depreciated by 5.5 percent. During the periods for which data were collected, the French, German, and British currencies showed real appreciations of 3.5 percent, 27.1 percent, and 21.6 percent, respectively.

Lost Sales and Lost Revenues

The Commission received lost sales and lost revenue allegations from five U.S. producers in the final investigations: ***. With the exception of those made by ***, the allegations made in the final investigations replicated those made in the preliminary investigations. The following discussion relates the information obtained by the staff in its examination of the new allegations and also presents the information obtained in the preliminary investigations.

*** provided information on four instances in which it claimed it had lost either sales or revenues in competition with imports from subject countries. The alleged lost sales totaled approximately ***,¹⁵⁸ ***.

The 64 lost sales allegations reported in the preliminary investigations that pertained to imports from Brazil, France, Germany, and the United Kingdom totalled approximately \$472.9 million and involved approximately 872,800 tons of hot-rolled lead carbon steel products. Most of the allegations did not provide specific information on sales lost in direct competition with imports, but reported total quantities of sales lost during January 1989-March 1992 based on estimates of the purchasers' buying patterns.¹⁵⁹ The same four producers also alleged losing revenues of \$12.1 million because of competition from imports from Brazil, France, Germany, and the United Kingdom. Many of the lost revenue allegations refer to discounts from producers' list prices.¹⁶⁰ U.S. producers reported that they typically discount list prices in order to meet competing prices.

¹⁵⁷ International Financial Statistics, November 1992.

¹⁵⁸ ***.

¹⁵⁹ The four firms provided only their estimates of the quantity of lead steel bar they might have sold in 1989-91 if the customer had not purchased imports. The allegations did not cite specific dates, quantities, or quoted prices in competition for a specific sale. It is unclear if each U.S. producer is claiming to have lost the same sales and if double counting is an issue here.

¹⁶⁰ For all of its lost revenue allegations, ***.

Table 39

Exchange rates:¹ Indexes of nominal and real exchange rates of selected currencies, and indexes of producer prices in those countries,² by quarters, January 1989-September 1992

Period	Brazil				France			Germany			United Kingdom		
	U.S. pro- ducer price index	Pro- ducer price index	Nominal exchange rate index	Real exchange rate index ³	Pro- ducer price index	Nominal exchange rate index	Real exchange rate index ³	Pro- ducer price index	Nominal exchange rate index	Real exchange rate index ³	Pro- ducer price index	Nominal exchange rate index	Real exchange rate index ³
1989:													
Jan.-Mar...	100.0	100.0	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June...	101.8	129.1	84.12	106.7	100.4	96.0	94.7	100.7	95.6	94.6	101.3	93.1	92.7
July-Sept...	101.4	303.6	37.92	113.5	99.6	96.7	95.1	100.9	96.1	95.7	102.5	91.3	92.3
Oct.-Dec...	101.8	878.5	14.52	125.3	98.9	102.1	99.2	101.6	102.0	101.9	103.8	90.7	92.5
1990:													
Jan.-Mar...	103.3	4201.2	3.84	156.1	98.2	109.7	104.4	101.7	109.4	107.8	105.4	94.8	96.8
Apr.-June...	103.1	8137.9	1.85	146.8	98.1	111.5	106.1	102.2	110.2	109.3	107.6	95.8	100.0
July-Sept...	104.9	10947.3	1.36	141.6	98.2	117.8	110.3	102.7	116.1	113.6	108.6	106.5	110.3
Oct.-Dec...	108.1	16375.5	0.78	117.9	99.4	124.5	114.4	103.5	123.2	117.9	109.8	111.3	113.1
1991:													
Jan.-Mar...	105.9	26646.4	0.45	113.3	98.9	120.8	112.9	103.8	120.8	118.4	111.9	109.3	115.5
Apr.-June...	104.8	34545.8	0.35	116.2	97.4	107.1	99.5	104.6	106.6	106.3	114.0	97.7	106.2
July-Sept...	104.7	48541.1	0.26	119.2	96.8	106.2	98.2	105.7	106.0	107.1	114.6	96.4	105.6
Oct.-Dec...	104.8	88992.0	0.13	108.0	95.8	113.4	103.5	105.9	113.5	114.7	115.2	101.5	111.6
1992:													
Jan.-Mar...	104.6	172091.9	0.06	106.4	(*)	114.2	(*)	105.9	114.2	115.6	116.9	101.3	113.2
Apr. June...	105.6	297832.2	0.04	102.7	(*)	115.7	(*)	106.7	114.6	115.8	118.1	103.3	115.6
July-Sept...	106.1	493188.8 ⁵	0.02	94.5 ⁵	(*)	126.9	(*)	106.7 ⁶	126.4	127.1 ⁶	118.4 ⁷	109.0	121.6 ⁷

¹ Exchange rates expressed in U.S. dollars per unit of foreign currency.

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

³ The real exchange rate is derived from the nominal rate adjusted for relative movements in producer prices in the United States and the specified country.

⁴ Not available.

⁵ Derived from Brazilian price data reported for July-August only.

⁶ Derived from German price data reported for July-August only.

⁷ Derived from British price data reported for July-August only.

Note.--January-March 1989 = 100. The real exchange rates, calculated from precise figures, cannot in all instances be derived accurately from previously rounded nominal exchange rate and price indexes.

Source: International Monetary Fund, International Financial Statistics, November 1992.

* * * * *

APPENDIX A
FEDERAL REGISTER NOTICES
OF THE COMMISSION AND COMMERCE

(Investigations Nos. 701-TA-314 through 317 and 731-TA-553 through 555 (Final))

Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From Brazil, France, Germany, and the United Kingdom

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of final countervailing duty and antidumping investigations.

SUMMARY: The Commission hereby gives notice of the institution of final countervailing duty investigations Nos. 701-TA-314 through 317 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the Act) and final antidumping investigations Nos. 731-TA-553 through 555 (Final) under section 735(b) of the Act (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 Brazil, France, Germany, and the United Kingdom of certain hot-rolled lead and bismuth carbon steel products, provided for in subheadings 7213.20.00, 7213.31.30, 7213.31.60, 7213.39.00, 7214.30.00, 7214.40.00, 7214.50.00, 7214.60.00 and 7228.30.80 of the Harmonized Tariff Schedule of the United States (HTS).¹ The schedules for

¹ For purposes of these investigations, the subject hot-rolled lead and bismuth carbon steel products are hot-rolled products of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of these investigations are other alloy steels, except steels classified as such by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, selenium, or tellurium. Also excluded are semifinished steels and flat-rolled carbon steel products.

the subject investigations will be identical, pursuant to Commerce's alignment of its final subsidy and dumping determinations (57 FR 48020, October 21, 1992). Subsequent to that action, Commerce advised the Commission it was extending the date for its final determinations in the investigations from December 7, 1992, to January 11, 1993.

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

EFFECTIVE DATE: November 2, 1992.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202-205-3191), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

Background

The subject countervailing duty investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in Brazil, France, Germany, and the United Kingdom of certain hot-rolled lead and bismuth carbon steel products. The subject antidumping investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain hot-rolled lead and bismuth carbon steel products from France, Germany, and the United Kingdom are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). All of the investigations were requested in a petition filed on April 13, 1992, by Inland Steel Industries, Inc., including Inland Steel Bar Co., Chicago, IL; and the Bar, Rod and Wire Division, Bethlehem Steel Corp., Johnstown, PA.

Participation in the Investigation and Public Service List

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules, not later than twenty-one (21) days after publication of this notice in the *Federal Register*. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these final investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made not later than twenty-one (21) days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in these investigations will be placed in the nonpublic record on January 4, 1993, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on January 21, 1993, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 7, 1993. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on January 11, 1993, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules.

Written submissions.—Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is January 13, 1993.

Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is January 29, 1993; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party of the investigations may submit a written statement of information pertinent to the subject of the investigations on or before January 29, 1993. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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

Issued: November 13, 1992.

By order of the Commission.

Paul R. Bardos,

Acting Secretary.

[FR Doc. 92-98040 Filed 11-16-92; 8:45 am]

BILLING CODE 7020-02-M

552 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) 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 Brazil of certain hot-rolled lead and bismuth carbon steel products, provided for in subheadings 7213.20.00, 7213.31.30, 7213.31.60, 7213.39.00, 7214.30.00, 7214.40.00, 7214.50.00, 7214.60.00 and 7228.30.80 of the Harmonized Tariff Schedule of the United States (HTS).¹

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 201, subparts A through E (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

EFFECTIVE DATE: November 13, 1992.

FOR FURTHER INFORMATION CONTACT: Jim McClure (202-205-3191), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that imports of certain hot-rolled lead and bismuth carbon steel products from Brazil are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on April 13, 1992, by Inland Steel Industries, Inc., including Inland Steel Bar Co., Chicago, IL; and the Bar, Rod and Wire Division, Bethlehem Steel Corp., Johnstown PA.

[Investigation No. 731-TA-652 (Final)]

Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From Brazil

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of a final antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-

¹ For purposes of this investigation, the subject hot-rolled lead and bismuth carbon steel products are hot-rolled products of nonalloy or other alloy steel, whether or not decaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels, except steels classified as such by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, selenium, or tellurium. Also excluded are semifinished steels and flat-rolled carbon steel products.

Participation in the Investigation and Public Service List

Persons wishing to participate in the 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, not later than twenty-one (21) days after publication of this notice in the Federal Register. The Secretary will prepare a public 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.

Limited Disclosure of Business Proprietary Information (BPI) Under an Administrative Protective Order (APO) and BPI Service List

Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this final investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than twenty-one (21) days after the publication of this notice in the Federal Register. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff Report

The prehearing staff report in this investigation will be placed in the nonpublic record on January 4, 1993, and a public version will be issued thereafter, pursuant to § 207.21 of the Commission's rules.

Hearing

The Commission will hold a hearing in connection with this investigation beginning at 9:30 a.m. on January 21, 1993, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before January 7, 1993. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on January 11, 1993, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by §§ 201.6(b)(2), 201.13(f), and 207.23(b) of the Commission's rules. Parties are strongly encouraged to submit as early in the investigation as possible any requests to

present a portion of their hearing testimony *in camera*.

Written Submissions

Each party is encouraged to submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of § 207.22 of the Commission's rules; the deadline for filing is January 13, 1993. Parties may also file written testimony in connection with their presentation at the hearing, as provided in § 207.23(b) of the Commission's rules, and posthearing briefs, which must conform with the provisions of § 207.24 of the Commission's rules. The deadline for filing posthearing briefs is January 29, 1993; witness testimony must be filed no later than three (3) days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before January 29, 1993. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with § 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. 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.

Issued: December 4, 1992.

By order of the Commission.

Paul R. Bardos,

Acting Secretary.

[FR Doc. 92-29900 Filed 12-8-92; 8:45 am]

BILLING CODE 7020-02-M

Notices

Federal Register

Vol. 58, No. 16

Wednesday, January 27, 1993

DEPARTMENT OF COMMERCE

International Trade Administration

[A-361-611]

Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From Brazil

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT:

Nancy M. Decker or Linda L. Pasden, Office of Agreements Compliance, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-3793.

Final Determination

We determine that imports of certain hot-rolled lead and bismuth carbon steel products from Brazil are being, or are likely to be, sold in the United States at

less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). Because Mannesmann did not provide requested information and refused to cooperate with the Department in its investigation, we have based our determination on the best information available (BIA), in accordance with section 776 of the Act. In this instance, because Mannesmann refused to cooperate, we have determined the BIA to be the petitioners' highest adjusted margin. (The price-to-price margins found in the petition are the only information available.) The BIA margin is shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the preliminary determination in this investigation on November 9, 1992 (57 FR 54219, November 17, 1992), no events have occurred.

Scope of Investigation

The products subject to this investigation are hot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1 (f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 7213.31.60.00; 7213.39.00.30, 7213.39.00.60, 7213.39.00.90; 7214.40.00.10, 7214.40.00.30, 7214.40.00.50; 7214.50.00.10, 7214.50.00.30, 7214.50.00.50; 7214.60.00.10, 7214.60.00.30, 7214.60.00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is November 1, 1991 through April 30, 1992.

Such or Similar Comparisons

We have determined that all the products covered by this investigation constitute a single category of such or similar merchandise.

Best Information Available

As mentioned above, we used BIA as required by section 776(c) of the Act because Mannesmann did not provide requested information and did not cooperate with the Department in its investigation. We determined that BIA was information submitted in the petition. Because Mannesmann refused to cooperate, we have determined the BIA to be the petitioners' highest adjusted margin.

Continuation of Suspension of Liquidation

We are directing the Customs Service to continue to suspend liquidation of all entries of the subject merchandise from Brazil that are entered, or withdrawn from warehouse, for consumption on or after November 17, 1992, the date of publication of our preliminary determination notice in the Federal Register, as originally ordered in accordance with section 733(d)(1) of the Act.

The product under investigation is also subject to a countervailing duty investigation. The Department has determined that there was an export subsidy program, but this program was terminated on December 31, 1991. In the final countervailing duty determination, we have taken into account that program wide change and have set the cash deposit rate at zero for that program. Accordingly, no adjustment to the dumping margin is required.

The Customs Service shall require a cash deposit or bond equal to the estimated amount by which the FMV of the merchandise subject to this investigation exceeds the U.S. price, as shown below. This suspension of liquidation will remain in effect until further notice. The dumping margins are as follows:

Producer/manufacturer/exporter	Margin percentage
Mannesmann	148.12
All others	148.12

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination.

Notification to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of

their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-1901 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-05-01

[A-427-804]

Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From France

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Edward Easton or Stephen Alley, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-1777, or (202) 482-5288, respectively.

Final Determination

We determine that imports of certain hot-rolled lead and bismuth carbon steel products from France are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). Because Usinor Sacilor (Usinor), the sole respondent in this case, failed to provide adequate information in a timely manner, we have based our determination on the best information otherwise available (BIA). In this instance, because Usinor has requested the return or destruction of all of its submissions during the course of the investigation and was subject to a cost of production (COP) investigation as well, we have determined BIA to be the highest of the margins that resulted from the fair value comparisons using constructed values for each of the transactions provided in the petition, as it was amended on April 27, 1992. The BIA margin is shown in the "Suspension of Liquidation" section of this notice.

Case History

Since the preliminary determination in this investigation on September 21,

1992 (57 FR 44556, September 28, 1992), the following events have occurred.

On September 21, 1992, Usinor submitted additional sales and COP supplemental responses. However, because both the COP information and the constructed value information contained in these responses were calculated using incorrect methodologies, the Department decided to not verify Usinor's submissions. (See the October 20, 1992, Memorandum from Marie E. Parker, Director, Office of Accounting, to Francis J. Sailer, Deputy Assistant Secretary for Investigations.) Accordingly, the verification of Usinor's submissions was cancelled.

On October 22, 1992, Usinor requested that the Department postpone the final determination for 60 days, in accordance with section 735(a)(2) of the Act. On November 6, 1992, the Department granted Usinor's request, in part, and postponed the date of its final determination from December 18, 1992, until January 11, 1993 (57 FR 53691, November 12, 1992). On December 17, 1992, Usinor requested a 25-day extension of the final determination. On January 11, 1993, the Department postponed the final determination until January 19, 1993 (58 FR 4981, January 19, 1993).

On November 12, 1992, Usinor requested that the Department return its submissions responding to the Department's antidumping questionnaire. On November 23, 1992, Usinor amended its request to provide for the destruction of these submissions in lieu of returning them to the company.

On November 13, 1992, petitioners filed their case brief and on November 19, 1992, both petitioners and Usinor filed their rebuttal briefs.

On November 19, 1992, petitioners and respondent withdrew their requests for a public hearing.

Following its receipt of the parties' briefs, the Department made a telephone inquiry of Usinor's counsel as to whether Usinor still wanted the Department to act on its request for the destruction of its submissions. The Department informed counsel of the adverse effect that the granting of Usinor's request would have on the BIA rate assigned to the company. Counsel informed the Department that Usinor still wanted the Department to proceed with the destruction of its submissions.

Scope of Investigation

The products subject to this investigation are hot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by

weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1 (f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is November 1, 1991, through April 30, 1992.

Such or Similar Comparisons

We have determined that all the products covered by this investigation constitute a single category of such or similar merchandise.

Fair Value Comparisons

To determine whether sales of the subject merchandise from France to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice. As mentioned above, we used BIA as required by section 776(c) of the Act because Usinor did not provide adequate information in a timely manner for purposes of the final determination. We determined that BIA was information submitted in the amended petition. Because Usinor requested the destruction of its submissions and the Department has no choice but to treat the company as an uncooperative respondent, we have determined the BIA to be the highest of the margins in the amended petition.

United States Price

We based USP on information provided in the petition. Petitioners

provided a U.S. price based on a quoted transaction price for cut-to-length products sold to a U.S. customer on a delivered price basis. Petitioners adjusted the price by deducting estimated costs for foreign inland freight, foreign port and loading fees, ocean freight and insurance, customs duties, U.S. terminal and unloading fees, and estimated costs for U.S. inland freight.

Foreign Market Value

We based FMV on constructed value information provided in the petition and the April 27, 1992, amendment to the petition. Petitioners alleged that the home market prices as well as the third-country sales or offers of sales are at prices below the cost of production and, therefore, should be discarded in favor of constructed value. Accordingly, petitioners calculated an FMV on the basis of the constructed value for the transaction listed in the petition, as amended.

Interested Party Comments

Although numerous comments were submitted by petitioners, they are not being addressed here because of our decision to reject Usinor's submissions and base this determination on BIA. Only the comments concerning the application of BIA are addressed below.

Comment 1

In their case brief, petitioners supported the Department's use of BIA. In their rebuttal brief, where they were able to address Usinor's request to withdraw its submissions responding to the Department's antidumping questionnaire, petitioners specifically argue that the Department should treat Usinor as an uncooperative respondent and use as BIA the highest margin in the April 27, 1992, amendment to the petition. The highest margin in the amended petition is 75.08 percent.

In its rebuttal brief, Usinor contended that the margins alleged against French merchandise in the petition are " * * * unduly high and are not, in any event, reasonable proxies for Usinor Sailer's antidumping margin." Usinor proposed that the Department fashion a BIA margin for Usinor from the margins for the respondents in the companion German and United Kingdom investigations of the subject merchandise.

DOC Position

In determining what rate to use as BIA, the Department follows a two-tiered methodology. The Department normally assigns lower rates for those respondents who cooperated in an

investigation and higher rates for respondents who did not. See Final Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe From Brazil, 57 FR 42940 (September 17, 1992).

In this investigation, Usinor responded to the Department's requests for information; however, as noted above, the errors and deficiencies in its submissions were so pervasive as to make its responses unusable, and verification was cancelled. Usinor subsequently requested the return or destruction of all of its submissions during the course of the investigation, as discussed above.

In light of Usinor's continued request for the destruction of its submissions responding to the Department's antidumping questionnaire, a request that we are granting, the Department no longer has any choice but to treat Usinor as an uncooperative respondent and assign it the highest BIA rate. The destruction of Usinor's submissions has the consequence of removing from the administrative record any basis for showing, either now or on appeal, that Usinor had been cooperative during the investigation. See, e.g., *Smith Corona Corp. v. United States*, 796 F. Supp. 1532 (CIT 1992); Final Determination of Sales at Less Than Fair Value: Steel Wire Rope from India, 56 FR 46285 (September 11, 1991); Final Determination of Sales at Less Than Fair Value: Certain Small Business Telephone Systems from Japan, 54 FR 42541 (October 17, 1989); Final Determination of Sales at Less Than Fair Value: Antifriction Bearings and Parts Thereof from the Federal Republic of Germany, 54 FR 18992 (May 3, 1992).

Even absent Usinor's request that the Department return or destroy its submissions, we would have rejected Usinor's suggestions to calculate a BIA margin based upon those calculated for other European producers. It is entirely speculative for Usinor to conclude that the average of the margins contained in the April 27, 1992, amendment to the petition is "unduly high." Usinor ensured that an accurate margin calculation would not be possible when it failed to submit the information necessary to calculate one. Moreover, the purpose of a BIA margin is not to find a "reasonable proxy" for an accurate antidumping margin. Rather, the principal purposes of a BIA margin are to avoid rewarding a noncompliant respondent in the current proceeding and to persuade the respondent to furnish timely, complete, and accurate data in the administrative review, should there be one.

Continuation of Suspension of Liquidation

In accordance with section 733(d)(1) of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of the subject merchandise from France that are entered, or withdrawn from warehouse, for consumption on or after September 28, 1992, the date of publication of our preliminary determination notice in the Federal Register.

The Customs Service shall require a cash deposit or bond equal to the estimated amount by which the FMV of the merchandise subject to this investigation exceeds the U.S. price, as shown below. This suspension of liquidation will remain in effect until further notice. The dumping margins are as follows:

Producer/manufacturer/exporter	Margin percentage
Usinor Sactor	75.08
All others	75.08

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination.

Notification to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: January 19, 1993.

Alan M. Dana,

Assistant Secretary for Import Administration.

[FR Doc. 93-1902 Filed 1-26-93; 8:45 am]
BILLING CODE 3510-06-M

[[A-428-811]]

Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From Germany

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Cynthia Thirumalai or Steve Alley, Office of Antidumping Investigations, Import Administration, International

Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 482-4087, or (202) 482-5288, respectively.

Final Determination

We determine that imports of certain hot-rolled lead and bismuth carbon steel products from Germany are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). We have used the best information available (BIA) in making our final determination (see section on Best Information Available). The BIA margin is shown in the "Suspension of Liquidation" section of this notice.

Case History

Since our notice of postponement of the final determination in this investigation (57 FR 53691, November 12, 1992), the following events have occurred.

Petitioners and respondent in this proceeding submitted case briefs and rebuttal briefs on November 16 and 20, 1992, respectively. On November 24, 1992, a public hearing was held. Respondent submitted additional comments on December 4, 1992, to which petitioners objected on December 8, 1992. On December 11, 1992, the Department informed respondent that its December 4, 1992, submission was untimely filed and, as a result, was rejected and returned.

On December 17, 1992, Saarlustahl requested a 25-day extension of the final determination in this investigation: On January 11, 1993, the Department postponed the final determination until January 19, 1993 (58 FR 4981, January 19, 1993).

Scope of Investigation

The products subject to this investigation are hot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1 (f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings

7213.20.00.00 and 7214.30.00.00 of the HTSUS.

Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is November 1, 1991, through April 30, 1992.

Best Information Available

Because the results of our verification of the information provided by Saerstahl AG (Saerstahl), the sole respondent in this case, showed the information to be unusable for purposes of calculating a final estimated dumping margin, we have based our determination on BIA (see Memorandum from D. Binder and M. Parker to R. Moreland, December 14, 1992). In spite of its failed verification, we believe Saerstahl's level of participation warrants that it be considered a cooperative respondent. Accordingly, given that Saerstahl was subject to a cost of production (COP) investigation, we have assigned to Saerstahl a BIA margin equal to the average of the margins that resulted from the fair value comparisons using constructed value (CV) for each of the transactions provided in the petition, as amended on April 27 and 28, 1992.

Such or Similar Comparisons

We have determined that all the products covered by this investigation constitute a single category of such or similar merchandise.

Fair Value Comparisons

To determine whether sales of the subject merchandise from Germany to the United States were made at less than fair value, we compared the United States price (USP) to foreign market value (FMV) as specified in the "United States Price" and "Foreign Market Value" sections of this notice. As mentioned above, we used BIA as required by section 776(c) of the Act because Saerstahl's submitted information was found to be unusable for purposes of calculating a final estimated dumping margin.

United States Price

We based USP on information provided in the petition. Petitioners

provided U.S. prices based on quoted transaction prices and offers for sale for both coil and cut-to-length products. The prices and offers were on a F.O.B., port-of-entry basis and, for some customers, on a delivered basis. Petitioners adjusted the F.O.B. prices by deducting amounts for foreign inland freight, foreign truck loading fees, ocean freight and insurance, U.S. vessel unloading, U.S. wharfage, and U.S. customs duties. For prices quoted on a delivered basis, petitioners also deducted amounts for U.S. inland freight and U.S. truck unloading expenses. We recalculated some amounts for foreign truck unloading, foreign inland freight, U.S. vessel unloading and U.S. wharfage expenses because petitioners did not properly convert these amounts to a per-short ton basis. In addition, we recalculated U.S. duties in all cases to correct for a methodological error.

Foreign Market Value

We based FMV on CV information that was provided in the petition and the April 27 and 28, 1992, amendments to the petition. (See our notice of initiation (57 FR 19881, May 8, 1992) for a description of the CV calculation.)

Verification

As provided in section 776(b) of the Act, we attempted to verify the information provided by Saerstahl by using standard verification procedures, including the examination of relevant sales and financial records, and selection of original source documentation containing relevant information.

Interested Party Comments

Comment 1

Petitioners argue that the Department should reject Saerstahl's responses in their entirety and base the final determination on BIA for the following reasons: (1) Saerstahl did not provide the Department with complete sales reporting as seen by its failure to report significant quantities of home market sales and some U.S. sales; (2) the information provided by Saerstahl was replete with errors and discrepancies; and (3) Saerstahl impeded the investigation by not submitting information in a timely manner in the form requested, and by being unprepared and unresponsive at verification—thus, preventing the Department from adequately confirming the accuracy and completeness of its responses.

According to petitioners, while Saerstahl's failure to report all home

market and U.S. sales, in and of itself, warrants the use of BIA, when this omission is combined with the numerous discrepancies, errors in methodology, and miscalculations found at verification regarding both sales and COP information, the Department is left with no other option than to resort to the use of BIA in making its final determination. While the extent of Saerstahl's lack of preparation at verification amounted to uncooperative behavior, petitioners concede that Saerstahl has "substantially cooperated with the agency's requests for information." Accordingly, petitioners recommend that the Department assign, as BIA, the higher of the estimated margin from the preliminary determination, or the average margin from the petition.

Saerstahl argues that the use of BIA is reserved for instances in which a respondent has been uncooperative or has failed to provide usable information to the Department. According to Saerstahl, when a respondent has generally supported its methodology, the discovery of minor errors does not merit rejection of the response and the use of BIA (see *Tapered Roller Bearings Four Inches or Less in Outside Diameter and Certain Components Thereof from Japan: Final Results of Antidumping Duty Administrative Review*) (55 FR 38720, 38723, September 20, 1990). Saerstahl states that it has cooperated fully in this investigation. In addition, Saerstahl contends that the errors and discrepancies found at verification were minor in nature or would have no impact on the calculation of the final dumping margin.

Saerstahl argues that its failure to report home market sales of products that were of different German DIN grade designations than those which would have been assigned to products sold in the United States, had they been sold in Germany, resulted in harmless error. Since the Department prefers the use of identical merchandise over similar merchandise for purposes of comparison (see *Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from France*) (57 FR 28360, June 24, 1992), Saerstahl argues that the Department should limit its analysis to comparisons of identical merchandise in calculating the final estimated dumping margin. Saerstahl cites the *Final Determination of Sales at Less Than Fair Value: Fresh Kiwifruit from New Zealand (Kiwifruit)* (57 FR 13695, 13698, April 27, 1992), in which the Department found that:

[T]he percentage of U.S. sales matched to identical merchandise in Japan was

sufficiently high (over 60 percent) so that comparisons with non-identical merchandise or with CV were unnecessary.

Accordingly, Saerstahl contends that limiting the analysis to identical home market merchandise is justified in this instance since sales of identical merchandise constituted over 90 percent—well above the requisite 60 percent.

Should the Department decide not to limit its analysis to sales of identical merchandise, Saerstahl argues that the best information available for the missing sales that were of the same chemical composition as U.S. sales would be the weighted-average of the reported sales.

DOC Position

We agree with petitioners that the use of BIA is warranted in this instance. In and of itself, Saerstahl's incomplete reporting of home market sales requires the use of BIA. When this is combined with Saerstahl's incorrect reporting of the date of sale for a substantial number of home market sales, numerous errors in its U.S. sales listing, large number of inconsistencies in reported charges and adjustments for both U.S. and home market sales, and unsubstantiated and unusable cost data, we find that any calculation of a final estimated dumping margin based on information submitted by Saerstahl would be meaningless.

In addition, we do not agree with Saerstahl's contention that its reporting of products it deemed to be identical was sufficient. Saerstahl's reference to Kiwifruit on this issue is misplaced since the respondent in that investigation did report sales of similar merchandise which the Department later decided to exclude from its analysis. We also disagree with Saerstahl's proposal to assign, as BIA, the weighted-average price of reported sales to the unreported sales of products that had the same chemical composition as U.S. products. Acceptance of this proposal would hinder the Department's ability to obtain complete sales information by encouraging future respondents to report only certain home market sales in the hope that reported sales would be used as surrogates for unreported sales.

We agree with both Saerstahl and petitioners that Saerstahl did substantially comply with the Department's requests for information and that it was not uncooperative at verification. Accordingly, we have assigned Saerstahl the BIA rate for a cooperative respondent, i.e., either the margin calculated for the preliminary determination, or the average of the margins in the petition, whichever is

higher (see e.g., Preliminary Determination of Sales at Less Than Fair Value: Circular Welded Non-Alloy Steel Pipe from Taiwan (57 FR 17892, April 28, 1992). In this case, we have used the average margin pertaining to Saerstahl in the petition.

Other Comments

Petitioners and Saerstahl made additional comments on various charges and adjustments contained in sales listing, and the allocation of certain items in the COP calculation. Since we are basing our final determination on BIA, these comments are now moot. Accordingly, no response on behalf of the Department is required.

Continuation of Suspension of Liquidation

In accordance with section 735 of the Act, we are directing the Customs Service to continue to suspend liquidation of all entries of the subject merchandise from Germany that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or bond equal to the estimated amount by which the FMV of the merchandise subject to this investigation exceeds the U.S. price, as shown below. This suspension of liquidation will remain in effect until further notice. The average dumping margins are as follows:

Producer/manufacturer/exporter	Average margin percentage
Saerstahl AG _____	85.05
All others _____	85.05

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination.

Notification to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-1903 Filed 1-26-93; 8:45 am]

BILLING CODE 2510-05-M

[A-412-810]

Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From the United Kingdom

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Michael Ready, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 482-2613.

Final Determination

We determine that certain hot-rolled lead and bismuth carbon steel products from the United Kingdom are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margins are shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

Since publication of the preliminary determination on September 28, 1992 (57 FR 44554), the following events have occurred.

Verification of responses to the Department of Commerce's (the Department's) questionnaire regarding sales information took place in the United Kingdom on October 8 through 12, 1992.

Verification of respondent's responses to the Department's questionnaire regarding cost of production (COP) information took place in the United Kingdom on October 12 through 15, 1992.

We received requests for a public hearing from Inland Steel Industries, including the Inland Steel Bar Company, and the Bar, Rod & Wire Division of Bethlehem Steel Corporation, petitioners in the investigation, and from UES Holdings Limited and United Engineering Steels Limited (UES), respondent in the investigation, on September 23, 1992. At the request of UES, on November 6, 1992, the Department postponed the

final determination in this case until January 11, 1993 (57 FR 53691, November 12, 1992).

Case briefs were filed by petitioners and respondent on November 16, 1992. Reply briefs were filed on November 20, 1992. A public hearing was held on November 24, 1992.

On December 17, 1992, UES requested a 25-day extension of the final determination in this investigation. On January 11, 1993, the Department postponed the final determination until January 19, 1993.

Scope of the Investigation

The products covered by this investigation are hot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1(f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of the following products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Period of Investigation

The period of investigation (POI) is November 1, 1992, through April 30, 1992.

Such or Similar Comparisons

We have determined that all the products covered by this investigation constitute a single category of such or similar merchandise. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we made comparisons on the basis of the following criteria listed in order of importance: (1) Chemical composition; (2) shape; (3) cut (coil or cut length); (4) size; and (5) grade. We made adjustments for differences in the

physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act.

Fair Value Comparisons

To determine whether sales of certain hot-rolled lead and bismuth carbon steel products from the United Kingdom to the United States were made at less than fair value, we compared the United States price (USP) to the foreign market value (FMV), as specified in the "United States Price" and "Foreign Market Value" sections of this notice.

Related Party Issue

UES disclosed in a footnote to its response to Section A of the questionnaire that it "understands that a company called Allied Steel and Wire (ASW), which is a 20 percent subsidiary of British Steel plc, may have made sales of the subject merchandise in the POI." British Steel and GKN plc, each own 50 percent of the common stock in UES. ASW was not served a questionnaire at the outset of the investigation because (1) we were able to capture more than 60 percent of the exports of the subject merchandise, (see 19 CFR 353.42(b)) by serving UES only, and (2) we were unaware of the possible relationship between UES and ASW.

The Department preliminarily determined, based on the information available at the time, that a sufficiently intertwined relationship between UES and ASW did not exist to warrant the reporting of ASW sales information by the respondent. We examined the issue further at verification. When sales between UES and ASW were reviewed, the net price charged to ASW was slightly higher than that charged to other unrelated customers. Additionally, the issue of British Steel control of the ASW board of directors was examined, along with the coordination of production issued discussed in the Department's preliminary determination were examined. (See FR 57 44554, 44555.) We found no information which would lead us to change our preliminary determination. Thus ASW sales are not included in the analysis for the final determination.

United States Price

We calculated USP using the methodology described in the preliminary determination except as follows.

For all sales, we deducted the amount for ocean freight reported by UES rather than an amount based on the best information available.

Foreign Market Value

We calculated FMV using the methodology described in the preliminary determination except for the changes noted in the "Price-to-Price" and "Constructed Value" sections of this notice below.

Cost of Production

Based on petitioners' allegations, and in accordance with section 773(b) of the Act, we investigated whether UES had home market sales that were made at less than their COP.

If over 90 percent of respondent's sales of a given model were at prices above the COP, we did not disregard any below-cost sales because we determined that the respondent's below-cost sales were not made in substantial quantities over an extended period of time. If between ten and 90 percent of respondent's sales of a given model were at prices above the COP, we disregarded only the below-cost sales, if they were found to be made over an extended period of time. Where we found that more than 90 percent of respondent's sales were at prices below the COP, we disregarded all sales for that model and calculated FMV based on constructed value (CV). In such cases, we determined that the respondent's below-cost sales were made in substantial quantities over an extended period of time and at prices that would not permit recovery of all costs within a reasonable period of time in the normal course of trade.

In order to determine whether home market prices were above the COP, we calculated the COP based on the sum of a respondent's cost of materials, fabrication, general expenses, and packing.

We compared home market selling prices, net of movement charges, rebates, and invoice corrections, to each product's COP. We found that for some products, more than 90 percent of the sales were at prices above the COP. For other products, there were fewer than 10 percent of sales at prices above the COP. For the remainder of the products, between 10 and 90 percent of the sales were at prices above the COP.

Price-To-Price Comparisons

We made price-to-price comparisons using the methodology described in the preliminary determination, with the following exceptions.

We made a circumstances of sale adjustment for differences in credit insurance expense. Verification revealed that for U.S. sales, credit insurance charges are assessed on a sale-by-sale basis, while in the home market, a

single global amount is assessed, regardless of the level of sales. We therefore determined that credit insurance is a direct expense in the U.S. market, and an indirect expense in the home market. Accordingly, we made this adjustment by adding the amount of credit insurance assessed on each U.S. sale to the FMV.

In cases where the only difference between products is the grade code, we based the adjustment for differences in physical characteristics on differences in material costs only. See discussion at Comment 2 below.

We made comparisons between U.S. sales with a total order quantity of 25 metric tons or more with home market sales with a total order quantity of 25 metric tons or more, and between U.S. sales with a total order quantity of less than 25 metric tons with home market sales with a total order quantity of less than 25 metric tons. See discussion at Comment 10 below.

We recalculated U.S. credit expense by adding 15 days, not 30 days, to the payment period for each U.S. sale. See discussion at Comment 11 below.

We did not exclude from our analysis home market sales to related end-users. See discussion at Comment 12 below.

Constructed Value

For those products without an adequate number of sales at prices above the COP, we based FMV on CV. We calculated the CV based on the sum of the cost of materials, fabrication, general expenses, and U.S. packing cost. In accordance with section 773(e)(1)(B)(i) of the Act, we included in CV the greater of the company's reported general expenses or the statutory minimum of ten percent of cost of manufacture (COM). For profit, we used the actual profit earned by UES because the actual figure was higher than the statutory minimum of eight percent of the sum of COM and general expenses. In accordance with section 773(e)(1)(B)(ii) of the Act, we made circumstance of sale adjustments, where appropriate, for differences in direct selling expenses including credit, credit insurance, warranty, and presale warehousing.

Currency Conversion

We made currency conversions based on the official exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank of New York.

Verification

As provided in section 776(b) of the Act, we verified information provided by respondent by using standard

verification procedures, including the examination of relevant sales and financial records, and selection of original source documentation containing relevant information.

Interested Party Comments

Comment 1

Petitioners argue that we should match as identical all products which could be sold under the same national standard grade. In other words, petitioner would have us match two products if they both satisfied the specifications for American Iron and Steel Institute grade C12L14, for example, regardless of any differences in the chemical compositions of the two products. Petitioners base their argument in part, on their belief, based on their analysis of several verification exhibits, that in three cases, the product actually delivered did not meet the chemical specifications of the grade identified in the response to the questionnaire.

Respondent argues that the national grade codes do not adequately define the products and that there are commercially significant differences in the chemical compositions of the products they produce which fall under the same national grade code. Furthermore, respondent has pointed out that petitioners' analysis of the verification reports with respect to the three cases discussed above is faulty—that in fact, the delivered products did meet the specifications of the grade codes listed in the response to the questionnaire. At the public hearing, petitioners conceded that their analysis on this point was indeed faulty.

DOC Position

We agree with respondent. We have used the same model matching criteria we used for the preliminary determination. Verification established that UES's customers order, and UES produces, products in which the chemical composition specified by the relevant national grade code is modified. In other words, the product differences claimed by UES are commercially significant and are not incidental—they are designed into the product. Furthermore, as stated above, petitioners' allegation that delivered products do not always meet the stated specifications is incorrect. Finally, it should be noted that in Appendix V of the questionnaire, we stated that "In order for merchandise to be considered identical, all physical characteristics, not just those which we have identified, must be the same". If respondent had initially matched using the "national

grade code" criterion advocated by petitioners, and ignored any other physical differences, the questionnaire response would have been deficient.

Comment 2

Petitioners argue that in cases where the only difference between products is in the grade code, the Department should allow an adjustment for differences in physical characteristics, pursuant to 19 CFR 353.57, only with respect to differences in material costs. Petitioners allege that UES claims substantial adjustments for costs that are unrelated to any physical differences in the merchandise.

Respondent argues that its verified adjustments were calculated in accordance with the Department's instructions which require that for each difference in merchandise claimed, the respondent is to separately identify differences in material costs, labor, and variable overhead expenses.

