

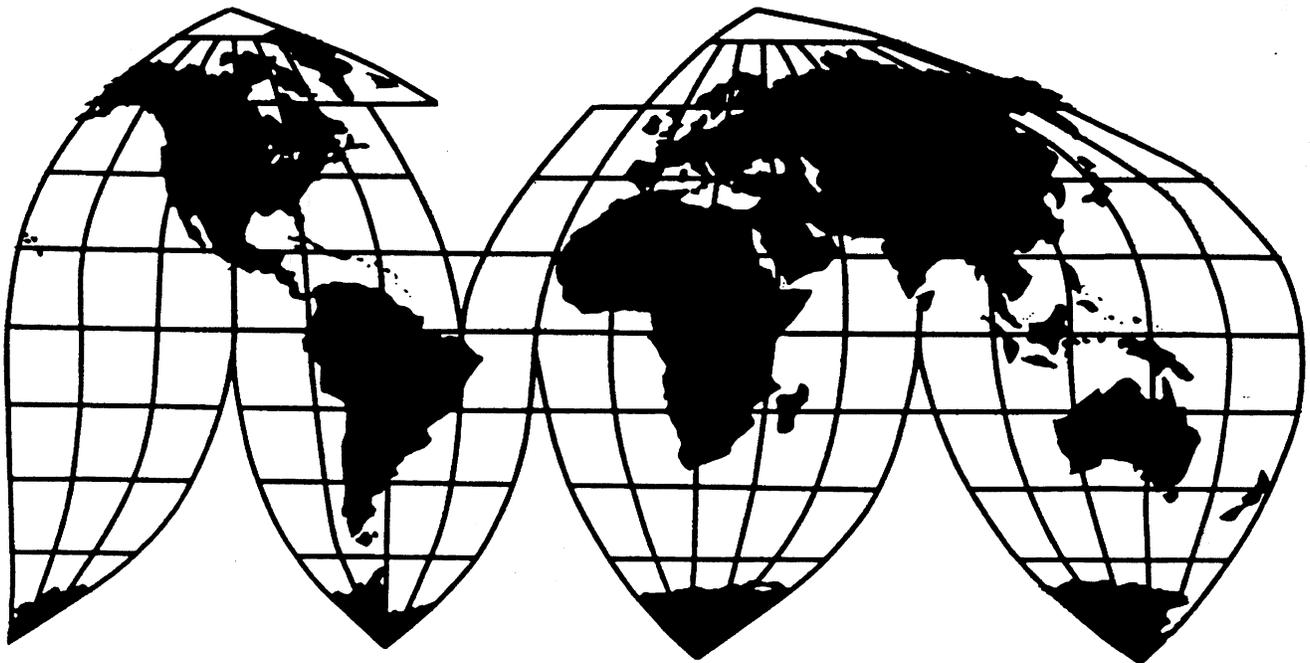
Certain Stainless Steel Butt-Weld Pipe Fittings From Germany, Italy, Malaysia, and the Philippines

Investigations Nos. 731-TA-864 through 867 (Preliminary)

Publication 3281

February 2000

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-864-867 (Preliminary)

CERTAIN STAINLESS STEEL BUTT-WELD PIPE FITTINGS FROM GERMANY, ITALY, MALAYSIA, AND THE PHILIPPINES

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Germany, Italy, Malaysia, and the Philippines of certain stainless steel butt-weld pipe fittings, provided for in subheading 7307.23.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under section 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigations is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On December 29, 1999, a petition was filed with the Commission and the Department of Commerce on behalf of Alloy Piping Products, Inc., Shreveport, LA; Flowline Division of Markovitz Enterprises, Inc., New Castle, PA; Gerlin, Inc., Carol Stream, IL; and Taylor Forge Stainless, Inc., North Branch, NJ, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of certain stainless steel butt-weld pipe fittings from Germany, Italy, Malaysia, and the Philippines. Accordingly, effective December 29, 1999, the Commission instituted antidumping duty investigations Nos. 731-TA-864-867 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of January 7, 2000 (65 FR 1174). The conference was held in Washington, DC, on January 19, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

IEWS OF THE COMMISSION

Based on the record in these preliminary investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Germany, Italy, Malaysia, and the Philippines of certain stainless steel butt-weld pipe fittings that are allegedly sold in the United States at less than fair value (“LTFV”).

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.¹ In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”²

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”³ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”⁴ In turn, the Act defines “domestic 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”⁵

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.⁶ No single factor is dispositive, and the Commission

¹ 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354 (1996).

² American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

³ 19 U.S.C. § 1677(4)(A).

⁴ 19 U.S.C. § 1677(4)(A).

⁵ 19 U.S.C. § 1677(10).

⁶ See, e.g., NEC Corp. v. Dep’t of Commerce, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749, n.3 (Ct. Int’l Trade 1990) aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4)

(continued...)

may consider other factors it deems relevant based on the facts of a particular investigation.⁷ The Commission looks for clear dividing lines among possible like products and disregards minor variations.⁸ Although the Commission must accept the determination of the Department of Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.⁹

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

{c}ertain stainless steel butt-weld pipe fittings (pipe fittings) ... under 14 inches in outside diameter (based on nominal pipe size), whether finished or unfinished. The product encompasses all grades of stainless steel and “commodity” and “specialty” fittings. Specifically excluded from the definition are threaded, grooved, and bolted fittings and fittings made from any material other than stainless steel.

The fittings subject to these investigations are generally designated under specification ASTM A403/A403M, the standard specification for Wrought Austenitic Stainless Steel Piping Fittings, or its foreign equivalents (*e.g.*, DIN or JIS specifications). This specification covers two general classes of fittings, WP and CR, of wrought austenitic stainless steel fittings of seamless and welded construction covered by the latest revision of ANSI B16.9, ANSI B16.11, and ANSI B16.28. Pipe fittings manufactured to specification ASTM A774, or its foreign equivalents, are also covered by these investigations.

These investigations do not apply to cast fittings. Cast austenitic stainless steel pipe fittings are covered by specifications A351/A351M, A743/743M, and A744/A744M.

The stainless steel butt-weld pipe fittings subject to these investigations are currently classifiable under subheading 7307.23.0000 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and

⁶ (...continued)

States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

⁷ See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

⁸ Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the like product standard should not be interpreted in “such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not ‘like’ each other, nor should the definition of ‘like product’ be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.”).

⁹ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

customs purposes, the written description of the scope of these investigations is dispositive.¹⁰

Stainless steel butt-weld pipe fittings (herein “butt-weld fittings”) can be produced in various shapes, including 90 degree long and short radius elbows, 45 degree long and short radius elbows, 180 degree long radius returns, caps, straight tees, reducing outlet tees, stub-ends, concentric reducers, eccentric reducers, straight crosses, and reducing outlet crosses. Butt-weld fittings are used to join pipes in straight lines and to change or divide the flow of fluids. They may be used in piping systems requiring permanent welded connections and involving any of the following conditions: potential for corrosion or contamination; high or extremely low temperatures; or high pressure. Applications include, *inter alia*, piping systems for chemical plants, refineries, pharmaceutical plants, food processing facilities, waste treatment facilities, semiconductor equipment, and nuclear power plants.¹¹

C. Domestic Like Product Issues

Petitioners contend that the Commission should find a single like product consisting of all finished and unfinished butt-weld fittings having an outside diameter of less than 14 inches.¹² Malaysian producer Kanzen is the only respondent that expressly requested that the Commission adopt a domestic like product other than the one proposed by petitioners. Kanzen contends that the domestic like product should be expanded to include butt-weld fittings having an outside diameter of greater than 14 inches (“large-diameter butt-weld fittings”).¹³

The record does not indicate any differences in uses or physical characteristics between large-diameter butt-weld fittings and butt-weld fittings having an outside diameter of less than 14 inches (“small-diameter butt-weld fittings”), other than size. We find that there is limited interchangeability between large- and small-diameter butt-weld fittings inasmuch as large-diameter butt-weld fittings are made to order and small-diameter butt-weld fittings are produced for inventory.¹⁴ These facts further suggest that the channels of distribution for large- and small-diameter butt-weld fittings differ.

There are significant differences in the inputs, equipment, and workers necessary to produce large- and small-diameter butt-weld fittings. Small-diameter butt-weld fittings are cold formed from seamless or welded stainless steel pipe,¹⁵ whereas large-diameter butt-weld fittings are produced from stainless steel plate.¹⁶ According to petitioners, only *** domestic producers produce both large- and small-diameter butt-weld fittings; other producers are dedicated to the manufacture of one type or the

¹⁰ 65 Fed. Reg. 4595, 4596 (Jan. 31, 2000).

¹¹ Confidential Report (“CR”) at I-4 to I-5; Public Report (“PR”) at I-3 to I-4; Petition at 8-9, 11, 38.

¹² Petition at 39-40; Conference Transcript at 9-12; Petitioners’ Postconference Brief at 3-4, 6-7. Respondents Norca and Coprosider concur with petitioners that large-diameter pipe fittings should not be included in the domestic like product. Postconference Brief of Norca and Coprosider at 2, Exhibit A at 2.

¹³ Postconference Brief of Kanzen at 2-5. We note that Kanzen does not provide any factual information based on *domestic* practices to support its arguments.

¹⁴ CR at I-6, I-9, II-1; PR at I-5, I-6, II-1.

¹⁵ CR at I-5; PR at I-3 to I-4.

¹⁶ CR at I-9; PR at I-6.

other.¹⁷ Petitioners contend that special dies, different production methods and equipment, and different workers are used to produce small- and large-diameter butt-weld fittings.¹⁸ Insofar as some producers specialize in large- and some specialize in small-diameter butt-weld fittings, there is some indication of a difference in producer perceptions between the products. The prices of large-diameter butt-weld fittings are alleged to be higher than small-diameter butt-weld fittings.¹⁹

Although the end uses and physical characteristics of large- and small-diameter butt-weld fittings appear to be generally similar, the record indicates limited interchangeability, and differences in channels of distribution, production processes, equipment and workers, producer perceptions, and prices. Based on these considerations, we conclude that large-diameter butt-weld fittings should not be included in the domestic like product. Accordingly, we find that there is one domestic like product, coextensive with the scope of these investigations.

D. Domestic Industry and Related Parties

1. In General

The domestic industry is defined as “the producers as a whole of a domestic like product.”²⁰ In defining the domestic industry, the Commission’s general practice has been to include in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.²¹ Based on our finding that the domestic like product consists of finished and unfinished butt-weld fittings having an outside diameter of less than 14 inches, we conclude that the domestic industry consists of all domestic producers of those products.

2. Related Parties

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry as a related party pursuant to 19 U.S.C. § 1677(4)(B). Section 1677(4)(B) allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or that are themselves importers.²² Exclusion of such producers is within the Commission’s discretion based upon the facts presented in each case.²³

¹⁷ Id.; Petitioners’ Postconference Brief at 4-6.

¹⁸ Conference Transcript at 10-11, 45-46; Petitioners’ Postconference Brief at 4-6.

¹⁹ CR at I-9; PR at I-6; Conference Transcript at 10-11; Petitioners’ Postconference Brief at 4-6.

²⁰ 19 U.S.C. § 1677(4)(A).

²¹ See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int’l Trade 1994), aff’d, 96 F.3d 1352 (Fed. Cir. 1996).

²² 19 U.S.C. § 1677(4)(A).

²³ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), aff’d without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.* whether the firm benefits

(continued...)

*** domestic producers imported subject merchandise during the period of investigation, and are therefore related parties under 19 U.S.C. § 1677(4)(B)(I). These firms are ***.²⁴ We find that appropriate circumstances exist to exclude ***, but not ***, from the domestic industry for purposes of these preliminary determinations.

*** subject imports from *** its domestic production ***.²⁵ Further, its subject imports from *** were equivalent to approximately *** percent of its domestic production in 1998, the only year in which it imported subject merchandise from ***.²⁶ *** reports that it imports ***.²⁷ *** financial performance ***, and had the *** most successful financial performance in 1998.²⁸ *** is *** domestic producers represented in the questionnaire data collected in these preliminary investigations.²⁹ Because of the magnitude of *** subject imports relative to its domestic production, and because the evidence suggests that *** may have benefitted from its subject imports, we find that *** primary interest lies in importing rather than domestic production. Accordingly, we find that appropriate circumstances exist to exclude *** from the domestic industry for purposes of these preliminary determinations.

In 1998, the only year in which it imported subject merchandise, *** imported ***, which was equivalent to approximately *** percent of its domestic production of ***.³⁰ *** contends that it imported the subject merchandise ***.³¹ Based on the data collected in these investigations, *** is the *** largest domestic producer of butt-weld fittings. Its financial performance has generally been *** than most of the other domestic producers, but because it imported from a subject country only in 1998, there is no clear indication that *** benefitted from such importation.³² Moreover, the sporadic nature of the firm's imports indicates that its principal interest is in domestic production. Accordingly, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

We also considered whether several domestic producers, including ***, were related parties by virtue of their purchases of subject imports. To the extent that domestic producers directly or indirectly

²³ (...continued)

from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.* whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016, at 14 n.81 (Feb. 1997).

²⁴ ***. CR and PR at Table III-4.

²⁵ *** imported *** pounds from *** in 1996 (equal to *** percent of its 1996 domestic production), *** pounds from *** in 1997 (equal to *** percent of its 1997 domestic production), and *** pounds from *** in 1998 (equal to *** percent of its 1998 domestic production). CR at IV-3, n.5; PR at IV-1 n.5.

²⁶ CR and PR at Table III-4.

²⁷ CR at IV-3 n.5; PR at IV-1 n.5.

²⁸ CR and PR at Table VI-3.

²⁹ CR and PR at Table III-1.

³⁰ CR and PR at Table III-4.

³¹ CR at IV-3 n.5; PR at IV-1 n.5.

³² CR and PR at Table VI-3.

control foreign producers or importers through their purchases of subject imports, they may be considered related parties.³³ Over the period of investigation, the volume of these domestic producers' purchases of subject imports was not significant in relation to their domestic production and/or either the volume exported by the foreign producers or the importer's volume.³⁴ We find no indication of any direct or indirect control relationship between these domestic producers and any foreign producer or importer of subject merchandise, and accordingly, we do not find that any of these firms are related parties.

III. NEGLIGIBLE IMPORTS

The statute provides that imports from a subject country corresponding to a domestic like product that account for less than three percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.³⁵ By operation of law, a finding of negligibility terminates the Commission's investigations with respect to such imports.³⁶ The Commission is authorized to make "reasonable estimates on the basis of available statistics" of pertinent import levels for purposes of deciding negligibility.³⁷

To evaluate negligibility, we considered importer questionnaire responses to be the appropriate source of data for measuring subject imports because official statistics appear to under-report significantly ***. Additionally, the questionnaire data provide more accurate coverage of subject imports from the remaining subject countries because, in contrast to the official statistics, questionnaire data do not include merchandise outside the scope of these investigations.^{38 39} We find, based on questionnaire data for the most recent twelve-month period preceding the filing of the petition for which data are available (October 1998 to September 1999), that subject imports from each of the four subject

³³ See Certain Cut-to-Length Steel Plate from the Czech Republic, France, India, Indonesia, Italy, Japan, Korea, and Macedonia, Inv. Nos. 701-TA-387-392, 731-TA-815-822 (Preliminary), USITC Pub. 3181 at 12 (April 1999); Certain Carbon Steel Butt-Weld Pipe Fittings from China and Thailand, Inv. Nos. 731-TA-520-521 (Final), USITC Pub. 2528 at 12 (June 1992). The threshold question is whether the purchases establish that the purchaser is "related" for purposes of the statute by directly or indirectly controlling an exporter or importer. The Commission has found direct or indirect control to exist where a domestic purchaser was responsible for a predominant share of the imports of the entity arguably within its control, and these purchases were substantial. Compare Cut-to-Length Plate, USITC Pub. 3181 at 12 (imports not found to be sufficiently substantial to warrant treating purchaser as related party) with Certain Brake Drums and Rotors from China, Inv. No. 731-TA-744 (Preliminary), USITC Pub. 2957 at 11 & n.55 (April 1996) (purchaser treated as related party).

³⁴ CR and PR at Tables III-4, IV-1, IV-2.

³⁵ 19 U.S.C. § 1677(24)(A)(i)(I).

³⁶ 19 U.S.C. § 1671b(a)(1), 19 U.S.C. § 1673b(a)(1).

³⁷ 19 U.S.C. § 1677(24)(C); see also The Uruguay Round Agreements Act, Statement of Administrative Action, H.R. Doc. No. 103-316, Vol. 1 at 856 (1994) ("SAA").

³⁸ See Memorandum INV-X-031.

³⁹ Chairman Bragg considered official import statistics maintained by Commerce, which indicated that imports from Germany represent a somewhat higher share of imports of such merchandise. She did not consider official import statistics to be as probative as the questionnaire data, however, because the official import statistics correspond to a subheading that is broader than the scope of these investigations and clearly overstate subject imports.

countries are greater than three percent of total imports of such merchandise,⁴⁰ and accordingly, are not negligible.

IV. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to assess cumulatively the volume and effect of imports of the subject merchandise from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.⁴¹ In assessing whether subject imports compete with each other and with the domestic like product,⁴² the Commission has generally considered four factors, including:

- (1) the degree of fungibility between the subject 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 subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.⁴³

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.⁴⁴ Only a “reasonable overlap” of competition is required.⁴⁵

B. Analysis

We have determined to cumulate the subject imports from all four subject countries. The petitions were filed on the same day, and we find that there is a reasonable overlap of competition among imports from each of the subject countries and between subject imports and the domestic like product.

⁴⁰ CR and PR at Table IV-2 (revised).