DOC Position

We agree with petitioners. A substantial portion of the differences in the labor and overhead components of the variable cost of manufacturing resulted from timing differences and plant efficiency differences. Based upon respondent's methodology, two products which had different material inputs, but went through the exact same fabrication processes, had varying amounts for labor and overhead. These differences arose from the fact that the two products were not necessarily manufactured at the same time or in the same plant. If one product was manufactured at the beginning of the POI and another was manufactured at the end of the POI, the respondent's methodology for calculating manufacturing costs for a very specific product resulted in labor cost differences. Additionally, if the two products were manufactured in different plants, with one of those plants being less efficient, then the variable overhead would also differ between the two products.

The Department acknowledges that not all of UES's products undergo the exact same fabrication processes. Indeed, based upon information gathered at verification, we know that some of the products do undergo additional fabrication. However, we have determined that the overwhelming majority of the differences in merchandise adjustments result from timing and efficiency differences, not from physical differences in the merchandise. Therefore, for purposes of this final determination, we have disregarded the labor and overhead

portion of the differences in merchandise adjustment in our analysis for products that are identical except for grade code.

Comment 3

Petitioners argue that the adjustment for U.S. credit expense should be based on the home market interest rate rather than the U.S. interest rate, because "UES did not verify that it had any actual dollar borrowing during the period of investigation." Specifically, petitioners claim that verification exhibit 103 only contains information pertaining to interest rates, not borrowings.

Respondent argues that the verification did confirm that there were dollar borrowings and that consequently, the Department should use the U.S. interest rate.

DOC Position

We agree with respondent. In its submission of August 31, 1992, at Exhibit c.11, respondent listed its dollar borrowings and the applicable interest rates. Verification exhibit 103 includes a letter from UES's U.S. bank in which it is stated that "[t]he borrowing rates for UES Sales Inc. are correct as stated." The letter then goes on to list the same interest rates that UES reported in its August 31 submission.

Comment 4

Petitioners argue that we should treat the home market warehousing expense claimed by UES as an indirect, rather than direct, selling expense, because the verification established that these warehousing expenses were pre-sale expenses.

UES argues that these expenses are directly related to the sales under consideration, and therefore qualify for a circumstances of sale adjustment pursuant to 19 CFR 353.56.

DOC Position

We agree with respondent. In its response to our questionnaire, respondent explained this adjustment as follows:

• • • UES accepts requests from some home market customers to maintain in inventory a certain amount of product manufactured to that customer's specifications. Then, when the customer needs the steel, it issues a specific purchase order for delivery out of this customer-specific stock. Customers can thereby obtain immediate delivery, rather than wait for the normal monthly rolling cycle. (The customers' requests to produce and warehouse specific steel take the form of a purchase order, but price and quantity are not determined until shipment. Accordingly, UES has reported the individual shipments

from stock, and not the initial production request, as the sale for reporting on the sales file.)

The verification confirmed the facts concerning this adjustment as stated above.

Inasmuch as the date of sale is the date of the subsequent order and not the date of the original request for production and warehousing, this warehousing expense occurs "pre-sale." UES has calculated this expense separately for each customer to which it applies. UES has not claimed a circumstances of sale adjustment for warehousing expenses for ordinary inventory not produced to a customer's specifications.

The facts in this case are essentially the same that existed in the case of Polyethylene Terephthalate Film, Sheet, and Strip from Japan, wherein an adjustment for pre-sale warehousing expense was allowed. In the final determination for that case (56 FR 16300, 16303, April 22, 1991) we stated:

• • • we verified that the expenses were incurred and reported on the basis of specific products sold to specific customers during the POI. Furthermore, the stock in question was only available to those specific customers. On that basis, we have accepted Teljin's contention that its pre-sale warehousing expenses were directly related to its home market sales of PET film and have allowed the adjustment.

We therefore consider these pre-sale warehousing expenses as directly related to the sales under consideration and accordingly have made a circumstances of sale adjustment.

Comment 5

Petitioners also argue that we should disallow (or alternatively reduce the amount of) the warehouse expense adjustment because the verification showed that the reported amount should be adjusted downward by a significant percentage.

DOC Position

We disagree. Petitioners have misread the verification report. The reported amount claimed for warehouse expense, as stated in the questionnaire response, is net of the adjustment noted by petitioners.

Comment 6

Petitioners argue that UES should not be allowed to use an estimated annualized average for electricity costs. Petitioners assert that the Department's long standing practice is to annualize only general and administrative (G&A) expense and interest, never variable manufacturing cost.

Respondent argues that the use of an average annual rate provides a more accurate indication of the actual cost normally incurred by UES. UES's annual electricity contract is completed each March, at which time the electric utility reconciles the year's costs to the contract and refunds overcharges or charges amounts owed. The Department, respondent argues, requires that annualized rates be used for administrative expenses specifically to avoid the distortions that would otherwise occur from periodic or seasonal expenses.

DOC Position

The Department agrees with respondent. In cases such as this, where it was demonstrated that significant seasonal fluctuations occur, the Department does allow the use of annualized costs. The Department always uses annualized G&A and interest amounts because of the seasonal or periodic nature of these types of cost.

Comment 7

Petitioners argue that the Department should reject UES's reclassification of G&A expense out of COM to a separate category because it may have included some fixed overhead costs. Petitioners state that the list or recategorized expenses, provided by UES in Exhibit D-13 of its July 28, 1992, submission, shows several indirect cost centers, related to manufacturing, which were included in UES's reclassification of G&A.

Petitioners state that for the final determination the Department should continue to use BIA because UES failed to verify that its recategorized expenses actually are G&A expenses, rather than factory overhead expenses.

Respondent argues that its reclassification did not include factory overhead costs. UES identified and transferred from COM to G&A those cost centers exclusively or predominantly involved in activities not directly related to manufacturing activities of the company. Additionally, respondent points out that the adjustment was done to meet the Department's requirements. Concerning the cost centers referred to by petitioners, respondent states that the cost questionnaire defines G&A as those expenses that relate to activities of the company as a whole, rather than to the production process. To comply with this definition, UES reclassified 27 cost centers including: training centers, typing and reprographics, passenger cars, general supplies, and accounting and administrative centers. The specific cost centers referred to by petitioners

have little or no involvement in manufacturing activities.

DOC Position

The Department agrees with respondent. The cost centers identified by petitioners were reviewed at verification and found to be almost exclusively related to G&A. No evidence was found during the verification to indicate that the respondent reclassified factory overhead cost to G&A.

Comment 8

Petitioners argue that the Department should continue to adjust for the difference between the reported costs and the costs recorded in the books of UES. Petitioners state that in the one case where UES provided costs from its normal accounting systems, inventory value, the costs from the accounting system were significantly greater than the reported costs. Petitioners state that they can find no evidence that UES verified that its methodology led to full absorption and that there appears to be no systematic reconciliation between inventory values and reported costs. Petitioners question verification exhibit 9, stating that it indicates that costs from UES's normal accounting system exceeded reported costs.

Respondent argues that it used its existing cost accounting system to develop its actual product costs. UES states that it provided the Department with a detailed description of its cost accounting system, and that this fact is supported by over 600 pages of company financial and cost accounting statements, exhibits and worksheets collected by the Department. Respondent argues that petitioners' reference to the inventory value and the difference between it and the reported costs ignores the fact that UES's inventory amounts include G&A and interest. Any use of UES's normal inventory costs without regard to the G&A and interest included therein would result in significant overstatement of production costs through double accounting.

Respondent also argues that petitioners' concerns about the lack of verifying ability of UES's response are unfounded and that at verification UES provided detailed reconciliations of materials, processing, selling, and G&A costs to the company financial records. In addition, the reconciliation referred to by petitioners was a simple reconciliation of total reported costs of manufacturing for lead bar products compared to the standard cost of these same products, adjusted by the financial variances and that it demonstrates that reported costs are consistent with the

costs that would have resulted from a simpler method of applying total company manufacturing variances to the total standard costs of those products. The difference results because leaded bar is not processed through all of UES's facilities and therefore it is to be expected that there will be a difference between the subject merchandise's specific product costs reported by UES and the less detailed costs computed by applying company-wide variances. The fact that the reported difference is so small provides additional comfort in the accuracy of the reported figures.

DOC Position

The Department agrees with respondent. Respondent provided significant evidence that it reported fully absorbed costs to the Department. The verification report explains in detail that UES used its normal cost accounting system to calculate the reported costs. UES departed from its normal cost accounting system when required to do so by the Department. The exhibit referred to by petitioners provides evidence that the reported costs are virtually the same costs that would have been reported if respondent had adopted petitioners' methodology.

Comment 9

Respondent argues that in calculating the net United States price, the Department should make a deduction for ocean freight expense based on the amounts charged UES by a related company rather than on the best information available (BIA). The related company is British Steel Shipping Service (BSSS), a division of British Steel plc, that specializes in shipping bulk cargoes (e.g., grain, ore, coal) into the United Kingdom, and steel products out of the United Kingdom. Because UES failed to provide evidence that BSSS charged UES arm's length rates, for the preliminary determination, the Department based the deduction for ocean freight on BIA for the BSSS shipments.

Since the preliminary determination, UES has provided cost data from BSSS which show the profit or loss of BSSS for the 1991 and 1992 shipping seasons on a voyage-by-voyage basis. These data were verified.

UES has also provided information from another, unrelated carrier, Baltic Line, which indicates that the unrelated carrier charges lower rates than BSSS for the transport of steel, including the products under investigation, from the United Kingdom to U.S. Great Lakes ports. This information includes tariffs filed by Baltic Line with the U.S.

Federal Maritime Commission, a letter from Baltic Line's agent, and sample invoices.

Respondent argues that the fact that BSSS enjoyed an overall profit on the transatlantic trade and the fact that a second, unrelated, carrier provides the same service at lower rates, establishes that the rates BSSS charges UES are at arm's length.

Petitioners argue that because BSSS was not profitable on the U.S.-bound charters, the rates were not at arm's length. Petitioner further argues that we should ignore the evidence concerning the Baltic Line's rates, because they pertain to liner service. Liners, according to petitioners, "are common carriers serving specific routes along predetermined schedules, and therefore liner service is limited by space availability." Petitioners allege that because "UES must regularly ship large quantities of steel, it cannot depend on liner services for other than occasional small shipments."

DOC Position

We agree with respondent. BSSS's transatlantic business is profitable on a round trip basis. Furthermore, an unrelated carrier charges comparable or lower rates. The fact that the unrelated carrier provides "liner service" is not relevant. What is required is an indication that the rates UES actually pays are at arm's length. The fact that an unrelated carrier makes the service available at an equal or lower cost to that actually paid is conclusive.

Comment 10

Respondent argues that in comparing United States price to foreign market value, we should compare U.S. sales with an order quantity of 25 metric tons (MT) or greater with home market sales of 25 MT or greater, and U.S. sales of less than 25 MT with home market sales of less than 25 MT. To support its argument, UES cites 19 CFR 353.55 which states that "[i]n comparing the United States price with foreign market value, the Secretary normally will use sales of comparable quantities of merchandise."

Petitioners argue that we should not allow respondent's request, in part, because most orders in the U.S. market are for quantities of less than 25 MT.

DOC Position

We agree with respondent. At verification, we determined that pursuant to the home market price list, quantity extras apply to home market sales wherein the ordered quantity is less than 25 MT. In the U.S. market, quantity extras do not apply. Therefore,

in this instance, to avoid distorting our analysis, it is appropriate to compare sales of similar quantities with a 25 MT break-point.

Comment 11

Respondent argues that the Department should add two weeks to the payment period for each shipment to the United States for the purposes of calculating credit expense.

Petitioner argues that the Department should add 30 days to the payment period as was done for the preliminary determination.

DOC Position

We agree with respondent. We have increased the payment period by 15 days for each U.S. shipment for the purpose of calculating credit expense.

In its questionnaire response, UES calculated U.S. credit expense based on the number of days from date of shipment from the port, not from the factory, because it does not keep records for the date of shipment from the factory on an invoice-by-invoice basis. UES advised that it has a 30 day rolling cycle and a sailing to the United States every month (or more often). Therefore, UES estimated that the U.S.-bound merchandise, on average, leaves the factory two weeks prior to the reported date of sailing. For the preliminary determination, as an adverse inference, we recalculated the US credit expense by increasing the days outstanding by 30 days.

At verification, for one sailing date selected by us, we determined there was a 40 day rolling day cycle and that the weighted-average time between shipment from the factory and the vessel's sailing was 21 days. We also verified that in one instance the U.S.-bound goods were rolled over a period of two weeks, and that for all other pertinent shipments, the rolling cycle was about four weeks. Therefore, 15 days is a reasonable estimate of the average number of days between shipment from the factory to the port and shipment from the port.

Comment 12

Both petitioners and respondent argue that we should include sales to related end-users in the calculation of foreign market value.

DOC Position

We agree with both parties.

Many of UES' home market sales are to a related end-user. In its response to the questionnaire, UES claimed that these sales were at arm's-length and should be used in our analysis. Prior to the preliminary determination, UES did

not perform any quantitative analysis to show that home market sales to related parties are at arm's length. Therefore, for the preliminary determination, we did not use the home market sales to related parties in the calculation of foreign market value.

Since the preliminary determination, both respondent and petitioners have done computer analyses of the home market data base in which they compared the sales prices to related and unrelated end-users. Both parties now argue that the related home market sales are at arm's length prices and therefore should be included in the calculation of foreign market value. We have accepted their conclusions.

Continuation of Suspension of Liquidation

We are directing the Customs Service to continue to suspend liquidation of all entries of lead and bismuth carbon steel from the United Kingdom that are entered, or withdrawn from warehouse, for consumption on or after September 28, 1992, the date of publication of our preliminary determination in the Federal Register.

The product under investigation is also subject to a countervailing duty investigation. Article VI.5 of the General Agreement on Tariffs and Trade (GATT) provides that "[n]o . . . product shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act which prohibits assessing dumping duties on the portion of the margin attributable to an export subsidy. In this case, however, because the subsidy has been determined to be a domestic subsidy rather than an export subsidy, no adjustment to the estimated dumping margin is required.

The Customs Service shall require a cash deposit or bond equal to the estimated amount by which the FMV of the merchandise subject to this investigation exceeds the U.S. price, as shown below. This suspension of liquidation will remain in effect until further notice. The weighted-average dumping margins are as follows:

Producer/manufacturer/exporter	Weighted-average margin percentage
United Engineering Steels, Limited	25.82
All others	25.82

ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination.

Notification to Interested Parties

This notice also serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 353.34(d). Failure to comply is a violation of the APO. This determination is published pursuant to section 735(d) of the Act and 19 CFR 353.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-1904 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-06-M

[A-533-805]

Notice of Postponement of Final Antidumping Duty Determination of Sales at Less Than Fair Value: Sulfur Dyes, including Sulfur Vat Dyes, From India

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Kimberly Hardin, Office of Antidumping Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-0371.

Postponement: On December 23, 1992, Atul Products Limited, respondent in the antidumping duty investigation of sulfur dyes, including sulfur vat dyes, from India, requested that the Department postpone the final determination in this investigation until February 19, 1993, in order to allow the Department sufficient time to fully consider all of the issues in this case as well as the information obtained during the sales and cost of production verification proceedings, in accordance with 19 CFR 353.20(b).

We find no compelling reasons to deny the request and are, accordingly, postponing the date of the final determination until February 19, 1993. 19 CFR 353.20(b)(1).

In accordance with 19 CFR 353.38, case briefs or other written comments in at least ten copies must be submitted to the Assistant Secretary for Import Administration no later than 11 a.m., January 25, 1993, and rebuttal briefs no later than 11 a.m., January 27, 1993. In accordance with 19 CFR 353.38(b), we will hold a public hearing, if requested, to give interested parties an opportunity

to comment on arguments raised in case or rebuttal briefs. The hearing will be held on January 28, 1993, at 1:30 p.m. at the U.S. Department of Commerce, room 3708, 14th Street and Constitution Avenue NW., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, room B-099, within ten 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; and (3) a list of the issues to be discussed. In accordance with 19 CFR 353.38(b), oral presentation will be limited to issues raised in the briefs.

This notice is published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)) and 19 CFR 353.20(b).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

FR Doc. 93-1998 Filed 1-26-93; 8:45 am]
BILLING CODE 3510-08-M

[C-489-603]

Acetylsalicylic Acid (Aspirin) From Turkey; Revocation of Countervailing Duty Order

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

ACTION: Notice of revocation of countervailing duty order.

SUMMARY: The Department of Commerce is revoking the countervailing duty order on acetylsalicylic acid (aspirin) from Turkey because it is no longer of interest to interested parties.

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Patricia W. Stroup or Maria MacKey, Office of Countervailing Compliance, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; telephone: (202) 482-0983 or 482-0395.

SUPPLEMENTARY INFORMATION:

Background

On August 14, 1992, the Department of Commerce ("the Department") published in the Federal Register (57 FR 36634) its intent to revoke the countervailing duty order on certain acetylsalicylic acid (aspirin) from

Turkey (52 FR 32156; August 26, 1987). Additionally, as required by 19 CFR 355.25(d)(4)(ii), the Department served written notice of its intent to revoke this countervailing duty order on each party listed on the most current service list. Thus, interested parties who might object to the revocation were provided the opportunity to submit their comments no later than thirty days from the date of publication of the notice of intent to revoke the countervailing duty order.

Scope of the Order

Imports covered by this order are shipments of acetylsalicylic acid (aspirin), containing no additives other than inactive substances (such as starch, lactose, cellulose, or coloring material), and/or active substances in concentrations less than specified for particular non-prescription drug combinations of aspirin and active substances as published in the Handbook of Non-Prescription Drugs, eighth edition, American Pharmaceutical Association, and not in tablet, capsule or similar forms for direct human consumption, from Turkey. This product is currently classified under 2918.22 of the Harmonized Tariff Schedule of the United States.

Determination to Revoke

The Department may revoke a countervailing duty order if the Secretary of Commerce concludes that the order is no longer of interest to interested parties. We conclude that there is no interest in a countervailing duty order when no interested party has requested an administrative review for five consecutive review periods (19 CFR 355.25(d)(4)(i)) (1989) and when no interested party objects to the revocation (19 CFR 355.25(d)(4)(iii)).

The Department received a request for an administrative review from CoKEM Associates, on behalf of the Atabay Group, producers and exporters of the subject merchandise. As CoKEM Associates was not previously a party to this proceeding, and, consequently, did not appear on our service list, we had not served them with written notice of our intent to revoke the order. Upon receipt of the request for review, we notified CoKEM Associates of our action and afforded an opportunity for comment. CoKEM subsequently withdrew its request for an administrative review of the countervailing duty order on acetylsalicylic acid (aspirin) from Turkey.

Accordingly, as we received no objections to our notice of intent to

revoke the countervailing duty order, and as the one request for administrative review was withdrawn before the review was initiated, we have concluded that the countervailing duty order covering acetylsalicylic acid (aspirin) from Turkey is no longer of interest to interested parties. Accordingly, we are revoking this countervailing duty order in accordance with 19 CFR 355.25(d)(4)(iii).

Further, as required by 19 CFR 355.25(d)(5), the Department is terminating the suspension of liquidation and will instruct the Customs Service to liquidate, without regard to countervailing duties, all unliquidated entries of this merchandise exported from Turkey on or after January 1, 1992.

This notice is published in accordance with 19 CFR 355.25(d)(4)(iii).

Dated: January 14, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-1999 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-08-M

[C-351-812]

Final Affirmative Countervailing Duty Determination: Certain Hot Rolled Lead and Bismuth Carbon Steel Products From Brazil

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Philip Pia or Laurel Lynn, Office of Countervailing Compliance, U.S. Department of Commerce, room 3099, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-2786.

Final Determination

The Department of Commerce (the Department) determines that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in Brazil of certain hot rolled lead and bismuth carbon steel products (hereinafter: "certain additive steel products").

For information on the estimated net subsidy, please see the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of the preliminary determination (57 FR 42980, September 17, 1992), the following events have occurred.

Verification was conducted from September 21 through October 2, 1992.

On October 16, 1992, in accordance with section 705(a)(1) of the Tariff Act of 1930, as amended (the Act), we aligned the final determination in this investigation with the final determination in the companion antidumping duty (AD) investigation of the same merchandise (57 FR 48020, October 21, 1992). On November 6, 1992, we postponed the final countervailing duty (CVD) and AD determinations until no later than January 25, 1993 (57 FR 53691, November 12, 1992).

The parties submitted case and rebuttal briefs on December 16 and December 23, 1992, respectively. A public hearing was held on January 5, 1993.

Scope of Investigation

The products covered by this investigation are hot rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the *Harmonized Tariff Schedule of the United States* (HTSUS) Chapter 72, note 1(f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also, excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Respondents

The Government of Brazil (GOB), Companhia Aços Especiais Itabira (ACESITA), and Mannesmann, S.A. (Mannesmann) are respondents to this investigation.

Corporate History

During the period of investigation (POI), ACESITA was a state-owned company. In accordance with GOB's

national privatization plan, ACESITA's stock was auctioned to the public on October 22, 1992. Because this auction occurred after the preliminary determination in this case, we are not considering the auction, or its possible effect on any of the programs described below, in this investigation. We will address these issues during the first administrative review of the countervailing duty order in this case, as is contemplated by section 355.39 of the Department's Proposed Regulations (Countervailing Duties; Notice of Proposed Rulemaking and Request for Public Comments, 54 FR 23366 (May 31, 1989) (Proposed Regulations)), if a countervailing duty order is issued and an administrative review is requested.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidies (the period of investigation (POI)) is calendar year 1991 which corresponds to the fiscal year of ACESITA and Mannesmann.

In determining the benefits received under the various programs described below, we used the following calculation methodology. We first calculated the country-wide rate for Brazil. This rate comprises the sum of the *ad valorem* rates received by each firm weighted by each firm's share of exports to the United States of the subject merchandise. Because this rate was above *de minimus*, pursuant to 19 CFR 355.20(d), we compared the total *ad valorem* rate received by each firm to the country-wide rate for all programs. The rate for ACESITA was significantly different from the weighted-average country-wide rate. Therefore, ACESITA received its own rate. Because ACESITA is significantly different from the country-wide rate, its rate is removed from the calculation of the country-wide rate applied to all remaining companies. Because Mannesmann is the only remaining firm, its rate constitutes the country-wide rate which will be assigned to all imports of the subject merchandise from Brazil from all producers and exporters, except ACESITA.

Equityworthiness

Petitioners have alleged that ACESITA is inequityworthy for certain years and that equity infusions received during those years were inconsistent with commercial considerations. However, we have determined that the assistance alleged by petitioners to constitute equity infusions should not be treated as equity. Therefore, there is no need to make an equityworthiness determination.

Creditworthiness

We have examined ACESITA's financial statements and, through the use of ratio analysis, its performance covering the years 1979 through 1991, in order to determine the firm's creditworthiness. The data in those statements demonstrate extremely low levels of liquidity and a questionable ability to service its maturing long-term debt. In fact, ACESITA was in default on some of its long-term debt during the period 1986 through 1989, and reports made by Banco do Brasil auditors confirm that the survival of the firm was in question throughout most of the 1980s. The record is clear that a reasonable creditor would have concerns about the long-term solvency of the firm during this period. We determine that ACESITA was uncreditworthy during this period, and have added a risk premium to the benchmark discount rates used in our examination of ACESITA's issuance of *partes beneficiarias* and its debt-for-debt swap. See the Department's *Equityworthy and Creditworthy Analysis Memorandum*, (September 10, 1992).

Grant Methodology

Our policy with respect to grants is (1) to expense recurring grants in the year of receipt, and (2) to allocate non-recurring grants over the average useful life of assets in the industry, unless the sum of grants provided under a particular program is less than 0.5 percent of a firm's total or export sales (depending on whether the program is a domestic or export subsidy) in the year in which the grant was received. See e.g., Final Affirmative Countervailing Duty Determination; Fresh and Chilled Atlantic Salmon from Norway, 56 FR 7678 (February 25, 1991) (Salmon from Norway).

We have considered the debt-for-debt swap undertaken by ACESITA in 1990 and the "partes beneficiarias" (PBs), as of 1989, to constitute non-recurring grants, because the benefits are exceptional, and the recipient cannot expect to receive benefits on an ongoing basis from review period to review period. See, Final Affirmative Countervailing Duty Determination; Certain Fresh Atlantic Groundfish from Canada, 51 FR 10041 (March 24, 1986) (Groundfish from Canada). Therefore, we have allocated the benefits over 15 years, which the Department considers to be reflective of the average useful life of assets in the steel industry (See section 355.49(b)(3) of the Proposed Regulations).

The benefits from the debt-for-debt swap and the PBs were calculated using

the declining balance methodology described in the Department's Proposed Regulations (See section 355.49(b)(3)) and used in prior investigations (see e.g., *Salmon from Norway*). For the BPs, we have used as a discount rate the cost of dollar-denominated, long-term, fixed-rate debt of ACESITA in 1989. For the debt-for-debt swap, we have constructed a long-term, fixed-rate, dollar-denominated benchmark for 1990 based on offers made to ACESITA by private commercial banks in 1990. Because ACESITA was uncreditworthy in both years, we have added a risk premium to these benchmarks as required by the Proposed Regulations.

We consider the benefits under the Law 7554/86 IPI rebate program to be recurring because (1) the program is not exceptional; (2) the program is longstanding—it has been in place for over fifteen years and although the disbursement method and our treatment of the benefit changed in 1990, the program is scheduled to continue in its present form until 1998; and (3) the benefits are consistently distributed. This determination is consistent with the Department's standard on recurring versus non-recurring grants, as enunciated in the Proposed Regulations and recently in the Preliminary Affirmative Countervailing Duty Determination: *Certain Steel Products From the United Kingdom*, 57 FR 57734, December 7, 1992. (*Certain Steel Products From the United Kingdom*.)

Based on this analysis, we expensed the IPI rebates provided under this program in 1991, dividing the total amount of each company's IPI rebates received during the POI by their respective total sales in 1991.

Specificity

When receipt of benefits under a program is not contingent upon exportation, the Department must determine whether the program is specific to an enterprise or industry, or group of enterprises or industries. Under the specificity analysis, the Department examines both whether a government program is limited by law to a specific enterprise or industry, or group thereof (i.e., *de jure* specificity) and whether the government program is in fact limited to a specific enterprise or industry, or group thereof (i.e., *de facto* specificity). See section 771(5)(B) of the Act. In section 355.43(b)(2) of the Department's Proposed Regulations, the Department has set forth the factors that may be considered in determining whether there is specificity:

(i) The extent to which a government acts to limit the availability of a program;

(ii) The number of enterprises, industries, or groups thereof that actually use a program;

(iii) Whether there are dominant users of a program, or whether certain enterprises, industries, or groups thereof receive disproportionately large benefits under a program; and

(iv) The extent to which a government exercises discretion in conferring benefits under a program.

See also Final Affirmative Countervailing Duty Determination: *Certain Softwood Lumber Products from Canada*, 57 FR 22570 (May 28, 1992).

I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Brazil of certain additive steel products as follows:

A. *Partes Beneficiarias*

In the early 1980s, ACESITA experienced serious financial difficulties, including low liquidity levels. The Banco do Brasil, ACESITA's major shareholder, undertook a study of the company's financial and operating positions, and outlined options for the Banco do Brasil to follow in assisting the company. The study recommended that ACESITA issue PBs, which were hybrid instruments with qualities of both debt and equity. PBs are similar to liabilities because they carry an obligation for the issuer to repay the bearer the nominal purchase value in equal yearly installments following a grace period (in ACESITA's case, the repayments were scheduled to start in 1989). PBs are similar to equity in that the purchaser has the right to share in the company's annual profits.

PBs were chosen over equity infusions for several reasons. First, the Banco do Brasil was prohibited by law from increasing its equity share in the company. Second, it was unlikely that other shareholders would continue to participate in stock offerings. Third, the Banco do Brasil was under pressure from the International Monetary Fund to limit any new industrial investment to only absolutely necessary infrastructure projects.

In 1989, ACESITA's PB-holders held a meeting in which they voted to authorize the conversion of PBs to common stock at an indeterminate date in the future. This vote did not change PBs into stock; it merely laid a legal basis for eventual conversion into common stock.

Repayment of the PB investments had originally been scheduled to begin in 1989. However, at that time, no payments were requested by the PB-

holders, and no payments were made by ACESITA. Further, the PBs were not converted into stock at the point the repayment obligations ceased nor was there any schedule or timetable put into place for the conversion. At that point, in 1989, the PBs were neither debt nor equity, and in addition, the basic terms of the instrument were not met. The failure to meet basic terms of the instrument, coupled with the lack of an actual conversion of the PBs into stock, or a concrete plan and timetable for conversion, in effect, rendered the PBs grants as of 1989.

We have used our grant methodology to value PBs, as described in the Grant Methodology section above. We indexed the original nominal values of the PBs to account for Brazilian hyperinflation by dollarizing them. On this basis, we find the estimated net subsidy to be 10.68 percent *ad valorem* for ACESITA and 0.00 percent *ad valorem* for all other manufacturers, exporters, and producers of the subject merchandise.

B. *ACESITA Debt-for-Debt Swap*

In 1990, ACESITA engaged in a debt-for-debt swap transaction which reduced its loan obligations substantially. We find that this transaction provides a countervailable subsidy to ACESITA.

Normally, Brazilian companies with foreign-denominated debt governed by Resolution 4131 are required to service such debt through local currency payments processed through the Central Bank. Following the suspension of convertibility, the Central Bank issued negotiable notes known as Multi-Year Deposit Facility Agreement Certificates, or MYDFAs, in lieu of the foreign currency due the creditor. MYDFAs entitled the bearer to immediate redemption in cruzeiros only—redemption of the note in U.S. dollars was suspended for an unspecified period. Because of these restrictions and because MYDFAs are negotiable, they began selling at less than their par value in secondary markets.

ACESITA utilized this discounting to substantially reduce its indebtedness. ACESITA had a loan with the Banco do Brasil which was paid, through the Central Bank, in MYDFAs. ACESITA used an intermediary to borrow sufficient funds to purchase, on the secondary market at a substantial discount, enough MYDFAs to satisfy ACESITA's obligation to the Banco do Brasil. ACESITA's original loan was paid in full with the discounted MYDFAs. ACESITA essentially replaced its original foreign-currency denominated loan with a new, much smaller loan. ACESITA's benefit derives

from the difference between the amounts of the two loans. ACESITA assumed the second loan after the intermediary had paid off the original debt with the MYDFAs.

We find that there is insufficient evidence on the record to determine that debt buy-back transactions such as ACESITA's, are not *de facto* specific. See the Specificity section above. In the original questionnaire, the Department requested information from the GOB and the company on the ACESITA transaction, and also requested the GOB to provide information on the availability of such transactions. Specifically, the questionnaire asked the GOB to provide information regarding eligibility criteria, types of records kept by the administering authority, numbers, types, and locations of industries which have applied for and received benefits, and whether there are any limitations on eligibility based on export performance, industry groups, or geographical location. Although the GOB provided information regarding the transaction in question, it did not respond to the Department's specificity questions, stating that such questions were not applicable because the loan was not provided as part of a government program.

In a supplemental questionnaire, the Department requested a breakdown, by industry, of similar transactions from the Banco do Brasil. The GOB responded that due to strict bank secrecy laws, such information could not be provided. However, confidentiality of information does not relieve a respondent from its obligation to provide the Department information. Although the GOB provided articles and other published material about MYDFAs and debt swap arrangements, the GOB provided no further information on the actual number and types of industries that had participated in MYDFA-based debt swaps, all of which had to have been processed through the Central Bank. Moreover, the GOB did not provide any information that would allow the Department to determine whether the ACESITA transaction was similar in its terms and conditions to other transactions involving MYDFAs.

Absent such factual, verified information from the GOB, it is not possible for the Department to conclude that ACESITA's debt-for-debt swap, which, on its face, benefitted ACESITA by relieving it of a large debt in exchange for a smaller debt, is non-specific and therefore non-countervailable.

Because there is inadequate information on the record to determine that debt-for-debt swaps are not specific,

we have, as best information available, found that this transaction was specific to an enterprise or industry, or group of enterprises or industries.

We determine that such a transaction is essentially debt forgiveness by the GOB, and as such bestowed a countervailable benefit to ACESITA. ACESITA was relieved from a debt that it otherwise would have to had to pay absent government intervention. Therefore, we have treated the difference between the first loan and the second loan as a nonrecurring grant and used the methodology described in the Grant Methodology section above. We have allocated that amount of debt forgiven in 1990 over 15 years, the average useful life of assets in the steel industry. We divided the result by ACESITA's total sales in 1991. The rate for ACESITA is 5.40 percent *ad valorem* and 0.00 percent *ad valorem* for all other manufacturers, exporters, and producers.

Although we determine that ACESITA was uncreditworthy at the time the transaction was made, the interest rate charged by the Banco do Brasil for the swap loan is higher than the Department's benchmark rate including the risk premium for uncreditworthy companies. Therefore, we determine that the new loan was made on terms consistent with commercial considerations.

C. IPI Rebate Program Under Law 7554/86

Under this program, Brazilian steel producers are eligible to receive a rebate of the IPI tax (Imposto sobre Produtos Industrializados), which is a value-added sales tax paid on domestic sales of industrial products. The steel producers must meet the following conditions in order to receive IPI rebates under this program:

- (a) The company must produce liquid steel;
- (b) The IPI rebate must be used to increase the production of certain steel products;
- (c) The company must have an ongoing capital investment project, originally approved by the Conselho do Desenvolvimento Industrial (CDI (the Industrial Development Council));
- (d) The company must receive quarterly approval from the Department for Industry and Commerce to ensure that capital investment in the approved project is continuing; and
- (e) The company must have a net IPI tax obligation in each quarter.

The IPI rebate program was originally established in 1977 (Decree-Law 1547). Although the program was suspended in April 1990 (Law 8034), steel companies

with projects approved before April 12, 1990 are eligible to continue to receive IPI rebates until 1996 pursuant to the old legislation (Law 7554).

Because only steel producers are eligible to receive IPI rebates, we determine that this program is limited to a specific enterprise or industry, or group of enterprises or industries. We have found that ACESITA and Mannesmann received benefits under this program.

We consider the IPI rebate program to constitute a recurring benefit, consistent with our treatment of it in the Final Negative Countervailing Duty Determination: Circular Welded Non-Alloy Steel Pipe From Brazil, 57 FR 42968, (September 17, 1992), (Pipe and Tube From Brazil). This determination is consistent with our standards for recurring versus non-recurring grants. See the Grant Methodology section above. The IPI rebate program is not exceptional and the benefits are consistently distributed. Once approved, the benefits are continuously received. No further application or approval is required. Companies need only meet eligibility requirements in order to automatically receive the benefits. While the program is scheduled to terminate in 1996, the rebates will continue to be available until that time. Recipients can expect to receive benefits on an ongoing basis from year to year, as long as the minimum eligibility requirements set forth in the original program are met.

Based on this analysis, we expensed the rebates provided under this program in 1991, in accordance with our policy regarding recurring grants (See Grant Methodology section above). We divided the total amount of each company's IPI rebates received during the POI by their respective total sales in 1991. On this basis, we determine the net subsidy under this program to be 2.90 percent *ad valorem* for ACESITA and 0.67 percent *ad valorem* for all other manufacturers, exporters, and producers of the subject merchandise.

D. Exemption of IPI and Import Duties on Imports Under Decree/Law 2324

Decree/Law 2324 of March 30, 1987, provided exporters of manufactured products exemptions from IPI and duties on imported spare parts and machinery. One respondent, Mannesmann, was provided exemptions under this law during the POI. Because this exemption is limited to exporters, and because the imported goods were not physically incorporated into the subject merchandise, we determine that it is countervailable.

To calculate the benefit, we divided the amount of IPI and import duties exempted in 1991 by Mannesmann's total exports in 1991. The rate for ACESITA is 0.00 percent *ad valorem* and 0.15 percent *ad valorem* for all other manufacturers, producers, and exporters in Brazil of the subject merchandise. However, this program was terminated by the expiration of the law on December 31, 1991, and we verified that no residual benefits were received after that date. Therefore, for this program we have reduced the cash deposit rate to zero in accordance with section 355.50(a)(2) of the Department's Proposed Regulations.

E. Exemptions of IPI and Duties on Imports Under Law 2894

Law 2894 of October 1, 1956, specifically exempts ACESITA from import duties and IPI on imports of all goods which are destined for the improvement, expansion, and maintenance of steel and hydro-electric plants owned by ACESITA. This law provides different benefits from the IPI Rebate Program under Law 7554/86 described above, because this law applies to IPI and duties due only on imports. The law is effective as long as the Banco do Brasil remains the majority shareholder of ACESITA.

Respondents have argued that due to the national privatization plan in place in Brazil since 1990, and the privatization auction held on October 22, 1992, the Banco do Brasil is no longer the majority shareholder of ACESITA, and that the Department should, therefore, adjust the deposit rate to zero. As stated in the Corporate History section above, we do not consider the GOB's privatization plan in and of itself to constitute privatization. Because the auction of ACESITA's stock was held after the preliminary determination in this case, we have not considered the impact of that auction on this program.

Because this exemption was limited to one company, we determine that it is countervailable. To calculate the benefit, we divided the amount of IPI and import duties exempted in 1991 by ACESITA's total sales in 1991. The rate for ACESITA is 0.21 percent *ad valorem* and 0.00 percent *ad valorem* for all other manufacturers, exporters, and producers of the subject merchandise.

II. Program Determined Not To Be Countervailable

We determine that the following program does not provide subsidies to manufacturers, producers, or exporters in Brazil of certain additive steel products:

A. Long-Term Loans Through FINEP

The Fund of Studies and Projects (FINEP; Financiadora de Estudos e Projetos) is a government agency that provides and administers loans in connection with technological development projects. ACESITA had two loans outstanding during the POI from FINEP. We verified that the following sectors received financing from FINEP in the years in which ACESITA received financing: Livestock, fisheries and agriculture; mining, metallurgy and mechanics; electric, electronic and communications equipment; infrastructure, transportation and communication equipment; wood, paper and paperboard; chemicals, plastics, and alcohol; textiles, apparel, footwear, and artifacts; food products; civil construction, engineering and consulting; electrical energy, gas, and sanitation; and others. Steel is classified as part of the metallurgy sector. We also verified that FINEP loans were not limited to geographical regions of Brazil. We found no new evidence that ACESITA or the steel industry, as a whole, received a disproportionate share of FINEP funds. We also found no evidence at verification that FINEP applied different criteria or standards in approving ACESITA's loan application than for other applicants.