⁴¹ 19 U.S.C. § 1677(7)(G)(i).

⁴² The SAA at 848 expressly states that “the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition,” citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int’l Trade 1988), aff’d, 859 F.2d 915 (Fed. Cir. 1988).

⁴³ See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and 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 (Ct. Int’l Trade), aff’d, 859 F.2d 915 (Fed. Cir. 1988).

⁴⁴ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

⁴⁵ See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082, 1087 (Ct. Int’l Trade 1998) (“cumulation does not require two products to be highly fungible”); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int’l Trade 1996); Wieland Werke, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

The record in these preliminary investigations indicates that the subject imports from Germany, Italy, Malaysia, and the Philippines are at least moderately fungible with each other and with the domestic like product. In this regard, butt-weld fittings sold in the U.S. market -- whether foreign or domestic -- meet the standards maintained by the American Society of Testing and Materials and the American National Standards Institute.⁴⁶ Questionnaire responses indicate that the imports from the subject countries are viewed as interchangeable with the domestic like product and with each other,⁴⁷ although we intend to explore further this issue in the final phase of these investigations.⁴⁸

The record demonstrates that appreciable quantities of subject imports from Germany, Italy, Malaysia, and the Philippines were present throughout the period of investigation in the same geographic markets. The record also demonstrates that subject imports and the domestic like product are generally sold through the same channels of distribution -- specifically, distributors.⁴⁹

Accordingly, we find a reasonable overlap of competition and cumulate subject imports from Germany, Italy, Malaysia, and the Philippines for purposes of our preliminary determinations.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LTFV IMPORTS

In the preliminary phase of antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.⁵⁰ In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.⁵¹ The

⁴⁶ CR at II-1; PR at II-1; Conference Transcript at 13, 18, 20, 22-23, 42, 76, 95-96, 98.

⁴⁷ CR at II-4 to II-8 and Tables II-1, II-2 (indicating that producers and importers found imports from the subject countries to be "always" interchangeable with one another and with imports from non-subject countries, and found imports from the subject countries to be at least frequently interchangeable, if not always interchangeable, with the domestic like product); PR at II-3 to II-5 and Tables II-1, II-2.

⁴⁸ In particular, we intend to explore the degree to which fungibility is affected by the existence of approved manufacturers lists ("AMLs"). The parties disagree on whether the market is segmented between AML and non-AML purchasers. They disagree about the size of any AML segment, the degree to which purchasers adhere to AMLs, the extent to which domestic and subject foreign producers are certified to provide AML products, and the extent to which AML products are priced higher than non-AML products. Compare Conference Transcript at 47-52, 117-18 and Petitioners' Postconference Brief at 17-22, Exhibit 1 with Conference Transcript at 80-81, 83, 92-93; Respondents' Joint Postconference Brief at 2-5, 11, Exhibit 1; Postconference Brief of Schulz at 6; and Postconference Brief of Merit Brass at 1-4.

In any final phase investigations, we also intend to explore the extent to which the product mix of imports from the subject countries overlaps with one another and the domestic like product in terms of size, type, whether they are finished or unfinished, and whether they are produced from seamless versus welded pipe. Compare Petition at 50-51; Conference Transcript at 13-14, 17, 22, 41-42, 118; and Petitioners' Postconference Brief at 31-39 with Conference Transcript at 70, 76, 79, 81, 93, 108; Respondents' Joint Postconference Brief at 4, 5 n.11, 9-11; Postconference Brief of Kanzen at 5-8; Postconference Brief of Coprosider and Norca at 2-5; and Postconference Brief of Schulz at 4, 6-7.

⁴⁹ CR at I-6, II-1, V-1 to V-2, and Tables III-3, IV-2; PR at I-5, II-1, VI-1, and Tables III-3, IV-2.

⁵⁰ 19 U.S.C. § 1673b(a).

⁵¹ 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the
(continued...)

statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”⁵² In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.⁵³ No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”⁵⁴

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing butt-weld fittings is materially injured by reason of subject imports from Germany, Italy, Malaysia, and the Philippines that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition

There are several conditions of competition that are relevant to our analysis in these investigations. First, while U.S. producers and importers generally agree that demand for butt-weld fittings in the United States has decreased somewhat since 1996, available data indicate that apparent U.S. consumption of butt-weld fittings increased by 12.5 percent between 1996 and 1998, and was 7.7 percent higher in interim (January to September) 1999 as compared to interim 1998.⁵⁵

There are no known commercial substitutes for butt-weld pipe fittings.⁵⁶ Most producers and importers stated that the primary end users of the product -- the chemical, petrochemical, nuclear, food and dairy, and pulp and paper industries -- demand stainless steel butt-weld fittings because of their metallurgical properties such as non-corrosiveness.⁵⁷

Additionally, the domestic market is characterized by many participants, and, therefore, multiple sources of supply. These include at least eleven domestic producers of the domestic like product, imports from the subject countries, and non-subject imports.⁵⁸

Sales of butt-weld fittings in the U.S. market by U.S. producers and importers take place primarily through distributors.⁵⁹ Distributors generally stock large quantities of items from many

(...continued)

determination” but shall “identify each {such} factor . . . {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

⁵² 19 U.S.C. § 1677(7)(A).

⁵³ 19 U.S.C. § 1677(7)(C)(iii).

⁵⁴ Id.

⁵⁵ CR at II-3 to II-4; PR at II-2. Apparent U.S. consumption increased from 10.0 million pounds in 1996 to 11.2 million pounds in 1998. It was 9.3 million pounds in interim 1999, as compared to 8.6 million pounds in interim 1998. CR and PR at Table IV-3.

⁵⁶ CR at II-4; PR at II-2.

⁵⁷ It was reported that in theory, certain alloyed fittings, such as nickel fittings, could be substitutes but that these alloyed fittings are expensive and would rarely be used. CR at II-4; PR at II-2 to II-3.

⁵⁸ CR at IV-1, III-1 to III-2, VI-1, VII-1 to VII-5, and Tables III-1, IV-1; PR at IV-1, III-1, VI-1, VII-1 to VII-3, and Tables III-1, IV-1.

⁵⁹ CR at II-1; PR at II-1.

different sources and then resell them to final customers.⁶⁰

Although the parties disagree about whether butt-weld fittings are a commodity or heterogeneous product, and about the extent to which non-price considerations are important to purchasers,⁶¹ the questionnaire responses indicate that both importers and producers report a high degree of interchangeability between the subject imports and the domestic like product and among the subject and non-subject imports.⁶² This suggests that price is a significant factor in purchasing decisions.⁶³

B. Volume of Subject Imports

Section 771(C)(i) of the Act provides that the “Commission shall 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.”⁶⁴ The volume of subject imports increased from 2.1 million pounds in 1996 to 3.0 million pounds in 1997, and then to 3.2 million pounds in 1998, before declining slightly between interim 1998 and interim 1999.⁶⁵ The volume of imports from nonsubject countries increased between 1996 and 1997, but declined significantly between 1997 and 1998 and was slightly higher in interim 1999 than in interim 1998.⁶⁶

Subject imports’ share of apparent U.S. consumption, measured by quantity, increased from 21.8 percent in 1996 to 26.0 percent in 1997, and then to 27.7 percent in 1998; the share in interim 1999 was 26.1 percent, as compared to 28.0 percent in interim 1998.⁶⁷ In contrast, U.S. producers’ share of apparent U.S. consumption declined from 57.5 percent in 1996 to 53.7 percent in 1998. It was slightly

⁶⁰ CR at II-1; PR at II-1.

⁶¹ See *supra* cumulation discussion.

⁶² CR at II-4 to II-8, Tables II-1, II-2; PR at II-3 to II-5, Tables II-1, II-2.

⁶³ In any final phase investigations, we intend to investigate other possible conditions of competition, including the possible effects on competition between the domestic like product and subject imports due to domestic product preferences or “Buy America” requirements, *compare* Conference Transcript at 25-26, 42-43; and Petitioners’ Postconference Brief at 22-24 *with* Conference Transcript at 81; and Respondents’ Joint Postconference Brief at 2, 4-5, 7-9, as well as the existence of market segmentation between AML and non-AML purchasers, as indicated in the cumulation section *supra*.

⁶⁴ 19 U.S.C. § 1677(7)(C)(i).

⁶⁵ CR and PR at Table IV-2 (revised).

⁶⁶ CR and PR at Table IV-2 (revised). Nonsubject imports increased from 2.2 million pounds in 1996 to 3.3 million pounds in 1997 and then declined to 1.9 million pounds in 1998; interim 1999 nonsubject imports of 1.7 million pounds were higher than interim 1998 nonsubject imports of 1.6 million pounds. CR and PR at Table IV-2 (revised); see also Memorandum INV-X-032. The share of apparent consumption attributable to U.S. shipments of nonsubject imports decreased from 20.7 percent in 1996 to 18.7 percent in 1997 and then declined to 18.5 percent in 1998; nonsubject imports’ share of apparent consumption of 18.2 percent in interim 1999 was lower than the interim 1998 share of 18.5 percent. CR and PR at Table IV-4. Nonsubject imports were reported from nine different countries, two of which (Japan and Taiwan) are subject to outstanding antidumping duty orders. CR at I-2, IV-4; PR at I-2, IV-1; see also Stainless Steel Butt-Weld Pipe Fittings from Japan, Taiwan, and the Republic of Korea, Inv. Nos. 731-TA-376 and 563-64 (Review) (publication forthcoming) (reviewing antidumping orders on stainless steel butt-weld pipe fittings from Japan, Taiwan, and the Republic of Korea and concluding that revocation of those orders would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time).

⁶⁷ CR and PR at Table IV-4.

higher -- 55.7 percent -- in interim 1999 than in interim 1998 -- 53.4 percent.⁶⁸

We find that the volume of subject imports, and the increase in volume in both absolute terms and relative to apparent U.S. consumption, is significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.⁶⁹

In these preliminary investigations, we find that the subject imports are reasonably good substitutes for the domestic like product, as discussed in the cumulation and conditions of competition sections *supra*.

We find that there has been significant underselling by the subject imports throughout the period of investigation. For the five products for which the Commission collected data, the subject imports undersold the domestic like product in 115 out of 154 quarterly pricing comparisons (*i.e.*, in roughly three-quarters of pricing comparisons). In many comparisons, the margins of underselling, particularly for the subject merchandise from Malaysia and the Philippines, exceeded *** percent.⁷⁰

Prices for both the domestic like product and the subject imports decreased steadily throughout the period of investigation.⁷¹ Moreover, the decrease in domestic prices exceeded the decrease in raw material costs.⁷² Accordingly, we find there is a reasonable indication that the subject imports have depressed prices for the domestic like product in the U.S. market to a significant degree during the period of investigation.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.⁷³ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor

⁶⁸ CR and PR at Table IV-4.

⁶⁹ 19 U.S.C. § 1677(7)(C)(ii).

⁷⁰ CR and PR at Table V-1.

⁷¹ CR at V-8 to V-21, Table V-1; PR at V-6 to V-13, Table V-1.

⁷² Raw material costs, on a per unit basis, decreased by 8.6 percent from 1996 to 1998 and were 9.6 percent lower in interim 1999 than in interim 1998. CR and PR at Table VI-2. By contrast, prices for the five domestically produced products for which data were collected were between 24.3 and 46.9 percent lower in the third quarter of 1999 than in the first quarter of 1996. CR and PR at Table V-1.

⁷³ 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 (“In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.” *Id.* at 885).

is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”^{74 75 76}

We find that the subject imports had a significant adverse impact on the domestic industry. While the volume and market share of subject imports increased during the period of investigation, the domestic industry experienced declines in several key indicators. Despite increasing apparent U.S. consumption, increasing sales quantities, and aggregate and per unit declines in cost of goods sold and selling, general, and administrative expenses, the domestic producers lost market share and revenues in the face of the substantial price declines caused in significant part by subject imports.⁷⁷ Consequently, the domestic industry’s operating performance deteriorated sharply. Operating income declined from *** in 1996 to *** in 1997 and to *** in 1998, and the industry experienced a *** operating loss in interim 1999. Moreover, although *** of the domestic producers reported operating losses for interim 1998, *** domestic producers reported operating losses for interim 1999.⁷⁸

In sum, there is a reasonable indication that the significant and increasing volume of subject imports has caused the domestic industry to lose market share and have depressed prices to a significant degree, resulting in a significant decline in the domestic industry’s profitability and deteriorating financial condition.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of butt-weld fittings from Germany, Italy, Malaysia, and the Philippines that are allegedly sold in the United States at less than fair value.

⁷⁴ 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

⁷⁵ The statute instructs the Commission to consider the “magnitude of the dumping margin” in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce relied on petitioners’ estimates of dumping margin ranges: Germany (8.35 to 76.24 percent); Italy (61.41 to 86.88 percent); Malaysia (39.6 to 60.1 percent); and the Philippines (18.24 to 60.17 percent). The margins for Germany are based on a comparison of U.S. price to constructed value, whereas the margins for the other countries are based on price-to-price comparisons. 65 Fed. Reg. 4595 (Jan. 31, 2000).

⁷⁶ Chairman Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. See, e.g., Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

⁷⁷ CR at VI-6, Table VI-2; PR at VI-4, Table VI-2. Additionally, the number of production related workers, hours worked, and wages paid decreased between 1997 and 1998, and again between interim 1998 and interim 1999. CR and PR at Table III-7. Domestic producers’ capacity utilization was low throughout the period of investigation. CR and PR at Table III-2.

⁷⁸ Feb. 10, 2000 Table distributed by ITC Accountant to the Commission; CR and PR at Table VI-3.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed on behalf of Alloy Piping Products, Inc. (“Alloy Piping”), Shreveport, LA; Flowline Division of Markovitz Enterprises, Inc. (“Flowline”), New Castle, PA; Gerlin, Inc. (“Gerlin”), Carol Stream, IL; and Taylor Forge Stainless, Inc. (“Taylor Forge”), North Branch, NJ, on December 29, 1999, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of certain stainless steel butt-weld pipe fittings (“butt-weld fittings”)¹ from Germany, Italy, Malaysia, and the Philippines. Information relating to the background of the investigations is provided below.²

<i>Date</i>	<i>Action</i>
December 29, 1999	Petitions filed with Commerce and the Commission; institution of Commission investigations (65 FR 1174, January 7, 2000)
January 19, 2000	Commission’s conference ³
January 31, 2000	Commerce’s notice of initiation (65 FR 4595)
February 11, 2000	Date of the Commission’s vote
February 14, 2000	Commission determinations sent to Commerce

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of 7 firms that included all known major producers of butt-weld fittings during the period 1996 through September 1999, the period for

¹ For purposes of these investigations, certain stainless steel butt-weld pipe fittings are under 14 inches in outside diameter (based on nominal pipe size), whether finished or unfinished. The product encompasses all grades of stainless steel and “commodity” and “specialty” fittings. Specifically excluded from the definition are threaded, grooved, and bolted fittings, and fittings made from any material other than stainless steel. The fittings subject to these investigations are generally designated under specification ASTM A403/A403M, the standard specification for wrought austenitic stainless steel piping fittings, or its foreign equivalents (e.g., DIN or JIS specifications). This specification covers two general classes of fittings, WP and CR, which are wrought austenitic stainless steel fittings of seamless and welded construction covered by the latest revisions of ANSI B16.9, ANSI B16.11, and ANSI B16.28. Pipe fittings manufactured to specification ASTM A774, or its foreign equivalents, are also covered by these investigations. These investigations do not apply to cast fittings. Cast austenitic stainless steel pipe fittings are covered by specifications A351/A351M, A743/743M, and A744/A744M. Certain stainless steel butt-weld pipe fittings are provided for in subheading 7307.23.00 of the Harmonized Tariff Schedule with a normal trade relations tariff rate of 5 percent *ad valorem*, applicable to imports from Germany, Italy, Malaysia, and the Philippines. Although the HTS subheading is provided for convenience and customs purposes, Commerce’s written description of the scope in this investigation is dispositive. A 5-percent duty rate is applied to products from all sources except products of the Philippines and certain other countries which are eligible for duty-free entry under the Generalized System of Preferences.

² *Federal Register* notices cited in the tabulation are presented in app. A.

³ A list of witnesses appearing at the conference is presented in app. B.

which data were gathered in these investigations.⁴ U.S. imports are based on questionnaire responses of 14 importers of the subject merchandise.

PREVIOUS AND RELATED INVESTIGATIONS

Stainless steel butt-weld pipe fittings have been the subject of previous Commission investigations.⁵ In 1988, in investigation No. 731-TA-376 (Final), the Commission determined that an industry in the United States was materially injured by reason of imports of such fittings from Japan that were sold at LTFV.⁶ In 1993, in investigations Nos. 731-TA-563 (Final) and 731-TA-564 (Final), the Commission determined that an industry in the United States was materially injured by reason of imports of such fittings from Korea and Taiwan, respectively, that were sold at LTFV.⁷ "Sunset" review investigations on the butt-weld fittings from Japan, Korea, and Taiwan have recently been concluded with determinations to leave those orders in place. Questionnaire respondents did not report knowledge of any other import relief investigations in the United States or in any other countries.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On January 31, 2000, Commerce published a notice in the *Federal Register* of the initiation of the antidumping investigations on butt-weld fittings from Germany, Italy, Malaysia, and the Philippines. The following provides the petitioners' alleged dumping margin ranges as reported by Commerce.

Country	Alleged margins (percent)
Germany	8.35 - 76.24
Italy	61.41 - 86.88
Malaysia	39.6 - 60.1
The Philippines	18.24 - 60.17

THE PRODUCT

The imported product subject to these investigations is stainless steel butt-weld pipe fittings butt-weld fittings less than 14 inches in nominal outside diameter.⁸ The scope of the investigations includes

⁴ The Commission also received questionnaire responses from four producers whose data were not compiled for aggregate presentations because of incomplete responses and from two producers (***) whose data arrived too late to be included in the data base. ***.