Given that a wide array of industries received FINEP loans, and there is no evidence that steel received a disproportionate share or that FINEP exercised discretion in awarding ACESITA its loans, we determine that FINEP is not *de facto* limited to a specific enterprise or industry or group of enterprises or industries. Therefore, we determine that FINEP loans do not bestow a countervailable benefit to producers or exporters of the subject merchandise.

III. Programs Determined Not To Be Used

We verified that the following programs were not used by manufacturers, producers, or exporters in Brazil of certain additive steel products:

- A. BNDES Preferential Financing
- B. FINEX Preferential Export Financing
- C. PROEX Preferential Export Financing
- D. Tax Incentives and Funds Through Project CONSERVE
- E. IPI and Import Duty Exemptions Through the BEFIEX Program

IV. Program Determined Not To Exist

We verified that the following program does not exist:

Import-Export Reform Plan Preferential Financing

Comments

Comment 1—Petitioners contend that the Department should abandon the standard for recurring versus non-recurring grants, because there is no basis for it in the statute. If the Department continues to apply this standard, petitioners argue that the IPI rebate program is non-recurring according to the standards in the Department's Proposed Regulations and recent steel cases because the rebates are based on a one-time authorization of a capital improvement project. See, e.g., Preliminary Affirmative Countervailing Duty Determination: Certain Steel Products From the United Kingdom, 57 FR 57734, (December 7, 1992). (Certain Steel Products From the United Kingdom).

They argue that until Pipe and Tube from Brazil, IPI rebates under Law 1547, as amended by Law 7554/86, were treated as non-recurring grants by the Department. See, e.g., Certain Carbon Steel Products From Brazil; Final Results of Countervailing Duty Administrative Review, 52 FR 829, (January 9, 1987) (Certain Steel From Brazil).

Petitioners argue that because the benefits are non-recurring, they should be allocated over fifteen years, rather than expensed in the year of receipt. Petitioners also argue that the cancellation of the IPI rebate program in 1990 provides further evidence that the program is non-recurring, because respondents could not expect to receive benefits on an ongoing basis in the future.

Respondents contend that if the Department continues to consider IPI rebates to be a subsidy, the Department should continue to consider them to be recurring benefits, and should continue to expense the rebates in the year of receipt.

Respondents contend that this determination is consistent with the standard in the Proposed Regulations: (1) The IPI rebate program is not exceptional, as the program has operated regularly over a long period of time; (2) the program should be considered long-standing because it has been in existence for over fifteen years; and (3) there is great certainty that the program will continue to operate as usual in the future, until its effective termination date in 1996. Respondents also contend that IPI rebates were treated as recurring benefits in the Pipe and Tube From Brazil case and the recent Certain Steel From Brazil preliminary determination.

DOC Position—We determine the IPI rebate program to be a recurring benefit, consistent with our treatment of it in Pipe and Tube From Brazil. This determination is consistent with our criteria for recurring versus non-recurring grants, as enunciated recently in *Certain Steel Products From the United Kingdom*. The IPI rebate program is not exceptional. Further, it is longstanding—it has been in place over fifteen years, and although its method of disbursement and our treatment of the program changed in 1990, it will continue to operate as it does currently until its termination in 1996. Recipients can expect to receive benefits on an ongoing basis from year to year, as long as the minimum eligibility requirements set forth in the original program are met.

We have expensed IPI rebates in the year of receipt, consistent with our treatment of recurring benefits. This determination is not inconsistent with previous Department determinations, as argued by petitioners.

There has been an important change in the method of disbursement of the IPI rebates. Prior to 1990, companies would remit the full IPI tax to the government, which then rebated 95 percent to SIDERBRAS (the government-owned steel holding company), and SIDERBRAS returned the funds to the companies in the form of equity infusions. Accordingly, we countervailed those pre-1990 IPI rebates according to our methodology for valuing equity infusions. SIDERBRAS entered liquidation in 1990, and is no longer involved in the IPI rebate procedure. At present, companies remit the full amount of IPI owed to the government, and receive the rebates directly from the government on a regular basis. Due to the fact that the rebated funds are no longer provided to the companies in the form of equity infusions, the equity infusion allocation methodology is no longer appropriate. Based on the factors cited above, we determine that IPI rebates, as presently disbursed, constitute recurring benefits, and we have valued them in accordance with our recurring grant methodology as described in the Grant Methodology section above.

Comment 2—Petitioners contend that the 1989 decision by the Banco do Brasil to convert its PBs into equity constitutes a countervailable equity infusion. Prior to 1989, PBs cannot be considered equity because they had a fixed redemption obligation. PBs should only be considered to be equity after the 1989 shareholders' meeting in which the PBs were converted into equity.

Respondents argue that, to the extent the Department finds the PB

investments to be countervailable, it should consider the original investment dates (1983, 1984, and 1985) to be the dates of the equity infusions because the PBs functioned in many ways similar to stock from the time of purchase.

Respondents argue that the Department's preliminary determination that the PBs were converted to equity in 1989 was incorrect. Respondents contend that no such conversion occurred. The holders of the PBs voted only to authorize the conversion of PBs to equity in the future, prior to the privatization of the company. Respondents argue that the 1989 vote did not change the status of the PBs; it merely provided a legal basis for an eventual conversion to equity. Respondents argue that the actual conversion to equity occurred in October 1992, a few days prior to the auction of the company. Therefore, respondents argue that if the Department does not consider 1983, 1984, and 1985 to be the dates of the equity infusions, the only other date which could be considered would be 1992, when the PBs were actually converted into stock.

Respondents argue that because the equity infusions occurred in 1983, 1984, and 1985, the Department should revise its grant cap calculation accordingly.

DOC Position—At the time of the initial investment, PBs were hybrid instruments having the qualities of both debt and equity. From their initiation, the PBs carried a repayment obligation, with the first payments due in 1989. No repayment of PBs was ever made in accordance with the prescribed schedule. ACESITA did not begin the repayment process, nor did the PB-holders request any payment. In 1989, the PB-holders voted to authorize the eventual conversion of PBs into common stock. However, there were no fixed terms or timetables for this conversion. Because the obligation to repay was not met, and there was no concrete plan for the conversion into stock, we consider that, in 1989, the PBs effectively became grants.

Comment 3—Petitioners argue that the Department's rate of return shortfall methodology (RORS) does not adequately capture benefits from government equity infusions. Petitioners contend that because ACESITA was unequityworthy at the time of the 1989 PB equity infusion, the infusion should be treated as a grant, and calculated using the Department's grant methodology.

Respondents argue that the Department should continue to value the PB equity infusions using RORS. Respondents claim that using the grant

methodology to value equity infusions is contrary to the law and Departmental practice. Respondents argue that use of the grant methodology to value equity infusions is inconsistent with the Department's equityworthiness methodology, and produces inconsistent results.

Respondents also contend that the Department should revise its calculation of the benchmark rate of return in using the RORS methodology to value the benefit from the PB equity infusions. The Department should use the national average rate of return in the RORS methodology, rather than the steel industry's rate of return, as was used in the preliminary determination. This change would be consistent with the Department's past use of the RORS methodology.

DOC Position—We have determined that PBs should be characterized as grants after 1989, not equity. We do not consider any program in this investigation to constitute an equity infusion during the POL. Therefore, arguments regarding the appropriate valuation methodology for equity infusions are moot.

Comment 4—Petitioners argue that the Department correctly characterized ACESITA's debt swap arrangement as debt forgiveness by the Banco do Brasil. Respondents failed to provide sufficient evidence that such an arrangement was not specific to ACESITA, either in submissions or at verification. Although the Department requested information regarding debt swaps from the Banco do Brasil during verification, the Banco do Brasil refused to supply any information regarding debt swaps arranged for other clients because of Brazilian regulations regarding confidentiality of such information. Petitioners argue that claims of confidentiality cannot be used as a reason for not supplying the Department with information. Petitioners cite *Allied Tube and Conduit Corp. v. United States*, 898 F.2d 780,785 (Fed. Cir. 1990). Accordingly, petitioners argue that the Department should use the information submitted in the petition as best information available (BIA) regarding the specificity of the debt swap arrangement.

Respondents argue that ACESITA's debt restructuring did not confer a countervailable benefit to the company. First, respondents argue that the debt swap was not specific to ACESITA, but rather such debt swaps are commonly used by Brazilian companies. Respondents argue that the Department should reject petitioners' request for the use of best information available. Second, respondents argue that ACESITA's debt restructuring cannot be

characterized as debt forgiveness because ACESITA has fully satisfied all of its loan obligations to its creditor, Banco do Brasil.

Respondents argue that they have provided sufficient information on the record to demonstrate that debt restructuring such as ACESITA's arrangement are the result of Brazil's economic situation and market forces. Debt buy-back transactions similar to ACESITA's transaction are commonplace. Respondents argue that petitioners' characterization of the Banco do Brasil's "refusal" to provide information regarding similar transactions is misleading. The Banco do Brasil informed the Department that it could not provide additional detailed information regarding other transactions, due to strict Brazilian laws governing the disclosure of details of banking transactions to third parties. Respondents argue that the restrictions placed on Brazilian banks are very similar to those placed on U.S. banks.

Respondents contend that the Department's characterization, in the preliminary determination, of the debt buy-back as debt forgiveness is incorrect. Respondents argue that no forgiveness was involved in either of the two loan transactions involved in the debt swap. The first, underlying loan from the Banco do Brasil was paid in full. There can be no forgiveness when a loan is paid in full. ACESITA continues to service its obligations on the second loan. The Department properly evaluated the second loan on its own terms, and determined that it did not confer a benefit.

DOC Position—We consider that the debt buy-back transaction undertaken by ACESITA does confer a countervailable subsidy, as described above. In the preliminary determination, we characterized this transaction as debt forgiveness based on the information provided in the questionnaire response. It was only from information submitted after the preliminary determination and at verification, that we learned the exact nature of this debt-for-debt swap.

There is insufficient information on the record to determine that debt buy-back transactions such as ACESITA's, are not *de facto* specific. See the Specificity section above and Section Two, Appendix One of the Department's questionnaire. The Department requested detailed information from respondents regarding actual industry use of such transactions, and the actual terms and conditions of similar transactions, but respondents failed to provide this information. Confidentiality of information does not relieve a respondent from its obligation

to provide the Department with information.

Comment 5—Petitioners argue that the Department erred in calculating a nominal, rather than an effective, benchmark rate for evaluating the second loan provided to ACESITA in its debt swap arrangement. Petitioners contend that the loan was provided free of certain fees and charges which ACESITA would normally have to pay, including a financial tax (IOF) and a withholding tax on interest payments, making its true cost of money cheaper than alternative commercially-available financing. Petitioners contend that the Department should use information on the record to construct a company-specific benchmark rate for ACESITA.

Respondents argue that the benchmark interest rate used by the Department in the preliminary determination was correct and should be used for this final determination. Respondents argue that petitioners are incorrect in their assertion that other charges should be included in a benchmark rate.

DOC Position—We disagree with petitioners. First, information on the record demonstrates that the IOF tax is applicable to short-term debt only; it is not charged on loans with periods over 90 days.

Second, the withholding tax, for which petitioners seek an adjustment, is applicable to interest remitted abroad. Petitioners have argued that because the only likely source for dollar-denominated financing is outside Brazil, the benchmark interest rate must incorporate this withholding tax. Petitioners' assertions to the contrary, information on the record indicates that ACESITA has previously secured long-term dollar-denominated financing in Brazil. This debt was not subject to the withholding tax. It cannot be assumed, therefore that all potential alternative financing for the debt swap would have been subject to this withholding tax.

Finally, ACESITA's debt swap loan package did include "fees or commissions" imposed upon it by the intermediary involved in the debt swap. These fees were incorporated into the loan that ACESITA assumed, a loan which was greater than the amount necessary to purchase the MYDFAs necessary to retire ACESITA's loan with the Banco do Brasil.

We determine, therefore, that the LIBOR plus spread and risk premium benchmark used by the Department in its preliminary determination is correct, and that petitioners suggested adjustments to the benchmark are not warranted.

Comment 6—Respondents contend that the privatization of ACESITA constitutes a program-wide change. Respondents state that, according to the Proposed Regulations, (54 FR 23378, 23385), a program-wide change is defined as a change which is not limited to a specific company or companies, and is implemented by an official act, such as a statute, regulation, or decree. Respondents argue that the privatization of ACESITA meets all these criteria. Respondents argue that this program-wide change occurred prior to the preliminary determination in this investigation, and that the Department should, therefore, set the deposit rate associated with the PB equity infusions at zero.

Respondents argue that ACESITA's privatization was initiated by Law 8031 on April 4, 1991, which, along with subsequent legislation and regulations, established the procedures to be used in the privatization process. Because these laws governed the privatization not just of ACESITA but also of various other companies, it meets the requirement that a program-wide change not be limited to a specific enterprise.

Respondents argue that, as the privatization program was initiated in 1990, it occurred and was verifiable prior to the preliminary determination in this investigation. Respondents argue that the controlling events of the privatization, including the establishment of procedures, consultants' studies, and development of conditions of sale and minimum price, were completed prior to the preliminary determination.

Respondents argue that the Department's approach to privatization published in the preliminary determination in Preliminary Affirmative Countervailing Duty Determination: Certain Steel Products From Brazil, 57 FR 57806 (December 7, 1991), is contrary to law and should not be applied to ACESITA in this investigation. That determination stated the Department's position that equity benefits provided to an unequityworthy company prior to privatization are not extinguished by the privatization unless the benefits were repaid prior to privatization.

Petitioners argue that the privatization of ACESITA does not constitute a program-wide change. Petitioners argue that the privatization of ACESITA did not take place until October 22, 1992, the date of the auction of the company. The fact that the plans for privatization were in place does not mean that privatization took place. Privatization is only accomplished by the successful sale of the company.

DOC Position—We do not consider that privatization, in and of itself constitutes a program-wide change, or that a privatization program is the type of program contemplated for consideration under the program-wide change section of the Proposed Regulations. Even assuming *arguendo*, however, that privatization could be construed as a program-wide change, we do not consider that privatization occurs prior to the actual sale of the company. It would not be possible to assess such a program-wide change until after the conclusion of the actual sale of the company so that all the effects of the privatization program could be analyzed.

In this case, while plans for the auction of ACESITA were in place prior to the preliminary determination, the auction did not take place until after the preliminary determination. Therefore, we do not consider Brazil's national privatization plan to constitute a program-wide change in this investigation. As such, there is no basis for considering any impact such a change would have on any program in this investigation, nor for making any adjustment to the cash deposit rate.

Comment 7—Petitioners contend that the GOB exercised considerable discretion in providing ACESITA with loans from FINEP and that, therefore, the financing confers a countervailable benefit because it fails the Department's specificity test. Petitioners contend that the ACESITA's loans from FINEP were not provided in accordance with the agency's guidelines. One of the criteria used to evaluate potential recipients of FINEP loans is the creditworthiness of the borrower. Petitioners argue that because ACESITA was uncreditworthy at the time it received loans from FINEP in 1987 and 1990, it did not meet the program criteria, and would not have received the loans absent the exercise of discretion by the GOB. Petitioners contend that because of the discretion used by the GOB to grant these loans, the program fails the specificity test, and the benefit should be countervailed.

Respondents argue that petitioners are incorrect that FINEP loans were provided to ACESITA in violation of FINEP's lending policies. Respondents argue that ACESITA guaranteed its loans from FINEP with its fixed assets, and that therefore FINEP was protected in the transaction. The Department confirmed at verification that ACESITA has made every payment under the FINEP loans. All information on the record confirms that the FINEP loans to ACESITA were in no way different from its loans to other companies and industries. Respondents argue that the

loans cannot be considered specific to ACESITA.

DOC Position—There is no evidence on the record to indicate that the GOB used discretion in granting FINEP loans to ACESITA. We have no reason to believe the consideration accorded ACESITA's loan applications was inconsistent with that accorded to any other company's application. Our review at verification of the actual number of sectors using FINEP, the amount of FINEP funding to the steel industry, and the criteria used by FINEP officials to approve loans leads us to conclude that FINEP financing is not specific to an enterprise or industry, or group of enterprises or industries.

Comment 8—Respondents argue that Law 2324 terminated prior to the preliminary determination in this case, and that the Department should adjust the deposit rate accordingly. Respondents claim that, while the GOB holds the position that the law terminated in 1990, there is no question that the law self-terminated by its own decree on December 31, 1991. Because this constitutes a program-wide change, the Department should follow its practice of adjusting the cash deposit rate for a program-wide change which occurs before the preliminary determination.

Petitioners argue that the Department correctly determined that Law 2324 provided a countervailable subsidy to ACESITA. Petitioners claim that the Department based its determination in part on the fact that respondents did not provide a copy of the law to the Department. Petitioners claim that because respondents still have not provided a copy of the law to the Department, the Department should, in this final determination, consider Law 2324 to provide a countervailable benefit.

DOC Position—During verification, we examined Law 2324 and discussed its operation with GOB and company officials. A copy of the law was included in the verification exhibits. There is sufficient information on the record to determine that Law 2324 provides a countervailable benefit, and also that it terminated prior to the preliminary determination in this investigation. We verified that no residual benefits were provided after the termination of the program. We have, therefore, adjusted the cash deposit rate to zero, in accordance with our practice regarding program-wide changes.

Comment 9—Respondents argue that the Department should adjust the deposit rate to zero for the exemption of IPI and import duties under Law 2894. Respondents argue that benefits under

Law 2894 were only provided to ACESITA as long as the Banco do Brasil was the majority shareholder. Respondents contend that the privatization of ACESITA, which resulted in the Banco do Brasil becoming a minority shareholder, constitutes a program-wide change occurring prior to the preliminary determination. Therefore, they argue that an adjustment of the deposit rate would be consistent with the Department's treatment of program-wide changes.

DOC Position—As discussed in the Corporate History section and Comment 6 above, we do not consider that the national privatization plan, in and of itself, constitutes a program-wide change.

Additionally, the Banco do Brasil remained the majority shareholder until the auction of the company on October 22, 1992, which is after the preliminary determination in this investigation. Therefore, we have not adjusted the deposit rate for this program.

Comment 10—Petitioners argue that the Department was incorrect in determining not to initiate an equityworthiness investigation of ACESITA in 1982, 1983, and 1984. Petitioners argue that their petition contained all reasonably available information to the Department regarding their unequityworthiness allegation, and that the Department is therefore obligated to initiate an investigation and compel the production of evidence from the respondents.

DOC Position—As stated in the Department's May 1, 1992, *Equityworthy and Creditworthy Analysis Memorandum*; May 4, 1992, *Initiation Memorandum*; and Notice of Initiation of Countervailing Duty Investigations: Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from Brazil, France, Germany, and the United Kingdom, FR 19884 (May 8, 1992); and as reiterated in the Department's September 10, 1992, *Equityworthy and Creditworthy Analysis Memorandum*, we determined that information provided by petitioner at the time of initiation was insufficient to demonstrate that equity infusions into ACESITA during 1982, 1983 and 1984 were made on terms inconsistent with commercial considerations. Petitioner has not provided any additional information that would cause us to reconsider our previous determination.

Comment 11—Petitioners argue that the Department was incorrect in excluding the Villares Group, a producer of the subject merchandise, from this investigation. Petitioners argue that the company's request for exclusion

was untimely and did not meet the documentation requirements for justifying and exclusion.

DOC Position—The Villares Group did not request exclusion from this investigation, and it is not excluded from this determination. The Villares Group requested that the Department not require that it respond to the questionnaire. We decided that the Villares Group would not be required to respond to the questionnaire because its share of exports of the subject merchandise to the United States is extremely small. We verified the Villares Group's volume and value of exports of the subject merchandise to the United States during the POI.

Even without a response from the Villares Group, we verified responses from companies accounting for almost 100 percent of exports to the United States. While the Department usually attempts to examine those companies in countervailing duty cases which account for 100 percent of imports subject to investigation, nothing in either the statute or the regulations requires the Department to examine any particular percentage of imports or companies in a countervailing duty investigation. Not requiring the Villares Group to respond is consistent with the Department's practice in prior investigations. See, e.g., *Fresh Cut Flowers from Costa Rica*, 52 FR 32030 (August 25, 1987); *Certain Textile Mill Products and Apparel from Malaysia*, 50 FR 9852 (March 12, 1985); *Circular Welded Non-Alloy Steel Pipe from Brazil*, 57 FR 24466 (June 9, 1992).

Exports of subject merchandise from the Villares Group are subject to the country-wide rate calculated in this investigation.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. We followed standard verification procedures, including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents. 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).

Suspension of Liquidation

In accordance with section 705(c) of the Act, we are directing the Customs Service to continue to suspend liquidation of entries of certain additive steel products from Brazil 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 of estimated countervailing duties at the following rate:

	Net subsidy rate (percent)	Cash deposit rate (percent)
ACESITA	19.19	19.19
Country-wide Rate	0.82	0.87

ITC Notification

In accordance with section 705(d) 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 Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, these proceedings will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled. 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 entries of certain additive steel products from Brazil.

Return or Destruction of Proprietary Information

This notice serves as the only reminder to parties subject to Administrative Protective Order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 355.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671(d)) and 19 CFR 355.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-2001 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-06-01

[C-427-805]

Final Affirmative Countervailing Duty Determination: Certain Hot Rolled Lead and Bismuth Carbon Steel Products From France

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Julie Anne Osgood or Susan Strumbel, Office of Countervailing Investigations, U.S. Department of Commerce, room 3099, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone (202) 482-0167 or 482-1442, respectively.

Final Determination

The Department of Commerce (the Department) determines that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in France of certain hot rolled lead and bismuth carbon steel products (hereinafter: "certain additive steel products").

For information on the estimated net subsidy, please see the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of the preliminary determination (57 FR 42977, September 17, 1992), the following events have occurred.

Verification was conducted from September 22 through September 30, 1992.

On October 16, 1992, in accordance with section 705(a)(1) of the Tariff Act of 1930, as amended (the Act), we aligned the final determination in this investigation with the final determination in the companion antidumping duty (AD) investigation of the same merchandise (57 FR 48020, October 21, 1992). On November 6, 1992, we postponed the final countervailing duty (CVD) and AD determinations until January 11, 1993 (57 FR 53691, November 12, 1992). On January 11, 1993, we postponed for a second time the final CVD and AD determinations until January 19, 1993 (Not Yet Published).

The parties submitted case and rebuttal briefs on November 23 and December 2, 1992, respectively. A public hearing was held on December 7, 1992.

Scope of Investigation

The products covered by this investigation are hot rolled bars and rods of nonalloy or other alloy steel,

whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of these investigations are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) chapter 72, note 1(f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.

Respondents

The Government of France (GOF), Usinor Sacilor, and the European Community (EC) are respondents for merchandise subject to this investigation.

Corporate History

At the end of 1986, Usinor and Sacilor, which were separate companies owned by the GOF, were merged to become one holding company called Usinor Sacilor.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidies (the period of investigation (POI)) is calendar year 1991 which corresponds to the fiscal year of Usinor Sacilor.

In determining the benefits received under the various programs described below, we used the following calculation methodology. We first calculated the *ad valorem* benefit for each program received by Usinor Sacilor. The benefits for all programs were then summed to arrive at Usinor Sacilor's total subsidy rate, which, because Usinor Sacilor is the only respondent company in this investigation, equals the country-wide rate.

As a result of the ongoing Countervailing Duty Investigations of Certain Carbon Steel Products from

France, we have been made aware of certain programs, not originally investigated in this case, which appear to provide subsidies, e.g., investment subsidies. Nevertheless, we did not have sufficient time to obtain and verify information with respect to these programs. Accordingly, we will address them during the first administrative review of the countervailing duty order in this case, as is contemplated by section 355.39 of the Department's Proposed Regulations (Countervailing Duties; Notice of Proposed Rulemaking and Request for Public Comments, 54 FR 23366 (May 31, 1989) (Proposed Regulations)), assuming a countervailing duty order is issued and an administrative review is requested.

Based upon our analysis of the petition, responses to our questionnaires, verification, and written comments from the interested parties, we determine the following:

Equityworthiness

Petitioners have alleged that Usinor, Sacilor and Usinor Sacilor were unequityworthy for certain years during the period 1979 through 1991, and, therefore, that equity infusions received during those years were inconsistent with commercial considerations. The Department previously determined that Usinor and Sacilor were unequityworthy for the years 1978 and 1981 in Final Affirmative Countervailing Determinations: Certain Steel Products from France, 47 FR 39332 (September 7, 1982) (Certain Steel). Respondents have presented no new evidence in this investigation that contradicts the Department's findings.

Based on the following analysis, we have determined that Usinor, Sacilor, and Usinor Sacilor were unequityworthy during the years 1982 through 1988 and that Usinor Sacilor was equityworthy during 1991. Although petitioners' allegation includes 1989 and 1990, there were no infusions in those years.

Throughout the period 1982 to 1987, Usinor, Sacilor, and Usinor Sacilor reported substantial losses. Stockholders' equity was negative in every year except 1986. Accordingly, certain financial indicators, such as rate of return on assets and equity and profit margin on sales, were negative. Therefore, we determine Usinor, Sacilor, and Usinor Sacilor to be unequityworthy in those years.

However, respondents argue that the Department should place its emphasis on indicators of future financial health as would a private investor, not on past indicators. Respondents argue that the 1986 restructuring, which was

undertaken in accordance with a study prepared by McKinsey & Co., had a dramatic effect upon Usinor Sacilor's profitability, making it a firm in which it would be reasonable for investors to invest.

We have analyzed the information on the record with respect to the study prepared by McKinsey & Co. We disagree with respondents that, as a result of this study and its projections, we should ignore all past financial indicators when making our equityworthy determination. In our view, a prudent investor would not assess the reasonableness of investing in the newly restructured company without taking into consideration the tremendous financial difficulties of both companies prior to the restructurings or the reasons for those difficulties. For this reason, and absent any positive financial indicators prior to the restructuring, we have continued to find Usinor Sacilor unequityworthy in 1986 and in 1987 and 1988.

Furthermore, Usinor Sacilor argues that the Department should calculate return on equity using earnings before interest, taxes and depreciation (EBITD) for the numerator. On this basis, Usinor Sacilor has calculated a positive return on equity for the years 1984, and 1987 through 1991. During verification, GOF officials maintained that EBITD is the primary measure in France used to evaluate a company's ability to meet its obligations. (See the public version of the Report on the Verification of the Government of France, on file in Room B-099 of the Department of Commerce.) Usinor Sacilor argues that a reasonable investor in France, using Usinor Sacilor's EBITD ratios, would have found Usinor Sacilor to be an excellent investment.

With respect to EBITD, we are not persuaded that it is the best means of measuring the rate of return on equity. While potential investors may consider EBITD, it is not as accurate a reflection of the potential return on an investment as a measure which is net of interest, taxes, and depreciation, i.e., net income. Therefore, we have continued to rely upon the companies' return on assets and return on equity calculated on the basis of net income divided by the average shareholder's equity.

We preliminarily determined that Usinor Sacilor was unequityworthy in 1991 based upon a review of the financial data and a summary of an analysis of Usinor Sacilor performed by an independent Swiss consulting firm. We stated that beginning in 1988, the company reported positive rates of return on both assets and equity for the preceding years, although the financial

position of the firm weakened yearly. However, since the preliminary determination, the complete Swiss consulting report has been submitted for the record and we have been able to evaluate it. Based on our review of the complete report, we have reevaluated Usinor Sacilor's potential for generating a reasonable rate of return within a reasonable period of time and concluded that Usinor Sacilor was equityworthy during 1991.

Creditworthiness

We have analyzed whether Usinor, Sacilor and Usinor Sacilor were uncreditworthy from 1978 through 1991.

Based on our analysis of Usinor's and Sacilor's financial statements, their debt-to-equity ratios indicate that the companies were highly leveraged during 1979 through 1981. In addition, the current and quick ratios indicate low levels of liquidity available to pay debts. Moreover, Usinor Sacilor reported net losses for each of these years. Therefore, although we cannot analyze the companies' actual experience in meeting their debt obligations because no information was provided on this point, the above indicators lead us to conclude that the companies would have had difficulty making interest and principal payments. Given this, we continue to determine that Usinor and Sacilor were uncreditworthy during the years 1978 through 1981.

To determine the creditworthiness of Usinor, Sacilor, and Usinor Sacilor during the period 1982 through 1991, we have evaluated certain liquidity and debt ratios, i.e., current and quick, times interest earned, long-term debt, and debt-to-equity on a consolidated basis. For the period, 1979 through 1987, the company consistently incurred substantial losses. The interest coverage ratios were negative and the liquidity ratios indicated that the company may have had difficulty in meeting its short-term obligations. Although Usinor Sacilor reported a profit in 1988, as a result of our analysis, we determine that Usinor, Sacilor, and Usinor Sacilor were uncreditworthy for the years 1982 through 1989.

Respondents have argued that when determining the creditworthiness of a company, the Department must consider the extent to which the company was able to obtain loans from private sources without government assistance or guarantees. Respondents argue that Usinor and Sacilor, in fact, had obtained such loans since 1978. However, respondents have provided no information with respect to the nature of the loans from private sources nor

whether Usinor, Sacilor, or Usinor Sacilor were able to obtain this private debt without government assistance and/or guarantees. Therefore, we have not considered the extent of Usinor Sacilor's private borrowings in determining whether Usinor Sacilor was creditworthy.

Respondents have further argued that the 1986 restructuring greatly improved Usinor Sacilor's outlook, making it a better risk for lenders as well as for investors. In contrast, petitioners maintain that Usinor Sacilor's return to profitability should be ignored because it was primarily the result of subsidies provided in 1986 and 1988.

With respect to respondent's arguments, we disagree that a lender would rely solely on future profitability resulting from restructuring. With respect to petitioner's arguments regarding the past subsidies received by Usinor Sacilor, past practice and our regulations do not allow us to consider the effect of past subsidies when making a determination as to whether a firm is creditworthy, as is set forth in § 355.44(b)(6)(iii) of the Department's Proposed Regulations.

Our review of the financial statements and certain ratios for the years 1990 through 1991, as well as the prior three years, indicates that Usinor Sacilor was able to generate sufficient cash flow to meet its current and long-term obligations. Therefore, we continue to determine that Usinor Sacilor was creditworthy during these years.

Equity Methodology

According to section 355.49(e) of the Department's Proposed Regulations the Department measures the benefit of equity investments in "unequityworthy" firms by comparing the national average rate of return on equity with the company's rate of return on equity during each year of the allocation period. The difference in these amounts, the so-called rate of return shortfall (RORS), is then multiplied by the amount of the equity investment to determine the countervailable benefit in the given year.

The Department has concluded that the RORS methodology does not provide an accurate measure of the benefits arising from government equity investments in unequityworthy companies. When the Department finds that a company is unequityworthy and, hence, that the government's equity investment is inconsistent with commercial considerations, we are effectively finding that the company could not attract share capital from a reasonable investor. When a company is in such poor financial condition that it

cannot attract capital, any capital it receives benefits the company as if it were a grant and no earnings of the company in subsequent years should be used to offset the benefit.

Moreover, in calculating the company's rate of return, no adjustment is made to eliminate the effect of past or current subsidies. Therefore, those subsidies that increase the company's rate of return serve to reduce the amount of the subsidy arising from government equity investments in subsequent years. In addition, this method does not compensate for the effect of prior year results on equity in subsequent years, thus measuring the rate of return against an equity other than that invested in the transaction in question.

For these reasons, we have determined that equity investments in unequityworthy companies will be treated as grants given in the year of the equity investment. Accordingly, we will value the benefit using the grants methodology described below.

Where a market-determined benchmark price for equity exists, we will continue to use that benchmark to determine whether the government's purchase of equity confers a subsidy and to measure the amount of the subsidy.

Grant Methodology

Our policy with respect to grants is (1) to expense recurring grants in the year of receipt, and (2) to allocate non-recurring grants over the average useful life of assets in the industry, unless the sum of grants provided under a particular program is less than 0.5 percent of a firm's total or export sales (depending on whether the program is a domestic or export subsidy) in the year in which the grant was received. See, e.g., Final Affirmative Countervailing Duty Determination; Fresh and Chilled Atlantic Salmon from Norway, 56 FR 7678 (February 25, 1991) (Salmon from Norway).

We have considered the grants provided under the programs described below to be non-recurring, unless otherwise noted, because the benefits are exceptional, the recipient cannot expect to receive benefits on an ongoing basis from review period to review period, and/or the provision of funds by the government must be approved every year. See, Final Affirmative Countervailing Duty Determination; Certain Fresh Atlantic Groundfish from Canada, 51 FR 10041 (March 24, 1986) (Groundfish from Canada). Therefore, we have allocated the benefits over 15 years, which the Department considers to be reflective of the average useful life

of assets in the steel industry (see section 355.49(b)(3) of the Proposed Regulations).

The benefit from each of the grant programs discussed below was calculated using the declining balance methodology described in the Department's Proposed Regulations (see section 355.49(b)(3)) and used in prior investigations (see e.g., Salmon from Norway). For the discount rate used in these calculations, we used the lending rates published in the International Monetary Fund's International Financial Statistics because Usinor Sacilor did not report its actual cost for long-term, fixed-rate debt. Since Usinor Sacilor was uncreditworthy in the years in which all grants were approved we have used the highest annual interest rate reported in the IMF publication and have added a risk premium to the benchmark interest rate in accordance with section 355.44(b)(6)(iv) of the Proposed Regulations.

Specificity

When receipt of benefits under a program is not contingent upon exportation, the Department must determine whether the program is specific to an enterprise or industry, or group of enterprises or industries. Under the specificity analysis, the Department examines both whether a government program is limited by law to a specific enterprise or industry, or group thereof (*i.e., de jure* specificity) and whether the government program is in fact limited to a specific enterprise or industry, or group thereof (*i.e., de facto* specificity). See section 771(5)(B) of the Act. In section 355.43(b)(2) of the Department's Proposed Regulations, the Department has set forth the factors that may be considered in determining whether there is specificity:

- (i) The extent to which a government acts to limit the availability of a program;
- (ii) The number of enterprises, industries, or groups thereof that actually use a program;
- (iii) Whether there are dominant users of a program, or whether certain enterprises, industries, or groups thereof receive disproportionately large benefits under a program; and
- (iv) The extent to which a government exercises discretion in conferring benefits under a program.

See also Final Affirmative Countervailing Duty Determination: Certain Softwood Lumber Products from Canada, 57 FR 22570 (May 28, 1992).

I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in France of certain additive steel products as follows:

A. Equity Infusions and Grants

Loans with Special Characteristics (PACS)

A plan was agreed upon in 1978 to help the principal steel companies, Usinor, Sacilor, Chatillon-Neuves-Maisons, and their subsidiaries, restructure their massive debt. This plan entailed the creation of a steel amortization fund, called the Caisse d'Amortissement pour l'Acier (CAPA) for the purpose of assuring repayment of funds borrowed by these companies prior to June 1, 1978. In accordance with the restructuring plan of 1978, bonds previously issued on behalf of the steel companies and pre-1978 loans from Credit National and Fonds de Developpement Economique et Social (FDES) were converted into PACS. As a result of this process, the steel companies were no longer liable for the loans and bonds, but did take on PACS obligations.

According to the responses, PACS were an instrument akin to redeemable subordinated nonvoting preferred stock. Respondents state that PACS would be included in the shareholders' equity on the balance sheet, and had the following characteristics: (1) a 0.10 percent remuneration for the first five years and 1.0 percent thereafter, (2) no schedule of reimbursement but in the event the steel companies became profitable, the PACS holders could elect to redeem their PACS or share in profits according to a predetermined formula, and (3) PACS were subordinated to all but the common stock.

In 1978, Usinor and Sacilor converted 21.1 billion French francs (FF) of debt into PACS. From 1980 to 1981, Usinor and Sacilor issued FF8.1 billion of new PACS. PACS in the amount of FF13.8 billion, FF12.6 billion and FF2.8 billion were converted into common stock in 1981, 1986 and 1991, respectively.

Fonds d'Intervention Siderurgique (FIS)

The 1981 Corrected Finance Law granted Usinor and Sacilor the authority to issue convertible bonds. The FIS, or steel intervention fund, was created by a decree of May 18, 1983, in order to implement that authority. According to the responses, Usinor and Sacilor issued convertible bonds to the FIS, which, in turn, with the GOF guarantee, floated bonds to the public and to institutional investors.

In 1983, 1984, and 1985, Usinor and Sacilor issued convertible bonds to the FIS. These FIS bonds were converted to common stock in 1986 and 1988.

Shareholders' Advances

According to the responses, the GOF financed the revenue shortfall needs of Usinor and Sacilor through shareholders' advances beginning in 1982. These shareholders' advances carried no interest and there was no precondition for receipt of these funds. The responses indicated that, consistent with the GOF's policy of full adherence to the EC State Aids Code, and with the GOF's private investor policy articulated by President Mitterrand in 1984, the GOF, in 1986, paid out the last of the advances it had made under this program.

All of these advances were converted to common stock in 1986.

In 1981, 1986, 1988, and 1991, virtually all the common stock purchased through conversions of PACS, FIS bonds and shareholder's advances was offset against company losses, with the result of reducing paid-in capital. In the preliminary determination, we concluded that the benefit was realized at the time of the reduction in paid-in-capital and we treated each reduction in paid-in-capital as a grant.

We have reconsidered the approach taken in the preliminary determination and, consistent with the equity methodology adopted in these investigations, we have concluded that any benefits to Usinor Sacilor occurred at the point when these instruments were converted to common stock. Because the equity methodology does not recognize the subsequent performance of the company receiving the equity investment and treats the equity investment as a grant, the later write-off of the equity is irrelevant.

As discussed above, we have determined that Usinor Sacilor was unequityworthy from 1981 through 1988 and equityworthy in 1991. As a result, we consider the conversion of PACS to common stock in 1981 and 1986 to constitute equity infusions on terms inconsistent with commercial considerations. Similarly, we consider the conversion of FIS bonds to common stock in 1986 and 1988 to constitute equity infusions on terms inconsistent with commercial considerations. However, the PACS to equity conversion in 1991 was consistent with commercial considerations.

Petitioners argue that Usinor Sacilor received benefits from the PACS converted in 1991, for the portion of the POI they were outstanding. We disagree.

Benefits from equity infusions are not prorated to correspond to the number of months the firm benefitted from the equity in the year of the infusion. Therefore, it is appropriate to consider that the only benefit that could arise during the POI was that potentially conveyed by the 1991 PACS-to-equity conversion. To assign loan and potential equity benefits during the same year would lead to excess countervailing duties.

Consistent with the equity methodology adopted in this investigation, we followed the grant methodology outlined above for allocating the benefits from the equity infusions stemming from conversion of PACS and FIS bonds.

With respect to shareholders' advances, we have determined that shareholders' advances constitute countervailable grants at the time they were received as no shares were distributed in return for these advances when they were made to Usinor and Sacilor.