⁵ The scope in earlier investigations limited the subject product to butt-weld fittings that were under 14 inches in inside diameter, as opposed to the scope in these investigations which includes butt-weld fittings under 14 inches in outside diameter.

⁶ *Certain Stainless Steel Butt-Weld Pipe Fittings from Japan*, USITC Pub. 2067, March 1988.

⁷ *Certain Stainless Steel Butt-Weld Pipe Fittings from Korea*, USITC Pub. 2601, February 1993, and *Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan*, USITC Pub. 2641, June 1993.

⁸ Petitioners state that these fittings are generally designated under ASTM specification A403/A403M, but may also meet ASTM A774. See petitioners' postconference brief, pp. 11-12. However, at the staff conference

(continued...)

both finished fittings and unfinished fittings capable of meeting the appropriate specifications. Further, the scope excludes threaded, grooved, and bolted fittings. Malaysian respondent Kanzen Tetsu proposes that the domestic like product should consist of all stainless steel butt-weld pipe fittings, including those 14 inches or greater in outside diameter.⁹ This section of the report presents information on both imported and domestically-produced butt-weld fittings, as well as information related to the Commission's "domestic like product" determination.¹⁰

Physical Characteristics and Uses

Butt-weld fittings are used to connect pipe sections where conditions require permanent, welded connections. The beveled edges of butt-weld fittings distinguish them from other types of pipe fittings, such as threaded, grooved, or bolted fittings, which rely on different fastening methods. When placed against the end of a beveled pipe or another fitting, the beveled edges form a shallow channel that accommodates the "bead" of the weld that fastens the two adjoining pieces.

Butt-weld fittings are produced from various materials: stainless steel, carbon steel, alloy steel, nickel, and aluminum. Only those butt-weld fittings of stainless steel which are under 14 inches in outside diameter are covered by these investigations. For tariff purposes, the term "stainless steel" includes by definition all grades of steel containing by weight 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. Fittings of stainless steel provide resistance to corrosion or oxidation and to extreme temperature as well as the ability to withstand pressure. Petitioners report that "all grades of austenitic stainless steel butt-weld pipe fittings are, or can be produced in the United States."¹¹ The most predominant grades of stainless steel butt-weld fittings sold in the United States are grades 304, 304L, 316, and 316L.

Butt-weld fittings come in several basic shapes, such as elbows, tees, crosses, reducers, caps, and stub-ends. Elbows are two-outlet fittings that usually have either a 45-degree or a 90-degree bend in the pipe, tees are T-shaped fittings having three outlets, crosses have four outlets, and reducers are two-outlet fittings that connect pipes of two different diameters. Caps seal the end of a pipe or a fitting. Stub-ends are welded to the pipe but are used with a collar-type piece, known as a "flange," which has bolt holes. The stub-end and flange combination permits quick connection with other pipes having a stub-end and flange when periodic changes of pipes are required or where on-site welding would be difficult. Each of these basic product categories includes a wide range of fittings which vary by size, alloy type, wall thickness, and intended application. In general, stainless steel butt-weld fittings are utilized by a variety of industries in "process" operations (piping systems) to join pipes in straight lines and to change the direction or flow of fluids.

The domestic manufacturing sector for the subject butt-weld fittings includes integrated producers and combination producers.¹² Generally, integrated producers begin with stainless steel pipe

⁸ (...continued)

respondents identified specifications ASTM A815, A774, and B366 as possible additional specifications for this product. Conference transcript, pp. 95-96.

⁹ Postconference brief of Kanzen Tetsu Sdn. Bhd., pp. 1-4.

¹⁰ The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions; (5) common manufacturing facilities and production employees; and, where appropriate, (6) price.

¹¹ Petition, p. 9.

¹² Questionnaire responses indicate that 5 of 10 producers purchased unfinished fittings during the period of

(continued...)

as their raw material and perform forming, machining, and finishing operations. Combination producers produce some fittings in an integrated process and other fittings in a conversion process (performing only machining and finishing operations).¹³

One producer indicated that unfinished fittings are *** and that these products are ***.¹⁴ Unfinished fittings are ***.¹⁵ Unfinished fittings are machined, sized, beveled, cleaned, and finally labeled as they are processed into finished fittings which meet industry specifications.¹⁶ The value added during the finishing process is minor.¹⁷

Common Manufacturing Facilities and Production Employees

Butt-weld fittings less than 14 inches in outside diameter are cold formed from seamless or welded stainless steel pipe.¹⁸ The production process is similar among the different shapes available, including elbows, tees, crosses, reducers, and caps.

In manufacturing an elbow, the pipe is cut to length and hydraulically formed to achieve the desired angle and bend of the outside diameter. The product is then annealed or heat treated to relieve metallurgical stresses that build up during the cold-working process. After annealing, the blanks are quenched in water. The oxide scale formed during the heat-treating process is then removed with a pickling bath and a final sizing operation is performed in a press to achieve the required tolerances. The ends of the formed elbows are then machined to the exact size and a bevel is added for welding purposes. The machined elbow is degreased, and then passivated in a nitric acid solution to give the surface a corrosion-resistant character. Additional finishing steps may include grinding, dye-stamping inspection, and possibly painting.¹⁹ While some elements of the production process for a particular type of fitting may differ from one manufacturer to another, the basics of the process are very similar across the world.²⁰

Most other butt-weld fittings are manufactured in a similar manner with differences in forming methods. Tees, for example, are formed by putting a pipe section in a "T"-shaped die and applying fluid pressure. Stub-ends, in contrast, are usually formed by forging.²¹

Generally, butt-weld fittings can be produced on the same equipment using the same production workers as fittings made from carbon steel, aluminum, or nickel, among other metals. However, *** domestic companies indicated that they have machinery, equipment, and production workers dedicated to the production of stainless steel butt-weld fittings.

¹² (...continued)

investigation. Therefore, 5 companies appear to be combination producers, while 5 companies appear to be integrated producers, based on current operations.

¹³ *Certain Stainless Steel Butt-Weld Pipe Fittings from Korea*, USITC Pub. 2601, February 1993, p. I-6.

¹⁴ Questionnaire response of ***.

¹⁵ Ibid.

¹⁶ Questionnaire response of ***.

¹⁷ Questionnaire response of ***.

¹⁸ Butt-weld fittings made from seamless pipe ("seamless fittings") and butt-weld fittings made from welded pipe ("welded fittings") can be used interchangeably if the welded fittings are x-ray inspected to determine the soundness of the weld. Seamless fittings can be used in place of welded fittings, but generally are not as seamless fittings can be more expensive, due to the higher price of seamless pipe. Petitioners' postconference brief, pp. 8-10.

¹⁹ Conference transcript, pp. 20-21.

²⁰ Ibid., p. 21.

²¹ *Certain Stainless Steel Butt-Weld Pipe Fittings from Korea and Taiwan*, USITC Pub. 2534, July 1992, p. I-6.

Channels of Distribution

Butt-weld fittings are sold nationwide to distributors,²² who then sell piping systems to petrochemical and chemical plants, refineries, pharmaceutical plants, food and beverage processing facilities, waste water treatment facilities, semiconductor equipment applications, and nuclear power plants. Some end users maintain an approved manufacturers list (“AML”), which distributors refer to when filling an order for these customers. Such AMLs reportedly include both domestic and foreign butt-weld fittings producers. In one example, a domestic producer indicated that AML certification only took two weeks.²³ One importer/distributor indicated that the market for butt-weld fittings is distinctly divided between AML and non-AML end users.²⁴ However, petitioners and respondents did not agree regarding the degree to which AMLs are used in the industry.²⁵

Petitioners report that the “element of the U.S. market using approved manufacturers lists has declined in size and importance in recent years.”²⁶ Petitioners estimate that AMLs account for less than 10 percent of total sales in the United States.²⁷ Further, petitioners assert that “substitution of low-priced, non-approved foreign product occurs on a regular basis” as long as the product meets the required specification.²⁸ However, respondents indicate that “AMLs are still widely used and characterize a large and important segment of the market.”²⁹ Respondents contend that only producers who are on an end user’s AML can supply product for a project; non-AML producers are not eligible.³⁰

Interchangeability and Customer and Producer Perceptions

Generally, producers and importers indicate that U.S. produced butt-weld fittings and subject merchandise can be used interchangeably. While butt-weld fittings may be made from other metals, the combination of cost and corrosion resistance characteristics of stainless steel limits the degree to which other metals can be substituted for stainless steel. “In theory, alloys such as monel, nickel, etc. could be substitutes. However, these other alloys are much more expensive in comparison and therefore would rarely be used as such.”³¹ Additional information on interchangeability and customer and producer perceptions is presented in Part II of this report.

Price

According to ***, raw material costs account for *** of the cost of production.³² Generally, seamless butt-weld fittings command a higher price than do welded fittings, based on the higher cost of

²² *** reports that imports from *** are distributed through two channels: (1) distributors, and (2) directly to projects. *** postconference brief, p. 3.

²³ Conference transcript, pp. 51-52.

²⁴ Questionnaire response of ***.

²⁵ Conference transcript, pp. 51-52.

²⁶ Petitioners’ postconference brief, p. 17.

²⁷ Ibid.

²⁸ Ibid., p. 18.

²⁹ Respondents’ joint postconference brief, p. 4.

³⁰ Ibid., p. 3.

³¹ Questionnaire response of ***.

³² Staff field trip to ***, January 11, 2000.

the raw material input, seamless stainless pipe.³³ However, this may vary depending on factors such as size, alloy type, and wall thickness. Petitioners suggest that “the seamless specification is simply another in a series of product specifications that can affect the price of stainless steel butt-weld pipe fittings, and is not the single most significant specification.”³⁴ Additional information on pricing of butt-weld fittings is presented in Part V of this report.

Stainless Steel Butt-weld Pipe Fittings 14 Inches or Greater in Outside Diameter

Respondent from Malaysia, Kanzen Tetsu, proposes that the domestic like product include butt-weld fittings 14 inches or greater in outside diameter (“large diameter” fittings). Kanzen Tetsu argues that “there is a continuum over the entire size range of fittings with respect to production facilities, distribution channels, end uses, producer/consumer perceptions, and price.”³⁵ Kanzen Tetsu further states that “excluding larger fittings from the definition of like product would result in the exclusion of an economically significant portion of the domestic industry.”³⁶ Kanzen Tetsu suggests that all producers have limitations with respect to size ranges; specialty products exist in all sizes; and all butt-weld fittings, regardless of size, are sold to distributors.³⁷

However, according to petitioners, large diameter fittings are produced to order from stainless steel plate and formed on different production equipment by different workers than the subject butt-weld fittings, which are less than 14 inches in outside diameter.³⁸ Petitioners report that only *** U.S. companies, ***, produce both size ranges of butt-weld fittings; other producers are dedicated to the manufacture of one type or the other.³⁹ Petitioners further state that large diameter fittings sell at significantly higher prices than the subject butt-weld fittings.⁴⁰

In previous investigations, the Commission determined that “the like product is all domestically produced stainless steel butt-weld pipe fittings of less than 14 inches in diameter, whether finished or unfinished.”⁴¹ The Commission found that large diameter fittings are produced on different machinery and equipment than is used to produce subject merchandise; they are sold to specialized markets; and they command a higher price than small diameter fittings.⁴²

³³ Petitioners’ postconference brief, p. 10.

³⁴ Ibid.

³⁵ Kanzen Tetsu’s postconference brief, p. 4.

³⁶ Ibid.

³⁷ Ibid., pp. 1-4.

³⁸ Petitioners’ postconference brief, pp. 4-5.

³⁹ Ibid., p. 5.

⁴⁰ Ibid.

⁴¹ *Certain Stainless Steel Butt-Weld Pipe Fittings from Korea*, USITC Pub. 2601, February 1993, p. 5.

⁴² Ibid., pp. 4-5. See also *Certain Stainless Steel Butt-Weld Pipe Fittings from Taiwan*, USITC Pub. 2641, June 1993.

In the 1987-88 investigation for Japan, the Commission defined the like product as stainless steel butt-weld pipe fittings (whether finished or unfinished), regardless of the form in which they are imported. Only product under 14 inches was subject to investigation. See *Certain Stainless Steel Butt-Weld Pipe Fittings from Japan*, USITC Pub. 2067, March 1988. The scope language for the antidumping order for Japan does not specifically limit the subject product to only those fittings under 14 inches in diameter. However, Commerce’s scope of investigation in its final LTFV determination for Japan reads as follows: “{stainless steel butt-weld pipe and tube fittings}, whether finished or unfinished, including as-formed tubular blanks (blanks), under 14 inches in inside diameter. . .” 53 FR 3227, February 4, 1988. Commerce’s antidumping duty order does not contain specific scope language, but simply refers to “stainless steel butt-weld pipe and tube fittings.” 53 FR 9787, March 25, 1988.

The staff field trip to *** found that its production process for large diameter fittings involves ***. See field trip notes of January 11, 2000.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Sales of butt-weld fittings in the U.S. market by U.S. producers and importers take place primarily through distributors. Many of the U.S. distributors are also importers of butt-weld fittings from both the subject and nonsubject countries. Also, ***.¹

Distributors generally stock large quantities of items and then resell to the final consumer. The distributor acts as an intermediary between the producer or importer and the ultimate end users and maintains large inventories of product in order to provide immediate service to the consumer. As a result, there is reportedly no real customer loyalty to a particular producer as long as the product meets the ASTM and/or ANSI standards.² Distributors typically carry the products of many different manufacturers, including domestic and foreign.

Generally, there are no quality differences between butt-weld fittings produced in the United States versus Germany, Italy, Malaysia, and/or the Philippines. Although some consumers will insist on domestic product, foreign-produced butt-weld fittings are acceptable if the quality is the same (if it meets the ASTM/ANSI standards).³ It should also be noted that in some instances, U.S. producers import butt-weld fittings (finished and unfinished).

Market segmentation is claimed to exist in relation to AML versus non-AML manufacturers. In general, if an AML requirement is in place, purchases of butt-weld fittings can only be made from those firms on the AML list.⁴ In order to become an AML producer, a company must undergo a variety of audits and verifications by the customer to determine if the product meets its specifications. When a customer limits its purchases to only AML suppliers, the prices can be as much as 30 percent higher than for non-AML suppliers.⁵ All of the petitioners are AML certified, as is ***.⁶ "Buy America" incentives may also result in the preference of domestically produced butt-weld fittings over foreign product.⁷

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. butt-weld fittings producers are likely to respond to changes in demand with considerable changes in the quantity of shipments of U.S.-product to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the availability of unused capacity and the existence of alternate markets or inventories.

¹ Respondents' joint postconference brief, p. 4.

² Ron Brown, Director Emeritus, Alloy Piping Products Inc, conference transcript, pp. 22-23.

³ Ibid., p. 23.

⁴ ***. Respondents' joint postconference brief, pp. 3-5 and exhibit 1.

⁵ John Dale, Vice President, Schulz USA, Inc., conference transcript, p. 80.

⁶ ***.

⁷ Respondents' joint postconference brief, p. 4.

Industry capacity

Data reported by U.S. producers indicate that there is available capacity with which to expand production. Domestic capacity utilization declined from 55.7 percent in 1996 to 51.4 percent in 1998 but increased to 53.9 percent during January-September 1999. According to the respondents, ***.⁸

Inventory levels

Relatively high inventories indicate that U.S. producers have the ability to immediately respond to increases in demand. Inventories increased slightly from 1,678,000 pounds in 1996 to 1,709,000 pounds in 1998; during January-September 1999, inventories reached 1,799,000 pounds. Inventories accounted for 27.9 percent of production and 28.3 percent of U.S. producers' U.S. shipments in 1998.

Export markets

Available data indicate that U.S. producers have increased their exports of butt-weld fittings from 101,000 pounds in 1996 to 242,000 pounds in 1998; exports were 107,000 pounds during January-September 1999. As a share of total shipments, exports accounted for 1.6 percent in 1996 and rose to 3.8 percent in 1998 before declining to 2.0 percent during January-September 1999. Data indicate that U.S. producers have some limited ability to respond to changes in prices in the U.S. market by diverting butt-weld fittings to or from the U.S. market.

Production alternatives

U.S. producers of butt-weld fittings produce a wide variety of piping products. While it may be possible for producers to use the facilities in the production of other products, the equipment is generally used to manufacture a specific size or type of butt-weld fittings in order to meet ASTM/ANSI standards.

U.S. Demand

Demand Characteristics

U.S. producers and importers generally agree that demand for butt-weld fittings in the United States has decreased somewhat during the period for which data were collected. However, available data indicate that U.S. apparent consumption of butt-weld fittings increased from 10.0 million pounds in 1996 to 11.2 million pounds in 1998 and was 9.3 million pounds during the first three quarters of 1999 compared with 8.6 million pounds during the first three quarters of 1998.

Four of the U.S. producers (***) responded that demand for domestic butt-weld fittings has decreased due to lower-priced imports. Ten of the importers responded that demand has fallen because fewer industrial projects requiring butt-weld fittings have been undertaken since early 1996.

Substitute Products

Based on responses from U.S. producers, there are no known commercial substitutes for butt-weld fittings. *** and three U.S. importers stated that in theory, certain alloyed fittings, such as nickel

⁸ Ibid., p. 17.

fittings, could be substitutes but that these alloyed fittings are expensive and would rarely be used. One U.S. importer stated that sometimes plastic pipe fittings or even threaded stainless fittings could be substituted for butt-weld fittings. However, most of the producers and importers stated that the primary end users of the product (the chemical, petrochemical, nuclear, food and dairy, and pulp and paper industries) demanded stainless steel butt-weld fittings because of their metallurgical properties such as non-corrosiveness.