We calculated the benefit from shareholders' advances for the POI using the grant methodology discussed above. We then added the benefits accruing from PACS, FIS bonds and shareholders' advances. We divided this total benefit by Usinor Sacilor's total sales, excluding sales of non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy of 22.28 percent *ad valorem*.

Equity Infusion in 1978

Based on information provided in the Changes in Capital exhibits in the responses, it is evident that the GOF provided an infusion of capital to Usinor and Sacilor in 1978. Given that we have determined that Usinor and Sacilor were unequityworthy in 1978, this equity infusion was provided on terms inconsistent with commercial considerations.

Consistent with the decision concerning equity methodology adopted in this investigation, we followed the grant methodology outlined above for allocating the benefits from this equity infusion in 1978. We divided this benefit by Usinor Sacilor's total sales, excluding sales of non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy of 0.04 percent *ad valorem*.

B. Long-Term Loans From FDES and CFDI

The Law of July 13, 1978, created participative loans (*prêts participatifs*) which were by law available to all

French companies. Under these loans, which were issued by the FDES and the Caisse Francaise de Developpement Industriel (CFDI), the borrower paid a lower-than-market interest rate plus a share of future profits according to an agreed upon formula. These loans were obtained by either Usinor, Sacilor, or their subsidiaries.

Loans From FDES

On July 1, 1990, the outstanding principal on the FDES loans to Usinor and Sacilor was consolidated into multiple long-term loans. We consider these consolidated loans to be new loans.

In these investigations, the GOF has provided the total distribution of participative FDES loans for 1981 through 1990. It does not appear that the new 1990, consolidated loans for Usinor Sacilor are included in this information. The information provided only seems to relate to participative loans rather than the types of loans obtained by Usinor Sacilor in 1990. Indeed, the information provided indicates that the consolidated amounts exceeded the total amount of FDES loans distributed to all sectors of the economy for the years 1987, 1988, and 1989 combined.

Therefore, lacking information on whether the FDES consolidated loans are limited to a specific enterprise or industry or group of enterprises or industries, we have determined that the 1990 consolidated loans are *de facto* limited. Accordingly, Usinor Sacilor's FDES loans are countervailable to the extent that they were provided on terms more favorable than the benchmark financing.

We have used as the benchmark and the discount rate the private bond interest rate reported in the OECD Financial Statistics publication for 1990. Because we have determined that Usinor Sacilor was creditworthy during 1990, we did not add a risk premium to the benchmark interest rate. We then compared this benchmark financing to the financing provided by FDES and found that the FDES loans were provided on more favorable terms than the benchmark financing. Therefore, we determine that Usinor Sacilor's loans are countervailable.

To calculate the benefit from these loans, we employed our normal long-term loan methodology as described in section 355.49(c)(1) of the Department's Proposed Regulations. (See also Final Affirmative Countervailing Duty Determination: Certain Granite Products from Spain, 53 FR 24340 (June 28, 1988).) We divided the benefit attributable to the POI by Usinor Sacilor's total sales, excluding sales of

non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy of 0.02 percent *ad valorem*.

Loans from CFDI

In 1991, outstanding loans to Usinor Sacilor from CFDI were consolidated. These consolidated loans carried new terms and conditions. Therefore, we are treating these consolidations as new loans in 1991.

Because we are treating these as new loans taken out in 1991, no interest would be due until 1992. Hence, there would be no cash flow effect until 1992. Only at that time would any potential subsidy from these loans be realized. However, the old loans which were consolidated in 1991 were outstanding during a portion of the POI and potentially give rise to a benefit.

Although the GOF has claimed that loans from CFDI are not limited to a specific enterprise or industry or group of enterprises or industries, no supporting evidence has been provided other than a short letter from CFDI. This letter does not provide any showing that the loans are non-specific. Therefore, we determine that CFDI loans are *de facto* limited to a specific enterprise or industry or group of enterprises or industries and that they are countervailable to the extent that they were provided on terms inconsistent with commercial considerations.

For those years in which Usinor, Sacilor, and Usinor Sacilor were uncreditworthy, we have used as the benchmark and the discount rate the same interest rate as described in the Grant Methodology section above. For those years in which Usinor, Sacilor, and Usinor Sacilor were creditworthy, we have used as the benchmark the interest rate described in the "Long-Term Loans from FDES" section above.

Comparing the appropriate benchmark financing with the CFDI financing received by Usinor, Sacilor, and Usinor Sacilor, we found that CFDI loans did provide a benefit during the POI. Therefore, we determine that Usinor and Sacilor's loans are countervailable.

To calculate the benefit from these loans, we employed our normal long-term loan methodology as described above under the FDES Program. We divided the benefit attributable to the POI by Usinor Sacilor's total sales, excluding sales of non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy rate of 0.48 percent *ad valorem*.

C. Repaid PACS

In the 1978 restructuring, part of the loans made by the private majority shareholders were converted to PACS. In Certaff Steel, the Department considered these PACS to be debt and stated that because they were created under the government-directed Rescue Plan of 1978 and were specific to the steel companies, the PACS conferred countervailable benefits.

Sacilor's former majority shareholder redeemed its PACS in 1989. Although Sacilor paid no interest on the PACS, the full value was repaid. Therefore, we are treating this as a zero interest loan where benefits expired prior to the POI.

PACS issued by Usinor to its former majority shareholder were essentially written off in 1981 at a redemption value of FF100. Accordingly, we are treating the difference between the original shareholder's advance and the amount repaid as a nonrecurring grant. We have applied the grant methodology discussed above to calculate the benefit. We divided this benefit by Usinor Sacilor's total sales, excluding sales of non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy of 0.01 percent *ad valorem*.

D. European Coal and Steel Community (ECSC) Article 54 Loans

Article 54 industrial investment loans are provided for the purpose of purchasing new equipment or financing modernization. These loans are direct loans from the European Commission and are made at interest rates slightly higher than those paid by the Commission in obtaining funds. The purpose of this program is to facilitate the borrowing process for companies in the ECSC, some of which may not otherwise be able to obtain these loans. These loans are only available to the iron and steel industries.

Based on information provided in the responses, we preliminarily determined that this program was not used. However, at verification we learned that Unimetal, the actual producer of the subject merchandise, had loans outstanding under this program during the POI.

Because Article 54 loans are limited to the iron and steel industries, we determine that this program is limited to a specific enterprise or industry or group of enterprises or industries. Therefore, these loans are countervailable to the extent that they are provided on terms inconsistent with commercial considerations.

We have used as the benchmark the interest rate described in the Grant

Methodology section above. We then compared the appropriate benchmark financing to the financing Unimetal received through the EC and found that these loans were provided on terms inconsistent with commercial considerations. Therefore, we determine that Unimetal's Article 54 loans are countervailable.

To calculate the benefit from these loans, we employed the long-term loan methodology described above in our discussion of "Long-Term Loans from FDES." We divided this total benefit by Unimetal's total sales. On this basis, we calculated an estimated net subsidy of 0.03 percent *ad valorem*.

E. ECSC Redeployment Aid (Article 56(2)(b))

Under Article 56(2)(b) of the ECSC Treaty, individuals employed in the coal and steel industries who lose their jobs may receive assistance for social adjustment. This assistance is provided for workers affected by restructuring measures, particularly as workers withdraw from the labor market into early retirement or are forced into unemployment. The ECSC disburses assistance under this program on the condition that the affected country makes an equivalent contribution. Funds for the ECSC portion of these payments are from the ECSC operational budget, made up entirely of levies on ECSC companies.

Since the ECSC portion of payments under this program comes from its operational budget, we determine the portion of payments provided by the ECSC to be not countervailable. However, we are countervailing the matching contributions by member state governments to the extent that their payments relieve companies of obligations they would otherwise incur.

In Usinor Sacilor's response, it stated that the ECSC disbursed funds under this program to the GOF during the POI. At verification, company officials stated that Usinor Sacilor did not receive any funds under this program during 1991. However, officials did not provide any documentation supporting this claim. Given the lack of documentation establishing that Usinor Sacilor did not receive funds under this program, we have applied best information available and concluded that the ECSC funds were in fact disbursed to the GOF during the POI and that the GOF would have disbursed an equal amount of funds to Usinor Sacilor during the POI. See, e.g., Portland Hydraulic Cement and Cement Clinker from Mexico; Final Results of Countervailing Duty Administrative Review, 53 FR 18325 (May 23, 1988); Final Affirmative

Countervailing Duty Determination; Standard Cartridges from Chile, 52 FR 3313 (Feb. 3, 1987); Certain Steel Products from South Africa; Final Results of Countervailing Duty Administrative Review, 51 FR 33648 (Sept. 27, 1986).

Due to the lack of information provided at verification, we are further assuming that these payments relieved the company of obligations it would otherwise incur. On this basis, we have determined that the GOF's matching contributions have provided a countervailable benefit to Usinor Sacilor. See e.g., Wool From Argentina; Final Results of Countervailing Duty Administrative Review, 52 FR 23198 (June 18, 1987); Final Affirmative Countervailing Duty Determination; Fresh Cut Flowers from Ecuador, 52 FR 1361 (Jan. 13, 1987); Certain Steel Products from South Africa; Final Results of Countervailing Duty Administrative Review, 51 FR 33648 (Sept. 22, 1986).

Finally, we consider this program to provide recurring benefits because it is one under which recipients can expect to receive benefits on an ongoing basis year after year. Therefore, we expensed the payments provided under this program by the GOF in 1991. We divided the total benefit by Usinor Sacilor's total sales, excluding sales of non-French produced merchandise and shipment expenses on domestic sales. On this basis, we calculated an estimated net subsidy of 0.28 percent *ad valorem*.

II. Programs Determined Not To Be Countervailable

We determine that the following programs do not provide subsidies to manufacturers, producers, or exporters in France of certain additive steel products under the following programs:

A. Loans From Credit National

Credit National is a financial institution with a structure based on four core-businesses, corporate lending, capital markets, equity financing and real estate activities.

In 1991, outstanding loans to Usinor Sacilor from Credit National were consolidated. Consistent with our treatment of the FDES loans, we are treating these consolidations as new loans in 1991 because they carried new terms and conditions.

To determine whether the consolidated loans were provided to a specific enterprise or industry or group of enterprises or industries, we have examined the factors discussed in the Specificity section above. With respect to *de jure* availability, the law creating

Credit National does not in any way limit the industries to which loans can be made. With respect to *de facto* availability, Credit National's Annual Report (1991) demonstrates that loans in the year in which these consolidations were completed were in fact provided to numerous sectors and were not disproportionately provided to the steel industry. Industries which received Credit National loans included hotel, leisure and tourism, retailing and health care, chemicals, energy and metals, agribusiness, and mechanical engineering, automotive, aerospace, and transportation, and several others. The chemicals, energy and metals sector, of which steel is a part, received 10.51 percent of all Credit National loans approved in 1991. Finally, we verified that an independent committee, composed of experts from various industries, evaluates loan applications and makes recommendations to Credit National with respect to their viability. The committee assesses this viability based on neutral criteria. Recommendations made by the committee are then accepted by Credit National.

Based on this, we determine that the consolidated 1991 loans from Credit National were not provided to a specific enterprise or industry or group of enterprises or industries, and, therefore, are not countervailable.

B. Assistance for Research and Development

The Institute de Recherches de la Siderurgie Francaise (IRSID) is a non-profit organization that is funded by contributions from each subsidiary of Usinor Sacilor. At verification, we established that the GOF provides a very small amount of funds for fundamental research as well as some basic research and that the results of this research are published. Therefore, because the results of the research projects are made publicly available, we find this program to be not countervailable.

III. Program Determined Not To Be Used

We determine that the following programs were not used by manufacturers, producers, or exporters in France of certain additive steel products:

- A. ECSC Article 54 Interest Rebates and Loan Guarantees
- B. ECSC Article 56 Conversion Loans (Article (56)(2)(a))
- C. ECSC Article 56 Interest Rebates
- D. European Investment Bank (EIB) Loans
- E. New Community Investment (NCI) Loans

Comments

Comment 1

Petitioners contend that the Department correctly treated as grants to the company, the reductions of Usinor Sacilor's paid-in-capital occurring after PACS, FIS bonds, and shareholders' advances were converted to common stock. Petitioners further contend that all of these subsidies are "non-recurring" and must be allocated over a period of years. Petitioners argue specifically that each reductions in paid-in-capital was a separate, *ad hoc* decision made pursuant to a series of national steel plans enacted by the GOF from 1978 to 1983. Petitioners contend that far from undertaking a continuing program, the GOF was simply forced, by a series of annual crises caused by bad planning and over-optimistic projections to provide the money necessary to keep Usinor Sacilor in business. Petitioners further contend that although the GOF was forced into covering Usinor Sacilor's accumulated losses past the EC deadline for the termination of state aids, the company could not have anticipated the continuing receipt of these benefits. Therefore, petitioners argue that Usinor Sacilor's reductions in paid-in-capital were exceptional non-recurring grants.

Respondents argue that the reduction in paid-in capital on Usinor Sacilor's books were not countervailable events because these reductions did not involve the injections of any new funds into the companies. Consistent with the Department's cash flow methodology, respondents argue that the cash flow effect occurred when PACS were issued, either directly for cash or by relieving Usinor Sacilor of obligations to pay creditors, and when FIS instruments and shareholders' advances were issued and provided, respectively. Respondents argue that countervailing the reductions in paid-in capital would result in the attribution of benefits in excess of those conceivably involved.

DOC Position

We disagree with petitioners that the reductions in paid-in-capital constitute subsidies. Rather, the countervailable events occurred when PACS and FIS bonds were converted to common stock. As our new equity methodology recognizes, any potential benefits from these equity investments into an unequityworthy company, arose at the time the equity was purchased and what happened to that equity subsequently is irrelevant. Moreover, because our new methodology treats equity investments in unequityworthy companies like grants, constructing a new benefit at the

time of the reduction of paid-in-capital would result in over-countervailing. As to shareholders' advances, we are treating them as grants when made, and have not countervailed separately the subsequent stock conversion or reduction in paid-in-capital.

We need not address petitioners' argument that the reductions in paid-in-capital are non-recurring (as opposed to recurring) grants. As we explained above, we do not consider the reductions in paid-in-capital to be countervailable events.

Finally, contrary to respondents' argument, to the extent that it still may be applicable in light of our above determinations, we are not over-countervailing. As to the conversion of PACS and FIS bonds into common stock, respondents' argument is premised on the assumption that PACS and FIS bonds were equity when created. As we explain in Comments 2 and 4 below, we have concluded that they were debt. As to shareholders' advances, we are countervailing them only when made and, therefore, there is no possibility of over-countervailing.

Comment 2

Respondents argue that PACS should be recognized as involving capital infusions upon issuance, the only time when there was a cash flow effect on the company. The PACS were considered to be a form of non-voting equity for funding the steel industry. Respondents assert that PACS were initially treated as "quasi-equity" on the companies' balance sheets, and they were the functional equivalent of equity. Respondents contend that PACS were not subject to repayment obligations and, because they were subordinated to all but common stock, PACS entitled their holder, the GOF, to dividends only if the companies showed a net profit. Respondents also argue that the PACS were characterized as equity in the companies' financial reports.

Respondents disagree with petitioners' assertion that the Department should treat PACS as debt because they were called "loans with special characteristics" and because they were sometimes characterized as loans on Usinor Sacilor's balance sheets. Respondents contend that such an approach ignores the salient fact that the PACS did not have any characteristics of debt. Specifically, respondents state that the GOF could choose to deem its share of profits as supplemental remuneration on the PACS or it could allot a share of profits to repayment. Respondents contend that this sort of participative right is not characteristic of debt but rather the essential

characteristic of equity. Finally, respondents argue the fact that the GOF never took repayment on these PACS (either as supplemental remuneration or repayment) demonstrates that they lack characteristics of a debt instrument which would require payments regardless of the obligor's profitability.

Petitioners argue that PACS as originally issued constituted debt and not equity, as the Department held in *Certain Steel*. Petitioners assert that PACS carried a fixed rate of interest while outstanding and that although there was no fixed repayment schedule, the companies made lump sum interest payments on the debt obligations in 1986 and in 1991. Petitioners contend that Usinor and Sacilor elected to classify the instruments as long-term financial debt on the companies' balance sheets pursuant to French generally accepted accounting principles.

Petitioners further argue that the right to participate in future profits was actually a contingent right to demand repayment of the face value of the obligations should the company become profitable. Petitioners contend that unlike preferred stock, which confers an unlimited right to share in profits, PACS merely stated a preference in the allocation of future earnings to pay off the debt and contemplated only a reimbursement of the face value of the PACS plus interest. Therefore, petitioners contend that because PACS have the characteristics of debt, the Department should treat it as such.

DOC Position

We have continued to treat PACS as debt, not equity. While we agree with respondents that the PACS shared certain characteristics with equity, they differed from equity in one crucial respect—they carried with them an obligation for repayment. This obligation only expired at the time the PACS were converted to common stock. The obligation to repay, whether met or not, is sufficient to warrant treating these instruments as debt.

With respect to respondents' cash flow argument, we agree that the PACS had an effect on the companies' cash flow. However, while the PACS were outstanding, the cash flow effect was the interest savings the companies received by virtue of paying reduced interest rates for the use of the funds. Upon conversion of the PACS to common stock, the cash flow effect was that of a grant.

Comment 3

Respondents argue that the 1986 reclassification of PACS to equity was

approved by the EC Commission on the condition that Usinor Sacilor continue to be responsible for the remuneration due under the terms of the PACS. In addition, Usinor Sacilor paid an amount to the GOF, which represented the present value of the one percent remuneration of the FF2.8 billion PACS reclassified in 1991. Accordingly, respondents maintain that these payments must offset any subsidy calculation made.

DOC Position

The remuneration described by respondents amounts to prepayment of interest on the PACS and would be accounted for in subsidies calculations on the PACS as loans. However, as these loans expired prior to the POI by virtue of their conversions to equity, no subsidies arising from the PACS are included in our calculations.

Comment 4

Respondents maintain that FIS instruments were convertible securities that should be recognized as involving capital infusions upon issuance. Respondents contend that although the face amount which the FIS paid for the instruments was nominally subject to a repayment schedule, the FIS instruments, like the PACS, were essentially equity instruments and effectively represented a permanent commitment of funds by the GOF (through the FIS) to Usinor Sacilor.

Respondents further argue that the remuneration rate obviously was not a mechanism by which the FIS recouped its financing costs. Rather, respondents contend that the essential compensatory element of the instrument was a profit-sharing component akin to that on common stock. Respondents argue that these instruments, like the PACS, had the essential characteristics of equity rather than debt.

Petitioners contend that FIS bonds had the defining characteristics of debt: an obligation to repay funds that had been advanced pursuant to a fixed amortization schedule and with a fixed rate of interest. Petitioners argue that the profit-sharing component, in addition to the fixed interest provision on FIS bonds, are not unique to equity instruments.

Petitioners further maintain that Usinor Sacilor classified the instruments as financial debt on their balance sheets, and this treatment fully conformed to French generally accepted accounting principles. Thus, petitioners contend that from the perspective of Usinor Sacilor at the time the instruments were issued, FIS bonds

were debt securities and not shareholders' equity.

DOC Position

We disagree with respondents that these instruments were essentially equity at issuance. Like the PACS, the FIS instruments carried repayment obligations. Therefore, for the reasons discussed in our response to Comment 2, we have continued to treat the FIS instruments as debt prior to their conversion to common stock.

Comment 5

Respondents argue that shareholders' advances were recurring grants that should be expensed in the year they were received. Respondents contend that shareholders' advances provided by the GOF plainly satisfy the Department's three-part test for distinguishing a recurring benefit from a non-recurring benefit. First, respondents argue that the shareholders' advances provided by the GOF do not fall within the Department's definition of an "exceptional program," as described in *Live Swine and Fresh, Chilled and Frozen Pork Products from Canada*, 50 FR 25097 (June 17, 1985) (*Live Swine*), but were routinely provided. Second, respondents argue that these advances, provided on a routine basis for five consecutive years, were more "longstanding" than the grants provided in *Live Swine*, which the Department treated as recurring grants. Finally, respondents argue that it is evident that Usinor and Sacilor had to, and in fact did, anticipate receiving the benefits year after year. These payments were curtailed only at the time of the adoption of the EC State Aids Code in 1986.

Petitioners refute respondents' argument that shareholders' advances were recurring benefits and should be expensed in the year of receipt. Petitioners contend that in *Live Swine* the government used a pre-set formula to determine whether payments were authorized in any given year and to set the level of the payments. Petitioners argue that unlike *Live Swine*, the funds provided by the GOF were not mandated by legislation or by specific agreement. Petitioners contend as a result that there was no contract or legally enforceable obligation. Usinor and Sacilor could not have anticipated the continuing receipt of these benefits because the GOF could have terminated the program at any time. Petitioners argue that each advance was a separate, *ad hoc* decision by the government and the amounts varied from month-to-month. Thus, petitioners contend that shareholder advances constitute non-

recurring benefits under the Department's methodology and should be evaluated accordingly.

DOC Position

We have determined that shareholders' advances should be treated as non-recurring grants. Although Usinor and Sacilor received shareholders' advances on a regular basis during the years 1982 through 1986, each advance required specific shareholders' approval. Moreover, these shareholders' advances were made to cover operating losses. Repeated shareholders' advances made to keep a company from dissolving are "exceptional" events, within the meaning of Live Swine. Therefore, under the Department's methodology, we are treating the shareholders' advances as non-recurring.

Comment 6

Petitioners contend that on numerous occasions, the GOF wrote-off portions of Usinor's and Sacilor's debt by converting debt into equity, and then simultaneously cancelling this new equity by using it to offset accrued losses. Petitioners maintain that most of these funds were in the form of debt—PACS, FIS bonds, and shareholders' advances. Petitioners argue that these transactions were ostensibly structured as debt-to-equity conversions; however, no new shares were ever issued or other obligations incurred. In essence, petitioners argue that these transactions were simply debt cancellations intended to relieve Usinor and Sacilor of their enormous debt burdens.

DOC Position

Given our decision to treat equity infusions in unequityworthy companies like grants and our finding that Usinor Sacilor was unequityworthy in 1986, the conversions of PACS and FIS bonds to common stock have been countervailed using the same methodology that would be used if the conversion were treated as debt forgiveness. With respect to shareholders' advances, we treated them as grants to the time of receipt. We have no evidence showing that the parties contemplated that the shareholders' advances carried a repayment obligation. Therefore, we do not view them as loans that were subsequently converted to equity or loans that were cancelled.

Comment 7

Petitioners maintain that in the case of a wholly government-owned company such as Usinor Sacilor, there is no economic difference whatsoever between funds provided as grants,

loans, or equity. In such a company, the government owns the entire right to all future earnings, and has a total claim on all the company's assets both before and after it provides funds. Therefore, petitioners argue that the Department should apply the standard non-recurring grant amortization methodology to measure the benefits from these forms of subsidies.

Moreover, the RORS methodology yields absurd results in this case because Usinor Sacilor canceled enormous amounts of paid-in-capital from 1978 to 1988 as part of the company's balance sheet restructurings. As a result, a rate of return calculated on such a reduced base of stockholders' equity would be meaningless. This calculated rate of return on equity would ignore most of the equity actually invested in Usinor Sacilor, and RORS would badly overestimate the actual return on the equity contributed by the GOP.

According to respondents, petitioners' arguments for rejecting the RORS methodology are based on two faulty assumptions. First, petitioners assume that a determination by the Department that a company is unequityworthy implies that the company can raise no additional capital in private equity markets. According to respondents, a company can attract equity capital by varying its price or its return, such that its return will be sufficient to attract private investment. This suggests that if a company is able to obtain any private capital through sale of equity, it should *per se* be considered equityworthy. Under this standard, Usinor Sacilor would be *per se* equityworthy in 1986 when it sold stock to private investors.

In response to petitioners' argument that RORS does not measure the benefit to the firm on the grounds that the issuance of new equity is supposedly costless to a wholly government-owned firm, respondents argue that there is a cost associated with raising new equity capital. Respondents argue that according to the Court of International Trade, "[u]nder Commerce's methodology, the measure of what a firm 'pays' for equity is its rate of return on equity The rate of return on equity reflects the price the firm must offer to attract equity, any dividends paid, and changes in the company's retained earnings and net worth." In addition, respondents argue that because it is not possible to measure accurately the aggregate benefit at the time the equity purchase is made, the RORS methodology calculates the benefit to the firm each year to ensure that the proper amount is countervailed.

Finally, respondents point out that the courts have confirmed the Department's use of the RORS methodology as consistent with the countervailing duty law.

DOC Position

As explained above, we have determined that the RORS methodology does not adequately measure the benefit arising from an equity investment in an unequityworthy company. If we find a company to be unequityworthy, that finding is tantamount to saying that a reasonable investor would not invest in that company. Therefore, from the company's point of view, in this circumstance, any equity capital it receives from the government is equivalent to a grant.

As for respondents' argument that the effect of the Department's decision is to render a company equityworthy whenever private investment occurs, we note that where meaningful private investment (*i.e.*, more than a token amount that is not undertaken at government direction) exists, we would not be making an equityworthy analysis. The private investor's action would serve as a benchmark for determining whether the government's investment was made on terms inconsistent with commercial considerations.

With respect to respondents' argument that RORS measures what a firm would have paid for equity, we disagree. To determine whether an equity investment is inconsistent with commercial considerations and to measure the benefit properly, it would be necessary to determine the expected rate of return the company would have to generate to attract a private investor and compare that to the company's actual expected rate of return at the time of the government equity investment. Because of the difficulty in calculating expected rates of return, the Department in the past used the RORS methodology as a proxy. However, we have now determined that this proxy is inadequate because it necessarily reflects the subsequent performance of the company. As explained above in connection with our decision not to view equity cancellations as new subsidies, potential subsidies arise from the equity investment and not what happens to that equity subsequently.

Finally, we also disagree with petitioners that equity, loans and grants in wholly-owned government firms should be treated identically. Equity investments, unlike grants, do represent a claim on the company and even in a wholly government-owned company, equity investments are normally based upon some expectation of return.

Therefore, we continue to recognize a difference between grants and equity investments in wholly government-owned companies.

Comment 8

Respondents argue that a 10-year period for allocating subsidies over time would provide greater relief to U.S. industry by heightening the impact of any subsidy determination, while assuring that foreign producers are not penalized for subsidies received so far in the past that they no longer confer any tangible benefit. Respondents also argue that the application of a 10-year period would be particularly appropriate in this case, given that the U.S. steel industry negotiated for and received 10 years of extraordinary import relief in exchange for withdrawing countervailing duty petitions addressing some of the very same programs at issue here. Respondents argue that countervailing subsidies granted prior to the signing of the voluntary restraint agreement is inconsistent with the principle recognized in the Subsidies Code that only one form of relief should be permitted to remedy the effects of a particular subsidy in the domestic market of the importing country.

In addition, respondents argue that even if the Department continues to allocate benefits based upon the average useful life of assets as a reasonable measure of the duration of the benefit to a firm's overall activity, its use of a 15-year period based on 1977 depreciation tables of the Internal Revenue Service (IRS) covering renewal of physical assets (i.e., equipment) does not reflect the facts of this case. Moreover, it would perpetuate a dated guideline and ignore the reality of any possible commercial and competitive benefit involved. Rather, respondents argue, the most accurate estimate of the average useful life is the most recent estimate available, i.e., the 1991 Usinor Sacilor figures verified by the Department.

Petitioners disagree with respondents' proposal to use the average useful life of Usinor Sacilor's assets because it is based in the year of review only and bears no relation to the company's experience in the years in which the grants were actually received or other years in which the subsidies benefited the firm. In addition, petitioners dispute respondents' claim that the IRS tables are superseded and outdated. Petitioners contend that the IRS tables continue to provide a consistent and predictable standard for allocating grants to steelmaking operations.

DOC Position

While the Department has indicated its willingness to consider a ten-year allocation period generally (see the Preamble to the Proposed Regulations), nothing that the parties have argued leads us to conclude that we should depart from the 15-year standard for this investigation. Therefore, we have continued to use the 15-year allocation period based on the 1977 IRS depreciation table, as amended in 1985, covering renewable assets for steel.

Comment 9

Petitioners argue that based on the "transnational subsidies rule" of the Proposed Regulations the Department must not allocate GOF subsidies to any non-French activity. Moreover, petitioners maintain that because the Department's CVD order applies only to subject imports from the country under investigation, the Department must assume that no activity outside France benefits from GOF subsidies, and that subsidies are instead used by the GOF to increase economic activity in France. Therefore, all value-added outside France must be excluded from the Usinor Sacilor sales denominator.

Respondents argue that the statute requires that any duty be limited to the net subsidy determined to exist. Respondents maintain that the Department routinely allocates subsidies to sales of products not under investigation if those products benefit from the alleged subsidy, even though they are not subject to the countervailing duty order.

According to respondents, in arguing that non-French production should be excluded from the denominator, petitioners improperly invoke the transnational subsidies rule. According to respondents, on its face this rule relates solely to countervailability, i.e., whether an actionable benefit exists from a GOF program, and has no relevance to measuring a subsidy in the home market. The provisions on allocating countervailable benefits to a product or market and calculating an *ad valorem* subsidy are in an entirely separate regulation.

Respondents claim that the subsidies at issue in this investigation are not tied to any particular product or products and, therefore, must be allocated over total sales. The statute, the regulations, and longstanding practice require the Department to measure the benefits from untied subsidies by determining the proportion of the benefit attributable to the production of the product under investigation in the country to which the countervailing duty order will

apply. Therefore, respondents contend that the Department is simply not permitted to eliminate non-French sales from the denominator without a *pro rata* deduction of the benefit from the numerator. Without such a reduction, the countervailing duty will exceed the net subsidy to the subject merchandise.

DOC Position

We have not previously addressed the question whether, in calculating subsidy rates for a holding company with both domestic and foreign subsidiaries engaged in the production of products, where the subsidies are domestic subsidies and are not tied to a particular product or market, we should include in the sales denominator total world-wide sales, including sales attributable to foreign production, or only sales attributable to domestic production. In some cases, we have used total worldwide sales, as respondents point out, but we did so without addressing this question. On the other hand, in at least one case, we have excluded sales attributable to foreign production from the sales denominator. See Final Affirmative Countervailing Duty Determination: Stainless Steel Hollow Products from Sweden, 52 FR 5794 Feb. 26, 1987. In addition, the Department's Proposed Regulations do not squarely address this question. Section 355.47(c)(1) of the Proposed Regulations provides that, for "untied" domestic subsidies, we will "allocate the benefit to all products produced by a firm" and, therefore, use "a firm's total sales" in the sales denominator. From this language and the discussion of § 355.47(c)(1) in the Background section of the Proposed Regulations, there is no indication that § 355.47(c)(1) contemplated a situation where the firm was a holding company with not only domestic subsidiaries but also foreign subsidiaries engaged in the production of products.

At this time, we are not prepared to conclude automatically, as respondents seek, that otherwise untied domestic subsidies to a holding company with both domestic and foreign subsidiaries engaged in the production of products benefits not only domestic production but also foreign production, with the result that we would include sales attributable to both domestic production and foreign production in the sales denominator. We also are not prepared to conclude, solely on the basis of petitioners' legal arguments, that the subsidies benefit only domestic production.

Rather, as our starting point, we considered whether the subsidies at issue here were tied to domestic

production, and we determined that they were. In making this determination, consistent with our existing methodology, we examined whether the subsidies were bestowed specifically to benefit domestic production. See Final Affirmative Countervailing Duty Determinations; Certain Steel Products from Belgium, 47 FR 39304 (Sept. 7, 1982) (Appendix 2). On the record before us, after reviewing the programs from which the subsidies at issue arose, and after considering the GOF's contemporaneous controlling ownership position in Usinor Sacilor, we concluded that the GOF was seeking to promote domestic social policy and domestic economic activities and therefore to encourage domestic production.

Next, we attempted to allocate, in a reasonable manner, the subsidies at issue to the products that they benefited, *i.e.*, the products as to which those subsidies provided incentives to produce and sell. Consistent with our approach to subsidies tied to a product or market, we believe that it is reasonable to allocate the benefits of the subsidies at issue, which we have determined are tied to domestic production, fully to domestic production. We also believe that it is reasonable not to allocate those benefits to foreign production. See Proposed Regulations, *supra*; Appendix 2, *supra*. See generally Industrial Nitrocellulose from France: Final Results of Countervailing Duty Administrative Review, 52 FR 833 (Jan. 9, 1987) (Industrial Nitrocellulose). Accordingly, we determined that we would allocate the benefits of the subsidies at issue fully to domestic production and that we would not allocate those benefits also to foreign production, unless we had "a clear reason to believe" that the benefits encouraged foreign production. See Industrial Nitrocellulose, *supra*.

In this case, we do not have adequate evidence to give us a clear reason to believe that the benefits of the subsidies at issue encourage foreign production. We therefore allocated the benefits fully to domestic production, and we accordingly included in the sales denominator only sales attributable to domestic production.

We note that we cannot apply respondents' alternative methodology in this case. If we were to adjust the numerator in our subsidy rate calculation, as respondents request, we would need evidence showing, for each subsidy, the amount of the subsidy benefiting the subsidiaries engaged in foreign production. The record does not contain evidence that would allow us to determine those amounts.

Therefore, to calculate the denominator, we have referenced petitioners' submission in the ongoing Countervailing Duty Investigations of Certain Carbon Steel Products from France. This calculation reasonably measures French production by excluding from Usinor Sacilor's consolidated net sales, not only sales attributable to foreign production, but also value-added outside France with respect to domestic production and transportation charges on domestic sales.

Comment 10

Petitioners argue that in the absence of documented F.O.B. port data for purposes of measuring the value of the steel shipments benefitting from the subsidies under investigation, the Department should use best information available. Petitioners contend that respondents' methodology for estimating its aggregate F.O.B. port value, starting with customer billings and then subtracting only the overseas freight costs of three of its subsidiaries, would overstate the sales denominator because other shipping expenses, *e.g.*, insurance, warehousing, brokerage and handling, etc., are not deducted, and moreover, the ocean freight for only three subsidiaries was deducted. Finally, it is overstated because value-added through processing by Usinor Sacilor's non-French subsidiaries of merchandise shipped within Europe and costs incurred in connection with domestic shipments after the product leaves the factory gate are included.

Respondents argue that they have been responsive to the Department's request for data on export and domestic sales, and that they supplied an estimate of Usinor Sacilor's F.O.B. port value. Therefore, respondents contend that the Department should reject petitioners' call for best information available. Respondents assert that Usinor Sacilor's cost of sales account contains an aggregate figure that does not itemize specific expenses, so it is impossible to identify and quantify specific transportation or other incidental expenses necessary to "back out" from a total sales figure to an ex-factory price. Respondents argue that under these circumstances, in the absence of evidence of an attempt to impede the investigation, the Department may not resort to BIA simply because the requested data is not available.

Moreover, according to respondents, petitioners' complaint that the estimates fail to take into account ocean freight costs of other subsidiaries is specious. The other subsidiaries primarily sell in Europe and do not incur any such

expenses in connection with export. Also, petitioners' list of miscellaneous incidental expenses for the three export subsidiaries and the other subsidiaries that are not subtracted are *de minimis* and do not detract from the reasonableness of Usinor Sacilor's estimate. Finally, respondents argue that many of these incidental expenses are related to petitioners' flawed claim concerning value-added or incidental expenses outside of France.

DOC Position

As discussed above, we have calculated the sales denominator by referencing petitioners' submission in the ongoing Countervailing Duty Investigations of Certain Carbon Steel Products from France.

Comment 11

Petitioners agree with the Department's selection of the highest long-term annual interest rate in France as reported in the International Monetary Fund's (IMF) International Financial Statistics for the years 1982 through 1989, when the Department found Usinor, Sacilor, and Usinor Sacilor uncreditworthy. However, petitioners disagree with the Department's use of the private bond rate in determining the discount rate for the years 1978 and 1981, years in which the Department also found Usinor and Sacilor to be uncreditworthy.

Petitioners contend that the chart supplied by the GOF providing the TMO private bond rates described as "Average and highest long-term fixed interest rates" fails to reference the OECD publications from which the rates were taken, or provide information on their terms and conditions. Petitioners further contend that the Department determined at verification that INSEE calculates the TMO rates based on "medium-term and long-term issues" in France. These rates are used by banks as the basis for medium-to-long-term lending and the banks will typically "add a few percentage points to the TMO rate to determine the final lending rate." Petitioners maintain that no information was provided on how this spread is calculated, or what the spread would be for uncreditworthy companies. Therefore, petitioners argue that these rates are not the highest interest rates available in France. Petitioners argue that the Department should use, as best information available, the highest long-term interest rate as reported by the IMF in 1978 and 1981, plus a risk premium.

Respondents argue that in addition to assessing a risk premium based on the Department's uncreditworthiness

determination, the Department's use of the short-term consumer overdraft rate reported in the IMF's International Financial Statistics was in error. Respondents maintain that this rate is inappropriate in two ways. First, the use of a short-term overdraft rate was inappropriate given the Department's stated preference for using a long-term rate. Second, OECD rates are used in France not the IMF rates. Respondents also state that the Department's comments in the GOF verification report regarding the TMO-OECD rates were not accurate. According to respondents, the banking official quoted in the report actually testified that the TMO was at least a week old, if not a month old, and was used as a benchmark. The actual rate of lending would depend on the credit market's conditions on that day and on the particular borrower, and thus, the rate could be higher or lower than the average TMO for the preceding week.

DOC Position

We agree with petitioners that we used an incorrect discount rate for the years 1978 and 1981 in our preliminary determination. For purposes of this final determination, we have used the lending rate provided in the IMF's International Financial Statistics to construct the discount rate for all years in which we have found Usinor Sacilor to be uncreditworthy.

We disagree with respondents that this is a short-term rate. In most cases, it applies to loans with maturity greater than one year and, hence, is consistent with the Department's methodology because we consider loans with a maturity in excess of one-year to be long-term loans.

We note that, as discussed above in the "Long-Term Loans from FDES" section, when we have determined that Usinor Sacilor was creditworthy during a particular year, we have used for the discount rate the rate indicated in the OECD publication provided by respondents for that year.

Comment 12

Respondents argue that the Department's preliminary conclusion that Credit Lyonnais' equity investment in Usinor Sacilor was not commercially reasonable is contradicted by the record. Respondents assert that Usinor Sacilor was equityworthy in 1991 and represented an excellent investment opportunity. Respondents argue that the Credit Lyonnais' purchase of stock in Usinor Sacilor was subject to exhaustive studies by Credit Lyonnais itself and by an independent Swiss consulting firm on behalf of the EC Commission.

Petitioners dispute respondents' claim that the two studies demonstrate that the investment was commercially plausible. Petitioners assert that the EC Commission's approval of the transaction does not mean that it is not countervailable under U.S. law. The Commission's standard for determining whether a government subsidy constitutes state aid is considerably less strict than that of the U.S. law.