Cost Share

Most stainless butt-weld fittings are used to prevent corrosion and/or contamination in piping systems where extreme temperatures and high pressures are present. The exact share of the cost of butt-weld fittings as a share of the piping systems in which they are used is not known; however, changes in price are estimated to have a moderate impact on these downstream products.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported butt-weld fittings depends upon such factors as price, quality (whether the product meets the ASTM/ANSI standards and, in some cases, if the product is produced by an AML producer), and serviceability. Based on the data available at this preliminary phase of the investigations, it is estimated that there is a high degree of substitution between domestic and imported butt-weld fittings.

Factors Affecting Purchasing Decisions

While price is possibly the most important factor in the sale of butt-weld fittings,⁹ other factors such as quality, availability, technical support, and product range are also important considerations in purchase decisions. Suppliers compete on price only if they offer comparable quality products, notably if the products meet the ASTM/ANSI specifications and if the products are produced by an AML manufacturer (if AML is a requirement of the purchaser).

Producers and importers were asked whether differences other than price between butt-weld fittings produced in the United States and in other countries were a significant factor in their sales of the product. Two of the responding U.S. producers stated that such differences were "frequently" significant when comparing domestic product with product from both subject and nonsubject countries; four producers responded "sometimes," and one responded "never."

Three U.S. importers responded that differences other than price were "always" significant when comparing domestic product with product from Germany, Italy, and Malaysia, and four responded "always" for the Philippines and nonsubject countries. One U.S. importer responded that such differences were "frequently" significant when comparing domestic product with product from Germany and Italy; two responded "frequently" for Malaysia; and three responded "frequently" for the Philippines. Two importers responded "never" for the subject countries and "sometimes" for nonsubject countries.

⁹ Jack Sharkey, Gerlin, Inc., conference transcript, p. 57, and staff conversations with three of the seven U.S. distributors of butt-weld fittings cited in exhibit C-6 of the petition.

Comparisons of Domestic Products, Subject Imports, and Nonsubject Imports

U.S. producers and importers were asked whether butt-weld fittings produced in the United States and in other countries are used interchangeably. Four U.S. producers responded that butt-weld fittings from the United States were “always” used interchangeably with product from Germany, while three U.S. producers responded “always” for product from Italy, Malaysia, the Philippines, and nonsubject countries (table II-1). Three U.S. producers responded that butt-weld fittings from the United States were “frequently” used interchangeably with product from Germany, while four U.S. producers responded “frequently” for product from Italy, Malaysia, the Philippines, and nonsubject countries.

Six U.S. importers responded that butt-weld fittings from the United States were “always” used interchangeably with product from the subject countries, while seven U.S. importers responded “always” for product from nonsubject countries. Two importers responded that butt-weld fittings from the United States were “frequently” used interchangeably with butt-weld fittings from Germany, one responded “frequently” for Italy and the Philippines, and three responded “frequently” for product from Malaysia.

Table II-1
Interchangeability of domestic butt-weld fittings versus butt-weld fittings from subject and nonsubject countries, by responding producers/(importers)

Country pair	United States	
	Always interchangeable	Frequently interchangeable
Germany	4/(6)	3/(2)
Italy	3/(6)	4/(1)
Malaysia	3/(6)	4/(3)
Philippines	3/(6)	4/(1)
Nonsubject countries	3/(7)	4/(6)
<p>Note: No producer or importer responded that domestic butt-weld fittings were “never” interchangeable with butt-weld fittings produced in subject or nonsubject countries.</p> <p>Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.</p>		

Producers and importers were also asked whether butt-weld fittings produced in subject countries were interchangeable with butt-weld fittings produced in other subject countries and nonsubject countries. Generally, subject countries were reported to “always” be interchangeable with each other as well as with nonsubject countries (table II-2).

Table II-2

Number of U.S. producers/(importers) reporting butt-weld fittings from subject and nonsubject countries are “always” interchangeable

County pair	Italy	Malaysia	Philippines	Nonsubject countries
Germany	6/(4)	5/(5)	5/(3)	6/(3)
Italy		5/(3)	5/(4)	6/(3)
Malaysia			5/(4)	6/(4)
Philippines				6/(4) ¹

¹ One U.S. importer reported that butt-weld fittings produced in the Philippines were “frequently” interchangeable with those produced in nonsubject countries.

Note: No producer or importer responded that butt-weld fittings produced in subject countries were “never” interchangeable with butt-weld fittings produced in both subject or nonsubject countries.

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

Six producers reported that butt-weld fittings from Germany were “always” interchangeable with butt-weld fittings from Italy and nonsubject countries; five producers reported interchangeability between German butt-weld fittings and those produced in Malaysia and the Philippines. Four U.S. importers reported that German butt-weld fittings were “always” interchangeable with those produced in Italy; five reported “always” for Malaysia; and three reported “always” for butt-weld fittings from the Philippines and nonsubject countries.

Five producers reported that Italian butt-weld fittings were “always” interchangeable with those produced in Malaysia and the Philippines; six reported “always” with product from nonsubject countries. Three U.S. importers reported that Italian butt-weld fittings were “always” interchangeable with those produced in Malaysia and nonsubject countries; four reported “always” with product from the Philippines. Five producers reported that Malaysian butt-weld fittings were “always” interchangeable with those produced in the Philippines and six reported “always” with product from nonsubject countries. Four U.S. importers reported that Malaysian butt-weld fittings were “always” interchangeable with those produced in the Philippines and nonsubject countries. Six U.S. producers reported that butt-weld fittings produced in the Philippines were “always” interchangeable with those produced in nonsubject countries. Four U.S. importers reported “always” and one reported “frequently” for interchangeability of butt-weld fittings produced in the Philippines with those produced in nonsubject countries.

Generally, butt-weld fittings from Germany and Italy are reportedly both welded and seamless specialty products that are offered in a full range of sizes, including larger fittings; also, butt-weld fittings from Germany and Italy are reportedly AML approved. In contrast, butt-weld fittings from Malaysia and the Philippines are reportedly small diameter, standard, welded products and are reportedly not approved for AML sales.¹⁰

¹⁰ Respondents’ joint postconference brief, pp. 6-7.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of seven firms that included all known major producers of butt-weld fittings during the period examined.¹

U.S. PRODUCERS

The Commission sent producers' questionnaires to all firms identified as producers in the petition and other producers mentioned in earlier investigations of butt-weld fittings. After the initial mailing, petitioners and *** submitted lists identifying possible producers not included in the initial mailing. The Commission also sent questionnaires to all firms included in these lists.² Table III-1 presents a list of U.S. producers that responded to the questionnaires, with each company's production location(s), share of reported 1998 U.S. production, and position on the petition. Alloy Piping is *** and the Alaskan Copper and Brass Company ("Alaskan Copper") of Seattle, WA is ***. Flo-Mac, Inc. ("Flo-Mac") of Los Angeles, CA produces the subject product ***. ***. Data on producers' imports are presented in Part IV. However, six producers, ***, reported purchases of imports of the subject product during the period of investigation. Data on producers' purchases of the subject product are reported below. No producer is related to exporters or importers of the subject product. With the exception of ***, all responding firms expressed support for the petition.³

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. Total U.S. production of butt-weld fittings increased from 1996 to 1997 and declined from 1997 to 1998 while capacity steadily grew from 1996 to 1998, resulting in a decrease in capacity utilization in 1998 to a level lower than in 1996.

¹ The petition on pages 5 and 6 estimated that the petitioning companies alone represented between *** and *** percent of domestic production of butt-weld fittings in 1998. As noted in Part I of this report, the following U.S. producers' data were not posted due to incomplete or late questionnaire responses: ***. However, these firms did report some indications on the size of their butt-weld fittings operations. ***. Although data from these producers were not compiled for aggregate presentations, they are referred to in the report where appropriate. Finally, reported data on shares of purchased product (excluding subject product directly imported) from domestic producers were not posted as U.S. producers' shipments because those fittings may not have been produced by domestic producers. However, two producers, ***, reported commingled commercial shipments of the subject product they produced and the subject product they purchased from domestic and foreign sources.

² Producers' questionnaires were sent to some but not all firms named in the joint postconference brief filed on behalf of Wilh. Schulz GmbH, Schulz (Mfg.) Sdn. Bhd., Coprosider/IBF, Norca Industrial Company LLC, and Kanzen Tetsu Sdn. Bhd.

³ ***.

Table III-1

Butt-weld fittings: U.S. producers, positions on the petition, shares of reported 1998 production, and U.S. production locations

* * * * *

Table III-2

Butt-weld fittings: U.S. producers' capacity, production, and capacity utilization, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
Capacity (<i>1,000 pounds</i>)	10,399	11,317	11,913	8,938	9,751
Production (<i>1,000 pounds</i>)	5,793	6,349	6,129	4,657	5,257
Capacity utilization (<i>percent</i>)	55.7	56.1	51.4	52.1	53.9

Source: Compiled from data submitted in response to Commission questionnaires.

All U.S. producers reported constant or increased capacity during the period of investigation. *** capacity grew at the largest rate, rising by *** percent from 1996 to 1998. *** plant openings, closures, or other changes in the character of their operations since 1996. Some producers reported that demand in the marketplace, sales volume, profitability, and raw material availability are constraints that limit their production capabilities.

***. All members of the domestic industry reported no U.S. production of butt-weld fittings in U.S. foreign trade zones.

U.S. PRODUCERS' DOMESTIC SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

The volume of U.S. shipments increased from 1996 to 1998 by 5.1 percent, but the value decreased by 21.3 percent (table III-3). The average unit value of U.S. shipments declined from 1996 to 1998 by 25.0 percent. Internal shipments, *** of which were made by ***, accounted for less than *** percent of U.S. shipments in all reporting periods.⁴ Five producers reported export shipments, which were primarily made to Canada, Chile, Japan, Mexico, and the United Kingdom.

U.S. PRODUCERS' IMPORTS AND PURCHASES FROM SUBJECT COUNTRIES

Table III-4 presents U.S. producers' imports and purchases of subject butt-weld fittings, by firm. As stated above, two producers, ***, imported the subject product, and four producers, ***, reported purchases of the imports from subject countries.

⁴ ***. Data on U.S. shipments of imports are presented in Part IV.

Table III-3

Butt-weld fittings: U.S. producers' shipments, by type, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
Quantity (1,000 pounds)					
Commercial shipments ¹	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	5,748	6,076	6,041	4,601	5,165
Export shipments	101	138	242	196	107
Total shipments	5,849	6,214	6,283	4,797	5,272
Value (\$1,000)					
Commercial shipments ¹	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	61,344	57,355	48,277	31,831	31,988
Export shipments	1,254	1,367	2,156	1,813	903
Total shipments	62,598	58,722	50,433	33,644	32,891
Unit value (per pound)					
Commercial shipments ¹	***	***	***	***	***
Internal shipments	***	***	***	***	***
U.S. shipments	\$10.67	\$9.44	\$7.99	\$6.92	\$6.19
Export shipments	12.44	9.93	8.90	9.25	8.44
Average	10.70	9.45	8.03	7.01	6.24
<p>¹ *** reported commingled commercial shipments of the subject product that they had produced and the subject product they purchased from domestic and foreign sources. *** purchases were equivalent to *** percent of its commercial shipments in 1998 and *** percent of U.S. producers' commercial shipments in that year. *** purchases were equivalent to *** percent of its commercial shipments in 1998 and *** percent of U.S. producers' commercial shipments in that year.</p>					
<p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

Table III-4

Butt-weld fittings: U.S. producers' production, imports, and purchases of imports from subject countries, by country, 1996-98, January-September 1998, and January-September 1999

* * * * *

Table III-5 presents purchases of butt-weld fittings, by product source, that include purchases of the subject product from all sources except direct imports from foreign sources.

With the exception of ***, all producers reported purchases of butt-weld fittings from 1996 to September 1999.⁵ The volume of butt-weld fittings purchased declined by 32.2 percent from 1996 to 1998, primarily due to an *** in purchases of imports produced in nonsubject countries. However, purchases of butt-weld fittings produced in subject sources rose by *** percent, with product from Malaysia accounting for *** percent of all 1998 U.S. producers' purchases from subject sources. Four producers reported purchases of imports produced in subject countries during the period of investigation.

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of butt-weld fittings for the period of investigation are presented in table III-6.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of butt-weld fittings, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in the investigations are presented in table III-7.

⁵ ***.

Table III-5

Butt-weld fittings: U.S. producers' purchases, by product source, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
<i>Quantity (1,000 pounds)</i>					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	0	0	***	***	***
Subtotal	***	***	***	***	***
Other countries	***	318	280	217	172
Domestic producers	***	***	***	***	1,142
Other sources ¹	***	***	***	***	***
Total	3,076	1,420	2,084	1,630	1,762
<i>Value (\$1,000)</i>					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	0	0	***	***	***
Subtotal	***	***	***	***	***
Other countries	***	1,558	626	542	423
Domestic producers	***	***	***	***	4,732
Other sources ¹	***	***	***	***	***
Total	9,242	7,123	5,907	4,631	5,862
Footnotes appear at the end of the table on the following page.					

Table III-5--Continued

Butt-weld fittings: U.S. producers' purchases, by product source, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
<i>Unit value (per pound)</i>					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	(²)	(²)	***	***	***
Subtotal	***	***	***	***	***
Other countries	***	\$4.91	\$2.24	\$2.50	\$2.45
Domestic producers	***	***	***	***	4.14
Other sources ¹	***	***	***	***	***
Total	\$3.00	5.02	2.83	2.84	3.33
<p>¹ ***.</p> <p>² Not applicable.</p> <p>Note.--Purchases posted include finished and unfinished butt-weld fittings.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires</p>					

Table III-6

Butt-weld fittings: U.S. producers' end-of-period inventories, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
Inventories ¹ (1,000 pounds)	1,678	1,740	1,709	1,642	1,799
Ratio to production (percent)	29.0	27.4	27.9	26.4	25.7
Ratio to U.S. shipments (percent)	29.2	28.6	28.3	26.8	26.1
Ratio to total shipments (percent)	28.7	28.0	27.2	25.7	25.6

¹ None of the producers except *** provided reconciling inventory data. End-of-period inventories of *** are overstated because they reported their end-of-period inventories that were commingled with their production of the subject product and the subject product purchased from domestic and foreign sources. ***, *** reported both understated and overstated data due to inventory inaccuracies in its recording system. *** did not report any end-of-period inventory data.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-7

Butt-weld fittings: Average number of production and related workers producing butt-weld fittings, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
PRWs (number)	530	549	491	489	449
Hours worked ¹ (1,000)	885	929	796	602	568
Wages paid ¹ (\$1,000)	9,149	9,950	9,018	6,703	6,655
Hourly wages ¹	\$10.34	\$10.71	\$11.33	\$11.13	\$11.72
Productivity ¹ (pounds per hour)	5.6	5.8	6.1	6.2	6.9
Unit labor costs (per pound)	\$1.85	\$1.83	\$1.85	\$1.80	\$1.69

¹ Data provided by *** were not compiled due to reporting errors. Hours worked and wages paid are therefore understated.

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent questionnaires to 41 firms believed to be importers of butt-weld fittings.¹ Questionnaire responses were received from 32 companies, 18 of which reported that they do not import the subject product. It is believed that all major importers from subject countries responded to the Commission's questionnaire.

Based on official statistics of the U.S. Department of Commerce, the responding firms accounted for approximately *** percent of imports from Germany, *** percent of imports from Italy, and *** percent of imports from Malaysia in 1998. However, responding firms accounted for *** percent of imports from the Philippines. ***.² *** and the fact that official statistics cover products that are not included in the scope of these investigations (i.e., butt-weld fittings that are 14 inches or greater in outside diameter),³ questionnaire data are used in the body of this report. Official statistics are presented in appendix D for comparative purposes. Questionnaire responses accounted for approximately 38 percent of nonsubject imports in 1998 based on official statistics, although, as mentioned previously, official statistics also include nonsubject products. Table IV-1 lists all responding U.S. importers and their quantities of imports, by source, in 1998.

Table IV-1

Butt-weld fittings: U.S. imports, by importer and by source of imports, 1998

* * * * *

Two importers are related to foreign exporters of the subject product in subject countries. *** two producers of the subject product in the Philippines.⁴ ***. *** of reported imports from the Philippines and *** of reported imports from Germany in 1998.

Two other major importers of the subject product, ***, together accounted for *** percent of the subject imports from the subject countries in 1998. Two U.S. producers, ***, reported direct imports of butt-weld fittings from Japan, Malaysia, the Philippines, Taiwan, and Thailand. Their combined imports accounted for *** percent of the subject imports from subject sources and *** percent from all sources in 1998.⁵

Questionnaire respondents were primarily located in Texas (3), Washington (2), and Ohio (2). ***. Nine firms reported imports of butt-weld fittings from the following nonsubject countries: Austria, Canada, China, Finland, France, India, Japan, Taiwan, and Thailand. With the exception of ***, which

¹ The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by the U.S. Customs Service, may have imported butt-weld fittings during the period of investigation.

² *** reported its imports based on its shipping data consisting of ***.

³ Accordingly, coverage of subject imports for Germany, Italy, and Malaysia may be substantially higher than the percentages listed above.

⁴ *** owns *** of ***. ***.

⁵ ***.

reported activities of butt-weld fittings in an "export zone," *** U.S. importers entered the subject product into or withdrew it from foreign trade zones or bonded warehouses.