Petitioners also argue that Usinor Sacilor's short-term improvement in financial performance was hardly an indication of the company's permanent rehabilitation or a sustainable recovery in the steel industry. Moreover, the profit projections are not credible in light of the obvious declines in worldwide and EC demand for steel at the time of the investment. Therefore, petitioners argue that a reasonable private investor would never have proceeded with such a sizable investment under such adverse market conditions.

DOC Position: While we agree with petitioners that the EC approval of the investment is not relevant, the information provided in the studies is relevant to our analysis. Credit Lyonnais used many different criteria to evaluate Usinor Sacilor as a potential investment, some of which are discussed in a letter to the EC which is on file in this investigation. In addition, as discussed at verification, Credit Lyonnais evaluated its potential return from the investment by considering its overall return in the form of profits, dividends, additional leverage, and increased banking fees. Based on this information, Credit Lyonnais concluded that Usinor Sacilor was a commercially reasonable investment. With respect to the Swiss consulting report, based on our review of this study, we have concluded that Usinor Sacilor was capable of generating a reasonable rate of return within a reasonable period of time and, hence, was equityworthy at the time.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. We followed standard verification procedures, including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents. 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).

Suspension of Liquidation

In accordance with section 705(c) of the Act, we are directing the Customs Service to continue to suspend liquidation of entries of certain additive steel products from France 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 of estimated countervailing duties at the following rate:

	Ad valorem rate (percent)
Usinor Sacilor _____	23.14
Country-Wide Rate _____	23.14

ITC Notification

In accordance with section 705(d) 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 Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, these proceedings 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 entries of certain additive steel products from France.

Return or Destruction of Proprietary Information

This notice serves as the only reminder to parties subject to Administrative Protective Order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 355.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)) and 19 CFR 355.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-2002 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-09-M

[C-428-812]

Final Affirmative Countervailing Duty Determination: Certain Hot Rolled Lead and Bismuth Carbon Steel Products From Germany

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT: Rick Herring or Magd Zalok, Office of Countervailing Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 482-3530 or 482-4162, respectively.

Final Determination

The Department of Commerce (the Department) determines that benefits which constitute subsidies within the meaning of the countervailing duty (CVD) law are being provided to manufacturers, producers, or exporters in Germany of certain hot rolled lead and bismuth carbon steel products (hereinafter: "certain additive steel products").

For information on the estimated net subsidy, please see the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of the preliminary determination (57 FR 42971, September 17, 1992), the following events have occurred.

We verified the information used in making this final determination from October 12 through October 22, 1992.

On October 16, 1992, in accordance with section 705(a)(1) of the Tariff Act of 1930, as amended (the Act), we aligned the final determination in this investigation with the final determination in the companion antidumping duty (AD) investigation of the same merchandise (57 FR 48020, October 21, 1992). On November 6, 1992, at the request of the respondents, we postponed the final CVD and AD determinations until January 11, 1993 (57 FR 53691, November 12, 1992). On January 11, 1993, we postponed for a second time the final CVD and AD determinations until January 19, 1993 (Not Yet Published).

The parties submitted case and rebuttal briefs on November 25, and

December 2, 1992, respectively. A public hearing was held on December 4, 1992. Supplemental post-hearing briefs were filed on December 10, 1992.

Scope of Investigation

The products covered by this investigation are hot-rolled bars and rods of nonalloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1 (f)), except steels classified as other alloy steels by reasons of containing by weight 0.4 percent or more of lead, or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products. Most of the products covered in this investigation are provided for under subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of these products may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our description of the scope of this proceeding is dispositive.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidies (the period of investigation (POI)) is calendar year 1991.

Pursuant to 19 CFR 355.20(d), we compared the total *ad valorem* subsidy received by each firm to the country-wide rate for all programs. On the basis of this comparison, the rate for Thyssen AG was significantly different from the country-wide rate. Therefore, this firm received an individual company rate. The calculated rate for Saarstahl AG will be used for all other manufacturers, producers, and exporters of certain additive steel products in Germany.

Based upon our analysis of the petition, responses to our questionnaires, verification, and written comments from the interested parties, we determine the following:

Grant Methodology

Our policy with respect to grants is (1) to expense recurring grants in the year of receipt, and (2) to allocate non-

recurring grants over the average useful life of assets in the industry, unless the sum of grants provided under a particular program is less than 0.5 percent of a firm's total or export sales (depending on whether the program is a domestic or export subsidy) in the year in which the grant was received. See e.g., Final Affirmative Countervailing Duty Determination: Fresh and Chilled Atlantic Salmon from Norway, (Salmon from Norway), 56 FR 7678 (February 25, 1991). We have considered the grants provided under the programs described below to be non-recurring, unless otherwise noted, because the benefits are exceptional, the recipient cannot expect to receive benefits on an ongoing basis from review period to review period, and/or the provision of funds by the government must be approved every year. See, Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groundfish from Canada (Groundfish from Canada), 51 FR 10041 (March 24, 1986). Therefore, we have allocated the benefits over 15 years, which the Department considers to be reflective of the average useful life of assets in the steel industry (see, § 355.49(b)(3) of the Department's proposed regulations (Countervailing Duties; Notice of Proposed Rulemaking and Request for Public Comments, 54 FR 23366 (May 31, 1989) (Proposed Regulations)).

The benefit from each of the grant programs discussed below was calculated using the declining balance methodology described in the Department's Proposed Regulations (see, section 355.49(b)(3)) and used in prior investigations (see, e.g., Salmon from Norway). For the discount rate in these calculations, we used, whenever possible, each company's actual cost for long-term, fixed-rate debt. If a company did not report this cost, or when a company had no long-term borrowing in the year in which the grant was approved, we used the national average long-term interest rate.

I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers, or exporters in Germany of certain additive steel products as follows:

1. Government Debt Forgiveness in 1989

In the years 1971 through 1989, the companies which were eventually to become Saarstahl AG, went through various mergers, restructurings, and name changes. For the sake of simplicity, we are using the name "Saarstahl" when referring to assistance

provided to Saarstahl AG or to assistance provided to any of its predecessor companies.

In response to the poor economic condition of the steel industry in the Saarland in the 1970's, the Governments of Germany and Saarland, and the steel companies which were to become Saarstahl, adopted their first restructuring plan in an attempt to create a viable steel industry in Saarland. In order to facilitate the implementation of the restructuring plan, the Federal Government authorized the provision of DM 244 million in funds to Saarstahl in 1978. Repayment of these funds was contingent upon Saarstahl returning to profitability. This contingent repayment obligation was called a *Rueckzahlungsverpflichtung (RZV)*.

In addition, the Governments of Germany and Saarland guaranteed loans in the amount of DM 1.18 billion made to Saarstahl by a group of private banks. Due to the company's poor financial condition, the banks would not have made the loans to Saarstahl without the government guarantees. These loans were also used to finance the restructuring plan. Saarstahl made payments on the guaranteed loans until April 1983. At that time, the Governments of Germany and Saarland assumed the payment of interest and principal. Again, these government payments of principal and interest were to be repaid by Saarstahl under RZVs.

The initial provision of DM 244 million by the Government of Germany and the payments of interest and principal by the two governments were the first in a long line of assistance provided by both governments to Saarstahl. Assistance provided to the company from 1981 through 1985 was used to modernize the company, make capital investments, cover operating expenses, and cover employee expenses pursuant to a number of Saarstahl restructuring plans. In addition, the government payments of the interest and principal of the guaranteed loans continued until 1989. All of this assistance was tied to RZVs which obligated Saarstahl to repay the assistance provided the company earned a profit in the future. By 1989, Saarstahl had accumulated DM 3.948 billion in repayment obligations to both governments.

During the period when most of the government assistance was being provided to Saarstahl, the company was wholly-owned by a Luxembourg company, Arbed Luxembourg (Arbed). By 1985, Arbed was no longer able or willing to function as the owner of Saarstahl. Because of the importance of

Saarstahl to the economy of Saarland, the Government of Saarland decided to look for a new owner to replace Arbed. Another steel company in Saarland, the French-owned AG der Dillinger Huttenwerke (Dillinger), expressed interest in Saarstahl. At that time, Dillinger and Saarstahl were already joint venture partners in a company which produced pig iron.

In order to facilitate finding a new investor for Saarstahl, Arbed transferred 76 percent of the ownership of Saarstahl to the Governments of Germany and Saarland for one deutsche mark in 1988. A trustee was appointed to hold the shares for both governments while a new investor was sought. The Federal Government was not interested in keeping any shares in Saarstahl. At the same time, an agreement was signed under which Dillinger would manage Saarstahl in order to diagnose the company's problems and, thereafter, delineate Usinor Sacilor's, Dillinger's parent company, conditions for a potential merger. In April 1989, an agreement was reached between the Government of Saarland and Usinor Sacilor regarding the merger of Saarstahl and Dillinger.

Based on the terms of this merger agreement, Saarstahl and Dillinger became subsidiaries of a newly-created holding company, DHS-Dillinger Huette Saarstahl AG (DHS). The Government of Saarland contributed the assets of Saarstahl and DM 145.1 million in cash in return for 27.5 percent ownership of Saarstahl's new parent company, DHS. Usinor Sacilor conditioned this agreement upon the Federal and Saarland governments' forgiveness of all of Saarstahl's RZVs.

Pursuant to the merger agreement, the Governments of Germany and Saarland, and Saarstahl entered into an agreement concerning the previous assistance received by Saarstahl. Under the latter agreement, the *Entschuldungsvertrag* (the EV), all outstanding RZV repayment obligations for all the funds provided to Saarstahl by the Governments of Germany and Saarstahl, as well as additional rights held by both governments for repayment of principal on the guaranteed loans, were forgiven and relinquished. The EV was signed in June 1989.

Because the debt forgiveness under the EV was only provided to one company, we determine it to be countervailable because it was limited to a specific enterprise or industry or group of enterprises or industries.

To determine the benefit arising from the debt forgiveness, we are treating the amount of the forgiveness, DM 3.948 billion, as a nonrecurring grant and

calculating the benefit according to the methodology described in the "Grant Methodology" section above. At verification, Ministry of Economics officials stated that there are no official statistics on long-term interest rates published by the federal government. Therefore, we reviewed the interest rates published in the International Monetary Fund's International Financial Statistics and used the average annual long-term interest rate reported in that publication for 1989, which was 9.94 percent, as our discount rate.

The portion of the benefit allocated to the period of investigation was adjusted pursuant to section 771(6) of the Act. Under this section of the Act, the Department may subtract any application fee, deposit, or similar payment from the benefit if that payment was made in order to qualify for, or to receive, benefits under the program. According to the EV agreement, Saarstahl is required to pay a yearly fee of DM 300,000 to the Government of Germany. Therefore, we deducted DM 300,000 from the portion of the benefit attributable to the period of investigation and divided the resultant sum by DHS's total sales (which includes the total sales of both Saarstahl and Dillinger). We used the sales of DHS because the forgiveness of Saarstahl's debt resulted in a benefit to DHS. On this basis, we calculated an estimated net of 16.02 percent *ad valorem*. The estimated net subsidy for Thyssen under this program is 0.00 percent *ad valorem*.

2. Debt Forgiveness by Private Banks

Commercial banks also participated in the restructuring of Saarstahl during the period from 1978 through the final restructuring of the company in 1989. During part of this time period they provided both short- and long-term loans to Saarstahl which were not guaranteed by the Governments of Germany or Saarland. In the years 1983 through 1985, the banks forgave Saarstahl DM 106.8 million in interest on these loans. This forgiveness was in response to the company's poor financial condition and was not made at the request of, or related to any assistance provided by, the Governments of Germany and Saarland.

Toward the end of 1985, the Government of Saarland presented a long-term restructuring plan for Saarstahl to Saarstahl's creditors and requested that they forgive an additional amount of DM 350 million in loans. Based on this request, the banks agreed to forgive DM 217.33 million of debt owed to them by Saarstahl, if the Governments of Germany and Saarland

would forgive all debt owed to them by Saarstahl and if the Government of Saarland would assure the future liquidity of Saarstahl. With the signing of the EV, the governments forgave Saarstahl's debt owed to them, as discussed above, and the commercial banks forgave a portion of their unguaranteed loans to Saarstahl.

The talks on the forgiveness of Saarstahl's debt were based on the common notion that all of the participants, including the private and public creditors, would have to contribute to the restructuring of Saarstahl if this restructuring was to be successful. The Governments of Germany and Saarland made their forgiveness dependent on private creditors also forgiving a portion of their claims against Saarstahl. The private creditors laid down the same condition with regard to the claims of the Governments of Germany and Saarland.

We determine the forgiveness of interest payments in the years 1983 through 1985 did not confer a countervailable subsidy on Saarstahl because the banks were acting independently, without any direction or participation by the Governments of Germany and Saarland. However, we determine that the subsequent forgiveness of principal was countervailable because it was required by the governments as part of a government-led debt reduction package for Saarstahl and because the two governments guaranteed the future liquidity of Saarstahl, thereby, implicitly assuring the private banks that the remaining portion of Saarstahl's outstanding loans would be repaid.

At verification, we established that the loans were forgiven by private banks in 1989, the same year the EV was signed, and in 1987. One private bank forgave DM 541,000 in debts in 1987. The remaining portion of the debt, DM 216.819 million was forgiven in 1989.

Using the same methodology used to calculate the subsidy for the government forgiveness of Saarstahl's debt in 1989, we calculated an estimated net subsidy of 0.88 percent *ad valorem* for the 1989 debt forgiveness of DM 216.819 million. The debt forgiveness which occurred in 1987 was expensed in the year of receipt because the amount forgiven was less than 0.5 percent of total sales. The estimated net subsidy for Thyssen under this program is 0.00 percent *ad valorem*.

3. Worker Assistance Program

Under Article 56 of the European Coal and Steel Community (ECSC) Treaty, persons employed in the coal and steel industry who lose their jobs may receive assistance for "social adjustment." This

assistance is provided for workers affected by restructuring measures, particularly as workers withdraw from the labor market into early retirement or are forced into unemployment. The ECSC disburses assistance on the condition that the affected country makes an equivalent contribution.

German companies seeking assistance under Article 56 of the ECSC Treaty must apply to both the Federal Minister of Labor and Social Affairs and to the Federal Minister of Economics. Notification of approval is provided by the Federal Minister of Labor and Social Affairs which is also in charge of distributing such funds on its own account and on behalf of the ECSC.

During the period of investigation, Saarstahl and Thyssen received payments for their workers under Article 56(2)(b) of the ECSC Treaty. The payments were made to provide for prematurely retired employees. In Germany, a company's obligations with respect to prematurely retired employees are delineated in the social plans these companies have with their employees. We verified that anticipated Article 56 payments were taken into account during the negotiations of Saarstahl's and Thyssen's social plans.

At verification, we also established that the ECSC share of the payments is provided from its budget, which is financed through levies and fines from coal and steel producers and the interest earned on the investment of these proceeds. Deficits in the budget are made up by Member State contributions. However, no contributions have been made by the Member States since 1984. Since the ECSC payments in 1991 were financed solely from producer contributions, they do not confer a countervailable benefit.

With respect to the German contributions under this program, however, we determine that the funds are limited to a specific industry or group of industries and, because the funds relieve the companies of obligations they normally would have incurred, that they confer a countervailable subsidy. We further determine that the assistance provided under this program is recurring since the recipients can expect to receive benefits on an ongoing basis. Therefore, we limited our analysis to funds received during the period of investigation, 1991.

To calculate the benefit, we took half of the funds received by the companies under this program in 1991, which is that portion attributable to the Government of Germany, and divided it by each company's total sales during the period of investigation. Using this

methodology, we calculated, for Saarstahl, an estimated net subsidy of 0.38 percent *ad valorem*. The estimated net subsidy for Thyssen was 0.16 percent *ad valorem* under this program.

II. Program Determined Not To Be Countervailable

1. The Government of Saarland's Equity Investment in DHS

We determined that the Saarland's capital contribution of DM 145.1 million described in the "Government Debt Forgiveness in 1989" above to be consistent with commercial considerations. At the same time that the Saarland government was investing these funds, two private investors were also investing in DHS. Using these private investors as a benchmark, we find that the Government of Saarland made its investment on the same terms. Therefore, we determine that the Government of Saarland's equity contribution of DM 145.1 million does not confer a countervailable benefit. For additional information regarding this issue, please see Comment 4, below.

Comments

All written comments submitted by the interested parties in this investigation which have not been previously addressed in this notice are addressed below.

Comment 1

Respondent maintains that the private banks' forgiveness of Saarstahl's debts was a rational commercial decision because, if Saarstahl had filed for bankruptcy, the banks would have lost more money than the forgiven portion of the debt. Respondent further asserts that private banks were not, in any way, coerced by the federal or Saarland governments to forgive the debt.

Petitioners, on the other hand, argue that private creditors released Saarstahl from its debts as part of a package deal in which the governments agreed that they would continue to assume payments on the guaranteed debt. Without government intervention, the private banks' forgiveness would not have occurred. Therefore, petitioners maintain that the private banks' forgiveness in countervailable, especially since Saarstahl failed to produce documents during verification that, Saarstahl claimed, would have proved otherwise.

DOC Position

The private debt forgiveness was part of a debt reduction package negotiated by the Governments of Germany and Saarland. The governments made the initial approach to private creditors

requesting that they forgive Saerstahl's debt. In exchange for the private debt forgiveness, the governments agreed to forgive all of the debt due to them by the company. In addition, the Government of Saarland assured the private banks of Saerstahl's liquidity. Given the governments' extensive role in bringing about the private banks' debt forgiveness and the absence of any documentation to support respondent's claim that the banks' actions were commercially sound, we find the forgiveness to be countervailable.

We also note that we requested additional documents relating to the debt forgiveness which were referred to in Saerstahl's response. These documents were not provided to the Department by the company.

Comment 2

Petitioners argue that the Department should treat the portion of Article 56 assistance provided by the ECSC like any national subsidization of employee severance costs, since there is no difference between producer contributions set by the EC and other taxes collected by governments through other funding mechanisms. Petitioners further maintain that if the Department decides that the benefits funded by the ECSC are *per se* non-countervailable, then this should only apply to what Saerstahl paid in levies in that year. In other words, the Department should countervail the money received by the companies in excess of what the companies paid in levies to the EC during the period of investigation.

DOC Position

We disagree with petitioners. Premiums paid to the ECSC are not similar to taxes paid to a national or state government. These premiums are more analogous to premiums paid for insurance or to dues paid by members of an association or union which are used to support the activities of the organization. Premiums paid by steel producers to the ECSC are used for a variety of activities to support ECSC members, including the funding of research and development and the provision of assistance to laid-off steel workers.

Government-administered unemployment programs funded solely through employee and employer contributions are not countervailable. Such programs, like the workers assistance program under Article 56(2)(b) of the ECSC Treaty, operate like an insurance program. The fact that a company or individual may receive more in any given year than the amount it paid into the program is not a basis

for concluding that the program provides a countervailable benefit. Such an occurrence is natural with any insurance program. As long as the program operates without government funds, there is no countervailable benefit.

Comment 3

Petitioners maintain that Saerstahl failed to provide translated versions of its social plans, passed after the Stahlstiftung was created, which could have revealed whether the company was obligated to provide assistance for retraining its former employees. Therefore, the Department should determine, as best information available, that Saerstahl's social plan requires the company to provide assistance for retraining purposes. Moreover, petitioners argue that the Department should countervail the government's funding of the Stahlstiftung, since it is specific to Saerstahl and it relieves the company of its financial obligations.

DOC Position

Although we are not assuming any obligation to translate documents, our review of Saerstahl's social plans, both the translated and the untranslated versions, shows that the company is not required to provide assistance to its former (or present) employees for retraining purposes. Therefore, we view the assistance provided by the Stahlstiftung, for retraining former Saerstahl's employees, as distinct from Saerstahl's assistance as delineated in its social plans. Since Saerstahl, according to German law, is only obligated to provide assistance pursuant to the terms delineated in its Social Plan, the Stahlstiftung did not relieve the company of any obligations. Therefore, no countervailable benefit was provided to Saerstahl from the government's funding of the Stahlstiftung.

Comment 4

Petitioners maintain that the financial performance of Saerstahl and Dillinger shows that neither company, nor the two combined, were equityworthy in 1989. Consequently, petitioners argue that the Department should consider the Saarland government's DM 145 million equity infusion into DHS as inconsistent with commercial considerations.

Respondent asserts that the Land's payment of DM 145 million cannot be construed as a subsidy because it represented a fair price for its investment in DHS that was valued by an independent accounting firm (KPMG).

DOC Position

We believe that the equity infusion made by the Government of Saarland into DHS was on terms consistent with commercial considerations. Because there were other investors besides the Government of Saarland, the terms of the other investors, rather than the financial performance of the recipient company, determine whether the government investment was made on terms consistent with commercial considerations. Moreover, the fact that there were private parties willing to invest in DHS supports the conclusion that the company is equityworthy. Therefore, because the two other investors, ARBED and Usinor Sacilor, made equity infusions at the same time and on the same terms as the Government of Saarland, we determine that the equity infusion made by the Government of Saarland into DHS was made on terms consistent with commercial considerations. This analysis is consistent with Department practice when there are other parties making equity investments at the same time as the government. (See, e.g., Groundfish from Canada and Offshore Platform Jackets and Piles from the Republic of Korea, 51 FR 11779, April 7, 1986.)

Comment 5

Respondent contends that Saerstahl Voelkingen GmbH (SVK) was privatized in 1989 by the Government of Saerstahl in an arm's length transaction which involved a change of majority ownership and control to a major unaffiliated corporation. Therefore, respondent argues that the Department should not consider any benefits bestowed upon Saerstahl's predecessor company to pass through to the new entity, DHS.

Petitioners maintain that the 1989 reorganization of Saerstahl merely shifted the existing public and private interests in Saerstahl and did not privatize the company. This is because the government's partial sale of its interest in Saerstahl in 1989 was negotiated with only one bidder (Usinor Sacilor), a situation where market discipline was not applied, and because the government continued to maintain ownership and control over DHS. Consequently, the change in Saerstahl's ownership does not affect pass-through of benefits.

DOC Position

Because the debt forgiveness was part of the deal negotiated to effect the merger, we consider the forgiveness to benefit the newly-formed company, not

the predecessor to DHS. Therefore, pass through of subsidies received by the predecessor company is not at issue here.

Comment 6

Respondent contends that the Department should characterize the loans guaranteed by federal and Land governments as grants provided to Saarlund in 1978 in the amount of the loans. This is because both governments guaranteed these loans to a financially-troubled company, with the knowledge that Saarlund could never repay the bank creditors, and that they ultimately would have to repay the entire principal and interest on the loan. Therefore, respondent argues that the Department should allocate the guaranteed loan amount, as a grant, over time commencing in 1978.

Furthermore, respondent maintains that the funds provided pursuant to administrative orders and government contracts were recurring benefits during the period 1978-1985. Due to limitations imposed on assistance to the European steel companies, under the European Communities State Aids Code, these funds were terminated in 1985. Therefore, respondent argues that the Department should expense rather than allocate these benefits.

DOC Position

There is no evidence on the record to suggest that the Governments of Germany and Saarland provided the loan guarantees to Saarlund with the knowledge that the company would be unable to repay its bank creditors. Indeed, at the time the loan guarantees were given, Saarlund received loans from private banks without guarantees from either government. Payments made on the guaranteed loans as well as other subsidies provided to Saarlund were all subject to repayment obligations (RZVs) upon the company's realization of profit in the future. Prior to the debt forgiveness in 1989, if Saarlund had been able to realize profits the company would have been obligated to resume its payments to its creditor banks, and, according to the company's contractual agreement with the two governments, would also have been obligated to repay all of its RZVs.

Similarly, with respect to funds provided pursuant to administrative orders and government contracts, these funds were not grants because they were tied to repayment obligations. Therefore, we have treated them as loans which were forgiven in 1989.

Comment 7

Petitioners and Saarlund argue that we should allocate the benefit from the debt forgiveness only over Saarlund's sales, and not the sales of DHS. Petitioners argue that the benefits from the forgiveness are tied only to Saarlund's products.

DOC Position

Although the original debt was incurred by Saarlund, the forgiveness of the debt was tied specifically to the creation of DHS. Without the forgiveness of the debt, there would have been no DHS. Therefore, we believe that since the debt forgiveness was a condition for the creation of DHS, the benefit from the forgiveness is properly allocated to DHS's sales.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. We followed standard verification procedures, including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents. 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).

Suspension of Liquidation

In accordance with section 705(c) of the Act, we are directing the Customs Service to continue to suspend liquidation of entries of certain additive steel products from Germany, 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 of estimated countervailing duties equal to the following rate:

Company	Ad valorem rate
Country-wide rate	17.28 percent

Because the estimated net subsidy for Thyssen is 0.18 percent *ad valorem*, which is *de minimis*, Thyssen is exempt from the suspension of liquidation.

ITC Notification

In accordance with section 705(d) 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 Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, these proceedings 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 access countervailing duties on entries of certain additive steel products from Germany entered, or withdrawn from warehouse, for consumption, as described in the "Suspension of Liquidation" section of this notice.

Return or Destruction of Proprietary Information

This notice serves as the only reminder to parties subject to Administrative Protective Order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 355.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)) and 19 CFR 355.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,
Assistant Secretary for Import
Administration.

[FR Doc. 93-2003 Filed 1-26-93; 8:45 am]
BILLING CODE 3510-DS-M

[C-412-811]

Final Affirmative Countervailing Duty Determination: Certain Hot Rolled Lead and Blawie Carbon Steel Products From the United Kingdom

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

EFFECTIVE DATE: January 27, 1993.

FOR FURTHER INFORMATION CONTACT:
Stephanie L. Hager or Annika L. O'Hara,
Office of Countervailing Investigations,
Import Administration, U.S. Department
of Commerce, 14th Street and
Constitution Avenue NW., Washington,
DC 20230; telephone (202) 482-5055 or
482-0588, respectively.

Final Determination

The Department of Commerce (the Department) determines that benefits which constitute subsidies within the meaning of the countervailing duty (CVD) law are being provided to manufacturers, producers, or exporters in the United Kingdom of certain hot rolled lead and bismuth carbon steel products (hereinafter: "certain additive steel products").

For information on the estimated net subsidy, please see the "Suspension of Liquidation" section of this notice.

Case History

Since the publication of the preliminary determination (57 FR 42974, September 17, 1992), the following events have occurred.

We verified the information used in making our preliminary determination from September 28 through October 9, 1992.

On October 16, 1992, in accordance with section 705(a)(1) of the Tariff Act of 1930, as amended (the Act), we aligned the final determination in this investigation with the final determination in the companion antidumping duty (AD) investigation of the same merchandise (57 FR 48020, October 21, 1992). On November 6, 1992, at the request of respondents, we postponed the final CVD and AD determinations until January 11, 1993 (57 FR 53691, November 12, 1992).

The parties submitted case and rebuttal briefs on November 18 and 24, 1992, respectively. A public hearing was held on December 2, 1992.

Supplemental briefs were filed on December 7, 1992.

On January 11, 1993, we postponed for a second time the final CVD and AD determinations until January 19, 1993 (Not Yet Published).

Scope of Investigation

The products covered by this investigation are hot rolled bars and rods of non-alloy or other alloy steel, whether or not descaled, containing by weight 0.03 percent or more of lead or 0.05 percent or more of bismuth, in coils or cut lengths, and in numerous shapes and sizes. Excluded from the scope of this investigation are other alloy steels (as defined by the Harmonized Tariff Schedule of the United States (HTSUS) Chapter 72, note 1 (f)), except steels classified as other alloy steels by reason of containing by weight 0.4 percent or more of lead or 0.1 percent or more of bismuth, tellurium, or selenium. Also excluded are semi-finished steels and flat-rolled products.

Most of the products covered in this investigation are provided for under

subheadings 7213.20.00.00 and 7214.30.00.00 of the HTSUS. Small quantities of the subject merchandise may also enter the United States under the following HTSUS subheadings: 7213.31.30.00, 60.00; 7213.39.00.30, 00.60, 00.90; 7214.40.00.10, 00.30, 00.50; 7214.50.00.10, 00.30, 00.50; 7214.60.00.10, 00.30, 00.50; and 7228.30.80.00. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidies (the period of investigation (POI)) is calendar year 1991, which corresponds to the fiscal years of the UK producers of the subject merchandise, United Engineering Steels Limited (UES), Allied Steel and Wire Limited (ASW), and Glynwed International plc (Glynwed).

Pursuant to 19 CFR 355.20(d), we compared the total *ad valorem* subsidy received by each firm to the country-wide rate for all programs. On the basis of this comparison, the rates for ASW and Glynwed were significantly different from the country-wide rate. Therefore, these firms received individual company rates. The calculated rate for UES will be used for all other manufacturers, producers, and exporters of certain additive steel products in the United Kingdom.

As a result of the ongoing Countervailing Duty Investigation of Certain Steel Products from the United Kingdom (Certain Steel), we have been made aware of certain programs, not originally investigated in this case, which appear to provide subsidies, e.g., European Investment Bank loans. Nevertheless, we did not have sufficient time to obtain and verify information with respect to these programs. Accordingly, we will address them during the first administrative review of the CVD order in this case, as is contemplated by section 355.39 of the Department's Proposed Regulations (Countervailing Duties; Notice of Proposed Rulemaking and Request for Public Comments (Proposed Regulations), 54 FR 23366 (May 31, 1989)), assuming a CVD order is issued an administrative review is requested.

Based upon our analysis of the petition, responses to our questionnaires, verification, and written comments from the interested parties, we determine the following:

I. Pass-Through of Benefits From BSC to UES

1. Background

UES is a joint venture company which was formed in 1986 by the government-owned British Steel Corporation (BSC) and a privately owned company, Guest, Keen & Nettlefolds (GKN). Both BSC and GKN contributed "productive units" (e.g., steel works, re-rolling mills), accounts receivable, cash, and inventories to the joint venture in return for shares in UES. More specifically, BSC contributed a major portion of its Special Steels Business which produced engineering steels, while GKN contributed its Brymbo Steel Works (Brymbo) and its forgings business. At the time of the formation of UES, BSC was wholly owned by the UK government. However, in 1988, BSC was privatized and now bears the name British Steel plc (BS plc).

For purposes of our preliminary determination, in order to determine whether UES received a countervailable benefit during the POI, the Department examined the transaction forming the UES joint venture to ascertain whether the terms obtained by BSC were consistent with commercial considerations. In that determination, we found that UES was subsidized to the extent that BSC paid a premium for its shares in UES.

The Department has received numerous comments on the issue of whether subsidies provided to BSC prior to the formation of UES were passed through the UES. These comments are summarized as follows.

2. Petitioners' Position

Petitioners argue that, under the circumstances of this investigation, section 701(a) of the Act requires that the entire net subsidy provided to the recipient be countervailed. Petitioners note that the Court of International Trade (CIT) has found BSC to be the recipient of countervailable subsidies. *British Steel Corp. v. United States*, 605 F. Supp. 286, 289, 294-295 (CIT 1985). Petitioners claim that, whatever part of the benefit stream flowing from the net subsidy remains, there is no provision in the law which allows this benefit stream to be terminated and as a result of mere changes in corporate form and ownership.

Indeed, petitioners state that countervailable benefits "survive" most types of corporate restructuring because subsidies are fungible, i.e., they are normally attributed to all operations of the recipient company because they benefit, directly or indirectly, all operations of the company. Thus, the

conveyance of a major portion of the Special Steels Business to UES, which petitioners characterize as a restructuring of BSC, did not affect the countervailability of the benefits bestowed on BSC. A *pro rata* share of BSC's benefits is, therefore, allocable to the production of the Special Steels Business.

Citing *Armco, Inc. v. United States*, 733 F. Supp. 1514, 1523 (CIT 1990), petitioners argue that it is the Department's obligation to countervail subsidies granted directly or indirectly to companies. Petitioners emphasize that the Special Steels Business was conveyed to UES as a complete operating business in a related party transaction. In support of their position, petitioners state that the "purchaser" of the Special Steels Business, UES, is not independent of BSC, because BSC owns half of the voting stock and over 60 percent of the total stock in UES, and contributed the vast majority of its assets. Essentially everything the Special Steels Business had as a part of BSC, including the benefit of its allocable share of BSC's subsidies, it continued to have after the transfer.

Petitioners claim that the Department's finding in *Certain Steel Products from Sweden: Final Results of Countervailing Duty Administrative Review*, (Swedish Steel), 56 FR 47185 (September 18, 1991) is relevant to the situation in the current investigation. In *Swedish Steel*, the Department determined that a corresponding decrease in the countervailable benefit did not occur with the sale of one-third of a company's stock to a private party. In *Swedish Steel*, as in the instant case, it was merely the ownership that was conveyed. Petitioners contend that it has long been held by the Department that a purchase of stock from the public, at whatever price, is not a subsidy because the proceeds go to the purchaser, not to the company. *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Spain*, 47 FR 51438 (November 15, 1982) and *Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, (Subsidies Appendix), 49 FR 18006 (April 26, 1984). Conversely, according to petitioners, the privatization of a company through the sale of its stock does not extinguish subsidies because the transfer of wealth is from the new owners to the government. Thus, the creation of UES in 1986, as well as the privatization of BSC in 1988, had no effect on the countervailability of any subsidies provided to BSC.

Petitioners argue that Congress and the courts have carefully circumscribed the Department's authority to countervail less than the net amount of the subsidy by setting out a short list of narrowly defined offsets. Petitioners state that none of these offsets relates to the sale of a subsidized company. Section 771(6) of the Act, S. Rep. No. 249 at 86, 1979 U.S.C.C.A.N. at 472, *Hercules, Inc. v. United States*, 673 F. Supp. 454 (CIT 1987). Petitioners argue that under the circumstances of the current investigation, the Department has no authority to adjust or modify the net subsidy that has already been established, except to the extent of statutory offsets.

Petitioners note that two years after the formation of UES, BSC was privatized. Petitioners emphasize that both before and after BSC's privatization, BSC owned 60 percent of UES and had the ability to control the joint venture. Petitioners claim that the sale of BSC stock did not affect the previous conveyance of BSC's Special Steels Business to UES and that none of the prior subsidies provided to BSC were purged as a result of its privatization. According to petitioners, this is because (1) the financial position of BSC remained unchanged after the privatization, (2) the CVD law is concerned with determining whether the subject merchandise, not the owner of the company, benefits from a subsidy, and (3) subsidies distort the economy because they provide resources that would have gone to different uses if they had not been employed to create steel-producing assets to the detriment of the U.S. steel industry.

According to petitioners, respondents' argument concerning upstream subsidies totally misinterprets the meaning of the statute. Petitioners argue that it is obvious that the upstream subsidy provisions were meant to deal with "input products . . . used in the manufacture of the products under investigation," and that a business is not an input product. Section 771A(a) of the Act.

3. Respondents' Position

According to respondents, when the ownership and control of an asset is transferred from a state-owned enterprise to a private company in an arm's length transaction or otherwise at market value, merchandise produced with that asset by the new owner does not derive a benefit from any past subsidies that the state-owned enterprise may have received. Respondents contend that any prior subsidies to BSC should continue to be apportioned over the production of the

company that received and supposedly benefitted from those subsidies, i.e., BSC. Respondents argue that the assets transferred to UES, like assets that might be sold to totally unrelated third parties, did not "receive" the subsidies—BSC did.

Furthermore, respondents state that there is no necessary or logical connection between the Department's methodology of apportioning the subsidy received by a firm over all of the products produced by the firm and petitioners' contention that every asset of a subsidized firm bears a subsidy taint that stays with the asset no matter who subsequently acquires it. The Department imposed countervailing duties in the prior BSC cases because of the benefits received by BSC as a company, not because of the benefits received by individual assets.

According to respondents, under Department and judicial precedent, the attribution of subsidies to a company that did not receive the subsidies would only be appropriate where the company that received the subsidies either controlled or was controlled by the first company. *Armco Inc. v. United States*, 733 F. Supp. 1514, 1521 (CIT 1990) and *Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Hollow Products from Sweden*, 52 FR 5794 (February 26, 1987). According to respondents, the creation of UES was in no way an "intra-corporate machination" by BSC. Instead, UES was a *bona fide* joint venture between BSC and GKN, resulting in a new commercial enterprise that was not under the control of BSC.

Respondents support the Department's preliminary determination not to attribute to UES any subsidies received by BSC in 1978-1986. In rejecting petitioners' contention that pre-1986 subsidies given to BSC should be applied to UES, respondents assert that the Department could only find UES to have been subsidized to the extent that UES securities transferred to BSC might be worth less than the value of the assets transferred to UES by BSC. Respondents maintain that this is logical because when ownership and control of an asset is transferred from a state-owned enterprise to a private company in an arm's length transaction or otherwise at market value, products from that company should not be subject to countervailing duties as a consequence of any past subsidies that the state-owned enterprise received.

According to respondents, the Department's preliminary decision is consistent with its established practice that purchasers of assets at fair market value from subsidized companies

should not be countervailed. Final Affirmative Countervailing Duty Determination; Oil Country Tubular Goods from Canada, (OCTG from Canada), 51 FR 15037 (April 22, 1986) and Lime from Mexico; Preliminary Results of Changed Circumstances, Countervailing Duty Administrative Review, 54 FR 1753 (January 17, 1989).

In addition, respondents argue that the CIT has implicitly endorsed the approach taken by the Department in its preliminary determination in *SSAB Svenskt Staal AB v. U.S.*, 764 F. Supp. 650 (CIT 1991), in which the court upheld the Department's determination that SSAB had received countervailable subsidies because it had purchased assets from a state-owned company at below their market value. Finally, respondents assert that the statutory provision regarding upstream subsidies provides further compelling support for the Department's approach in the preliminary determination. Section 771A of the Act provides that a subsidy on inputs used in the production of subject merchandise should be countervailed only if it "bestows a competitive benefit on the merchandise."

Respondents explain that petitioners incorrectly claim that the "offset provision" is relevant in this case. According to respondents, section 771(6) of the Act concerns the subtraction from the gross subsidy amount of any charges that reduce the value of the subsidy to the recipient. According to respondents, the offset provision does not set guidelines for the identification of a subsidy. *Alberta Park Producers' Marketing Board v. U.S.*, 669 F. Supp. 445, 452 (CIT 1987).