U.S. IMPORTS

Table IV-2 shows that the quantity and value of U.S. imports of butt-weld fittings from all sources increased from 1996 to 1997 then decreased from 1997 to 1998. However, the quantity of butt-weld fittings from subject countries increased steadily from 1996 to 1998, by 56.7 percent. More specifically, imports from the Philippines rose by *** percent.⁶ The subject imports' value and share of total imports also rose from 1996 to 1998, while their unit value fell by 21.6 percent during that period. Table IV-3 presents quantities and shares of U.S. imports for the period October 1998-September 1999.

APPARENT U.S. CONSUMPTION

As presented in table IV-4, the volume of apparent U.S. consumption increased from 1996 to 1998. The value of apparent consumption continuously decreased during this period. The rise in the volume of apparent U.S. consumption was primarily attributed to *** increase in U.S. shipments of imports from the Philippines, which rose by *** percent from 1996 to 1998. The decline in the value of apparent U.S. consumption was primarily the result of a 21.3 percent decrease in the value of U.S. producers' shipments from 1996 to 1998.

U.S. importers' shipment quantities and values are slightly understated because two importers, ***, did not provide U.S. shipment data. ***⁷ accounted for *** percent of imports from Malaysia and *** accounted for *** percent of imports from nonsubject countries in 1998.

U.S. MARKET SHARES

U.S. producers accounted for between 53.7 and 57.5 percent of the volume of apparent U.S. consumption during the periods for which data were collected (table IV-5).⁸ The U.S. producers' share of consumption decreased by 3.8 percentage points from 1996 to 1998 while the share of subject imports increased by 5.9 percentage points during the period. However, between January-September 1998 and January-September 1999, U.S. producers increased their share of consumption by 2.3 percentage points while the share held by imports decreased by 1.9 percentage points.

⁶ As stated above, ***.

⁷ ***. Telephone interview with ***, January 27, 2000.

⁸ U.S. producers' shipments quantities and values, and U.S. producers' market shares are somewhat understated because several producers' data were incomplete or untimely and were not included in the data base.

Table IV-2

Butt-weld fittings: U.S. imports, by sources, 1996-98, January-September 1998, and January-September 1999

Source	Calendar year			January-September	
	1996	1997	1998	1998	1999
Quantity (1,000 pounds)					
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	***	***	***	***	***
Germany	***	***	***	***	***
Subtotal	2,069	3,040	3,242	2,444	2,363
All others	2,154	3,339	1,905	1,567	1,707
Total	4,224	6,380	5,147	4,011	4,070
Value (\$1,000)					
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	***	***	***	***	***
Germany	***	***	***	***	***
Subtotal	9,485	12,645	11,633	8,931	7,594
All others	7,810	13,433	7,790	6,625	6,453
Total	17,296	26,078	19,424	15,555	14,047
Table is continued on the following page.					

Table IV-2--Continued

Butt-weld fittings: U.S. imports, by sources, 1996-98, January-September 1998, and January-September 1999

Source	Calendar year			January-September	
	1996	1997	1998	1998	1999
Unit value (per pound)					
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Average	***	***	***	***	***
Germany	***	***	***	***	***
Average	\$4.58	\$4.16	\$3.59	\$3.65	\$3.21
All others	3.63	4.02	4.09	4.23	3.78
Average	4.09	4.09	3.77	3.88	3.45
Share of quantity (percent)					
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	***	***	***	***	***
Germany	***	***	***	***	***
Subtotal	49.0	47.7	63.0	60.9	58.1
All others	51.0	52.3	37.0	39.1	41.9
Total	100.0	100.0	100.0	100.0	100.0
Table is continued on the following page.					

Table IV-2--Continued

Butt-weld fittings: U.S. imports, by sources, 1996-98, January-September 1998, and January-September 1999

Source	Calendar year			January-September	
	1996	1997	1998	1998	1999
Share of value (percent)					
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	***	***	***	***	***
Germany	***	***	***	***	***
Subtotal	54.8	48.5	59.9	57.4	54.1
All others	45.2	51.5	40.1	42.6	45.9
Total	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires.					

Table IV-3

Butt-weld fittings: U.S. imports, quantities and shares, by sources, October 1998-September 1999

Source	October 1998-September 1999	
	Quantity (1,000 pounds)	Share (percent)
Italy	***	***
Malaysia	***	***
Philippines	***	***
Subtotal	***	***
Germany	***	***
Subtotal	3,161	60.7
All others	2,045	39.3
Total	5,206	100.0

Table IV-4

Butt-weld fittings: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
Quantity (1,000 pounds)					
U.S. producers' shipments	5,748	6,076	6,041	4,601	5,165
U.S. shipments of imports from--					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	2,179	2,862	3,118	2,413	2,422
All others	2,064	2,050	2,083	1,594	1,685
Total import shipments	4,244	4,911	5,201	4,007	4,107
Apparent U.S. consumption	9,991	10,987	11,241	8,608	9,272
Value (\$1,000)					
U.S. producers' shipments	61,344	57,355	48,277	36,754	31,988
U.S. shipments of imports from--					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	11,600	13,008	12,920	10,500	8,950
All others	7,711	9,447	9,925	7,830	6,584
Total import shipments	19,311	22,455	22,844	18,330	15,534
Apparent U.S. consumption	80,655	79,810	71,121	55,084	47,522
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Table IV-5

Butt-weld fittings: Apparent U.S. consumption and market shares, 1996-98, January-September 1998, and January-September 1999

Item	Calendar year			January-September	
	1996	1997	1998	1998	1999
Quantity (1,000 pounds)					
Apparent consumption	9,991	10,987	11,241	8,608	9,272
Value (\$1,000)					
Apparent consumption	80,655	79,810	71,121	55,084	47,522
Share of quantity (percent)					
U.S. producers' shipments	57.5	55.3	53.7	53.4	55.7
U.S. shipments of imports from--					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	21.8	26.0	27.7	28.0	26.1
All others	20.7	18.7	18.5	18.5	18.2
Total import shipments	42.5	44.7	46.3	46.6	44.3
Share of value (\$1,000)					
U.S. producers' shipments	76.1	71.9	67.9	66.7	67.3
U.S. shipments of imports from--					
Germany	***	***	***	***	***
Italy	***	***	***	***	***
Malaysia	***	***	***	***	***
Philippines	***	***	***	***	***
Subtotal	14.4	16.3	18.2	19.1	18.8
All others	9.6	11.8	14.0	14.2	13.9
Total import shipments	23.9	28.1	32.1	33.3	32.7
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The raw material for butt-weld fittings is stainless steel pipe, both seamless and welded. Generally, the fittings are cold formed from fusion-welded or seamless stainless steel pipe; however, production of some types of fittings requires the heating of the stainless steel pipe before forging. The price of the raw material can vary based on the price of the stainless steel pipe. Raw materials account for an average of *** percent of the total cost of producing butt-weld fittings.¹

Transportation Costs to the U.S. Market

Transportation costs for butt-weld fittings from Germany to the United States (excluding U.S. inland costs) are estimated to be 2.2 percent of the landed, duty-paid value. Transportation costs from Italy are estimated to be 3.2 percent. Transportation costs for butt-weld fittings from Malaysia are estimated to be 3.5 percent of the landed, duty-paid value. Transportation costs from the Philippines are estimated to be 3.3 percent. These estimates are derived from official U.S. import data and represent the transportation and other charges on imports.²

U.S. Inland Transportation Costs

Transportation costs of butt-weld fittings for delivery within the United States vary from firm to firm but tend to account for a minimal percentage of the total cost of the product. For the 8 U.S. producers that responded to this question, these costs accounted for between 2 percent and 3 percent of the total cost of butt-weld fittings. For the 10 importers that provided usable responses to this question, these costs accounted for between 3 percent and 10 percent of the total cost of butt-weld fittings. The U.S. producers reported a geographic market area encompassing the continental United States as well as Canada and Puerto Rico. Importers reported that their geographic market encompassed the continental United States.

Producers and importers were also requested to provide estimates of the percentages of their shipments that were made within specified distance ranges. Among the 8 U.S. producers that provided usable responses to this question, an average of 9 percent of shipments occurred within 100 miles, and 59 percent occurred within 1,000 miles. Of the 10 importers that provided usable responses to this question, an average of 50 percent of shipments occurred within 100 miles and 68 percent occurred within 1,000 miles.

Exchange Rates

Quarterly data reported to the International Monetary Fund indicate that the nominal value of the German mark declined by 4.7 percent from January 1997 to September 1999 (figure V-1). Adjusting for inflation, the real value of the German mark depreciated 8.5 percent during the same period. The

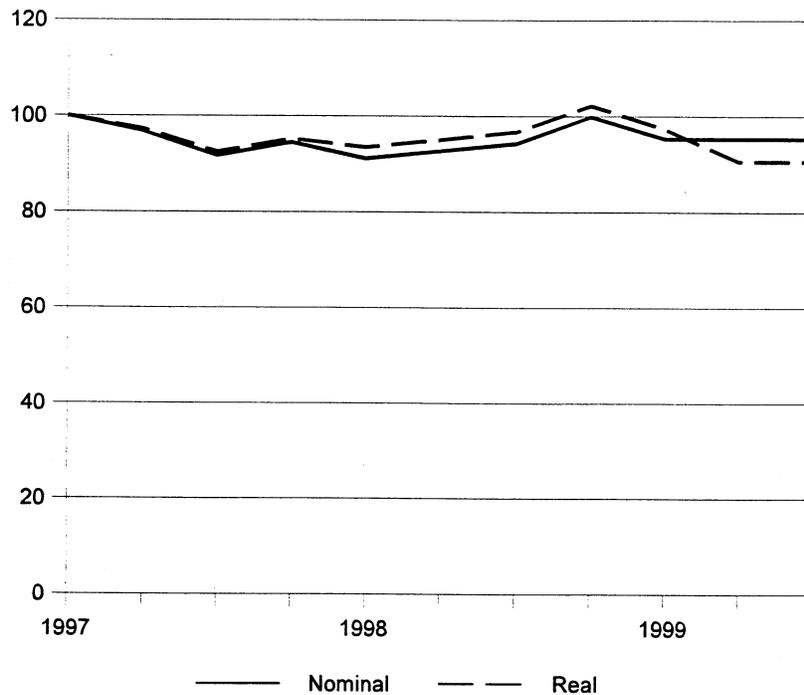
¹ Based on responses to the Commission's questionnaires.

² Data for the customs value and the landed, duty-paid value of the imports were used. Staff deducted the amount of the duty paid to report the transportation costs separately.

nominal value of the Italian lira declined by 11.3 percent from January 1997 to September 1999; adjusting for inflation, the real value depreciated 9.8 percent during the same period (figure V-2). The nominal value of the Malaysian ringgit declined by 0.4 percent from January 1997 to September 1999 (figure V-3). Adjusting for inflation, the real value of the Malaysian ringgit depreciated 27.3 percent during the same period. The nominal value of the Philippine peso declined by 0.4 percent from January 1997 to September 1999; adjusting for inflation, the real value depreciated 14.9 percent during January 1997 to September 1999 (figure V-4).

Figure V-1

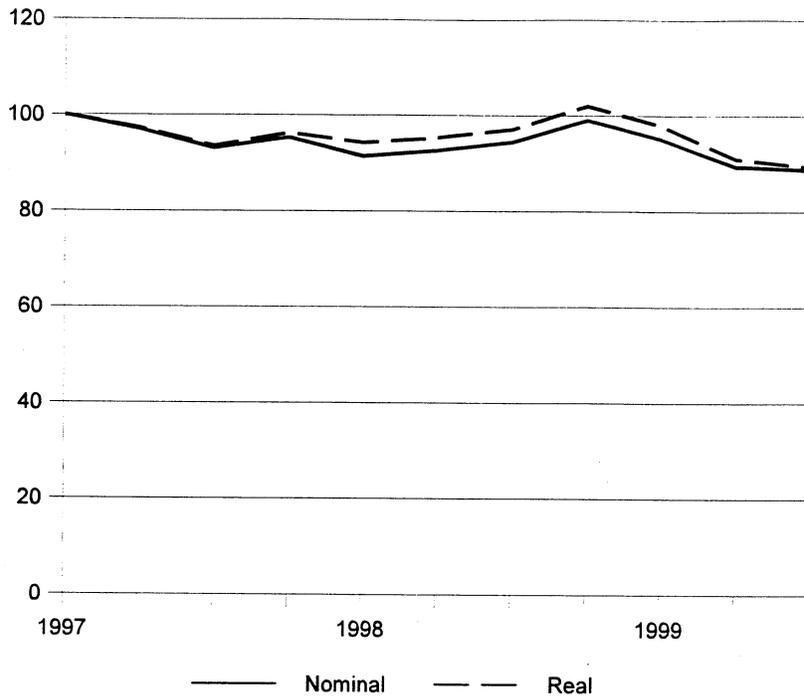
Exchange rates: Indices of the nominal and real exchange rates of the German mark relative to the U.S. dollar, by quarters, January 1997-September 1999



Source: International Monetary Fund, *International Financial Statistics*, December 1999.

Figure V-2

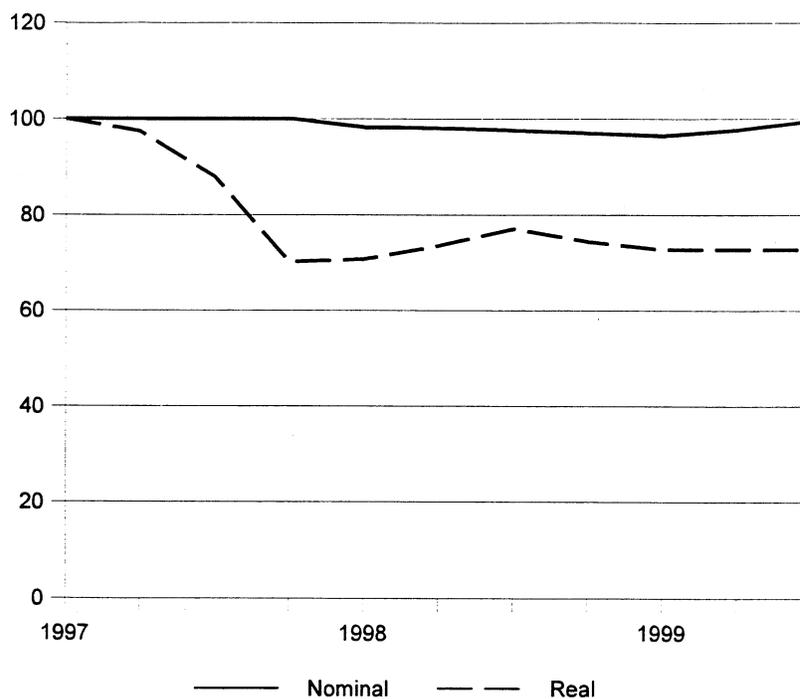
Exchange rates: Indices of the nominal and real exchange rates of the Italian lira relative to the U.S. dollar, by quarters, January 1997-September 1999



Source: International Monetary Fund, *International Financial Statistics*, December 1999.

Figure V-3

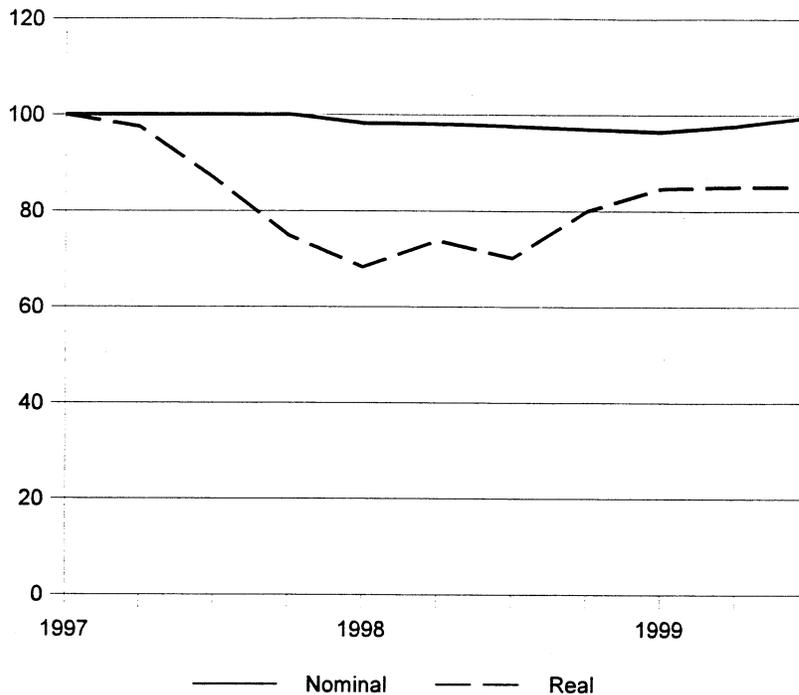
Exchange rates: Indices of the nominal and real exchange rates of the Malaysian ringgit relative to the U.S. dollar, by quarters, January 1997-September 1999



Source: International Monetary Fund, *International Financial Statistics*, December 1999.

Figure V-4

Exchange rates: Indices of the nominal and real exchange rates of the Philippine peso relative to the U.S. dollar, by quarters, January 1997-September 1999



Source: International Monetary Fund, *International Financial Statistics*, December 1999.

PRICING PRACTICES

Pricing Methods

Most sales of butt-weld fittings in the United States are made based on price lists, with prices quoted based on current market conditions. Available information indicates that the majority of U.S. producers' and importers' sales are on a spot basis. Four U.S. producers (***) reported that 100 percent of their sales were spot market; *** reported that spot market sales accounted for 85 percent of its sales; and *** reported that the spot market accounted for 70 percent of its sales. One importer, ***, reported that 100 percent of its sales were on a contract basis.

In those instances where suppliers use contracts to sell butt-weld fittings, these contracts vary in duration from 4 months to 1 year. Reported contract terms were similar, with *** reporting that price and quantity were fixed while *** reported that the price was fixed. *** also reported that its contract agreement does contain a meet-or-release provision, while *** reported in the negative. Both suppliers stated that there were no standard quantity requirements.

Of the responding importers, *** reported that the price and quantity were fixed while *** reported that only the price was fixed. Also, *** reported that contract agreements do not contain a meet-or-release provision while *** reported that its contracts do have a meet-or-release provision. None of the importers reported that there were any standard quantity requirements.

Sales Terms and Discounts

Most of the producers of butt-weld fittings generally reported that discounts are available to large volume customers; however, *** stated that discounts are seldom used. Some importers reported that they also extend discounts to large volume customers but other importers stated that they do not have a discount policy nor do they extend one.

Producers and importers agree that typical payment terms required payment within 30 days. Three U.S. producers, ***, reported that price quotes occur on an f.o.b. basis, while *** quote prices on a delivered basis. Four importers report that price quotes occur on an f.o.b. basis, and one importer stated that price quotes occur on a delivered basis.

PRICE DATA

The Commission requested U.S. producers and importers of butt-weld fittings to provide quarterly f.o.b. data for the total quantity and value of certain butt-weld fittings that were shipped to distributors.³ These data were used to determine the weighted-average price in each quarter. Data were requested for the period January 1996 through September 1999. The products for which pricing data were requested are as follows:

- Product 1**-- Elbows, welded, 3" nominal outer diameter ("OD"), 90 degrees long radius, Schedule 10S, grade 304L
- Product 2**-- Elbows, welded, 6" nominal OD, 90 degrees long radius, Schedule 10S, grade 304L
- Product 3**-- Tees, welded, 3" nominal OD, Schedule 10S, grade 304L
- Product 4**-- Elbows, seamless, 4" nominal OD, 90 degrees long radius, Schedule 10S, grade 304L
- Product 5**-- Elbows, seamless, 10" nominal OD, 90 degrees long radius, Schedule 10S, grade 304L

Eight U.S. producers and 10 importers⁴ provided usable pricing data for sales of the requested products in the U.S. market, although not necessarily for all quarters over the period of investigation or for all of the products.

Price Trends

Prices for domestically produced products 1, 2, 3, and 4 generally showed a steady decline from January-March 1996 to July-September 1999; however, domestic prices for product 5 fluctuated substantially during the period, declining sharply during all three covered quarters of 1999 (table V-1).⁵

³ Information contained in the petitions indicated that sales to distributors accounted for the majority of sales in the U.S. butt-weld fittings market.

⁴ One U.S. importer, ***, responded to the Commission's importer questionnaire. ***.

⁵ In September 1999, two of the petitioners (Alloy Piping and Flowline) announced a price increase for butt-weld fittings; however, ***. (Petitioners' postconference brief, p. 27.) ***. Petitioners stated that ***. (Petitioners' postconference brief, p. 27.)

Table V-1
Butt-weld fittings: Weighted-average f.o.b. prices and quantities shipped by U.S. producers and importers, by product and by quarters,
January 1996-September 1999

Product 1											
Period	United States		Germany		Italy		Malaysia		Philippines		
	Price (per unit)	Quantity (units)									
1996 --											
Jan.-Mar.	\$16.15	6,835	***	***	***	***	***	***	***	***	***
Apr.-June	14.95	5,970	***	***	***	***	***	***	***	***	***
July-Sept.	15.29	6,250	***	***	***	***	***	***	(¹)	(¹)	(¹)
Oct.-Dec.	13.89	6,901	***	***	(¹)	(¹)	***	***	***	***	***
1997 --											
Jan.-Mar.	14.10	8,435	***	***	***	(¹)	***	***	***	***	***
Apr.-June	13.50	6,884	***	***	***	(¹)	***	***	***	***	***
July-Sept.	12.53	7,739	***	***	(¹)	(¹)	***	***	***	***	***
Oct.-Dec.	12.25	5,604	***	***	(¹)	(¹)	***	***	***	***	***
1998 --											
Jan.-Mar.	9.63	5,152	***	***	(¹)	(¹)	***	***	***	***	***
Apr.-June	11.52	5,402	***	***	(¹)	(¹)	***	***	***	***	***
July-Sept.	10.80	7,693	***	***	(¹)	(¹)	***	***	***	***	***
Oct.-Dec.	10.23	4,575	***	***	(¹)	(¹)	***	***	***	***	***
1999 --											
Jan.-Mar.	9.76	6,538	***	***	(¹)	(¹)	***	***	***	***	***
Apr.-June	9.27	6,163	***	***	(¹)	(¹)	***	***	***	***	***
July-Sept.	8.89	6,478	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table V-1--Continued

Butt-weld fittings: Weighted-average f.o.b. prices and quantities shipped by U.S. producers and importers, by product and by quarters, January 1996-September 1999

Period	Product 2									
	United States		Germany		Italy		Malaysia		Philippines	
	Price (per unit)	Quantity (units)								
1996 --										
Jan.-Mar.	\$52.35	2,443	***	***	***	***	***	***	(¹)	(¹)
Apr.-June	69.19	2,041	***	***	***	***	***	***	(¹)	(¹)
July-Sept.	67.75	1,908	***	***	***	***	***	***	(¹)	(¹)
Oct.-Dec.	60.64	2,842	***	***	(¹)	(¹)	***	***	(¹)	(¹)
1997 --										
Jan.-Mar.	59.06	2,751	***	***	***	***	***	***	***	***
Apr.-June	42.07	2,395	***	***	***	***	***	***	***	***
July-Sept.	56.19	2,914	***	***	(¹)	(¹)	***	***	***	***
Oct.-Dec.	55.16	2,172	***	***	(¹)	(¹)	***	***	***	***
1998 --										
Jan.-Mar.	52.54	1,889	***	***	(¹)	(¹)	***	***	***	***
Apr.-June	51.10	2,288	***	***	(¹)	(¹)	***	***	***	***
July-Sept.	49.44	1,820	***	***	(¹)	(¹)	***	***	***	***
Oct.-Dec.	42.05	2,028	***	***	(¹)	(¹)	***	***	***	***
1999 --										
Jan.-Mar.	42.86	2,657	***	***	(¹)	(¹)	***	***	***	***
Apr.-June	41.06	2,440	***	***	(¹)	(¹)	***	***	***	***
July-Sept.	39.61	1,912	***	***	***	***	***	***	***	***

Table continued on next page.

Table V-1--Continued

Butt-weld fittings: Weighted-average f.o.b. prices and quantities shipped by U.S. producers and importers, by product and by quarters, January 1996-September 1999

Period	Product 3											
	United States		Germany		Italy		Malaysia		Philippines			
	Price (per unit)	Quantity (units)										
1996 --												
Jan.-Mar.	\$31.78	1,337	***	***	(¹)	(¹)	***	***	***	***	***	***
Apr.-June	31.69	1,094	***	***	***	***	***	***	***	***	***	***
July-Sept.	30.08	1,460	***	***	***	***	***	***	(¹)	(¹)	(¹)	(¹)
Oct.-Dec.	25.90	1,805	***	***	***	***	***	***	(¹)	(¹)	(¹)	(¹)
1997 --												
Jan.-Mar.	26.23	1,632	***	***	(¹)	(¹)	***	***	(¹)	(¹)	(¹)	(¹)
Apr.-June	25.23	1,524	***	***	***	***	***	***	***	***	***	***
July-Sept.	24.81	738	***	***	(¹)	(¹)	***	***	***	***	***	***
Oct.-Dec.	23.95	1,114	***	***	(¹)	(¹)	***	***	***	***	***	***
1998 --												
Jan.-Mar.	22.46	1,158	***	***	(¹)	(¹)	***	***	***	***	***	***
Apr.-June	22.29	966	***	***	(¹)	(¹)	***	***	***	***	***	***
July-Sept.	20.68	2,151	***	***	***	***	***	***	***	***	***	***
Oct.-Dec.	19.58	811	***	***	(¹)	(¹)	***	***	***	***	***	***
1999 --												
Jan.-Mar.	18.78	1,321	***	***	(¹)	(¹)	***	***	***	***	***	***
Apr.-June	18.18	967	***	***	(¹)	(¹)	***	***	***	***	***	***
July-Sept.	17.36	1,116	***	***	(¹)	(¹)	***	***	***	***	***	***

Table continued on next page.

Table V-1--Continued

Butt-weld fittings: Weighted-average f.o.b. prices and quantities shipped by U.S. producers and importers, by product and by quarters, January 1996-September 1999

Period	Product 4						Product 5									
	United States			Germany			Italy			United States			Italy			
	Price (per unit)	Quantity (units)		Price (per unit)	Quantity (units)		Price (per unit)	Quantity (units)		Price (per unit)	Quantity (units)		Price (per unit)	Quantity (units)		
1996 --																
Jan.-Mar.	\$65.22	560		***	***	(¹)	(¹)	(¹)	***	***	***	***	***	***	***	***
Apr.-June	62.73	269		***	***	(¹)	(¹)	(¹)	***	***	***	(¹)	(¹)	(¹)	(¹)	(¹)
July-Sept.	32.25	324		***	***	(¹)	(¹)	(¹)	***	***	***	***	***	***	***	***
Oct.-Dec.	53.69	592		***	***	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
1997 --																
Jan.-Mar.	55.36	516		***	***	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	***	***	***	***	***
Apr.-June	53.07	403		***	***	(¹)	(¹)	(¹)	***	***	***	***	***	***	***	***
July-Sept.	48.52	479		***	***	(¹)	(¹)	(¹)	***	***	***	***	(¹)	(¹)	(¹)	(¹)
Oct.-Dec.	48.39	438		***	***	(¹)	(¹)	(¹)	***	***	***	***	***	***	***	***
1998 --																
Jan.-Mar.	48.47	479		***	***	(¹)	(¹)	(¹)	***	***	***	***	(¹)	(¹)	(¹)	(¹)
Apr.-June	45.86	504		***	***	***	***	***	***	***	***	***	(¹)	(¹)	(¹)	(¹)
July-Sept.	44.17	500		***	***	(¹)	(¹)	(¹)	***	***	***	***	***	***	***	***
Oct.-Dec.	41.53	446		***	***	(¹)	(¹)	(¹)	***	***	***	***	(¹)	(¹)	(¹)	(¹)
1999 --																
Jan.-Mar.	33.03	779		***	***	(¹)	(¹)	(¹)	***	***	***	***	(¹)	(¹)	(¹)	(¹)
Apr.-June	38.02	727		***	***	(¹)	(¹)	(¹)	***	***	***	***	(¹)	(¹)	(¹)	(¹)
July-Sept.	36.87	426		***	***	***	***	***	***	***	***	***	(¹)	(¹)	(¹)	(¹)

¹ Data not reported.

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

Product 1

Weighted-average prices for domestic product 1 declined from \$16.15 per piece during the first quarter of 1996 to \$8.89 during the third quarter of 1999. Prices for product 1 from Germany declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 1 from Italy declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 1 from Malaysia declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 1 from the Philippines declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999.

Product 2

Weighted-average prices for domestic product 2 declined from \$52.35 per piece during the first quarter of 1996 to \$39.61 during the third quarter of 1999. Prices for product 2 from Germany declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 2 from Italy declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 2 from Malaysia declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 2 from the Philippines declined from \$*** per piece during the first quarter of 1997 to \$*** during the third quarter of 1999.

Product 3

Weighted-average prices for domestic product 3 declined from \$31.78 per piece during the first quarter of 1996 to \$17.36 during the third quarter of 1999. Prices for product 3 from Germany declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 3 from Italy declined from \$*** per piece during the second quarter of 1996 to \$*** during the third quarter of 1998. Prices for product 3 from Malaysia declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 3 from the Philippines declined from \$*** per piece during the first quarter of 1997 to \$*** during the third quarter of 1999.

Product 4

Weighted-average prices for domestic product 4 declined from \$65.22 per piece during the first quarter of 1996 to \$36.87 during the third quarter of 1999. Prices for product 4 from Germany declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 4 from Italy declined from \$*** per piece during the second quarter of 1998 to \$*** during the third quarter of 1999 (the only quarters for which prices were reported).

Product 5

Weighted-average prices for domestic product 5 declined from \$*** per piece during the first quarter of 1996 to \$*** during the third quarter of 1999. Prices for product 5 from Italy fluctuated from a high of \$*** during the first quarter of 1997 to a low of \$*** during the second quarter of 1997.

Price Comparisons

Product 1

Product 1 from Germany undersold the domestic product in seven quarters and oversold the domestic product in eight quarters (table V-2). Margins of underselling for product 1 from Germany ranged from a low of *** percent to a high of *** percent; margins of overselling ranged from a low of *** percent to a high of *** percent. Italy undersold the domestic product in all reported quarters. Margins of underselling for product 1 from Italy ranged from a low of *** percent to a high of *** percent. Malaysia undersold the domestic product in all quarters reported. Margins of underselling for product 1 from Malaysia ranged from a low of *** percent to a high of *** percent. The Philippines undersold the domestic product in all but one quarter. Margins of underselling for product 1 from the Philippines ranged from a low of *** percent to a high of *** percent; margins of overselling were only reported during the fourth quarter of 1996 and were *** percent.

Table V-2

Butt-weld fittings: Margins of under/(over)selling for products 1-5, by sources and by quarters, January 1996-September 1999

* * * * *

Product 2

Germany undersold the domestic product in three quarters and oversold the domestic product in 11 quarters. Margins of underselling for product 2 from Germany ranged from a low of *** percent to a high of *** percent; margins of overselling ranged from a low of *** percent to a high of *** percent. Italy undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 2 from Italy ranged from a low of *** percent to a high of *** percent. Malaysia undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 2 from Malaysia ranged from a low of *** percent to a high of *** percent. The Philippines undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 2 from the Philippines ranged from a low of *** percent to a high of *** percent.

Product 3

Germany undersold the domestic product in five quarters and oversold the domestic product in 10 quarters. Margins of underselling for product 3 from Germany ranged from a low of *** percent to a high of *** percent; margins of overselling ranged from a low of *** percent to a high of *** percent. Italy, Malaysia, and the Philippines undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 3 from Italy ranged from a low of *** percent to a high of *** percent; margins of underselling for product 3 from Malaysia ranged from a low of *** percent to a high of *** percent; and margins of underselling for product 3 from the Philippines ranged from a low of *** percent to a high of *** percent.

Product 4

Germany undersold the domestic product in 10 quarters and oversold the domestic product in five quarters. Margins of underselling for product 4 from Germany ranged from a low of *** percent to a high of *** percent; margins of overselling ranged from a low of *** percent to a high of *** percent. Italy undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 4 from Italy ranged from a low of *** percent to a high of *** percent.

Product 5

Italy undersold the domestic product in all quarters for which data were reported. Margins of underselling for product 5 from Italy ranged from a low of *** percent to a high of *** percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of butt-weld fittings to report any instances of lost sales or revenues they experienced due to competition from imports of butt-weld fittings from Germany, Italy, Malaysia, and/or the Philippines during January 1996 to September 1999. Petitioners stated that because of the nature of the distribution system for butt-weld fittings, whereby most of the sales are made to distributors who also stock imported product from the subject countries, lost sales and lost revenues are difficult to assess.⁶ They stated that while prices are decreasing, domestic producers cannot specifically tie price declines to individual sales lost to imports. However, petitioners did provide documentation of declines in total sales to seven distributors that allegedly purchase imported butt-weld fittings from the subject countries and concluded that the sales value of domestic producers to these seven companies declined by \$1.7 million between 1997 and 1999.⁷ Staff contacted the seven distributors cited in exhibit C-6 of the petition; three of the seven stated that the butt-weld fittings are a price-driven product and that the emergence of Malaysia and the Philippines as producers has resulted in further price declines.⁸ The other four distributors did not respond to the staff's contacts.

⁶ Petition, p. 59.

⁷ Ibid., p. 60 and exhibit C-6.

⁸ The three firms responding to staff were ***.

PART VI: FINANCIAL CONDITION OF THE U.S. INDUSTRY

BACKGROUND

The U.S. industry producing butt-weld fittings is comprised of as many as 16 producers, from which the Commission received *** usable responses that are believed to represent the majority of producers. Throughout the period examined, the largest producer in terms of both sales volume and value was ***.¹ The remaining *** producers represent either the entire operations or a separate division of the companies reporting on their behalf. While the majority of companies manufacture other products in addition to butt-weld fittings, *** and *** reported that they produced and sold only subject merchandise during the period examined.²

Each producer stated in follow-up interviews that finished butt-weld fittings that were purchased from domestic or imported sources were not included in the sales data reported to the Commission. Unfinished butt-weld fittings, however, that were purchased and subsequently processed into finished butt-weld fittings were included in reported sales and costs. Purchased unfinished fittings, the majority of which were imported, represented 8.9 percent, 8.9 percent, and 1.8 percent of total butt-weld fittings shipments in 1996, 1997, and 1998, respectively. While some companies relied more heavily on purchased unfinished butt-weld fittings, the above ratios of purchased unfinished butt-weld fittings to total shipments suggest that these purchases had a limited impact on the overall financial condition of the industry.³

When the financial data are aggregated, the purchase of domestic unfinished butt-weld fittings results in a modest overstatement of total sales revenue and sales quantity. This is because unfinished products sold by one domestic company to another can in effect be reported twice; i.e., first as a sale of unfinished product and again, subsequent to processing, as a sale of finished product. As noted above, since the majority of purchased unfinished fittings are imported and purchased finished fittings were excluded from the financial data, any overstatement in the volume and value of the consolidated data as a result of inter-company sales and purchases appears to be limited. Additionally, the revenue and costs associated with inter-company sales and purchases of domestic unfinished butt-weld fittings are offset in the consolidated totals and therefore do not affect overall industry profitability.⁴

Responses from *** were received by the Commission, but not directly incorporated into the report due to deficiencies in the information provided. Based on the usable financial information reported by these companies, it is estimated that the major components of overall income would be increased as follows:

* * * * *

¹ ***.