Respondents maintain that this case is distinguishable from the ongoing investigation of Certain Steel. According to respondents, the key issue in the present investigation is whether and when subsidy benefits received by one entity should be attributed to a second entity because the second entity owns some assets that were once owned by the subsidy recipient, i.e., whether some portion of the subsidies provided to BSC "traveled" with those assets to their "new home" at UES. On the other hand, the Certain Steel investigation deals with the "extinguishment" of subsidies where the effect of the privatization of the subsidy recipient is the critical factor. Respondents state that, in the formation of UES, there was no sale by the UK government of its ownership in a state-owned company that had received past subsidies. Rather, there was merely a sale by BSC of a small portion of its assets to UES, an autonomous company formed through

arm's length negotiations between BSC and GKN. Whether subsidies become an inherent part of the assets of a subsidized state-owned enterprise and, therefore, should be deemed to "travel" with those assets when they become owned by another party, is a key issue that the Department must resolve, according to respondents.

4. DOC Determination

Based upon a reconsideration of the preliminary determination and upon reviewing the comments submitted by the interested parties, the Department determines that a company's sale of a "business" or "productive unit" does not alter the effect of previously bestowed subsidies. The Department does not examine the impact of subsidies on particular assets or tie the benefit level of subsidies to changes in the company under investigation. Therefore, it follows that when a company sells a productive unit, the sale does nothing to alter the subsidies enjoyed by that productive unit.

The subsidies provided to a company presumably are utilized to finance operations and investments in the entire company, including productive units that are subsequently sold or spun off into joint ventures. Therefore, as the company disposes of its productive entities, these entities take a portion of the benefits with them when they "travel to their new home."

The Department has applied this analysis only to a subsidized company's "businesses" or "productive units," which are sold off. An analysis which would require the Department to examine each individual asset that a company sells would be administratively unfeasible. A subsidized company's sale of a productive unit is a more reasonable basis on which to allocate the pass-through of subsidies.

This approach avoids creating an opportunity for circumvention of the CVD law. Should be determine that the original recipient of subsidies continues receiving the entire benefit of those subsidies, we would not only leave companies like BSC "holding the bag," we would also invite subsidy recipients to sell off units that produce or export countervailed merchandise to the United States. In the end, a "bubble" of subsidies would remain with a virtually empty corporate shell which would not be affected by any countervailing duties because it did not produce or export the countervailed merchandise to the United States.

Based on this methodology, the Department considers the portion of BSC's Special Steels Business that was

sold to UES a "productive unit" or business. Accordingly, the Department finds that a portion of the pre-1986 subsidies provided to BSC passed through to the Special Steels Business at its new "home," UES.

Based on the verification reports and other information submitted on the record of this investigation, we have found that the formation of UES was not simply a corporate restructuring, as alleged by petitioners. Therefore, subsidies provided to BSC after the formation of UES did not automatically pass through to UES. With respect to UES, the Department has found that this is an independent joint venture company, managed as a separate corporate entity from its parent companies BSC (from 1988: BS plc) and GKN. There is no information on the record to support petitioners' allegation that UES is a mere continuation of BSC's Special Steels Business.

UES was created after several years of difficult, arm's length negotiations between BSC and GKN and became a "limited" (i.e., incorporated) company immediately upon its inception. We found nothing during verification which indicates that the negotiations for UES were not held at arm's length.

Because UES' two owners, BSC/BS plc and GKN, each hold 50 percent of the voting shares, there must be consensus between them for any proposal to pass. At verification, we reviewed the minutes of UES' board meetings for the first two years after the joint venture's formation. The minutes did not indicate that the board meetings were dominated by BSC. In addition, we studied documents which listed the members of UES' board and executive committee in 1986 and 1992. We noted that BSC/BS plc had fewer representatives on UES' board and committee than did GKN and other private sector companies. At verification, we also found that in 1988, BSC did not exercise its right to appoint the chairman of the board. Instead, BSC and GKN agreed to reappoint the then chairman, who was an ex-GKN official.

We also believe that UES is an independent corporate entity based on our examination of the business relationship between UES and BS plc, which continues for historical and practical reasons. We verified that the prices paid by UES to BS plc for raw materials are market, not transfer, prices. Other exchanges between the two companies are also made on normal commercial terms.

Based on this information, we find that UES is a separate corporate entity and not controlled by BSC. At verification, we found no evidence of

any mechanisms for passing through subsidies from BS plc to UES (e.g., cash infusions) after the formation of the joint venture. Therefore, we determine that any benefits received by BSC after formation of the joint venture do not pass through to UES.

5. Allocation of Subsidies to UES

Because it is the Department's long-standing practice to allocate subsidies over the sales of the subject merchandise, it is reasonable to use the ratio between the sales of BSC's Special Steels Business and the sales of the entire BSC at the time of the formation of UES, i.e., at the end of fiscal year 1985/86, as the basis on which we would apportion the subsidies to UES. However, consistent with our determination that subsidies follow productive units, we must also take into account subsidies allocated to the joint ventures and productive units that BSC formed or sold off prior to the formation of UES.

6. Prior Pass-Throughs

The Department's determination that a portion of the subsidies provided to BSC passed through to UES means that subsidies also passed through from BSC to other joint ventures which were formed and productive units which were sold off prior to the creation of UES. BSC's annual report for fiscal year 1984/85, which was provided with BS plc's questionnaire response, indicates that between fiscal years 1980/81 and 1984/85, BSC entered into 11 joint ventures and disposed of 41 productive units. In order to follow the same allocation methodology we applied to UES, we would need information concerning the value of the sales of each productive unit that went into a joint venture or was sold off at the time each unit was split off from BSC. However, we do not have such sales data on the record. Therefore, we have used information provided in BSC's 1983/84 and 1984/85 annual reports regarding the total book value of the assets split off from BSC in joint ventures and disposals between fiscal years 1980/81 and 1984/85 as a surrogate for the sales values.

7. Pass-Through Calculation

In order to calculate the amount of the benefit allocable to UES as a result of the pass-through of benefits from BSC, we first calculated the benefit attributable to BS plc in 1991 for all the countervailable subsidies the company received between fiscal years 1977/78 and 1983/84 (i.e., equity infusions, regional development grants, and loan cancellation, as discussed below). We

added a risk premium to the discount rates for the years 1977/78 through 1983/84, based on our determination that BSC was uncreditworthy in those years (see discussion, below).

We then calculated the "adjusted benefit stream" for BS plc reflective of the amount of subsidies which followed the productive units sold off by BSC through 1983/84. We did this by deducting a *pro rata* portion from BS plc's 1991 benefit amount based on the sold-off units' percentage of assets of BSC in fiscal year 1983/84. We repeated the same methodology for productive units sold in 1984/85, arriving at an adjusted benefit attributable to BS plc in 1991 reflective of productive units sold off prior to the formation of UES. Although the Department has determined that pass-through benefits should be measured on the basis of sales values, we have used the 1984/85 asset values as a surrogate because we lack the requisite sales information, as discussed in the "Prior Pass-Throughs" section above.

We then added to the adjusted benefit attributable to BS plc in 1991, the benefit attributable to BS plc in 1991 for subsidies BSC received in 1985/86. From this total benefit attributable to BS plc in 1991, we deducted a *pro rata* portion reflective of the Special Steels Business which was a split off from BSC to form UES. This *pro rata* portion was based on the Special Steels Business' 1984/85 sales as a percentage of total BSC sales in the same year. (Because 1984/85 was the last fiscal year for which such data was available for the Special Steels Business, we used the 1984/85 data as a surrogate for the sales values in 1985/86 when the Special Steels Business was transferred to UES.) We then divided the UES pass-through benefit by UES' total 1991 sales to arrive at an *ad valorem* subsidy of 12.69 percent.

II. Equityworthiness of BSC

The Department has previously determined that BSC was unequityworthy between 1977/78 and 1983/84 (see Final Affirmative Countervailing Duty Determination: Stainless Steel Sheet, Strip and Plate from the United Kingdom (Stainless Steel), 48 FR 19048 (April 27, 1983) and Final Results of Countervailing Duty Administrative Review, Stainless Steel Plate from the United Kingdom (Stainless Steel Review), 51 FR 34112 (September 25, 1986)). Petitioners have alleged that BSC remained unequityworthy through 1985/86. For fiscal years 1981/82 through 1985/86, BSC yielded negative returns on assets and equity. Times interest earned and

BSC's profit margin were negative for fiscal years 1982/83 through 1984/85. Although BSC reported a profit in 1986, the profit margin on sales was only one percent. Furthermore, no dividends were distributed by BSC between 1977 and 1986.

Based on this information, we find that BSC was unequityworthy from 1977/78 through 1985/86.

III. Equity Methodology

According to section 355.49(e) of the Department's Proposed Regulations, we measure the benefit of equity investments in "unequityworthy" firms by comparing the national average rate of return on equity with the company's rate of return on equity during each year of the allocation period. The difference in these amounts, the so-called rate of return shortfall (RORS), is then multiplied by the amount of the equity investment to determine the countervailable benefit in the given year.

The Department has concluded that the RORS methodology does not provide an accurate measure of the benefits arising from government equity investments in unequityworthy companies. When the Department finds that a company is unequityworthy and, hence, that the government's equity investment is inconsistent with commercial considerations, we are effectively finding that the company could not attract capital from a reasonable investor. When a company is in such poor financial condition that it cannot attract capital, any capital it receives benefits the company as if it were a grant and no earnings of the company in subsequent years should be used to offset the benefit.

Moreover, in calculating the company's rate of return, no adjustment is made to eliminate the effect of past or current subsidies. Therefore, those subsidies that increase the company's rate of return serve to reduce the amount of the subsidy arising from government equity investments in subsequent years. In addition, this method does not compensate for the effect of prior year results on equity in subsequent years, thus measuring the rate of return against an equity other than that invested in the transaction in question.

For these reasons, we have determined that equity investments in unequityworthy companies will be treated as grants given in the year of the equity investment. Accordingly, we will value the benefits using the grant methodology described below.

Where a market-determined benchmark price for equity exists, we

will continue to use that benchmark to determine whether the government's purchase of equity confers a subsidy and to measure the amount of the subsidy.

IV. Creditworthiness

The petition did not specifically allege that BSC was uncreditworthy in the years that the company received subsidies. Thus, the Department did not examine BSC's creditworthiness in the instant case. However, in *Stainless Steel and Stainless Steel Review*, the Department determined that BSC was uncreditworthy from fiscal year 1977/78 through fiscal year 1983/84. Therefore, for purposes of this final determination, we have decided to treat BSC as uncreditworthy in those years.

V. Grant Methodology

Our policy with respect to grants is (1) to expense recurring grants in the year of receipt, and (2) to allocate non-recurring grants over the average useful life of assets in the industry, unless the sum of grants provided under a particular program is less than 0.5 percent of a firm's total or export sales (depending on whether the program is a domestic or export subsidy) in the year in which the grant was received. See, e.g., *Final Affirmative Countervailing Duty Determination: Fresh and Chilled Atlantic Salmon from Norway*, (Salmon from Norway), 56 FR 7678 (February 25, 1991). We have considered the grants provided under the programs described below to be non-recurring, unless otherwise noted, because the benefits are exceptional, the recipient cannot expect to receive benefits on an ongoing basis from review period to review period, and/or the provision of funds by the government must be approved every year. See *Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groundfish from Canada*, 51 FR 10041 (March 24, 1986). Therefore, we have allocated the benefits over 15 years, which the Department considers to be reflective of the average useful life of assets in the steel industry (see section 355.49(b)(3) of the Proposed Regulations).

The benefit from each of the grant programs discussed below was calculated using the declining balance methodology described in the Department's Proposed Regulations (see section 355.49(b)(3)) and used in prior investigations (See, e.g., *salmon from Norway*). For the discount rate, we used, whenever possible, each company's actual cost for long-term, fixed-rate debt. If a company did not report this cost, or when a company had no long-term

borrowing in the year in which the grant was approved, we used the national average long-term interest rate. If a company was uncreditworthy in the year in which the grant was approved, we added a risk premium to the benchmark interest rate in accordance with § 355.44(b)(6)(iv) the Proposed Regulations.

VI. Programs Determined To Confer Subsidies

We determined that subsidies are being provided to manufacturers, producers, or exporters in the United Kingdom of certain additive steel products as follows. UES' subsidy rate calculated for these programs appears in the "Pass-Through Calculation" section of this notice.

1. Equity Infusions

BSC received equity capital from the Secretary of State for Trade and Industry pursuant to section 18(1) of the Iron and Steel Acts 1975, 1981, and 1982 (section 18(1)). According to section 18(1), the Secretary of State for the Department of Trade and Industry may "pay to the Corporation (BSC) such funds as he sees fit." We verified that this equity capital was received every fiscal year from 1977/78 through 1985/86. The UK government's equity investments in BSC were made pursuant to an agreed external financing limit which was based upon medium-term financial projections. BSC's performance was monitored by the UK government on an ongoing basis and requests for capital were examined on a case-by-case basis. The UK government did not receive any additional shares of equity of additional rights in return for the capital provided to BSC under section 18(1) since it already owned 100 percent of the company.

Because we have found BSC to be unequityworthy, we determine that the UK government's equity infusions are inconsistent with commercial considerations.

Prior to the formation of UES, BSC's equity was written off in two stages under the Iron and Steel Acts 1981 and 1982 as part of a capital reconstruction of BSC during that time period. These write-offs of capital were in recognition that trading losses could not be recovered out of existing assets. First, the 1981 Act reduced by £3,000 million the sums invested in BSC by the UK government under section 18(1). Second, a further reduction of £1,000 million was taken in 1982 pursuant to a statutory instrument (the *British Steel Corporation Reduction of Capital Order*) under the Iron and Steel Act 1982.

We have further determined that BSC benefitted by virtue of equity infusions inconsistent with commercial considerations, and not through the subsequent write-off of the equity. Therefore, we are countervailing the equity investments as grants given in the years the equity capital was received.

We calculated the benefit for the POI using our standard methodology for non-recurring grants (see "Grant Methodology" section above). Because we have determined that BSC was uncreditworthy from 1977/78 through 1983/84, we used a risk premium in deriving the discount rate for these years.

2. Loan Cancellation

In conjunction with the 1981/1982 capital reconstruction of BSC, section 3(1) of the Iron and Steel Act 1981 extinguished £9,308,569 of National Loans Fund (NLF) loans, together with accrued interest thereon, at the end of BSC's 1980/81 fiscal year.

Because this loan cancellation was provided specifically to BSC, we determine that it is a countervailable benefit.

We calculated the benefit for the POI using our standard methodology for non-recurring grants (see "Grant Methodology" section above). Because we have determined that BSC was uncreditworthy in 1981, we used a risk premium in deriving the discount rate for that year.

3. Regional Development Grants

Regional development grants were paid to BSC and Glynwed under the Industry Act 1972 and the Industrial Development Act 1982. In order to qualify for assistance under these two Acts, an applicant had to be engaged in manufacturing and located in an assisted area. Assisted areas were older, industrial areas identified as having deep-seated, long-term problems such as high levels of unemployment, migration, slow economic growth, derelict land, and obsolete factory buildings.

Regional development grants were paid for the purchase of specific assets. According to the UK government, they involved one-time grants, the disbursement of which was sometimes spaced over several years.

BSC received regional development grants between fiscal years 1977/78 and 1985/86. Glynwed received regional development grants in 1981 and 1981/82.

Since this program is limited to specific regions, we find it countervailable within the meaning of section 771(5) of the Act. Because the

receipt of these grants was based on separate applications, which have to meet the required criteria, we have determined these grants to be non-recurring.

We calculated the benefit for the POI using our standard methodology for non-recurring grants (see "Grant Methodology" section above.) For Glywed, we divided the benefit by Glywed's total sales to calculate the *ad valorem* subsidy. On this basis, we determine the net subsidies for this program to be *de minimis* for Glywed.

VII. Programs Determined Not To Be Countervailable

1. £55 Million Loan to UES

During our verification of the UK government's questionnaire response, we learned that the government had agreed to make section 18(1) funds available to BSC for purposes of the UES joint venture. According to government officials, £30 million of the £55 million loaned by BSC to UES were part of the last section 18(1) payment made to BSC in January 1986. At verification, the UK government stated that BSC was able to provide the remaining £25 million out of its own funds.

Once these funds were used by UES for construction of a bloom caster at one of its facilities, the loan was to be converted into a combination of preference shares at a total value of £35 million and loan stock at a total value of £20 million. By September 30, 1988, the entire loan amount had been converted accordingly. The £20 million loan stock was repaid by UES on January 2, 1990.

We determine that the £55 million in funding was tied to the UES joint venture and, thus, did not become part of the "pool" of benefits enjoyed by BSC and partially passed through to UES. Therefore, we have excluded the verified loan amount received from the government from BSC's "pool" of benefits.

Because the loan stock was repaid prior to the POI, we determine that it did not provide countervailable benefits to UES during the POI. Therefore, we are only concerned with the £35 million converted to equity. Our analysis shows that UES received this funding on terms consistent with commercial considerations. Based on our review of UES' financial statements, we have found UES to be equityworthy in the years when the conversions took place, i.e., from 1986 through 1988. Therefore, we determine the £35 million to be an equity investment consistent with commercial considerations.

2. Formation of UES

At the formation of UES, GKN received a premium for its higher historic profitability. At the time of our preliminary determination, we did not believe that the record supported respondents' contention that GKN was entitled to such a premium. Based on our rejection of respondents' arguments regarding the premium paid to GKN, we preliminarily determined that BSC had overpaid for its shares in UES and that the amount of the overpayment constituted a countervailable subsidy. Therefore, we adjusted the price per share paid by GKN and then used the adjusted price to measure the amount by which BSC had overpaid for its shares in UES.

Based on our review of documentation received at verification (most of which is proprietary), we have accepted that GKN was entitled to a premium due to its better profit record. At verification, we learned that the profits discussed in the joint venture negotiations were based on the subtotal profit line. The definition of subpart profit was agreed to by the negotiating parties and was verified by Coopers & Lybrand. It is normal practice for the parties to a negotiation of this type to define the terms used in the negotiation. Our review of the parties' subtotal profits revealed that GKN's Brymbo Steel Works and forging operations were consistently more profitable than BSC's Special Steels Business. Accordingly, we find that BSC and GKN paid the same amount per share for UES and, as a result, BSC's investment in UES was on terms consistent with commercial consideration.

3. Energy Efficiency Best Practice Program

The objective of this program is to disseminate information on new energy savings techniques which are economically viable and show a net savings potential of at least £500,000. In 1991, UES was awarded a grant under this program of £10,000, of which £5,000 was disbursed in the POI.

At verification, we verified that there were no limitations on the type of industries which could use this program. Furthermore, we verified that the program is actually used by a broad range and a large number of industries. Therefore, we have determined this program to be both *de jure* and *de facto* non-specific. On this basis, we determine that the Energy Efficiency Best Practice Program is not countervailable.

VIII. Best Information Available (BIA) for ASW

ASW, which is a joint venture company formed in 1981 between BSC and GKN, withdrew from participation in this investigation prior to verification. Because ASW refused verification of its questionnaire response, as BIA we are assuming that ASW received the same benefits as BSC in 1981 (the year ASW was formed). Therefore, we are assigning ASW a rate of 20.33 percent, the rate calculated for BSC in our Final Affirmative Countervailing Duty Determinations: Carbon Steel Structural Shapes, Hot-Rolled Carbon Steel Plate, and Hot-Rolled Carbon Steel Bar from the United Kingdom; and Final Negative Countervailing Duty Determination: Cold-Formed Carbon Steel Bar from the United Kingdom, 47 FR 39384 (September 7, 1982). This rate was the highest rate calculated for a company in that investigation and, therefore, an appropriate rate as BIA.

Comments

Comment 1: 1988 Privatization of BSC

According to respondents, if the Department were to determine that BSC did control UES, it might then allocate pre-1986 subsidies received by BSC to UES. While respondents believe that this finding would be incorrect, if the Department were to allocate pre-1986 subsidies to UES, it would have to consider the affects of the 1988 privatization of BSC upon the pre-1986 subsidies allocated to UES. This is because the 1989 privatization of BSC resulted in a shift in control of UES, according to respondents.

DOC Position: Because of our determination that BSC did not control UES (see discussion in the "Pass-Through" section above), we recognize that although there may have been a change in control of BSC after its 1988 privatization, there was not a change on the control of UES. In other words, the corporate structure of UES remained the same after the 1988 extinguishment of subsidies requires both payment of fair market value in an arm's length transaction and transfer of control. Because there was no change in UES' control in 1988, there was no change in its subsidies, even under respondents' methodology.

Comment 2: Measurement of Pass-Through

Petitioners argue that the Department should measure any pass-through of benefits from BSC to UES on the basis of 1986 sales attributable to the assets contributed by BSC to the joint venture as a percentage of total BSC sales for

1986. According to petitioners, because the rate of duty is calculated by dividing the subsidy by the company's sales during the POI, it is logical that the subsidies should be also allocated between BSC and UES on the basis of sales. However, other counsel for petitioners, with permission to appear on their behalf in this investigation (hereinafter: Petitioners' other counsel), argue that the pass-through of benefits from BSC to UES should be measured on the basis of the relative net sales of the two companies in the POI.

Respondents argue that the essence of petitioners' subsidy pass-through argument is that a subsidy benefits the assets of the recipient firm. According to respondents' if the Department agrees with petitioners' analysis, it must calculate subsidies to UES on the same theoretical basis that petitioners argue should be the basis for attribution in the first place, i.e., the percentage of assets contributed by BSC to UES as a percentage of BSC's total assets, taking into account previous joint ventures, disposals, and shut-downs.

DOC Position: We disagree with petitioners' other counsel. Pass-through should not be measured by 1991 sales because of our determination that UES agree with petitioners. Because it is the Department's long-standing practice to allocate subsidies over the sales of the subject merchandise, it is reasonable to use the ratio between the sales of BSC's Special Steels Business and the sales of the entire BSC at the end of fiscal year 1985/86 (BSC's fiscal year 1985/86 ended in March 1986, i.e., the same month as UES was formed) as the basis on which we would apportion the subsidies to UES. See discussion 1986, i.e., the same month as UES was formed) as the basis on which we would apportion the subsidies to UES. See discussion under the "Measurement of Pass-Through" section above.

Comment 3: The Formation of the UES Joint Venture

According to petitioners, UES are subsidized directly because BSC and the UK government allowed GKN credit for far more than the actual value of the assets GKN contributed. While petitioners agree with the Department's preliminary determination that BSC overpaid for the shares it received in UES, petitioners state that the Department's calculations of the benefit to UES for such overpayment are understated.

Petitioners argue that BSC's contribution to the joint venture was far greater than GKN's if one takes into account the overvaluation of Brymbo and GKN's past profits, the various

accounting differences between BSC and GKN, and BSC's payment of the costs for closing one of its production facilities (Tinsley Park).

Respondents claim that the Department erred in its conclusion that UES' securities received by BSC did not reflect the value of the assets transferred to UES by BSC. Coopers & Lybrand did an analysis upon the formation of UES called "The Completion Accounts." As a result of this analysis, it was concluded that the financial results of the assets contributed by GKN were better than the results of the assets contributed by BSC.

Respondents also point out that the differences in accounting treatments of GKN and BSC referenced by petitioners were taken into account in determining the relative number of UES shares that the parties were to receive.

DOC Position: As stated above, based on our review of documentation received at verification (most of which is proprietary) we agree that GKN was entitled to a premium due to its better profit record. With respect to the closure of Tinsley Park, we found that GKN's premium was reduced in order to reflect GKN's "share" of the costs incurred by BSC for closing Tinsley Park. Based on our review of proprietary information, we also found at verification that the closure of Brymbo and the accounting differences between the parties should not be considered benefits. Therefore, we determine that BSC's investment in UES was consistent with commercial considerations.

Comment 4: Control Premium

Citing *Honigman v. Green Giant Co.*, 309 F.2d 667, 668-70 (8th Cir. 1962), cert. den., 472 U.S. 941 (1963), petitioners state that it is accepted that "control" of a company is an economic asset and the property of a stockholder who owns sufficient stock, not of the corporation controlled. Because BSC accepted an even split in control of UES when it contributed more than GKN to the joint venture, petitioners argue that the additional amount of BSC's contribution should be considered a "control premium." This control premium should be considered a subsidy to UES.

Respondents argue that there is no reason for BSC to receive additional compensation for allowing joint control of UES. According to respondents, a control premium may occur when shareholders are selling their shares to a buyer who wants to bring in new management, but it is not relevant to the creation of a new company where all participants will receive the benefits of improved management, as was the case

with UES. The concept of a control premium is inapplicable to the formation of UES, since BSC was not an existing shareholder, but rather was participating in a joint venture which BSC specifically intended as an independent company.

DOC Position: Based on the arguments submitted by petitioners, we are not persuaded that a control premium is relevant to this transaction. The examples cited by petitioners did not involve the formation of a joint venture.

In the case of UES, it appears that the government placed relatively less importance on control than did GKN. The government, in fact, sought private sector management of the new company, while GKN would not have participated in the joint venture if the government's voting shares were commensurate with its contribution. Nevertheless, we do not believe that this single element of the negotiations should be carved out of the larger context. There were many elements of the negotiations and we have concluded that the package viewed in its entirety represented an arm's length transaction in which BSC acted consistently with commercial considerations.

Comment 5: Equity v. Grants

In *Certain Steel*, the Department preliminarily determined that equity infusions should be treated as grants (57 FR 57734, December 7, 1992). Petitioners argue that the same methodology should be adopted here.

Respondents argue that the Department's RORS methodology accurately reflects the amount of the subsidy associated with equity infusions in an unequityworthy business enterprise. According to respondents, the essence of the subsidy is the fact that the unequityworthy enterprise is not expected to meet a performance standard (i.e., yield a commercial return). The difference between the actual rate of return and an appropriate national average benchmark rate of return is a fair measure of that benefit.

Respondents state that there is a basic fallacy in the argument that (1) there is no difference between an investment in an unequityworthy company and an outright grant, and (2) that the subsidies associated with equity investments should not be calculated under the RORS methodology. Respondents point out that a grant is a donation with no expectation of return by the donor. An investment, however, is made with the expectation of financial return. In some cases, an investment will be made in order to enhance the value of an enterprise that will soon be up for sale. Viewed in this way, section 18(1)

monies paid by the UK government of BSC were clearly investments, not grants, according to respondents. At the same time, respondents note, if the Department treats section 18(1) monies as previously forgiven "debt," as suggested by petitioners, the Department must agree that the government got back a portion of the "debt" in 1988 when BSC was privatized. This privatization reduced by a like amount any unamortized portion of alleged subsidy benefits to BSC.

DOC Position: As explained above, we have determined that the RORS methodology does not adequately measure the benefit arising from an equity investment in an unequityworthy company. If we find a company to be unequityworthy, that finding is tantamount to saying that a reasonable investor would not invest in that company. Therefore, from the company's point of view, any equity capital it receives from the government is equivalent to a grant. Consequently, we have measured the benefit to the recipient company using the grant methodology. However, this does not mean that grants and equity are the same. Normally, equity investments are made with some expectation of return. Grants are not. As respondents have pointed out, this is what distinguishes grants from equity infusions.

Comment 6: Equity—Commercial Considerations Standard

Respondents argue that, in interpreting the commercial considerations standard for purposes of analyzing equity investments, the Department improperly focuses on the company's prospects from the standpoint of an outside investor. According to respondents, it may be commercially justifiable for an inside investor to make continued investments in a loss-making company even if a reasonable outside investor would not have invested in that company. Respondents argue that the statute does not compel the Department to use the outside investor test. Furthermore, from an economic standpoint, respondents argue that an outside investor's decisions are not influenced by the recovery of an existing investment as with an inside investor. Finally, respondents argue that investors and creditors of economically distressed companies routinely decide, on grounds that are economically and financially sound, to invest money or to forbear from taking funds out of the enterprise.

DOC Position: We do not believe that we should have a separate standard for an "inside investor." We believe that, in

general, both inside and outside investors make investment decisions at the margin. As we stated in the Final Affirmative Countervailing Duty Determination; Steel Wheels from Brazil, 54 FR 15523 (April 18, 1989) "a rational investor does not let the value of past investments affect present or future investment decisions. The decision to invest is only dependent on the marginal return expected from each additional equity infusion."

Comment 7: Recurring vs. Nonrecurring Benefits

Respondents argue that the ten consecutive years of section 18(1) funds provided by the UK government to BSC meet all three criteria of the Department's standards for finding subsidies to be recurring.

First, respondents argue that the funds, provided pursuant to parliamentary enactment, were not "exceptional." Citing *Algoma Steel Corporation v. United States*, (Algoma Steel), USA-89-1904-07, ("by any common meaning of the word, ten years out of ten years is long-standing"), respondents argue that the program, which lasted ten consecutive years, was clearly long-standing. Finally, at the time the program was first established, there was no reason to believe that the program would not continue in the future.

Petitioners state that, when evaluated in the context of the Department's three-part test, the subsidies provided to BSC in the form of section 18(1) funds should be considered non-recurring.

Petitioners dispute respondents' use of *Algoma Steel* to show that the equity infusions were recurring. Petitioners note that *Algoma Steel* was a case in which there was an explicit agreement to service debt by the Province of Nova Scotia, while BSC's equity infusions existed and were given without the benefit of a stated agreement. Furthermore, the CIT rejected respondents' contention and approved the Department's decision to treat these subsidies as non-recurring. Thus, *Algoma Steel* throws no new light on this subject.

DOC Position: At verification, we learned that the equity infusions provided by the UK government to BSC were intended to aid BSC until it became viable. Therefore, BSC had reason to believe that the program would not continue once the company had reached viability. At verification, company officials informed the Department that it was clear that BSC would become viable in the future, as evidenced by the White Paper "The Road to Viability." Furthermore,

government officials informed the Department during verification that there was no automatic payment of funds by the government. Because the equity infusions do not meet the criteria for finding subsidies to be recurring, we are treating these infusions as non-recurring. See also *Stainless Steel Review*.

Comment 8: Amortization Period

According to respondents, the CIT has twice rejected the Department's use of average service life of industry assets as a measure of the duration of subsidy benefits. Respondents argue that, consistent with practice in other areas, the Department should determine the duration of benefits by reference to the weighted average maturity of the respondent company's total indebtedness or, alternatively, to an appropriate industry average.

Petitioners argue that because the period over which a subsidy confers benefits may be equally long whether used for capital investment or other purposes, the Department's longstanding policy of using a 15-year amortization period for all non-recurring subsidies in steel cases is appropriate and should be continued.

With respect to subsidies that support capital investment, Congress explicitly intended that countervailing duties be imposed over a period that would coincide with the period during which the subsidy benefits the recipient. S. Rep. No. 249 at 86, 1979 U.S.C.C.A.N. at 471-72, see also H. Rep. 317 at 74-75. Petitioners note that the Department, the CIT, and the Court of Appeals for the Federal Circuit have agreed that subsidies for general corporate purposes may provide as important a benefit, over as long a period, as a subsidy for capital investment. *IPSCO, Inc. v. United States*, 710 F. Supp. 1581, 1583 (CIT 1989), *aff'd* 899 F. 2d 1192, 1198 (Fed. Cir. 1990). Therefore petitioners state that the Department's long-held policy of amortizing all non-recurring subsidies over a 15-year period in steel cases should be continued.

DOC Position: While the Department has indicated its willingness to consider a ten-year allocation period generally (see the Preamble to the Proposed Regulations), nothing that the parties have argued leads us to conclude that we should depart the 15-year standard. Therefore, we have continued to use the 15-year allocation period based on the 1977 IRS depreciation table, as amended in 1985, covering renewable assets for steel.

Verification

In accordance with section 776(b) of the Act, we verified the information used in making our final determination. We followed standard verification procedures, including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents. 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).

Suspension of Liquidation

In accordance with section 705(c) of the Act, we are directing the Customs Service to continue to suspend liquidation of entries of certain additive steel products from the United Kingdom, 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 of estimated countervailing duties at the following rates:

Company	Ad valorem rate (percent)
ASW _____	20.33
UES _____	12.69
All others _____	12.69

Because the estimated net subsidy for Glynwed is *de minimis*, Glynwed is exempt from the suspension of liquidation.

ITC Notification

In accordance with section 705(d) 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 Deputy Assistant Secretary for Investigations, Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, these proceedings 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 CVD order, directing Customs officers to assess

countervailing duties on entries of certain additive steel products from the United Kingdom.

Return or Destruction of Proprietary Information

This notice serves as the only reminder to parties subject to an administrative protective order (APO) of their responsibility concerning the return or destruction of proprietary information disclosed under APO in accordance with 19 CFR 355.34(d). Failure to comply is a violation of the APO.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d) and 19 CFR 355.20(a)(4).

Dated: January 19, 1993.

Alan M. Dunn,

Assistant Secretary for Import Administration.

[FR Doc. 93-1906 Filed 1-26-93; 8:45 am]

BILLING CODE 3510-06-M

APPENDIX B
CALENDAR OF THE PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

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

Subject: CERTAIN HOT-ROLLED LEAD AND BISMUTH CARBON
STEEL PRODUCTS FROM BRAZIL, FRANCE, GERMANY
AND THE UNITED KINGDOM

Inv. No.: 701-TA-314-317 (Final)
731-TA- 552-555 (Final)

Date and Time: February 2, 1993 - 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 St., S.W., Washington, D.C.

CONGRESSIONAL APPEARANCE

Honorable John P. Murtha, U. S. Congressman, 12th District, State of Pennsylvania

OPENING REMARKS

Petitioners (Charles Owen Verill, Jr.)

Respondents (Richard Cunningham)

**In support of imposition of
countervailing and antidumping duties:**

Panel 1

Wiley, Rein & Fielding
Washington, D.C.
On behalf of

Inland Steel Industries, Inc.

Bethlehem Steel Corporation,
Bar, Rod & Wire Division

Frank W. Luerksen, former Chairman and CEO of
Inland Steel Industries, Inc.

Joe Alvarado, General Manager of Sales and Marketing,
Inland Steel Bar Co.

Lee N. Rankin, Vice President-Commercial,
USS/KOBE Steel Co.

**In support of the imposition of
countervailing and antidumping duties--continued**

Robert C. Squier, President, Curtis Screw Co., Inc.

**James E. Fritsch, General Manager-Commercial,
Bethlehem Steel Corporation (Bar, Rod & Wire Division)**

**P. (Beni) Dasgupta, Vice President, Technology
Inland Steel Flat Products**

**Andrew R. Wechsler, Principal, Law and Economics
Consulting Group**

**Jeffrey C. Anspacher, Senior Economist, Law and Economics
Consulting Group**

**Roger Hickey, Senior Financial Analyst, Law and Economics
Consulting Group**

**Dr. Mark Zmijewski, Professor of Accounting, University
of Chicago**

Charles Owen Verrill, Jr.)
Alan H. Price)--OF COUNSEL
Willis S. Martyn III)

**Thompson & Mitchell
Washington, D.C.
On behalf of**

Corey Steel Company

**Paul J. Darling, II, President,
Corey Steel Co.**

Murray J. Belman)--OF COUNSEL

**In opposition to the imposition of
countervailing and antidumping duties:**

Panel 2

**Wilke Farr & Gallagher
Washington, D.C.
On behalf of**

**Acos Villares, S.A.
Companhia Acos Especiais Itabira
Mannesmann, S.A.**

Daniel L. Porter)--OF COUNSEL

**Steptoe & Johnson
Washington, D.C.
On behalf of**

United Engineering Steels (UES)

**Richard O Cunningham)
Mark D. Davis)--OF COUNSEL**

**LeBoeuf, Lamb, Leiby & MacRae
Washington, D.C.
On behalf of**

Saarstahl A.G.

**Pierre F. de Ravel d'Esclapon)
John Meagher)--OF COUNSEL
John Cleary)**

**Weil, Gotshal & Manges
Washington, D.C.**

On behalf of

Usinor Sacilor

**A. Paul Victor)
Angela Paolini Ellard)--OF COUNSEL**

**In opposition to the imposition of
countervailing and antidumping duties--continued**

Witnesses for Panel 2:

**John Correnti, President and
Chief Operating Officer, Nucor Corporation**

**Derry Graham, Metallurgical Manager,
Rotherham Engineering Sales**

**Bruce Malashevich, President,
Economic Consulting Services**

David Naylor, British Steel

**Joseph Rutkowski, General Manager,
Nucor Steel**

Kay Shupe, Independent Consultant

Vincent Honnold, Economic Consulting Services

Panel 3

**Doeppen Keevican Weiss & Medved
Pittsburgh, PA
On behalf of**

Moltrup Steel Products Company

Michael P. Pitterich, President

Donald S. Blue)--OF COUNSEL

Panel 4

**American Great Lakes Ports
Arlington, VA**

Lewis Gulick, Washington Representative

**John M. Loftus, Seaport Director
Toledo-Lucas County Port Authority**

APPENDIX C
GLOSSARY

Glossary

Carbon steel

Carbon steel means all nonalloy steel which is usefully malleable and contains 2 percent or less carbon. In addition, any steel classified as other alloy steel solely because it contains 0.4 percent or more by weight of lead and/or 0.1 percent or more by weight of bismuth, is classified as being of carbon steel for purposes of this investigation.

Certain alloy steel

Alloy steel other than stainless steel, high-speed steel, silico-manganese steel, or tool steel.

Semifinished special quality carbon and certain alloy steel products

Products of solid cross section, which have not been further worked than subjected to primary hot-rolling or roughly shaped by forging, and include cast certain alloy steel ingots and strand castings and semi-wrought ingots and strand castings; and nonalloy and certain alloy rolled or forged blooms, billets, and slabs that are destined for use in hot-rolled products. Semifinished carbon and certain alloy steel products are provided for in subheadings 7207.11, 7207.12, 7207.19, 7207.20, 7224.10 and 7224.90 of the HTS.

Hot-rolled carbon and certain alloy steel products

Carbon and certain alloy steel which has been reduced to its final thickness by heating and rolling the products at elevated temperature (usually above 2,200° F). The hot-rolled carbon steel products covered by this investigation are provided for in HTS subheadings 7213.20, 7213.31, 7213.39, 7213.41, 7213.49, 7213.50, 7214.30, 7214.40, 7214.50, 7214.60, 7227.90.60, and 7228.30.80. Flat-rolled carbon steel products are not included in this investigation. For purposes of this investigation hot-rolled carbon steel products include the following:

Hot-rolled bars

Hot-rolled products, whether or not in irregularly wound coils, which have a solid cross section along their length in shapes (and sizes) that include, but are not limited to: circles or segments of circles (from 0.20 to 12 inches in diameter), ovals, rectangles (including squares from 0.20 to 6 inches in width), flats (from 1/4 to 8 inches in width and from 0.23 to 4 inches in thickness), or other convex polygons (such as hexagonals and octagonals from 0.20 to 4 1/16 inches between parallel surfaces). These products do not include reinforcing bars.

Cut-length bars.--Hot-rolled bar products not in coiled form, including circles or segments of circles in cut-lengths having a diameter from 0.20 to 12 inches.

Coiled bars.--Hot-rolled bar products in irregularly wound coils, including circles or segments of circles in coiled form having a diameter from 0.75 to 12 inches.