² Other products common among producers were other alloy butt-weld fittings, carbon steel butt-weld fittings, and flanges.

³ ***.

⁴ ***.

***, ***, ***, and *** reported financial information based on fiscal years ending August 31, September 31, October 31, and March 31, respectively. The other producers reported on a calendar-year basis.⁵

OPERATIONS ON BUTT-WELD FITTINGS

Table VI-1 aggregates income-and-loss data for 7 U.S. producers of butt-weld fittings. Despite reporting the largest sales volume of the period in 1998 (with a 9.7-percent increase over the previous year's volume), overall sales revenue was off by approximately 9.5 percent as a result of declining unit sales values. Unit sales value fell by 9.9 percent between 1996 and 1997, and then by another 17.4 percent between 1997 and 1998.

Between 1996 and 1997, total cost of goods sold ("COGS") declined as a result of both a reduction in sales volume and apparent reductions in unit raw material and other factory costs. While there was a subsequent increase in sales volume in 1998, overall COGS continued to fall. The 12.3-percent and 3.7-percent declines in overall COGS between 1996-97 and 1997-98, however, did not offset lower sales revenue. The decline in sales revenue during this period, in the absence of corresponding reductions in costs, resulted in a steady erosion of the industry's gross margin.

While overall selling expenses and general and administrative expenses were approximately equal in magnitude, U.S. producers reflected two basic patterns: high selling expenses relative to total selling, general and administrative expenses ("SG&A") or relatively low selling expense to total SG&A. *** indicated that selling costs associated with maintaining distribution centers and warehousing, combined with modest general and administrative requirements, resulted in a relatively higher ratio of selling expenses to overall SG&A.⁶ Other companies, such as ***, had higher G&A expenses relative to selling expenses. In ***'s case, G&A expenses increased during each period. ***.⁷

Separately, selling expenses and general and administrative expenses declined by 12.1 percent and 9.4 percent, respectively, between 1997 and 1998. Despite lower SG&A, even larger declines in gross profit reduced overall operating income by 40.1 percent between 1997 and 1998. By the end of the period examined, the overall industry was reporting a \$934,000 operating loss, with *** alone reporting *** operating income.

Average unit sales and cost values per 1,000 pounds are provided in table VI-2.

⁵ Although the most recently completed fiscal years of Alloy Piping and Alaskan Copper ended in August and September 1999, respectively, their data have been included with those of the other producers whose most recently completed full-year data generally covered 1998. With the exception of Alloy Piping, which reported interim data of December 1997 to August 1998 and December 1998 to August 1999, all other producers reported interim data for the same period. The interim financial data provided by *** were incomplete and therefore were not included. For the last full-year period for which information was provided, Flo-Mac represented less than *** percent of total sales volume.

⁶ ***.

⁷ ***.

Table VI-1
Results of operations of U.S. producers in the production of butt-weld fittings, fiscal years 1996-98,
January-September 1998, and January-September 1999

Item	Fiscal year			January-September	
	1996	1997	1998	1998	1999
	Quantity (1,000 pounds)				
Trade sales	6,013	5,613	6,098	4,292	4,917
Company transfers	342	289	375	176	281
Total sales	6,355	5,902	6,473	4,468	5,198
	Value (\$1,000)				
Trade sales	60,245	50,760	45,483	34,268	30,542
Company transfers	3,412	2,525	2,758	1,539	2,069
Total sales	63,657	53,285	48,241	35,807	32,611
COGS	42,205	37,016	35,653	26,284	27,086
Gross profit	21,452	16,269	12,588	9,523	5,525
SG&A expenses	9,378	9,684	8,646	6,657	6,459
Operating income or (loss)	12,074	6,585	3,942	2,866	(934)
Interest expense	1,112	1,102	1,200	925	904
Other expense	1,914	2,162	1,834	1,487	1,287
Other income items	154	51	118	35	64
Net income or (loss)	9,202	3,372	1,026	489	(3,061)
Depreciation/amortization	1,569	1,756	1,524	1,292	1,168
Cash flow	10,771	5,128	2,550	1,781	(1,893)
	Ratio to net sales (percent)				
COGS	66.3	69.5	73.9	73.4	83.1
Gross profit	33.7	30.5	26.1	26.6	16.9
SG&A expenses	14.7	18.2	17.9	18.6	19.8
Operating income or (loss)	19.0	12.4	8.2	8.0	(2.9)
Net income or (loss)	14.5	6.3	2.1	1.4	(9.4)
	Number of firms reporting				
Operating losses	1	1	0	0	3
Data	7	7	7	6	6

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Results of operations (per 1,000 pounds) of U.S. producers in the production of butt-weld fittings, fiscal years 1996-98, January-September 1998, and January-September 1999

Item	Fiscal year			January-September	
	1998	1997	1998	1998	1999
	Unit value (per 1,000 pounds)				
Net sales	\$10,017	\$9,028	\$7,453	\$8,014	\$6,274
Raw materials	3,358	3,176	3,069	3,145	2,844
Direct labor	784	784	679	688	551
Other factory	2,499	2,312	1,760	2,050	1,816
Total COGS:	6,641	6,272	5,508	5,883	5,211
Gross profit	3,376	2,757	1,945	2,131	1,063
SG&A expenses	1,476	1,641	1,336	1,490	1,243
Operating income or (loss)	1,900	1,116	609	641	(180)

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2 illustrates that despite lower unit costs, falling unit sales values throughout the period ultimately resulted in gross income which could not cover allocated SG&A.

Company-specific financial performance is outlined in table VI-3. While most producers reported the same general patterns of change, there were differences in the magnitude of decline in sales values and profitability. Not surprisingly, companies with relatively high gross margins at the beginning of the period, such as ***, which experienced somewhat lower declines in overall unit value, managed to remain marginally profitable.⁷

Table VI-3
Results of operations of U.S. producers in the production of butt-weld fittings, by firm, fiscal years 1996-98, January-September 1998, and January-September 1999

*	*	*	*	*	*	*
---	---	---	---	---	---	---

Despite declines in costs, *** resulted in the largest ending period loss. ***.

A variance analysis for the U.S. producers of butt-weld fittings is presented in table VI-4. The information for this variance analysis is derived from table VI-1. Table VI-4 shows that the reduction in operating income was primarily the result of lower unit sales values, which were offset to some extent by favorable cost and expense variances. Favorable volume variances, with the exception of the period between 1996 and 1997, also marginally offset the decline in unit sales values.

⁷ ***.

Table VI-4
Variance analysis for butt-weld fittings operations of U.S. producers, fiscal years 1996-98, and January-September 1998-99

Item	Fiscal years			January-September
	1996-98	1996-97	1997-98	1998-99
	Value (\$1,000)			
Net sales:				
Trade sales:				
Price variance	(15,614)	(5,477)	(9,663)	(8,716)
Volume variance	852	(4,008)	4,386	4,990
Trade sales variance	(14,762)	(9,485)	(5,277)	(3,726)
Company transfers:				
Price variance	(983)	(358)	(518)	(388)
Volume variance	329	(529)	751	918
Transfer variance	(654)	(887)	233	530
Total net sales:				
Price variance	(16,598)	(5,834)	(10,199)	(9,046)
Volume variance	1,182	(4,538)	5,155	5,850
Total net sales variance	(15,416)	(10,372)	(5,044)	(3,196)
Cost of sales:				
Cost variance	7,336	2,181	4,944	3,492
Volume variance	(784)	3,008	(3,581)	(4,294)
Total cost variance	6,552	5,189	1,363	(802)
Gross profit variance	(8,864)	(5,183)	(3,681)	(3,998)
SG&A expenses:				
Expense variance	906	(974)	1,975	1,286
Volume variance	(174)	668	(937)	(1,088)
Total SG&A variance	732	(306)	1,038	198
Continued on following page.				

Table VI-4—Continued**Variance analysis for butt-weld fittings operations of U.S. producers, fiscal years 1996-98, and January-September 1998-99**

Item	Fiscal years			January-September
	1996-98	1996-97	1997-98	1998-99
	Value (\$1,000)			
Operating income variance	(8,132)	(5,489)	(2,643)	(3,800)
Summarized as:				
Price variance	(16,598)	(5,834)	(10,199)	(9,046)
Net cost/expense variance	8,242	1,206	6,919	4,778
Net volume variance	224	(861)	637	468

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL EXPENDITURES, R&D EXPENSES, AND INVESTMENT IN PRODUCTIVE FACILITIES

The responding firms' data on capital expenditures, research and development ("R&D") expenses, and the value of their property, plant, and equipment are shown in table VI-5. The majority of capital expenditures were accounted for by ***, which maintained significant capital expenditures throughout the period examined. While *** also reported large capital expenditures, the amounts reported were somewhat less than the respective depreciation expenses reported for each company. The only company to report R&D expenditures throughout the period was ***.⁸ *** also reported a small amount of R&D for the interim 1999 period.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of butt-weld fittings from Germany, Italy, Malaysia, and/or the Philippines on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are in appendix E.

⁸ ***.

Table VI-5

Value of assets, capital expenditures, and R&D expenses of U.S. producers of butt-weld fittings, fiscal years 1996-98, January-September 1998, and January-September 1999

Item	Fiscal year			January-September	
	1996	1997	1998	1998	1999
	Value (\$1,000)				
Capital expenditures:					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***
Total	709	683	1,171	974	726
R&D expenses	100	100	100	80	95
Fixed assets:					
Original cost	19,822	20,324	20,802	20,865	21,368
Book value	11,245	11,030	10,339	11,135	10,440
<p>Note: The financial data provided by *** regarding property plant and equipment were incomplete and therefore not included. ***.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the alleged dumping margins was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE SUBJECT FOREIGN INDUSTRIES

Table VII-1 presents aggregate data for production and shipments of butt-weld fittings for the four subject countries. The Commission received 8 usable questionnaire responses that are believed to account for virtually 100 percent of the subject countries' exports of the subject product to the United States, along with 4 responses that reported no production of the subject product. Based on official statistics, the United States imported 3.2 million pounds of the subject product in 1998. Based on foreign producers' questionnaire responses, subject countries exported 3.1 million pounds of the subject product to the United States. These estimated figures compared to the approximated 3.2 million pounds of subject imports from subject sources as reported by U.S. importers suggest that the Commission received data that accounts for virtually 100 percent of the subject countries' exports to the United States.

The Industry in Germany

The petition cited six producers/exporters of butt-weld fittings in Germany and the Commission received responses from five of them. However, three of the five responding firms reported no production of the subject product and a fourth firm did not provide usable data.¹ Therefore, table VII-2 presents data on one German producer, ***, which provided the only usable questionnaire response for Germany.²

The Industry in Italy

The petition cited nine producers/exporters of butt-weld fittings in Italy and the Commission received responses from three of them, ***. *** reported that it accounted for approximately *** percent of total 1998 Italian production and that its exports to the United States accounted for more than *** percent of all Italian exports in 1998. *** reported accounting for less than *** percent of Italian production of the subject product and *** percent of Italian exports to the United States in the same year. *** reported no production of the subject product. These responses are consonant with statements made by Bob Blumenkranz, General Manager of Norca, at the conference when he stated that "I find it surprising that the petition names nine producers and exporters in Italy to be included in this investigation, when to the best of my knowledge, Coprosider is the only producer exporting any of the

¹ *** reported no production of the subject product. The Commission received an unusable response from ***, which accounted for *** percent of total German production of the subject product and *** percent of German exports of the subject product to the United States in 1998.

² *** reported that its production of the subject product in 1998 accounted for *** percent of total German production and that its exports of the subject product accounted for *** percent of all German exports of the subject product to the United States in that year. ***.

Table VII-1

Butt-weld fittings: The subject countries' production capacity, production, shipments, and inventories, 1996-98, January-September 1998, January-September 1999, and projections for 1999-2000

Item	Actual experience					Projections	
	1996	1997	1998	January-September		1999	2000
				1998	1999		
Quantity (1,000 pounds)							
Capacity	7,280	8,713	8,223	6,490	6,821	9,160	9,464
Production	5,912	7,265	7,066	5,254	5,013	6,827	7,621
End of period inventories	3,454	4,094	4,407	4,355	4,140	3,999	3,816
Shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
The United States	2,115	3,234	3,135	2,279	2,796	3,803	3,560
All other markets	1,970	2,150	2,363	1,774	1,545	2,051	2,826
Total exports	4,085	5,384	5,498	4,053	4,340	5,859	6,387
Total shipments	5,659	7,049	7,553	5,593	5,776	7,821	8,466
Ratios and shares (percent)							
Capacity utilization	81.2	83.4	85.9	81.0	73.5	74.5	80.5
Inventories to production	58.4	56.4	62.4	62.2	61.9	58.6	50.1
Inventories to total shipments	61.0	58.1	58.3	58.4	53.8	51.1	45.1
Shares of total quantity of shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
The United States	37.4	45.9	41.5	40.7	48.4	48.7	42.1
All other markets	34.8	30.5	31.3	31.7	26.7	26.2	33.4
Total exports	72.2	76.4	72.8	72.5	75.1	74.9	75.4
Source: Compiled from data submitted in response to Commission questionnaires.							

fittings covered by this investigation into the U.S. in any significant amount. In fact, five of these producers do not even produce these fittings, while the rest produce only a very limited range of the product line and market strictly in Europe.”³

Table VII-2

Butt-weld fittings: Germany’s production capacity, production, shipments, and inventories, 1996-98, January-September 1998, January-September 1999, and projections for 1999-2000

* * * * *

From 1996 to 1998, reported production in Italy increased by *** percent, while exports to the United States decreased by *** percent and exports to other markets increased by *** percent (table VII-3).

Table VII-3

Butt-weld fittings: Italy’s production capacity, production, shipments, and inventories, 1996-98, January-September 1998, January-September 1999, and projections for 1999-2000

* * * * *

The Industry in Malaysia

The petition cited three producers/exporters of butt-weld fittings in Malaysia, ***, and the Commission received usable responses from all of them (table VII-4). These questionnaire respondents are believed to account for virtually 100 percent of Malaysian production and exports of the subject product to the United States. Production capacity and production increased from 1996 to 1998 and are projected to increase in 1999 and 2000. ***. Malaysian exports to the United States increased by *** percent from 1996 to 1998 and are expected to increase again by an additional *** percent from 1998 to 1999.

Table VII-4

Butt-weld fittings: Malaysia’s production capacity, production, shipments, and inventories, 1996-98, January-September 1998, January-September 1999, and projections for 1999-2000

* * * * *

The Industry in the Philippines

The petition cited two producers/exporters of butt-weld fittings in the Philippines, ***. The Commission received responses from both of these foreign producers, which are believed to account for virtually 100 percent of the Philippines’ production and exports of the subject product to the United States (Table VII-5). From 1996 to 1998, production in the Philippines increased by *** percent, exports to the United States increased by *** percent, and end-of-period inventories increased by *** percent, while exports to other markets decreased by *** percent and *** internal consumption and shipments to the home market were made. Capacity, production, and exports to the United States are projected to *** in 1999 and 2000.

³ Conference transcript, p. 77.

Table VII-5

Butt-weld fittings: The Philippines' production capacity, production, shipments, and inventories, 1996-98, January-September 1998, January-September 1999, and projections for 1999-2000

* * * * *

U.S. IMPORTERS' INVENTORIES OF PRODUCT FROM SUBJECT COUNTRIES

Reported inventories held by U.S. importers of subject merchandise from Germany, Italy, Malaysia, and the Philippines are shown in table VII-6. Eight U.S. importers reported end-of-period inventories, four reported no inventories, and two, ***, did not report usable data in terms of inventories.

Table VII-6

Butt-weld fittings: U.S. importers' end-of-period inventories of imports, by source, 1996-98, January-September 1998, and January-September 1999

* * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO SEPTEMBER 30, 1999

The Commission requested importers to indicate whether they imported or arranged for the importation of butt-weld fittings from subject countries after September 30, 1999. Table VII-7 presents the expected imports in the fourth quarter of 1999 and the first quarter of 2000.

Table VII-7

Butt-weld fittings: Expected U.S. imports, by subject country, October-December 1999 and January-March 2000

Subject country	October-December 1999	January-March 2000
<i>Quantity (1,000 pounds)</i>		
Germany	***	***
Italy	***	***
Malaysia	451	***
Philippines	313	***
Total	***	***

Source: Compiled data submitted in response to Commission questionnaires.

DUMPING IN THIRD-COUNTRY MARKETS

Questionnaire respondents reported no knowledge of import relief investigations regarding the subject product in any country other than the United States.

APPENDIX A

***FEDERAL REGISTER* NOTICES**

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-864-867 (Preliminary)]

Certain Stainless Steel Butt-Weld Pipe Fittings From Germany, Italy, Malaysia, Background and the Philippines

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731-TA-864-867 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Germany, Italy, Malaysia, and the Philippines of stainless steel butt-weld pipe fittings, provided for in subheading 7307.23.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by February 14, 2000. The Commission's views are due at the Department of Commerce within five business days thereafter, or by February 22, 2000.

For further information concerning the conduct of these investigations 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 B (19 CFR part 207).