Hot-rolled rods

Coiled, semifinished, hot-rolled products of solid cross section, approximately round in cross section, not less than 0.20 inch but less than 0.75 inch in diameter. These products do not include reinforcing rods.

Free-machining carbon and certain alloy steel products

Nonalloy (carbon) and certain alloy steel products containing by weight one or more of the following elements in the specified proportions:

- 0.03 percent or more of lead
- more than 0.05 percent of bismuth
- 0.08 percent or more of sulfur
- more than 0.05 percent of selenium
- more than 0.01 percent of tellurium

Lead and bismuth carbon steel products

Hot-rolled products or semifinished products thereof as described above that contain by weight 0.03 percent or more lead, and/or 0.05 percent or more bismuth, whether in coils or cut lengths. These products may also contain other additives such as tellurium or selenium. Hot-rolled lead and bismuth carbon steel products are principally provided for in HTS subheadings 7213.20 and 7214.30.

Non-lead/bismuth free-machining steel products

Nonalloy (carbon) and certain alloy steel products (other than those containing lead or bismuth) containing by weight one or more of the following elements in the specified proportions:

- 0.08 percent or more of sulfur
- more than 0.05 percent of selenium
- more than 0.01 percent of tellurium

Other special quality carbon and certain alloy steel products

These products are special quality steel products other than the free-machining steel products described above.

Machinability

Machinability is that combination of properties in a material that affects its response to removal by a cutting tool. The machining of a steel may be enhanced by additives, such as lead, bismuth, selenium, tellurium,

sulphur, phosphorus, or calcium, to the steel at its liquid phase. Or, for certain types of steel, machinability may be enhanced by annealing.¹

Machinability depends upon the dynamic reactions which occur in the workpiece material (including its chemical and metallurgical compositions), the machine tool, the tool's geometry, the lubricant employed, and operating conditions. Among other items, tool life, the rate of metal removal, surface finish, ease of chip removal, and the reduction of cutting forces are important criteria for evaluating a steel's machinability.²

Additions of lead, in combination with selenium or tellurium, or bismuth significantly improve machinability, and these grades are most often used when the part that is to be made requires the removal of relatively large amounts of metal (greater than 30 percent, for example, according to one estimate).³ They are most often specified when the machine to be utilized is an automatic screw machine, lathe, or drill press.⁴ As indicated earlier, there are other types of additions, most of which are made at the ladle, including calcium, phosphorus, and sulphur, which also affect the machinability of the steel. Calcium is used to minimize the detrimental effect of alumina inclusions on some carbide tools; it assists castability and is often used in applications calling for casting parts to near net shape.

Cold heading

Cold heading or cold forming is a forging process in which force, developed by blows of a mechanical hammer or heading tool, is used to displace or upset a portion of a blank to form a section of different contour or configuration. Although this process has the advantage of being able to process pieces more quickly than machining, increasing work volume and reducing processing costs, it is unable to duplicate the precision and fine tolerances produced by machining.

Steel series

Carbon, certain alloy, and alloy steels are categorized according to their chemical content. The primary elements that are specified are carbon, manganese, phosphorus, and sulphur for carbon steels (other elements such as copper and silicon are specified in terms of maximum allowable levels); and, these elements plus nickel, chromium, and molybdenum for alloy steels. Carbon steel grades include the 1000, 1100, 1200, and 1500 series (see further description below). Alloy steel grades include the 1300, 4000, 4100, 4300, 4400, 4600, 4700, 4800, 5000, 5100, 5200, 6100, 8100, 8600, 9200, and 9300 series.

¹ See, United States Steel, The Making, Shaping, and Treating of Steel, pp. 1465-1488.

² Debanshu Bhattacharya, "Machinability of Steel," Journal of Metals, Mar. 1987, p. 32.

³ Staff interview with ***.

⁴ Ibid.

The primary series for carbon steels, including special bar quality, are shown in the following tabulation:

<u>Grade</u>	<u>Comment</u>
1000	Non-resulphurized carbon steels with a manganese content not exceeding 1.00 percent; used for forging axles, casings, shafting applications, and cold-heading applications (e.g., production of screws, nuts, and bolts). Termed a non-free cutting steel. Lead is added to enhance machinability such as in production of small fins and threads.
1100	Resulphurized carbon steels; used in forging applications where strength is needed (e.g., connecting rods and nuts); termed a free-cutting steel.
1200	Free-cutting resulphurized and rephosphorized carbon steels; not load-bearing; includes the bulk of lead and bismuth steels for use in such applications as valves and hydraulic fittings.
1500	Carbon steels with a manganese content exceeding 1.00 percent; lead or bismuth seldom added. Calcium may be added to ameliorate effects of alumina inclusions on high-speed tool steels.

Merchant bar quality⁵

This group is designated with the prefix M before the 1000 series (for example, M1010, a merchant low-carbon bar of the nonresulphurized series for forging). Steels in this group are known as merchant steels; the bar and rod category includes concrete reinforcing bar. They are used for structural and similar applications involving moderate cold bending, moderate hot forming, punching, and welding as used in the production of noncritical parts. They are characterized by wider physical and chemical tolerances and are produced to grade only. Merchant quality is produced to 0.50 percent maximum carbon, 0.60 percent maximum manganese, nonresulfurized, nonlead, 0.04 percent maximum phosphorus, and 0.05 percent maximum sulfur content, i.e., standard chemical ranges and limits, used for special carbon grades, do not apply. Merchant quality bars are not produced to any specified silicon content, grain size, or other requirement that would influence the type of steel, and they may contain pronounced chemical segregation; internal porosity, surface seams, and other surface irregularities may also be present.

⁵ ASTM Designation A 575-81, Standard Specification for Steel Bars, Carbon, Merchant Quality, M-Grades.

Special bar quality⁶

This group includes bars and rods that are produced to customer order and are characterized by tighter surface and chemical tolerances than M-quality steels. Applications include forging, heat treating, cold drawing, machining, and many structural uses. The primary melting may incorporate separate degassing or refining and may be followed by secondary melting (vacuum arc remelting or electroslag remelting); deoxidification is performed. The steel is produced with internal soundness, i.e., relative freedom from segregation and porosity, grain size tolerances, and limits on the content of incidental chemical elements (e.g., copper, nickel, chromium, molybdenum, or others) are restrictive, i.e., not exceeding the limits shown on the customer's purchase order. A tight range for chemical composition is prescribed for carbon, manganese, phosphorus, and sulfur.

Restrictive requirements applicable to special quality.--Certain additional requirements are sometimes necessary for some applications or manufacturing processes, including the following:⁷

- Restrictive requirement quality A & B
- Multiple restrictive requirement quality
- Scrapless nut quality
- Axle shaft quality
- Cold shearing quality
- Cold forging quality
- Cold extrusion quality A & B
- Cold heading quality
- Cold expansion quality
- Restrictive cold working quality
- Other quality designations:
 - File quality
 - Gun barrel quality
 - Gun receiver quality
 - Shell steel quality A, B, & C
 - Spark plug leaded quality
 - Spark plug non-leaded quality
 - Standard tube round quality

Lead and bismuth steels.--These steels are part of the group designated special quality steels; leaded steels are designated by inserting the letter L between the 2-digit number that denotes the series and the 2-digit number that denotes the range of carbon present. When lead is required as an added element to a standard steel, a range of 0.15 to 0.35 percent is specified. When bismuth is added, a proprietary name may be used, although a letter insertion is not made.

⁶ ASTM Designation A 576-81, Standard Specification for Steel Bars, Carbon, Hot-wrought, Special Quality.

⁷ Steel Products Manual, AISI, Aug. 1977, pp. 89 and 90.

Steelmaking terminology

Killed steels

Killed steels are produced by adding deoxidizing elements such as silicon and aluminum to the ladle before pouring. Chemical composition and mechanical properties of killed steels are relatively uniform throughout the ingot. Alloy and carbon steels containing more than about 0.25 percent carbon are almost always fully killed.

Rimmed steels

Rimmed steels are cast into ingots without deoxidation by silicon or aluminum, i.e., they are not killed. As solidification proceeds, oxygen and carbon dissolved in the molten metal continue to combine, producing a characteristic effervescent action in the ingot during solidification. Chemical composition and mechanical properties vary widely throughout rimmed steel ingots, with the region near the surface being lower in carbon, sulfur and phosphorus than the average composition of the ingot. The low carbon skin generally provides a smoother surface than might be expected on a fully killed steel, although high-quality surfaces can routinely be obtained on killed steel products. Only low-carbon steels are made as rimmed steels.

Semikilled steels

Semikilled steels are partially deoxidized. Their characteristics, e.g. uniformity of composition and mechanical properties, fall between those of killed and rimmed steels.

Capped steels

Capped steels are somewhat similar to rimmed steels, except that the rimming action is stopped at a specified point during the solidification process. A capped steel ingot has the low-carbon rim typical of a rimmed steel ingot, but the uniformity of composition and mechanical properties in the center that might be expected from a killed steel ingot. This combination of properties makes capped steels particularly well suited for applications involving cold forming or cold heading.

Creep

Slow deformation of steel under continued stress.

Toughness

A property that denotes an intermediate value between softness and brittleness. Tensile tests show a tough material to have a fairly high tensile strength accompanied by moderate values of elongation and reduction of area.

Fatigue

Failure under repeated stress.

APPENDIX D

**MOLTRUP STEEL PRODUCTS COMPANY'S
REQUEST THAT FLAT LEADED STEEL BARS
BE TREATED AS A SEPARATE "LIKE PRODUCT"**

Moltrup Steel Products Company (Moltrup), an independent cold steel drawer, located in Beaver Falls, PA, argued at the hearing in these investigations that the domestic industry producing flat leaded bars is essentially nonexistent and is, indeed, a separate industry not being injured by imports of foreign-produced flat leaded bars.

One of Moltrup's processes is to provide cold-finishing work on hot-rolled leaded flat steel bars. Moltrup has existing contracts to supply cold-finishing work on hot-rolled leaded flat steel bars. It has existing contracts to supply cold-finished flat bars to its customers as well as contracts for the supply of hot-rolled flat bars from sources in the United Kingdom. With the shutdown of Bethlehem's Bar, Rod & Wire Division, there is currently only one U.S. producer of hot-rolled leaded flat bars, Republic, an integrated mill located in Canton, OH. Republic produces in a limited range of sizes and, according to Moltrup, this is "mainly for its own internal use, thereby requiring Moltrup to use foreign sources."¹ During 1991, flat leaded bars held a *** percent share of shipments reported by U.S. producers responding to Commission questionnaires.

Moltrup argues that using the application of the six factors which the Commission uses in determining a "like product" for purposes of defining a domestic industry suggests that the flat leaded bar industry is, indeed, separate industry.² Among other things, Moltrup cites a lack of interchangeability between flats and other shapes (e.g., rounds, hexes, squares) in their uses.³ Additionally, Moltrup notes that, unlike other shapes where the product is ultimately sold to screw machine shops after cold finishing, flats are ultimately sold to steel service centers and original equipment manufacturers (OEMs).⁴ Moltrup also states that there is a "marked difference" in the prices of flats and other shapes with flats being \$150 to \$200 per short ton higher than the prices for other shapes.⁵

Both petitioners and respondents were asked by the Commission to comment with respect to Moltrup's situation.⁶ Both answers follow in their entirety.

(Petitioners) "Moltrup's testimony is compelling evidence that leaded and bismuth steels are a separate like product for which there is no commercially satisfactory substitute. There are many domestic producers of non-leaded flats; if Moltrup could use

¹ Moltrup prehearing brief, pp. 2-3.

² Id at p. 12

³ Id at p. 13.

⁴ Id.

⁵ Id at p. 15. None of prices gathered by the Commission in its questionnaires were for flat products.

⁶ Commissioner Nuzum, hearing TR, pp. 117-118. Commissioner Crawford, hearing TR, p. 247.

any of these non-leaded products, it would not have had a problem to present to the Commission.

Republic is the only domestic producer of leaded flats at the present time, and it does offer hot-rolled leaded flats to cold finishers. In addition, Bethlehem's BRW Division produced these products in a wide variety of sizes prior to its shutdown in 1992. BRW has the capacity to and will produce these products again if its planned sale to ISPAT is successfully completed. ***. With BRW back in the production of these products, Moltrup should have no difficulty in meeting its needs. In addition to domestic suppliers, of course, Moltrup should be able to purchase from foreign suppliers on a fairly traded basis.

The shutdown of BRW in 1992 is a prime example of the injury that unfairly traded leaded steel imports have caused to the domestic industry. Leaded products were an important part of BRW's production in the past, and will be again *** if the sale to ISPAT is concluded. Thus the best way to solve Moltrup's problem is to grant antidumping relief."⁷

(Respondents) "Respondents do not participate in the United States in the sale of flat products and therefore cannot comment directly on the particulars of Moltrup's claim. It is evident that flats are not suitable for screw machine use; however, flats may be used in many ways that other shapes are used, such as forging. In any case, we disagree with the contention that the leaded flats cannot be substituted with other free machining flats. Another supplier of flats has stated that while the leaded flats may be ideal for machining, as with all other bar shapes, the substitution with 1215 or other free machining grades, combined with adjustments in the processing, should give substantially equivalent results."⁸

Commission staff contacted ***.⁹

⁷ Petitioners' posthearing brief, Answers to Commission questions, exhibit 1, p. 6.

⁸ Respondents' consolidated posthearing brief, vol II, p. 12.

⁹ ***.

APPENDIX E
QUESTIONNAIRE COMMENTS ON "LIKE-PRODUCT"

QUESTIONNAIRE RESPONSES

The Commission's questionnaires in these investigations requested comments regarding the differences and similarities in the manufacturing processes used in the production of the hot-rolled steel products listed below. Questionnaire respondents were asked to include a discussion of the interchangeability of production inputs, machinery and equipment, and skilled labor. The following comments were received concerning FREE-MACHINING HOT-ROLLED PRODUCTS vs. OTHER SPECIAL QUALITY HOT-ROLLED PRODUCTS:

FirmComments

"The free-machining grades have much higher sulfur, lead, bismuth, etc., levels that create many problems including higher yield loss in billet manufacturing, rod production, and finished applications. Claims are high, yields are lower. Hot shortness is major concern."

"Free-machining leaded steels require lead injection and special extensive testing. All free-machining steels also can have lower yields and require special practices in rolling. There are fundamental differences in the production of free-machining steels and other SBQ. 'Clean' steelmaking is used to produce other SBQ, such as desulfurizing molten iron for non-free-machining steel at dedicated stations prior to charging into a furnace in order to minimize inclusions. ***. Free-machining steels not only bypass this process, but they are treated to make more inclusions through addition of sulfur at the capped argon bubbling station or ladle metallurgy station and/or lead at the point of casting.

In addition, with the exception of some 1100 grades, *** cannot continuously cast free-machining steels into billets on a commercial basis. A few companies have attempted to billet cast non-lead 1215, but have been unable to sustain their presence in the market because of poor machinability and continuous casting or rolling difficulties. In addition, producers of continuously cast products change tundishes to produce free-machining steel. It is possible to change between grades of non-free machining SBQ without changing tundishes.

Both sulfur and lead additions to free-machining steel have a negative effect on the surface quality of the billets. As a result, extra conditioning is required. In addition, non-leaded free-machining steels are more difficult

FirmComments

(continued)

to roll than other SBQ. Leaded free-machining steels are the most difficult to roll."

"The same machinery, equipment, and skills are required for the manufacture of special quality free-machining hot-rolled products vs. other special quality hot-rolled products. In order to maximize final product yields in the case of free-machining steels, more care must be taken in the selection of the casting process since these steels generally exhibit more surface-related defects. For example, bottom pour ingotmaking and continuous casting are more suitable for the production of the free-machining grades than would be top poured ingot casting. By contrast, the surface quality of other special quality hot-rolled products may be less affected by the top pour ingotmaking process.

The industry recognizes the need to allow for the greater amount of surface defects present on the surfaces of hot-rolled free-machining products, carbon or alloy, versus other special quality carbon or alloy by specifying a greater minimum machining allowance per side in the case of resulfurized steels (one form of free-machining steel than recommended for the nonresulfurized steels. (See AISI Steel Products Manual--alloy, carbon and high strength low alloy steels----1977, Table 5-1)."

"Free-machining grades have larger grain size and promote tendencies to slip during rolling (forming) of the product. The equipment to produce free-machining hot-rolled products versus other special quality products is basically the same. Some special equipment is necessary in the rolling mill area to properly prepare the roll surface and descale the bar exiting the reheat furnace. Also, to successfully produce these grades, special melting, refining, casting and rolling practices are required. In the case of continuous cast billets some special equipment and capability not found on all casters is sometimes necessary."

***.

FirmComments

(continued)

Other special quality hot-rolled products.--- Steel bars of the 10xx series (other special quality hot rolled products) are usually continuously cast directly into billets, rather than cast into blooms and then rolled into billets. They do not require a special tundish or dedicated injector. We sort scrap to ensure use of low-sulfur material and follow special sulfur minimization practices. The defect rate is much lower than either leaded or 11xx/12xx (non-lead/bismuth free-machining) products, removing the need for exhaustive testing.

We use special equipment to remove naturally occurring sulfur from raw iron charged into the basic oxygen furnace. We also sort scrap for both electric and BOF processes to use only low-sulfur scrap to make non free-machining steel.

Bars of the 10xx series are almost completely free from cracking, tearing, checking, and splitting during rolling because they are not as sensitive to temperature variability as free-machining grades. They are rolled at lower temperatures than free-machining and, therefore, cause less damage to the furnace and rollers. They require substantially less monitoring and testing than lead and bismuth products and other 11xx and 12xx steels. They do not require the strict environmental controls applicable to lead products."

"Manufacturing processes and equipment are similar, but rejections and surface conditioning are greater for free-machining steels. Sulfur is added to make free-machining steel. In other special quality, it is eliminated through scrap selection practices and use of special desulfurizing slag in the furnace. Rolling free-machining bars is more difficult than rolling other SBQ. The cobble rate on leaded and bismuth steels is substantially higher than for other products."

"Free-machining requires special control of air quality during the manufacturing process."

*** is unable to produce semi-finished lead and free-machining billets, because we lack necessary environmental controls for leaded steels and our caster cross-section is too small to produce acceptable free-machining steels. Because *** relies on purchased billets for free-machining steels, our ability to compete

FirmComments

(continued)

in the free-machining market is limited. ***.
With the exception of free-machining steels, ***
can produce most other carbon steel grades in
its caster."

"Typically, the definition of 'free-machining'
steels implies a product that has both sulfur
and phosphorous added during the melting
process. The overall chemistry must be
controlled much tighter with 'free-machining'
steels to prevent excessive surface defects
during the rolling process. Lead and/or bismuth
both provide improvements in machinability in
direct proportion to the amount added to the
steel. Their only purpose is for better
machinability."

The following comments were received concerning HOT-ROLLED SPECIAL
QUALITY NON-LEAD/BISMUTH PRODUCTS vs. HOT-ROLLED LEAD AND BISMUTH PRODUCTS:

FirmComments

"The free-machining grades have much higher
sulfur, lead, bismuth, etc., levels that create
many problems including higher yield loss in
billet manufacturing, rod production, and
finished applications. Claims are high, yields
are lower. Hot shortness is major concern.
Lead vs. non-leaded is a much more exaggerated
case."

"Lead injection and special testing are required
for leaded steels. Also, leaded steels require
special equipment during melting and
conditioning for the safety and health of those
working around the product during production.
***."

"Up to the point of adding the machinability
enhancer, the manufacturing tools, processes,
and skills are the same for free-machining, hot-
rolled products vs. lead and bismuth hot-rolled
products. The manufacture of lead and bismuth
products requires specialized equipment to
manage the environmental problems associated
with the lead and bismuth additions. Both
products provide enhanced machinability; the
lead and bismuth products being somewhat

FirmComments

(continued)

better in this respect that the other free-machining grades."

"In the case of non-leaded versus leaded steels, there is very special equipment and precautions needed to protect the workers from excessive lead contaminations. Special equipment and practices referenced concerning free-machining production are also required."

***.

Lead/bismuth free-machining products.--Lead/bismuth steels have a distinct production process that begins in the melt shop. Normally steel is tapped from the ladle into a normal tundish. However, for lead/bismuth steels, ***. Unlike other additives, lead and bismuth are not added when the steel is tapped from the furnace or at the ladle metallurgy station (LMS), but when it is poured into the tundish, a practice that requires a dedicated lead injector.

This process adds extra costs. The specialized lead tundish uses *** disposable heat control rods rather than the typical reusable sliding gates. We must reline the tundish after each use. Because of the heat sensitivity of the casting process, we can only use the lead tundish for two furnace heats before replacing it. Therefore, relining costs of *** are spread over a much smaller production run than is typical. The dedicated tundish must be exhausted in a special facility with its own baghouse and ventilation system prior to relining.

Lead/bismuth steel is continuously cast into 15 to 20 inch blooms, instead of billets, as is more typical for bar products. After the blooms have cooled, we take cross sections of randomly selected products to check for proper dispersion of the lead or bismuth. The bloom is subsequently reheated, remaining in the furnace to 'soak' at a carefully controlled temperature for a fixed period. The bloom is then rolled into a billet in a very restricted temperature range, at higher levels than for other types of steel, and environmental controls are applied. The temperatures at which we soak lead/bismuth steels are higher than for basic steels. Thus, producing leaded steels both consumes more energy and causes greater

FirmComments

(continued)

damage to the furnace, resulting in increased energy and maintenance costs.

First, we check the lead or bismuth billet carefully for surface defects, such as cracking, checking (surface melting), and tearing (pulling apart of the surface). If necessary, we grind the billet, under special environmental controls, on dedicated lead/bismuth grinding equipment with an abrasive steel wheel to remove the imperfections. We then reheat the billet to a specified temperature and roll it into a finished bar product. We have a 'nose heater' to reduce the potential for the end of the bar to split, which happens more frequently with lead/bismuth steels than with other SBQ. Special protection reduces, but does not eliminate the problem. Splitting causes a clog in the rolling mill that can cause fatalities, destroy equipment, and ruin the product. Repairing the damage causes considerable down time and expense.

After rolling, the finished bar is inspected yet again to make sure there are no imperfections. At this stage, the product is so thin that grinding will destroy it. Therefore, if we find flaws, we must scrap the product.

This entire process is subject to heavy environmental regulation. Injection, casting, and rolling all require special ventilation equipment, such as ventilation hoods and pressurized work areas. Workers must wear respirators and follow special health maintenance procedures. We dispose of lead/bismuth steel scrap rather than reuse it. We must dispose of many of the dedicated lead production items as hazardous waste, including lead-dedicated tundish linings, control rods, refractory bricks, and dedicated grinding wheels.

In addition, the EPA recently announced new, stronger regulations for lead exposure that will require additional protection, including new baghouses that cost \$1 million each. We subject bismuth to the same protection procedures as lead.

Non-lead/bismuth free-machining products.--Sulfur is added to these steels to enhance machinability. First, ***. ***. At the ladle metallurgy station the chemical content is analyzed. Sulfur wire is added to bring the sulfur levels up to required levels.

Like lead/bismuth free-machining steels, 12xx steels are cast in a bloom. None of our competitors has been

FirmComments

(continued)

able to billet cast these products on a sustainable commercial basis.

Special quality carbon steel products of the 11xx and 12xx series do not require a specialized tundish or dedicated injector, are much less sensitive to rolling temperature and speed, and less prone to surface defects that lead and bismuth semi-finished products, making them easier and cheaper to produce. Most 11xx grades can also be produced on a billet caster. The period and temperature of the soak and rolling speed for the billet caster are not as carefully controlled. Free-machining steels of all grades cause more damage to rollers than do basic steels, which increases production costs. Because the defect rate is lower, 11xx and 12xx base grades do not require the same degree of testing and defect removal as lead and bismuth steels."

"Manufacturing processes and equipment are similar, but making leaded and bismuth steels requires a substantial capital investment for specialized pollution control equipment and worker protection equipment as mandated by DER, EPA, and OSHA. New lead regulations effective January 1994 will require more investment in new equipment and stricter compliance procedures."

*** is unable to produce semi-finished lead and free-machining billets, because we lack necessary environmental controls for leaded steels and our caster cross-section is too small to produce acceptable free-machining steels. Because *** relies on purchased billets for free-machining steels, our ability to compete in the free-machining market is limited. ***. As such, it focuses on sizes not supplied by *** mills. With the exception of free-machining steels, *** can produce most other carbon steel grades in its caster."

"The use of lead and/or bismuth in steels requires a change in the standard cropping practice during ingot production. Both products remain in the steel as separate individual elements. Since both are slightly heavier than steel in the liquid state, they tend to segregate toward the bottom requiring the additional discard. This does increase the cost of using such additives."

The following comments were received concerning SPECIAL QUALITY BAR PRODUCTS vs. ROD PRODUCTS:

<u>Firm</u>	<u>Comments</u>
***	"In cold finish product and free-machining grades, there are none."
***	"No differences in our facility since all our products are produced as bars. Because *** has a bar mill, it cannot produce rods. Bar mills produce products to tighter tolerances and run at much lower speeds than rod mills."
***	"The same manufacturing tools, processes, and skills may be required for special quality bar products vs. special quality rod products up to the final step of bar or rod rolling. For the production of the end product, the tools of manufacture vary; i.e., bar products are produced on a merchant mill and rod products are produced on a rod mill generally finished in coil form. Such rod mill may be equipped with a Stelmor line to control the cooling of the coiled rod. The dimensional requirements of hot rolled rod are somewhat less demanding than of a comparably sized hot-rolled bar since the vast majority of rod in coil is drawn into wire products."
***	"Rod is used as a raw material for cold drawing into either cold finished bar or wire. SBQ is usually cold drawn or forged. The two products only overlap in size 1/2 inch to 3/4 inch for cold finished applications. In the case of bar versus rod product, the basic difference is in the rolling mill. One is designed to roll rod, the other is designed for bars. Some mills have two rolling paths and equipment and can roll either rod or bar on the same mill."
***	*** only produces bar products. Bar products are produced on bar mills and rod products on rod mills. Free-machining rod products are identical to free-machining bars and different from other rods because they are always cold finished and cut to length and sold as bars."
***	"Rod products normally have larger dimensional allowances/tolerances. Rod is cooled on a Stelmor deck for uniform properties. Bar products can be used 'as is' to make parts, but rods require further processing usually into wire."

FirmComments

"Special quality bar products and rod products can use similar machinery and equipment. However, bar products have more stringent standard dimensional tolerances than rod products. Therefore, rod products can be produced on bar product equipment, but bar products demand rolling mill equipment of higher precision than rod mills."

The Commission's questionnaires in these investigations also requested comments regarding the differences and similarities in the physical/metallurgical characteristics and uses of selected hot-rolled carbon steel products. The following comments were received concerning FREE-MACHINING HOT-ROLLED PRODUCTS vs. OTHER SPECIAL QUALITY HOT-ROLLED PRODUCTS:

FirmComments

"Free-machining steels have enhanced machinability because inclusions formed allow for greater machining.

Free-machining steel is used to make highly machined parts. Other SBQ is used when machining is not a primary consideration."

Characteristics.--"The physical and metallurgical characteristics of special quality free-machining hot-rolled products may be exactly the same as other special quality hot-rolled products; that is, both may be ordered in a variety of sizes and surface conditions, e.g., hot rolled, cold drawn, turned and polished, etc."

Uses.--"Both hot-rolled products may undergo forging, machining, cold finishing, or heat treating for end use in automotive gear train, engine or suspension parts, oil country goods, off-highway equipment where the superior properties of special quality engineered steels are required. Where high machining rates are required, free-machining products may be favored over other special quality products since machinability enhancers such as sulfur combine with manganese in the steel to produce manganese sulfide inclusions which act as chip breakers during machining."

FirmComments

"Normally free-machining steel infers that certain elements are added to the steel and practices modified to enhance machining. In some cases, steel characteristics not essential to the end use such as hardness or fatigue life may be adversely affected."

Characteristics---"These products *** are the most difficult to machine of the three categories *** covered in this question. Their structure is stronger than ***, and they contain a much smaller proportion of sulfide inclusions to aid in chip breakage."

Uses---"Other special quality products are generally used for parts where (1) ease of machining is not of primary concern or (2) the presence of the inclusions which aid machining would be detrimental to the service performance of the finished part. Some examples of this category include gears, shafts subject to high torque, etc."

"Free-machining steels have sulfur and/or lead inclusions that promote cracking, which makes them more machinable."

Uses---"In general, the steel used is determined by the final purchaser's product design criteria, which will almost always state a specific grade or type of steel. Specifications rarely change and our customers have almost no ability to use any steel except the grade specified. Free-machining is used for shafting with special gearing or drive mechanisms, parts that could use carbon but have one key time consuming machining point (deep hole, etc.). Carbon is used when strength or hardenability are primary considerations."

"Extra control of heating practices is required for free-machining products."

Free-machining products would be used in a machine shop for further processing."

"Other 'special quality' rods are used to produce wire and eventually, wire products such as welding electrodes. Free-machining rods become cut-length bars after cold finishing and flow into applications requiring extensive machining."

FirmComments

"Non-lead/bismuth free-machining hot rolled products for machining applications can contain sulfur, selenium or tellurium additions, with sulfur additions up to about 0.13 percent being the most common. All of the additions can result in more discard and waste than steels which do not contain these elements, because more product must be scrapped due to degradation of surface quality.

Lead and bismuth hot rolled products can often have lower yields (greater discards) than non-lead/bismuth steels because of degraded surface quality and additional discards due to internal quality specification limits. These steels are used in manufacturing operations where the maximum in machinability characteristics is demanded."

The following comments were received concerning SPECIAL QUALITY NON-LEAD/BISMUTH FREE-MACHINING HOT-ROLLED PRODUCTS VS. LEAD AND BISMUTH HOT-ROLLED PRODUCTS:

FirmComments

"Leaded steels are the most machinable free-machining steels. Adding lead substantially boosts machinability of 1100 or 1200. Leaded steel has superior chip formation, better cuts, and a smoother surface. For these reasons, the end user usually specifies a particular grade of use for each part. The screw machine shop usually cannot change the specification. They are used for parts with extensive machining."

Characteristics---"The physical and metallurgical characteristics of special quality non-lead/bismuth free-machining hot-rolled products may be exactly the same as lead and bismuth hot-rolled products; that is, both may be ordered in a variety of sizes and surface conditions."

Uses---"Both products may undergo forging, machining, cold finishing, or heat treating for end uses that require superior machining properties. For exceptional machining rates, special quality lead and bismuth products may be favored over special quality non-lead/bismuth products since the lead and/or bismuth additions impart lead or bismuth inclusions to the microstructure which together with the manganese sulfide inclusions further enhance the machinability over that exhibited by other free-machining products."

FirmComments

"Normally free-machining steel infers that certain elements are added to the steel and practices modified to enhance machining. In some cases, steel characteristics not essential to the end use such as hardness or fatigue life may be adversely affected."

Characteristics.--"Lead/bismuth products are almost identical. Both contain lead or bismuth particles that typically adhere to sulfide inclusions in the steel, causing the sulfide inclusions to remain round, the best shape for machining. At the microscopic level, they are prone to 'microcracking,' the formation of tiny cracks, when machined.

Two physical characteristics cause this phenomenon. First, the interface between the lead or bismuth inclusion and the steel lattice is extremely weak, and so cracks easily. Second, lead and bismuth melt at a much lower temperature than steel. The friction heat generated in cutting will cause them to melt, further weakening the steel structure and making it easier to cut, a phenomenon known as liquid metal embrittlement.

Lead and bismuth steels take less time and energy to cut because they fracture so much more easily than other steels. Moreover, they form small cracks, leaving small fragments behind. These small 'chips' save energy because of easy disposal and time because they will not clog the machinery. Moreover, the resulting part will have a very smooth finish because the fragments are so small.

Lead and bismuth hot-rolled products are also subject to 'soft metal lubrication.' When the friction heat softens or melts the lead or bismuth particles, they act as a lubricant at the chip-tool interface, reducing friction and, hence, energy consumption.

The high machinability of lead and bismuth steels allows the screw machine shop to realize substantial cost savings. Moreover, the tight specifications for most parts made with these products mean that even a small deterioration in quality, either in reject rate or surface finish, can make the product unusable. Therefore, even a slightly lower machinability in a steel product can make a part uneconomical to produce.

FirmComments

(continued)

The qualities that make lead/bismuth steels machinable also hurt other properties. They are not as strong as non-lead/bismuth steels. Extensive heat treatment is impossible because it can cause lead/bismuth to have low-melting-points, and thus, melt out of the steel and make the steel porous. The weakness prevents high stress applications like forging and cold heading."

Uses.--"These physical characteristics make lead and bismuth hot-rolled products uniquely suited for machining. A producer using a lead or bismuth steel can make parts substantially more quickly, with a better surface finish, and lower reject rate than with any other steel.

Quality is especially important with this product because it is made into high precision parts. The part purchaser must be certain that the finished part will have a smooth finish and satisfy tight physical specifications. Reject rate is even more important. The producer must scrap any parts rejected in the shop, and so loses its entire investment. If the purchaser finds too many nonconforming parts, it may cancel an entire contract.

The most common source of rejects is 'part growth.' Just as with any cutting edge, the blade of a machine tool wears the more it is used, a process accelerated in hard-to-cut materials. As the machine tool cutting surface wears, it cuts less sharply and less deeply. Thus, parts made later in the cutting blade's life are usually larger than parts produced earlier, a phenomenon known as 'part growth.' Lead and bismuth steels have slower part growth than other carbon steel. Therefore, they have fewer rejects and are more likely to meet customer specifications.

Purchasers of machined parts are aware of these properties, and the vast majority of contracts forbid screw machine shops from using anything but lead or bismuth steel. *** sells its lead and bismuth steel bars almost exclusively to cold drawers, which further process the steel (usually by drawing) and then sell it to screw machine shops for machining into high precision parts."

Characteristics.--"These non-lead/bismuth free-machining steels require both more time and more energy to machine. First, they have a stronger molecular structure than those discussed above.

FirmComments

(continued)

The inclusions typically present in them have a stronger link to the steel lattice, and so are less likely to fracture. Sulfide inclusions in these products will be flatter and longer (making the steel harder to machine) than in lead and bismuth products. Second, the absence of low-melting point elements means that other SBQ do not undergo liquid metal embrittlement. Finally these products do not have the soft metal lubrication qualities of lead and bismuth steels.

These qualities result in larger cracks, occurring less frequently. Therefore, machining will create much larger chips, leaving the part surface rough and pitted and increasing the likelihood of the machine tool clogging."

Uses.--"These physical characteristics make other free-machining products much less suitable for extensive machining than lead and bismuth steels. First, the energy consumption increase and production rate decrease result in substantially higher production costs for machining these products. Second, other free-machining bars' faster part growth increases the reject rate and tool costs, adding further to production costs and possibly exceeding the customer's reliability requirements. Third, the large chips characteristic of these steels make the finished part rougher and, thus, less suited for high-precision uses.

There is a significant difference in machinability between these products and lead and bismuth steels. The more complex the part, the more necessary lead and bismuth become. Some parts involve multiple cuts of different sizes and different locations. A flaw in any one makes the part useless. In order to ensure reliability, the large majority of customers forbid using any product other than lead and bismuth steels where machinability is of paramount importance. Even in the few cases where customers allow a choice, the screw machine shop will almost always choose lead or bismuth steel because of the much greater productivity such products allow them. Complex machined parts will seldom, if ever, be made with 11xx or 12xx steels.

However, these products are used when the purchaser wants enhanced machinability and strength, heat treatment, or forging

FirmComments

(continued)

(applications normally impossible with lead/bismuth steels)."

"In addition to crack promotion, lead and bismuth provide liquid metal embrittlement and enhance soft metal lubrication. These properties substantially boost machinability."

Uses.--"Lead and bismuth would be used for free-machining applications which have the most severe machining demand. Lead, bismuth, and sulfur have some undesirable effects on mechanical properties. Therefore, lead and bismuth steels are not normally used for parts requiring heat treatment, high hardness, or fatigue strength. Lead and bismuth are used to make ABS braking parts because of many fine drill holes and special machined flutes."

"The controlled presence of lead/bismuth enhances the machinability as compared with SBQ free-machining products.

Uses are hot forging and rerolling to bars and rods."

The following comments were received concerning SPECIAL QUALITY BAR PRODUCTS vs. ROD PRODUCTS:

FirmComments

"Bars have tighter dimensional tolerances. Bars are used directly for making parts -- rods are almost always drawn into wire first. Free-machining rods are cold-finished, cut, and sold as bars."

Characteristics.--"Regarding physical characteristics, rod products have a restricted size range compared to special quality bar products. Rod products being limited to a size range of 7/32 inches to 47/64 inches in diameter almost always supplied in coil form. Some of these diameters and larger may be available in straights. Generally, special quality bar products up to approximately 2 inches in diameter may be supplied in straights or in coil. Generally, special quality bar products greater than 2 inches diameter are supplied in straights."

Uses.--"Special quality rod products may see application in the hot rolled condition, however, the vast majority of rod products see

FirmComments

(continued)

application as wire rod for redraw application in products such as tire cord wire or valve spring wire, as two specific examples. Special quality bar products are available in a much larger size range when compared to special quality rod products. As a consequence, bar products may undergo processing to produce end products not normally applied to rod products, for example, forging heat treating or machining. The end use from such special quality bar products see application in automotive, oil country goods, off highway equipment, and many other applications."

Characteristics---"In the marketplace, tolerances determine the difference between bar and rod. Physical tolerances are often the deciding factor in end use."

Uses---"Bar products are always an intermediary product -- they are produced at tolerances suitable for direct end uses in products like springs. Rod products are produced with less stringent physical tolerance as they are almost always subject to extensive drawing into wire products. Rod products are always sold in coils. Bars are used for producing parts for machinery. Rod products are always intermediate products, subject to heavy drawing to produce wire, nails, or fasteners. Free-machining rods are always cold finished, cut to length, and sold as bars."

"Again the bar will have closer tolerances and the rod will be more uniform in structure. The free-machining steel is low carbon and, when rolled on a Stelmor rod mill, tends to be harder than material rolled on a bar mill."

Uses---"For non-free-machining grades, bars are used as cold finished bar stock, rods are used in wire drawing and cold heading. However, free-machining rod and bar are the same, because free-machining rod is usually cold finished and cut to length for sale as bar."

Characteristics---"Bar and rod products frequently have similar physical and metallurgical characteristics, although bar products are generally produced with more stringent controls on chemical composition, mechanical properties, surface quality and physical dimensions. Rod products are generally further processed by cold drawing through carbide dies for greater dimension control and mechanical property enhancements."

Firm

Comments

(continued)

Uses.--"Bar products are generally specified in more critical manufacturing operations and final applications because of better dimensional control and more consistent metallurgical properties."

APPENDIX F

**SUMMARY TABLES ON SPECIAL QUALITY PRODUCTS,
FREE-MACHINING PRODUCTS, AND LEAD AND BISMUTH PRODUCTS**

Table F-1

Hot-rolled all special quality carbon and certain alloy steel bars and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data					Period changes			
	1989	1990	1991	Jan.-Sept.--		1989-91	1989-90	1990-91	Jan.-Sept. 1991-92
				1991	1992				
U.S. consumption quantity:									
Amount.....	7,459,697	7,601,472	7,141,476	5,282,774	5,586,835	-4.3	+1.9	-6.1	+5.8
Producers' share 1/.....	87.1	87.9	86.6	87.9	89.5	-0.5	+0.8	-1.3	+1.6
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	2.4	2.4	2.6	2.2	2.7	+0.2	3/	+0.1	+0.5
Brazil (non-L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	12.9	12.1	13.4	12.1	10.5	+0.5	-0.8	+1.3	-1.6
U.S. consumption value:									
Amount.....	3,465,049	3,443,972	3,139,171	2,329,731	2,408,844	-9.4	-0.6	-8.9	+3.4
Producers' share 1/.....	87.5	88.4	87.0	88.2	89.9	-0.5	+0.9	-1.4	+1.7
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	2.6	2.5	2.8	2.4	3.0	+0.1	-0.1	+0.2	+0.6
Brazil (non-L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	12.5	11.6	13.0	11.8	10.1	+0.5	-0.9	+1.4	-1.7
U.S. importers' imports from-									
Brazil (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
France (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Germany (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
United Kingdom (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Subject (L/B) sources:									
Imports quantity.....	180,396	186,038	185,029	115,958	149,360	+2.6	+3.1	-0.5	+28.8
Imports value.....	91,317	87,269	87,301	55,276	72,112	-4.4	-4.4	4/	+30.5
Unit value.....	\$506.20	\$469.09	\$471.82	\$476.69	\$482.81	-6.8	-7.3	+0.6	+1.3
Ending inventory qty.....	220	220	220	220	220	0	0	0	0
Brazil (non-L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Subject sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table F-1--Continued

Hot-rolled all special quality carbon and certain alloy steel bars and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	Jan.-Sept. 1991-92
Other sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
All sources:									
Imports quantity.....	961,426	920,502	956,413	639,366	587,152	-0.5	-4.3	+3.9	-8.2
Imports value.....	432,712	399,902	407,010	275,370	243,944	-5.9	-7.6	+1.8	-11.4
Unit value.....	\$450.07	\$434.44	\$425.56	\$430.69	\$415.47	-5.4	-3.5	-2.0	-3.5
U.S. producers'--									
Average capacity quantity..	9,003,697	9,201,164	9,314,969	6,916,437	7,039,113	+3.5	+2.2	+1.2	+1.8
Production quantity.....	6,412,288	6,774,929	6,273,190	4,631,101	5,092,545	-2.2	+5.7	-7.4	+10.0
Capacity utilization 1/.....	70.0	72.3	65.8	65.5	70.5	-4.1	+2.3	-6.5	+5.0
U.S. shipments:									
Quantity.....	6,498,271	6,680,970	6,185,063	4,643,408	4,999,683	-4.8	+2.8	-7.4	+7.7
Value.....	3,032,337	3,044,070	2,732,161	2,054,361	2,164,900	-9.9	+0.4	-10.2	+5.4
Unit value.....	\$466.64	\$455.63	\$441.74	\$442.43	\$433.01	-5.3	-2.4	-3.1	-2.1
Export shipments:									
Quantity.....	10,848	67,452	105,521	44,183	66,690	+872.7	+521.8	+56.4	+50.9
Exports/shipments 1/.....	0.2	1.0	1.7	0.9	1.3	+1.5	+0.8	+0.7	+0.4
Value.....	5,860	26,314	33,987	17,776	23,871	+480.0	+349.0	+29.2	+34.3
Unit value.....	\$540.19	\$390.11	\$322.09	\$402.33	\$357.94	-40.4	-27.8	-17.4	-11.0
Ending inventory quantity..	395,619	467,470	465,782	438,743	470,964	+17.7	+18.2	-0.4	+7.3
Inventory/shipments 1/.....	6.4	7.4	7.9	7.5	7.4	+1.5	+1.0	+0.5	-0.1
Production workers.....	10,042	10,102	9,665	9,241	9,753	-3.8	+0.6	-4.3	+5.5
Hours worked (1,000s).....	20,615	21,443	19,700	14,230	15,387	-4.4	+4.0	-8.1	+8.1
Total comp. (\$1,000).....	474,005	488,667	469,585	336,479	378,033	-0.9	+3.1	-3.9	+12.3
Hourly total compensation..	\$22.99	\$22.79	\$23.84	\$23.65	\$24.57	+3.7	-0.9	+4.6	+3.9
Productivity (short tons/ hour).....	0.3	0.3	0.3	0.3	0.3	+0.4	+1.9	-1.4	+2.5
Unit labor costs.....	\$88.07	\$85.68	\$90.93	\$88.47	\$89.71	+3.3	-2.7	+6.1	+1.4
Net sales value.....	2,639,982	2,664,648	2,382,930	1,778,592	1,885,293	-9.7	+0.9	-10.6	+6.0
COGS/sales 1/.....	89.9	89.9	93.4	93.8	92.0	+3.5	+0.1	+3.4	-1.8
Operating income (loss)....	132,812	107,917	13,374	7,541	50,310	-89.9	-18.7	-87.6	+567.2
Op. income (loss)/sales 1/..	5.0	4.0	0.6	0.4	2.7	-4.5	-1.0	-3.5	+2.2

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ A decrease of less than 0.05 percentage points.

3/ An increase of less than 0.05 percentage points.

4/ An increase of less than 0.05 percent.

Note.--The term 'L/B' is an abbreviation for 'lead and bismuth.' Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Table F-2

Hot-rolled free-machining carbon and certain alloy steel bar and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. consumption quantity:									
Amount.....	1,046,537	1,078,944	901,158	607,788	784,468	-13.9	+3.1	-16.5	+29.1
Producers' share 1/.....	79.4	79.2	74.9	77.2	77.8	-4.5	-0.2	-4.3	+0.6
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	17.2	17.2	20.5	19.1	19.0	+3.3	2/	+3.3	3/
Brazil (non-L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	20.6	20.8	25.1	22.8	22.2	+4.5	+0.2	+4.3	-0.6
U.S. consumption value:									
Amount.....	538,218	539,982	449,026	304,271	384,857	-16.6	+0.3	-16.8	+26.5
Producers' share 1/.....	79.7	80.2	76.2	78.0	78.3	-3.5	+0.6	-4.0	+0.2
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	17.0	16.2	19.4	18.2	18.7	+2.5	-0.8	+3.3	+0.6
Brazil (non-L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	20.3	19.8	23.8	22.0	21.7	+3.5	-0.6	+4.0	-0.2
U.S. importers' imports from--									
Brazil (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
France (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Germany (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
United Kingdom (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Subject (L/B) sources:									
Imports quantity.....	180,396	186,038	185,029	115,958	149,360	+2.6	+3.1	-0.5	+28.8
Imports value.....	91,317	87,269	87,301	55,276	72,112	-4.4	-4.4	5/	+30.5
Unit value.....	\$506.20	\$469.09	\$471.82	\$476.69	\$482.81	-6.8	-7.3	+0.6	+1.3
Ending inventory qty.....	220	220	220	220	220	0	0	0	0
Brazil (non-L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Subject sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table F-2--Continued

Hot-rolled free-machining carbon and certain alloy steel bar and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data					Period changes			
	1989	1990	1991	Jan.-Sept.--		1989-91	1989-90	1990-91	Jan.-Sept.
				1991	1992				1991-92
Other sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
All sources:									
Imports quantity.....	215,296	224,247	226,350	138,739	174,240	+5.1	+4.2	+0.9	+25.6
Imports value.....	109,400	106,667	106,822	66,797	83,597	-2.4	-2.5	+0.1	+25.2
Unit value.....	\$508.14	\$475.67	\$471.93	\$481.46	\$479.78	-7.1	-6.4	-0.8	-0.3
U.S. producers'--									
Average capacity quantity..	1,353,717	1,407,364	1,386,264	1,030,530	1,064,158	+2.4	+4.0	-1.5	+3.3
Production quantity.....	818,881	860,261	678,317	470,463	623,655	-17.2	+5.1	-21.1	+32.6
Capacity utilization 1/.....	59.5	60.1	47.3	44.0	56.3	-12.3	+0.6	-12.8	+12.3
U.S. shipments:									
Quantity.....	831,241	854,697	674,808	469,049	610,228	-18.8	+2.8	-21.0	+30.1
Value.....	428,818	433,315	342,204	237,474	301,260	-20.2	+1.0	-21.0	+26.9
Unit value.....	\$515.88	\$506.98	\$507.11	\$506.29	\$493.68	-1.7	-1.7	5/	-2.5
Export shipments:									
Quantity.....	1,599	7,987	6,140	4,614	923	+284.0	+399.5	-23.1	-80.0
Exports/shipments 1/.....	0.2	0.9	0.9	1.0	0.2	+0.7	+0.7	3/	-0.8
Value.....	787	3,765	2,898	2,172	409	+268.2	+378.4	-23.0	-81.2
Unit value.....	\$492.18	\$471.39	\$471.99	\$470.74	\$443.12	-4.1	-4.2	+0.1	-5.9
Ending inventory quantity..	58,067	60,146	58,234	57,482	70,333	+0.3	+3.6	-3.2	+22.4
Inventory/shipments 1/.....	7.0	7.0	8.6	9.1	8.6	+1.6	3/	+1.6	-0.5
Production workers.....	1,737	1,636	1,509	1,371	1,517	-13.1	-5.8	-7.8	+10.6
Hours worked (1,000s).....	3,245	3,257	2,749	1,940	2,288	-15.3	+0.4	-15.6	+17.9
Total comp. (\$1,000).....	77,813	77,064	69,463	48,179	59,535	-10.7	-1.0	-9.9	+23.6
Hourly total compensation..	\$23.98	\$23.66	\$25.27	\$24.83	\$26.02	+5.4	-1.3	+6.8	+4.8
Productivity (short tons/ hour).....	0.2	0.3	0.2	0.2	0.3	-3.8	+4.9	-8.2	+12.8
Unit labor costs.....	\$98.86	\$93.03	\$108.23	\$108.57	\$100.82	+9.5	-5.9	+16.3	-7.1
Net sales value.....	376,682	379,810	308,616	217,400	274,596	-18.1	+0.8	-18.7	+26.3
COGS/sales 1/.....	98.2	98.6	99.0	99.0	98.2	+0.9	+0.5	+0.4	-0.8
Operating income (loss)....	(15,411)	(19,579)	(19,464)	(13,834)	(11,532)	-26.3	-27.0	+0.6	+16.6
Op. income (loss)/sales 1/.	(4.1)	(5.2)	(6.3)	(6.4)	(4.2)	-2.2	-1.1	-1.2	+2.2

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ An increase of less than 0.05 percentage points.

3/ A decrease of less than 0.05 percentage points.

4/ Positive figure, but less than significant digits displayed.

5/ An increase of less than 0.05 percent.

6/ Not applicable.

7/ An increase of 1,000 percent or more.

Note.--The term 'L/B' is an abbreviation for 'lead and bismuth.' Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Table F-3

Hot-rolled lead and bismuth bars: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			Jan.-Sept.	
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92	
U.S. consumption quantity:										
Amount.....	***	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***	***
Importers' share: 1/.....										
Brazil (L/B).....	***	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***	***
U.S. consumption value:										
Amount.....	***	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***	***
Importers' share: 1/.....										
Brazil (L/B).....	***	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***	***
U.S. importers' imports from:										
Brazil (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
France (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
Germany (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
United Kingdom (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
Subject sources:										
Imports quantity.....	118,355	130,426	140,637	86,038	112,322	+18.8	+10.2	+7.8	+30.5	
Imports value.....	60,642	60,969	66,392	41,185	54,233	+9.5	+0.5	+8.9	+31.7	
Unit value.....	\$512.37	\$467.46	\$472.08	\$478.68	\$482.84	-7.9	-8.8	+1.0	+0.9	
Ending inventory qty.....	120	120	120	120	120	0	0	0	0	
Other sources:										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
All sources:										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table F-3--Continued

Hot-rolled lead and bismuth bars: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			Jan.-Sept.
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. producers'--									
Average capacity quantity..	617,000	617,000	617,000	463,000	463,000	0	0	0	0
Production quantity.....	273,588	306,097	215,759	157,262	225,503	-21.1	+11.9	-29.5	+43.4
Capacity utilization 1/....	44.3	49.6	35.0	34.0	48.7	-9.4	+5.3	-14.6	+14.7
U.S. shipments:									
Quantity.....	280,536	304,799	211,619	157,420	223,042	-24.6	+8.6	-30.6	+41.7
Value.....	154,099	164,358	115,547	87,306	122,055	-25.0	+6.7	-29.7	+39.8
Unit value.....	\$549.30	\$539.23	\$546.01	\$554.61	\$547.23	-0.6	-1.8	+1.3	-1.3
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Exports/shipments 1/.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity..	11,231	11,584	11,563	8,929	14,024	+3.0	+3.1	-0.2	+57.1
Inventory/shipments 1/.....	4.0	3.8	5.4	4.2	4.7	+1.4	-0.3	+1.6	+0.5
Production workers.....	338	370	334	254	309	-1.2	+9.5	-9.7	+21.7
Hours worked (1,000s).....	652	725	545	390	472	-16.4	+11.2	-24.8	+21.0
Total comp. (\$1,000).....	16,308	18,256	15,508	10,701	13,692	-4.9	+11.9	-15.1	+28.0
Hourly total compensation..	\$25.01	\$25.18	\$28.46	\$27.44	\$29.01	+13.8	+0.7	+13.0	+5.7
Productivity (short tons/ hour).....	0.2	0.2	0.2	0.2	0.2	-10.0	-2.0	-8.2	+14.0
Unit labor costs.....	\$123.76	\$127.11	\$156.40	\$158.70	\$147.21	+26.4	+2.7	+23.0	-7.2
Net sales value.....	154,962	166,657	121,025	88,573	122,181	-21.9	+7.5	-27.4	+37.9
COGS/sales 1/.....	102.2	102.8	102.4	101.7	105.3	+0.2	+0.6	-0.4	+3.6
Operating income (loss)....	(8,293)	(10,307)	(7,828)	(5,115)	(10,675)	+5.6	-24.3	+24.1	-108.7
Op. income (loss)/sales 1/.	(5.4)	(6.2)	(6.5)	(5.8)	(8.7)	-1.1	-0.8	-0.3	-3.0

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ An increase of less than 0.05 percentage points.

3/ A decrease of less than 0.05 percentage points.

4/ An increase of less than 0.05 percent.

5/ An increase of 1,000 percent or more.

6/ Positive figure, but less than significant digits displayed.

7/ A decrease of less than 0.05 percent.

8/ Not applicable.

Note.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Table F-4

Hot-rolled lead and bismuth rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data					Period changes				
	1989	1990	1991	Jan.-Sept.--		1989-91	1989-90	1990-91	1991-92	Jan.-Sept.
				1991	1992					
U.S. consumption quantity:										
Amount.....	***	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***	***
Importers' share: 1/.....										
Brazil (L/B).....	***	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***	***
U.S. consumption value:										
Amount.....	***	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***	***
Importers' share: 1/.....										
Brazil (L/B).....	***	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***	***
U.S. importers' imports from--										
Brazil (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
France (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
Germany (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
United Kingdom (L/B):										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
Subject sources:										
Imports quantity.....	62,041	55,612	44,392	29,920	37,038	-28.4	-10.4	-20.2	+23.8	
Imports value.....	30,675	26,300	20,909	14,091	17,879	-31.8	-14.3	-20.5	+26.9	
Unit value.....	\$494.43	\$472.92	\$471.01	\$470.96	\$482.72	-4.7	-4.4	-0.4	+2.5	
Ending inventory qty.....	100	100	100	100	100	0	0	0	0	
Other sources:										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***	***
All sources:										
Imports quantity.....	***	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table F-4--Continued

Hot-rolled lead and bismuth rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. producers'--									
Average capacity quantity..	72,200	72,200	72,200	54,650	54,650	0	0	0	0
Production quantity.....	42,807	36,064	42,432	32,793	44,647	-0.9	-15.8	+17.7	+36.1
Capacity utilization 1/....	59.3	50.0	58.8	60.0	81.7	-0.5	-9.3	+8.8	+21.7
U.S. shipments:									
Quantity.....	42,379	37,072	41,604	32,233	45,287	-1.8	-12.5	+12.2	+40.5
Value.....	24,482	20,992	23,140	17,976	24,402	-5.5	-14.3	+10.2	+35.7
Unit value.....	\$577.69	\$566.25	\$556.20	\$557.69	\$538.83	-3.7	-2.0	-1.8	-3.4
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Exports/shipments 1/.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity..	3,540	2,532	3,360	3,092	2,720	-5.1	-28.5	+32.7	-12.0
Inventory/shipments 1/.....	15.3	11.3	17.2	14.8	10.0	+2.0	-3.9	+5.9	-4.8
Production workers.....	71	66	81	78	87	+14.1	-7.0	+22.7	+11.5
Hours worked (1,000s).....	141	134	169	117	138	+19.9	-5.0	+26.1	+17.9
Total comp. (\$1,000).....	3,104	3,014	4,015	2,704	3,379	+29.3	-2.9	+33.2	+25.0
Hourly total compensation..	\$22.01	\$22.49	\$23.76	\$23.11	\$24.49	+7.9	+2.2	+5.6	+5.9
Productivity (short tons/ hour).....	0.3	0.3	0.3	0.3	0.3	-17.3	-11.4	-6.7	+15.4
Unit labor costs.....	\$72.51	\$83.57	\$94.62	\$82.46	\$75.68	+30.5	+15.3	+13.2	-8.2
Net sales value.....	22,182	24,681	23,760	14,789	20,321	+7.1	+11.3	-3.7	+37.4
COGS/sales 1/.....	90.8	92.5	94.9	91.7	92.4	+4.1	+1.7	+2.4	+0.7
Operating income (loss)....	1,165	769	44	460	609	-96.2	-34.0	-94.3	+32.4
Op. income (loss)/sales 1/.	5.3	3.1	0.2	3.1	3.0	-5.1	-2.1	-2.9	-0.1

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ Positive figure, but less than significant digits displayed.

3/ An increase of less than 0.05 percentage points.

4/ Not applicable.

5/ Not available.

Note.--Period changes are derived from the unrounded data. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

Table F-5

Hot-rolled lead and bismuth bars and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data					Period changes			
	1989	1990	1991	Jan.-Sept.--		1989-91	1989-90	1990-91	Jan.-Sept. 1991-92
				1991	1992				
U.S. consumption quantity:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share 1/.....	***	***	***	***	***	***	***	***	***
Importers' share: 1/									
Brazil (L/B).....	***	***	***	***	***	***	***	***	***
France (L/B).....	***	***	***	***	***	***	***	***	***
Germany (L/B).....	***	***	***	***	***	***	***	***	***
U.K. (L/B).....	***	***	***	***	***	***	***	***	***
Subtotal.....	***	***	***	***	***	***	***	***	***
Other sources.....	***	***	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***	***	***
U.S. importers' imports from--									
Brazil (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
France (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Germany (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
United Kingdom (L/B):									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
Subject sources:									
Imports quantity.....	180,396	186,038	185,029	115,958	149,360	+2.6	+3.1	-0.5	+28.8
Imports value.....	91,317	87,269	87,301	55,276	72,112	-4.4	-4.4	4/	+30.5
Unit value.....	\$506.20	\$469.09	\$471.82	\$476.69	\$482.81	-6.8	-7.3	+0.6	+1.3
Ending inventory qty.....	220	220	220	220	220	0	0	0	0
Other sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory qty.....	***	***	***	***	***	***	***	***	***
All sources:									
Imports quantity.....	***	***	***	***	***	***	***	***	***
Imports value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***

See footnotes at end of table.

Table F-5--Continued

Hot-rolled lead and bismuth bars and rods: Summary data concerning the U.S. market, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	Jan.-Sept. 1991-92
U.S. producers'--									
Average capacity quantity..	689,200	689,200	689,200	517,650	517,650	0	0	0	0
Production quantity.....	316,395	342,161	258,191	190,055	270,150	-18.4	+8.1	-24.5	+42.1
Capacity utilization 1/....	45.9	49.6	37.5	36.7	52.2	-8.4	+3.7	-12.2	+15.5
U.S. shipments:									
Quantity.....	322,915	341,871	253,223	189,653	268,329	-21.6	+5.9	-25.9	+41.5
Value.....	178,581	185,350	138,687	105,282	146,457	-22.3	+3.8	-25.2	+39.1
Unit value.....	\$553.03	\$542.16	\$547.69	\$555.13	\$545.81	-1.0	-2.0	+1.0	-1.7
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Exports/shipments 1/.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity..	14,771	14,116	14,923	12,021	16,744	+1.0	-4.4	+5.7	+39.3
Inventory/shipments 1/.....	4.9	4.3	6.3	5.1	5.2	+1.5	-0.6	+2.1	3/
Production workers.....	409	436	415	332	396	+1.5	+6.6	-4.8	+19.3
Hours worked (1,000s).....	793	859	714	507	610	-10.0	+8.3	-16.9	+20.3
Total comp. (\$1,000).....	19,412	21,270	19,523	13,405	17,071	+0.6	+9.6	-8.2	+27.3
Hourly total compensation..	\$24.48	\$24.76	\$27.34	\$26.44	\$27.99	+11.7	+1.2	+10.4	+5.8
Productivity (short tons/ hour).....	0.2	0.2	0.2	0.2	0.2	-9.9	-5.0	-5.2	+14.2
Unit labor costs.....	\$111.20	\$118.37	\$137.89	\$133.75	\$124.01	+24.0	+6.5	+16.5	-7.3
Net sales value.....	177,144	191,338	144,785	103,362	142,502	-18.3	+8.0	-24.3	+37.9
COGS/sales 1/.....	100.8	101.5	101.2	100.3	103.5	+0.4	+0.7	-0.3	+3.2
Operating income (loss)....	(7,128)	(9,538)	(7,784)	(4,655)	(10,066)	-9.2	-33.8	+18.4	-116.2
Op. income (loss)/sales 1/.	(4.0)	(5.0)	(5.4)	(4.5)	(7.1)	-1.4	-1.0	-0.4	-2.6

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ A decrease of less than 0.05 percentage points.

3/ An increase of less than 0.05 percentage points.

4/ An increase of less than 0.05 percent.

5/ An increase of 1,000 percent or more.

6/ Positive figure, but less than significant digits displayed.

7/ A decrease of less than 0.05 percent.

8/ Not applicable.

Note.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

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

APPENDIX G
SUMMARY TABLES ON OPERATIONS OF
TRADITIONAL AND MINIMILL PRODUCERS

Table G-1

Hot-rolled all special quality carbon and certain alloy steel bars and rods: Summary data concerning the U.S. traditional-producers industry, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			Jan.-Sept.
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. producers'--									
Average capacity quantity..	4,863,483	4,931,360	4,932,446	3,707,989	3,704,907	+1.4	+1.4	1/	-0.1
Production quantity.....	3,080,710	3,281,617	2,762,226	2,066,848	2,371,272	-10.3	+6.5	-15.8	+14.7
Capacity utilization 2/.....	63.3	66.5	56.0	55.7	64.0	-7.3	+3.2	-10.5	+8.3
U.S. shipments:									
Quantity.....	3,172,950	3,255,152	2,766,736	2,068,214	2,313,075	-12.8	+2.6	-15.0	+11.8
Value.....	1,733,696	1,691,091	1,463,945	1,092,229	1,182,091	-15.6	-2.5	-13.4	+8.2
Unit value.....	\$546.40	\$519.51	\$529.12	\$528.10	\$511.05	-3.2	-4.9	+1.9	-3.2
Export shipments:									
Quantity.....	8,944	18,807	21,890	18,739	9,176	+144.7	+110.3	+16.4	-51.0
Exports/shipments 2/.....	0.3	0.6	0.8	0.9	0.4	+0.5	+0.3	+0.2	-0.5
Value.....	4,962	10,176	11,669	9,988	4,916	+135.2	+105.1	+14.7	-50.8
Unit value.....	\$554.79	\$541.08	\$533.07	\$533.01	\$535.75	-3.9	-2.5	-1.5	+0.5
Ending inventory quantity..	215,314	258,316	247,602	251,511	280,608	+15.0	+20.0	-4.1	+11.6
Inventory/shipments 2/.....	6.8	7.9	8.9	9.0	9.1	+2.1	+1.1	+1.0	3/
Production workers.....	7,498	7,449	7,058	6,657	7,214	-5.9	-0.7	-5.2	+8.4
Hours worked (1,000s).....	14,758	15,385	13,869	10,009	11,133	-6.0	+4.2	-9.9	+11.2
Total comp. (\$1,000).....	340,773	348,887	333,343	235,684	269,367	-2.2	+2.4	-4.5	+14.3
Hourly total compensation..	\$23.09	\$22.68	\$24.04	\$23.55	\$24.20	+4.1	-1.8	+6.0	+2.8
Productivity (short tons/hour).....	0.2	0.2	0.2	0.2	0.2	-4.6	+2.2	-6.6	+3.1
Unit labor costs.....	\$110.62	\$106.32	\$120.68	\$114.03	\$113.60	+9.1	-3.9	+13.5	-0.4
Net sales value.....	1,415,695	1,392,077	1,166,123	876,438	955,234	-17.6	-1.7	-16.2	+9.0
COGS/sales 2/.....	94.8	95.6	101.5	100.6	97.6	+6.7	+0.8	+5.9	-3.0
Operating income (loss)....	3,623	(24,558)	(101,812)	(67,483)	(36,771)	4/	-777.8	-314.6	+45.5
Op. income (loss)/sales 2/..	0.3	(1.8)	(8.7)	(7.7)	(3.8)	-9.0	-2.0	-7.0	+3.9

1/ An increase of less than 0.05 percent.

2/ 'Reported data' are in percent and 'period changes' are in percentage-point.

3/ An increase of less than 0.05 percentage points.

4/ A decrease of 1,000 percent or more.

Note 1.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Firms were deemed to be "traditional" producers if their method of production encompasses a variety of factors which may include ingot casting and/or BOF production. Data from the following firms have been included in the above table: ***. Together they accounted for 44.0 percent of reported U.S. production of all special quality bars and rods in 1991.

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

Table G-2

Hot-rolled all special quality carbon and certain alloy steel bars and rods: Summary data concerning the U.S. minimill industry, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	Jan.-Sept. 1991-92
U.S. producers'--									
Average capacity quantity..	4,140,214	4,269,804	4,382,523	3,208,448	3,334,206	+5.9	+3.1	+2.6	+3.9
Production quantity.....	3,331,578	3,493,312	3,510,964	2,564,253	2,721,273	+5.4	+4.9	+0.5	+6.1
Capacity utilization 1/.....	77.8	79.0	76.9	76.7	77.7	-0.9	+1.2	-2.0	+1.0
U.S. shipments:									
Quantity.....	3,325,321	3,425,818	3,418,327	2,575,194	2,686,608	+2.8	+3.0	-0.2	+4.3
Value.....	1,298,641	1,352,979	1,268,216	962,132	982,809	-2.3	+4.2	-6.3	+2.1
Unit value.....	\$390.53	\$394.94	\$371.00	\$373.62	\$365.82	-5.0	+1.1	-6.1	-2.1
Export shipments:									
Quantity.....	1,904	48,645	83,631	25,444	57,514	2/	2/	+71.9	+126.0
Exports/shipments 1/.....	0.1	1.4	2.4	1.0	2.1	+2.3	+1.3	+1.0	+1.1
Value.....	898	16,138	22,318	7,788	18,955	2/	2/	+38.3	+143.4
Unit value.....	\$471.64	\$331.75	\$266.86	\$306.08	\$329.57	-43.4	-29.7	-19.6	+7.7
Ending inventory quantity..	180,305	209,154	218,180	187,232	190,356	+21.0	+16.0	+4.3	+1.7
Inventory/shipments 1/.....	6.0	6.8	7.0	6.1	5.8	+1.0	+0.8	+0.2	-0.2
Production workers.....	2,544	2,653	2,607	2,584	2,539	+2.5	+4.3	-1.7	-1.7
Hours worked (1,000s).....	5,857	6,058	5,831	4,221	4,254	-0.4	+3.4	-3.7	+0.8
Total comp. (\$1,000).....	133,232	139,780	136,242	100,795	108,666	+2.3	+4.9	-2.5	+7.8
Hourly total compensation..	\$22.75	\$23.07	\$23.37	\$23.88	\$25.54	+2.7	+1.4	+1.3	+7.0
Productivity (short tons/ hour).....									
Unit labor costs.....	\$57.89	\$57.72	\$56.73	\$58.05	\$58.98	-2.0	-0.3	-1.7	+1.6
Net sales value.....	1,224,287	1,272,571	1,216,807	902,154	930,059	-0.6	+3.9	-4.4	+3.1
COGS/sales 1/.....	84.1	83.7	85.6	87.1	86.2	+1.5	-0.4	+1.9	-0.9
Operating income (loss)....	129,189	132,475	115,186	75,024	87,081	-10.8	+2.5	-13.1	+16.1
Op. income (loss)/sales 1/.	10.6	10.4	9.5	8.3	9.4	-1.1	-0.1	-0.9	+1.0

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ An increase of 1,000 percent or more.

Note 1.--Period changes are derived from the unrounded data. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Firms were deemed to be "minimill" producers if their method of production encompasses a variety of factors which may include billet casting and/or EAF production. Data from the following firms have been included in the above table: ***. Together they accounted for 56.0 percent of reported U.S. production of all special quality bars and rods in 1991.

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

Table G-3

Hot-rolled free-machining carbon and certain alloy steel bar and rods: Summary data concerning the U.S. traditional-producers industry, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			Jan.-Sept.
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. producers'--									
Average capacity quantity..	1,179,321	1,216,662	1,218,531	913,299	916,050	+3.3	+3.2	+0.2	+0.3
Production quantity.....	665,002	699,147	527,005	361,826	478,113	-20.8	+5.1	-24.6	+32.1
Capacity utilization 1/.....	56.4	57.5	43.2	39.6	52.2	-13.1	+1.1	-14.2	+12.6
U.S. shipments:									
Quantity.....	679,623	697,689	524,051	357,456	462,112	-22.9	+2.7	-24.9	+29.3
Value.....	358,707	362,746	276,424	188,491	238,400	-22.9	+1.1	-23.8	+26.5
Unit value.....	\$527.80	\$519.93	\$527.48	\$527.31	\$515.89	-0.1	-1.5	+1.5	-2.2
Export shipments:									
Quantity.....	1,539	4,729	4,417	3,078	223	+187.0	+207.3	-6.6	-92.8
Exports/shipments 1/.....	0.2	0.7	0.8	0.9	2/	+0.6	+0.4	+0.2	-0.8
Value.....	758	2,352	2,119	1,476	109	+179.6	+210.3	-9.9	-92.6
Unit value.....	\$492.53	\$497.36	\$479.74	\$479.53	\$488.79	-2.6	+1.0	-3.5	+1.9
Ending inventory quantity..	48,251	49,482	48,738	51,310	64,111	+1.0	+2.6	-1.5	+24.9
Inventory/shipments 1/.....	7.1	7.0	9.2	10.7	10.4	+2.1	3/	+2.2	-0.3
Production workers.....	1,623	1,507	1,396	1,259	1,415	-14.0	-7.1	-7.4	+12.4
Hours worked (1,000s).....	3,003	2,984	2,516	1,766	2,121	-16.2	-0.6	-15.7	+20.1
Total comp. (\$1,000).....	72,461	70,762	64,092	44,141	54,612	-11.5	-2.3	-9.4	+23.7
Hourly total compensation..	\$24.13	\$23.71	\$25.47	\$24.99	\$25.75	+5.6	-1.7	+7.4	+3.0
Productivity (short tons/ hour).....	0.2	0.2	0.2	0.2	0.2	-5.4	+5.8	-10.6	+10.0
Unit labor costs.....	\$108.96	\$101.21	\$121.62	\$122.00	\$114.22	+11.6	-7.1	+20.2	-6.4
Net sales value.....	309,520	310,307	232,422	167,774	211,436	-24.9	+0.3	-25.1	+26.0
COGS/sales 1/.....	102.0	102.7	105.1	104.2	102.9	+3.1	+0.7	+2.3	-1.2
Operating income (loss)....	(25,289)	(30,124)	(31,178)	(20,707)	(20,068)	-23.3	-19.1	-3.5	+3.0
Op. income (loss)/sales 1/.	(8.2)	(9.7)	(13.4)	(12.3)	(9.5)	-5.2	-1.5	-3.7	+2.8

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ Positive figure, but less than significant digits displayed.

3/ A decrease of less than 0.05 percentage points.

Note 1.--Period changes are derived from the unrounded data. Period changes involving negative period data are positive if the amount of the negativity decreases and negative if the amount of the negativity increases. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Firms were deemed to be "traditional" producers if their method of production encompasses a variety of factors which may include ingot casting and/or BOF production. Data from the following firms have been included in the above table: ***. Together they accounted for 77.7 percent of reported U.S. production of all free-machining bars and rods in 1991.

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

Table G-4

Hot-rolled free-machining carbon and certain alloy steel bar and rods: Summary data concerning the U.S. minimill industry, 1989-91, January-September 1991, and January-September 1992

(Quantity=short ton, value=1,000 dollars, unit values and unit labor costs are per short ton, period changes=percent, except where noted)

Item	Reported data			Jan.-Sept.--		Period changes			
	1989	1990	1991	1991	1992	1989-91	1989-90	1990-91	1991-92
U.S. producers'--									
Average capacity quantity..	174,396	190,702	167,733	117,231	148,108	-3.8	+9.3	-12.0	+26.3
Production quantity.....	153,879	161,114	151,312	108,637	145,542	-1.7	+4.7	-6.1	+34.0
Capacity utilization 1/....	80.7	76.8	76.3	78.3	82.0	-4.4	-3.9	-0.5	+3.7
U.S. shipments:									
Quantity.....	151,618	157,008	150,757	111,593	148,116	-0.6	+3.6	-4.0	+32.7
Value.....	70,111	70,569	65,780	48,983	62,860	-6.2	+0.7	-6.8	+28.3
Unit value.....	\$462.42	\$449.46	\$436.33	\$438.94	\$424.40	-5.6	-2.8	-2.9	-3.3
Export shipments:									
Quantity.....	60	3,258	1,723	1,536	700	2/	2/	-47.1	-54.4
Exports/shipments 1/....	3/	2.0	1.1	1.4	0.5	+1.1	+2.0	-0.9	-0.9
Value.....	29	1,413	779	696	300	2/	2/	-44.9	-56.9
Unit value.....	\$483.33	\$433.70	\$452.12	\$453.13	\$428.57	-6.5	-10.3	+4.2	-5.4
Ending inventory quantity..	9,816	10,664	9,496	6,172	6,222	-3.3	+8.6	-11.0	+0.8
Inventory/shipments 1/....	6.5	6.7	6.2	4.1	3.1	-0.2	+0.2	-0.4	-1.0
Production workers.....	114	129	113	112	102	-0.9	+13.2	-12.4	-8.9
Hours worked (1,000s).....	242	273	233	174	167	-3.7	+12.8	-14.7	-4.0
Total comp. (\$1,000).....	5,352	6,302	5,371	4,038	4,923	+0.4	+17.8	-14.8	+21.9
Hourly total compensation..	\$22.12	\$23.08	\$23.05	\$23.21	\$29.48	+4.2	+4.4	-0.1	+27.0
Productivity (short tons/ hour).....	0.5	0.5	0.5	0.5	0.7	-2.4	-6.2	+4.1	+43.0
Unit labor costs.....	\$43.82	\$48.77	\$46.79	\$49.29	\$43.79	+6.8	+11.3	-4.1	-11.2
Net sales value.....	67,162	69,503	76,194	49,626	63,160	+13.4	+3.5	+9.6	+27.3
COGS/sales 1/.....	80.6	80.3	80.6	81.7	82.5	+0.1	-0.3	+0.4	+0.8
Operating income (loss)....	9,878	10,545	11,714	6,873	8,556	+18.6	+6.8	+11.1	+24.5
Op. income (loss)/sales 1/.	14.7	15.2	15.4	13.8	13.5	+0.7	+0.5	+0.2	-0.3

1/ 'Reported data' are in percent and 'period changes' are in percentage-point.

2/ An increase of 1,000 percent or more.

3/ Positive figure, but less than significant digits displayed.

Note 1.--Period changes are derived from the unrounded data. Unit values and other ratios are calculated using data of firms supplying both numerator and denominator information. Part-year inventory ratios are annualized.

Note 2.--Firms were deemed to be "minimill" producers if their method of production encompasses a variety of factors which may include billet casting and/or EAF production. Data from the following firms have been included in the above table: ***. Together they accounted for 22.3 percent of reported U.S. production of all free-machining bars and rods in 1991.

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

APPENDIX H

**COMMENTS RECEIVED FROM U.S. PRODUCERS
ON THE IMPACT OF IMPORTS OF
HOT-ROLLED LEAD AND BISMUTH CARBON STEEL
BAR AND ROD PRODUCTS
FROM BRAZIL, FRANCE, GERMANY, AND THE UNITED KINGDOM,
ON THEIR GROWTH, INVESTMENT, ABILITY TO RAISE CAPITAL,
AND EXISTING DEVELOPMENT AND PRODUCTION EFFORTS**

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of hot-rolled lead and bismuth carbon steel bar and rod products from the subject countries on existing development and production efforts, growth, investment, and ability to raise capital. Six firms---***--indicated they suffered no negative effects. The responses of the seven producers which supplied comments are as follows:

Response of U.S. producers to the following questions:

1. Since January 1, 1989, has your firm experienced any actual negative effects on its growth, investment, ability to raise capital, or existing development and production efforts, including efforts to develop a derivative or more advanced version of the product, as a result of imports of hot-rolled lead or bismuth carbon steel bar or rod products from Brazil, France, Germany, or the United Kingdom?

* * * * *

2. Does your firm anticipate any negative impact of imports of hot-rolled lead or bismuth carbon steel bar or rod products from Brazil, France, Germany, or the United Kingdom?

* * * * *

3. Has the scale of capital investments undertaken been influenced by the presence of imports of hot-rolled lead or bismuth carbon steel bar or rod products from Brazil, France, Germany, or the United Kingdom?

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