EFFECTIVE DATE: December 29, 1999.

FOR FURTHER INFORMATION CONTACT: D.J. Na (202-708-4727), 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. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>).

SUPPLEMENTARY INFORMATION:

These investigations are being instituted in response to a petition filed on December 29, 1999, by Alloy Piping Products, Inc., Shreveport, LA; Flowline Div. of Markovitz Enterprises, Inc., New Castle, PA; Gerlin, Inc., Carol Stream, IL; and Taylor Forge Stainless, Inc., North Branch, NJ.

Participation in the Investigations and Public Service List

Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the *Federal Register*. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

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 investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven 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.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on January 19, 2000, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact D.J. Na (202-708-4727) not later than January 14, 2000, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written Submissions

As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before January 24, 2000, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

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 title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.12 of the Commission's rules.

Issued: December 30, 1999.

By order of the Commission..

Donna R. Koehnke,
Secretary.

[FR Doc. 00-371 Filed 1-6-00; 8:45 am]
BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-428-827, A-475-828, A-557-809, A-565-801]

Initiation of Antidumping Duty Investigations: Stainless Steel Butt-Weld Pipe Fittings From Germany, Italy, Malaysia and the Philippines

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

EFFECTIVE DATE: January 31, 2000.

FOR FURTHER INFORMATION CONTACT: For Germany: Carrie Blozy or Rick Johnson at (202) 482-0165 and (202) 482-3818, respectively; for Italy, Helen Kramer or Linda Ludwig at (202) 482-0405 and (202) 482-3833, respectively; for Malaysia, Becky Hagen or Rick Johnson at (202) 482-3362 and (202) 482-3818, respectively; for the Philippines, Fred Baker or Robert James at (202) 482-2924 and (202) 482-0649, respectively, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230.

Initiation of Investigations

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at 19 CFR part 351 (1999).

The Petition

On December 29, 1999, the Department of Commerce ("the Department") received a petition on stainless steel butt-weld pipe fittings from Germany, Italy, Malaysia and the Philippines filed in proper form by Alloy Piping Products, Inc., Flowline Division, Markovitz Enterprises, Inc., Gerlin, Inc., and Taylor Forge ("petitioners"). On January 6, 2000, the Department requested clarification of certain areas of the petition and received a response on January 10, 2000.

In accordance with section 732(b) of the Act, petitioners allege that imports of stainless steel butt-weld pipe fittings from Germany, Italy, Malaysia and the Philippines are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring an industry in the United States.

The Department finds that petitioners filed this petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) and (D) of the Act and they have demonstrated sufficient industry support with respect to the antidumping duty investigations they are requesting the Department to initiate (see "Determination of Industry Support for the Petition" below).

Scope of Investigations

For purposes of these investigations, the product covered is certain stainless steel butt-weld pipe fittings. Certain stainless steel butt-weld pipe fittings (pipe fittings) are under 14 inches in outside diameter (based on nominal pipe size), whether finished or unfinished. The product encompasses all grades of stainless steel and "commodity" and "specialty" fittings. Specifically excluded from the definition are threaded, grooved, and bolted fittings, and fittings made from any material other than stainless steel.

The fittings subject to these investigations are generally designated under specification ASTM A403/A403M, the standard specification for Wrought Austenitic Stainless Steel Piping Fittings, or its foreign equivalents (e.g., DIN or JIS specifications). This specification covers two general classes of fittings, WP and CR, of wrought austenitic stainless steel fittings of seamless and welded construction covered by the latest revision of ANSI B16.9, ANSI B16.11, and ANSI B16.28. Pipe fittings manufactured to specification ASTM A774, or its foreign equivalents, are also covered by these investigations.

These investigations do not apply to cast fittings. Cast austenitic stainless steel pipe fittings are covered by specifications A351/A351M, A743/743M, and A744/A744M.

The stainless steel butt-weld pipe fittings subject to these investigations are currently classifiable under subheading 7307.23.0000 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

During our review of the petition, we discussed the scope with the petitioners to insure that the scope in the petition accurately reflects the product for which they are seeking relief. Moreover, as discussed in the preamble to the Department's regulations (62 FR 27323), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments by February 1, 2000. Comments should be addressed to Import Administration's Central Record Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Section 771(4)(A) of the Act defines the "industry" as "the producers of a domestic like product." Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both

the Department and the ITC must apply the same statutory definition regarding the domestic like product (see section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the domestic like product, such differences do not render the decision of either agency contrary to the law.¹

Section 771(10) of the Act defines the domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition. Moreover, petitioners do not offer a definition of domestic like product distinct from the scope of the investigation.

In this case, the domestic like product referred to in the petition is the single domestic like product defined in the "Scope of Investigations" section, above. The Department has no basis on the record to find the petition's definition of the domestic like product to be inaccurate. No comments were received regarding this issue. The Department has, therefore, adopted the domestic like product definition set forth in the petition.

Moreover, the Department has determined that the petition and supplemental information to the petition contain adequate evidence of sufficient industry support; therefore, polling was not necessary. (See Attachment to the Initiation Checklist Re: Industry Support, January 18, 2000.) To the best of the Department's knowledge, producers supporting the petition with respect to each of the four countries represent over 50 percent of total production of the domestic like product. Additionally, no person who would qualify as an interested party pursuant to section 771(9)(A), (C), (D), (E) or (F) of the Act has expressed opposition to the petition.

Accordingly, the Department determines that these petitions are filed on behalf of the domestic industry

¹ See *Algoma Steel Corp., Ltd. v United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

within the meaning of section 732(b)(1) of the Act.

Export Price, Constructed Export Price, and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations.

Petitioners relied upon price data (and in the case of Germany, also cost data) contained in confidential market research reports on Germany, Italy, Malaysia and the Philippines. At our request, petitioners arranged for the Department to contact the authors of the reports to verify the accuracy of the data, the methodologies used to collect the data, and the credentials of those gathering the market research. The Department's discussions with the authors of the market research reports are summarized in the following Memoranda to the File on file in the individual country case files in the Central Records Unit, Room B-099 of the Department:

- January 7, 2000, Telephone Call to Market Research Firm Regarding the AD Petition for Antidumping Investigation of Stainless Steel Butt-weld Pipe Fittings from Germany;
- January 7, 2000, Telephone Call to Market Research Firm Regarding the AD Petition for Antidumping Investigation of Stainless Steel Pipe Fittings from Italy;
- January 12, 2000, Telephone Call to Market Research Firm Regarding the AD Petition for Antidumping Investigation of Stainless Steel Pipe Fittings from Malaysia; and
- January 12, 2000, Telephone Call to Market Research Firm Regarding the AD Petition for Antidumping Investigation of Stainless Steel Pipe Fittings from the Philippines.

The Department has checked the methodologies employed by petitioners in calculating export price, constructed export price, normal value, cost and constructed value, and has not found any discrepancies between petitioners' methodologies and the Department's normal practice.

Germany

Petitioners identified Buttings Edelstahlrohre GMBH, Hage Fittings GMBH ("Hage"), Kremo-Werke Hermanns GMBH ("Kremo"), Nirobo Metal Verarbeitungs GMBH ("Nirobo"), Uhlig-Rohrbogen GMBH ("Uhlig"), and Wilh. Schulz ("Schulz") as the known producers and exporters of subject merchandise from Germany to the United States. With respect to home market viability, credible information provided by the foreign market

researcher showed that home market sales were over 64 times the volume of exports to the United States in 1998 in the aggregate, and that domestic sales by each of the producers/exporters far exceeded exports to the United States. Therefore, the Department concluded that home market sales were sufficient to form a basis for NV, pursuant to section 773(a)(1)(B)(ii)(II) of the Act.

Petitioners obtained home market prices for Schulz, Hage, Kremo, and Nirobo from foreign market research, contemporaneous with the pricing information used as the basis for constructed export price ("CEP"). However, due to the differences in German and U.S. specifications for subject merchandise, petitioners were unable to obtain any products offered for sale to customers in Germany which are either identical or similar to those sold to the United States. Additionally, as further explained below in the "Initiation of Cost Investigation" section, petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of pipe fittings sold in the home market were made at prices below the fully absorbed cost of production ("COP"), within the meaning of section 773(b) of the Act.

Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"), selling, general, and administrative expenses ("SG&A"), including financial expense, and packing costs. To calculate COP, petitioners based COM on their own production experience, adjusted for known differences between costs incurred to produce stainless steel butt-weld pipe fittings in the United States and in Germany using publicly available data (e.g., company brochures, published industry standards, published industry statistics, trade journals, etc.) and foreign market research. The foreign market research provided information on the cost of raw materials in the home market. To calculate the SG&A components of COP, petitioners relied upon the information contained in the financial statements of a German stainless steel butt-weld pipe fittings producer. Petitioners excluded packing from the calculation because they lacked the information to calculate an amount. We found this omission reasonable and conservative. After review, we relied on the cost data contained in the petition.

Based on our analysis, certain of the home market sales reported in the petition were shown to be made at prices below the cost of production (see Initiation of Cost Investigation, below). Therefore, petitioners based NV on the

constructed value ("CV"), pursuant to sections 773(a)(4) and 773(e) of the Act. Pursuant to section 773(e) of the Act, CV consists of the COM, SG&A expenses, packing costs and profit of the merchandise. To calculate the COM, SG&A expenses, and packing costs for CV, petitioners followed the same methodology used to determine COP. We confirmed that this methodology was consistent with the statute. Petitioners also added to CV an amount for profit, pursuant to section 773(e)(2) of the Act. Profit was based upon the aforementioned German producer's financial statements.

Petitioners based CEP on six contemporaneous U.S. sales by Schulz to an unaffiliated purchaser. The terms of sale were f.o.b. Schulz U.S.A.'s (Schulz's subsidiary) warehouse. Petitioners calculated a net U.S. price for each sale by subtracting estimated costs for shipment from the factory in Germany to the port of export in Germany. Also, petitioners subtracted ocean freight and insurance, an amount for import duties based on the 1999 import duty rate of five percent of dutiable value, amounts for the U.S. harbor maintenance fee of 0.125 percent of dutiable value and the U.S. merchandise processing fee of 0.21 percent of dutiable value,² and U.S. inland freight costs from the port to Schulz U.S.A.'s warehouse. Finally, petitioners deducted U.S. indirect selling expenses incurred by Schulz U.S.A., Schulz's subsidiary in Houston, Texas, based on a petitioning firm's expenses.

Petitioners estimated dumping margins ranging from 8.35 percent to 76.24 percent. Should the need arise to use as facts available under section 776 of the Act any of this information in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

Initiation of Cost Investigation

As noted above, pursuant to section 773(b) of the Act, petitioners provided specific factual information demonstrating reasonable grounds to believe or suspect that sales in the German home market were made at prices below the fully absorbed COP and, accordingly, requested that the Department conduct a country-wide sales-below-COP investigation in connection with the requested antidumping investigation for Germany. The Statement of Administrative Action accompanying the URAA, H.R. Doc.

² See supplement to petition dated January 10, 2000, Exhibit G-8b.

103-412 ("SAA"), at 833, states that an allegation of sales below COP need not be specific to individual exporters or producers. According to the SAA, "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of initiating an antidumping investigation." *Id.*

Further, the SAA provides that:

new section 773(b)(2)(A) retains the current requirement that Commerce have 'reasonable grounds to believe or suspect' that below cost sales have occurred before initiating such an investigation. 'Reasonable grounds' * * * exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices.

Id. Based upon the comparison of the adjusted prices from the petition for the representative foreign like products to their costs of production as discussed above, we find the existence of "reasonable grounds to believe or suspect" that sales of the foreign like product in Germany were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating the requested country-wide cost investigation. (See country-specific section above and cost attachment to the initiation checklist.)

Italy

Petitioners identified Bassi Luigi & Co., Coprosider S.p.A., Curvinox, Gam Raccordi S.p.A., Nuova Steelcom S.r.L., Rivit S.p.A., and Vignatti Fitting S.r.L. as the known producers and exporters of the subject merchandise to the United States. Petitioners based NV on Italian home market prices. The foreign market researcher provided prices for sales by Coprosider S.p.A. to unaffiliated customers in Italy contemporaneous with the U.S. sales. With respect to home market viability, credible information provided by the foreign market researcher showed that home market sales were over 46 times the volume of exports to the United States in 1998 in the aggregate, and that domestic sales by each of the producers/exporters far exceeded exports to the United States. Therefore, the Department concluded that home market sales were sufficient to form a basis for NV, pursuant to section 773(a)(1)(B)(ii)(II) of the Act.

Petitioners calculated net prices for sales in Italy by subtracting from the reported gross prices imputed credit expenses, based on the average payment period of 60 days reported by the

foreign market researcher and the average lending rate in Italy during the period of investigation ("POI") of six percent, calculated from rates published in International Financial Statistics.

Given that the foreign market researcher reported that the prices did not include delivery, petitioners did not deduct inland freight rates from the reported home market gross prices. In addition, they did not adjust the reported prices for differences in packing costs, adopting the conservative position that packing costs were the same for home market and U.S. sales.³

Petitioners converted home market prices quoted in lira per piece to U.S. dollars per piece by using the Euro/U.S. dollar exchange rate in effect multiplied by a fixed conversion rate for Italian lira/Euro during the period in which the U.S. sale occurred. The source for the exchange rates was the Federal Reserve Bulletin.

Petitioners based export price ("EP") on U.S. price quotes for pipe fittings manufactured by Coprosider offered for sale to an unaffiliated U.S. purchaser during the POI, prior to the date of importation. This information was obtained from a confidential source, attested to by an affidavit. Petitioners selected pipe fittings with specifications commonly exported to the United States. The terms of sale were CIF New Jersey, import duty paid. Petitioners subtracted estimated costs incurred to transport the subject merchandise from the factory to the port of export, as provided by the foreign market researcher. In addition, petitioners deducted a sales discount granted by the importer.

Petitioners estimated the cost of international freight based upon the difference between the CIF and U.S. Customs values reported in the official import statistics for January-September 1999. In addition, petitioners subtracted an amount for import duties based on the 1999 import duty rate of five percent of dutiable value, and amounts for the U.S. harbor maintenance fee of 0.125 percent of dutiable value and the U.S. merchandise processing fee of 0.21 percent of dutiable value. See supplement to petition, dated January 11, 2000.

Petitioners estimated dumping margins ranging from 61.41 percent to 86.88 percent. See supplement to petition dated January 11, 2000. Should the need arise to use, as facts available under section 776 of the Act, any of this information in our preliminary or final

³ Export packing for steel products is normally more expensive than the packing required for domestic transportation.

determination, we may re-examine the information and revise the margin calculations, if appropriate.

Malaysia

Petitioners identified Amalgamated Industrial Stainless Steel, Schulz Malaysia, and Kanzen Tetsu as the known producers and exporters of the subject merchandise to the United States. Petitioners based NV on Malaysian home market prices. With respect to home market viability, petitioners concluded, based on information provided by the foreign market researcher and attested to by an affidavit, that each of the three companies had home market sales of pipe fittings greater than five percent of each company's respective exports to the United States and, therefore, the volume of home market sales was sufficient to form a basis for NV pursuant to section 773(a)(1)(B)(ii)(II) of the Act. See Declaration of (Foreign Market Researcher) Regarding Sales in Malaysia of Stainless Steel Butt-Weld Pipe Fittings, Exhibit 1 of petitioners' January 3, 2000 submission.

The foreign market researcher provided prices for sales to unaffiliated customers in Malaysia. Petitioners calculated net prices for sales in Malaysia by subtracting from the reported gross prices average freight costs and imputed credit expenses, the latter being based on the average payment period of 30 days reported by the foreign market researcher and the average lending rate in Malaysia during the POI of 7.64 percent, calculated from rates published in International Financial Statistics. Because the home market prices were obtained from end users, petitioners also subtracted a distributor mark-up of four percent from the normal value, which was based on foreign market research. Petitioners did not adjust the reported prices for differences in packing costs. See footnote 3, above. Finally, petitioners converted the home market prices from Malaysian Ringgits to U.S. dollars based on the average exchange rate of the month in which the U.S. sale took place, as published in the Federal Reserve Bulletin.

Petitioners based U.S. price (in this case, EP) on sales to an unaffiliated U.S. purchaser by Kanzen Tetsu during the first and second quarters of 1999 prior to the date of importation, as obtained from a confidential source, attested to by an affidavit. The petitioners selected pipe fittings with specifications commonly exported to the United States. The terms of sale were delivered, duty paid, to the U.S. customers. Petitioners subtracted estimated costs

incurred to transport the subject merchandise from the factory to the port of export, as provided by the foreign market researcher.

Petitioners estimated the cost of international freight based upon the difference between the CIF and U.S. Customs values reported in the official import statistics for January-September 1999. In addition, petitioners subtracted an amount for import duties based on the 1999 import duty rate of five percent of dutiable value, and amounts for the U.S. harbor maintenance fee of 0.125 percent of dutiable value and the U.S. merchandise processing fee of 0.21 percent of dutiable value. See supplement to petition dated January 10, 2000. Finally, petitioners subtracted a markup included in the reported price, as obtained from a confidential source, attested to by an affidavit.

Petitioners estimated dumping margins ranging from 39.6 to 60.1 percent. Should the need arise to use, as facts available under section 776 of the Act, any of this information in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

The Philippines

Petitioners identified two Philippine exporters and producers of stainless steel butt-weld pipe fittings: Enlin Steel Corporation ("Enlin") and Tung Fong Industrial Co., Inc. ("Tung Fong"). Petitioners noted that, to the best of their knowledge, these two companies accounted for one hundred percent of the exports of subject merchandise from the Philippines. Petitioners obtained price quotes from Enlin and Tung Fong for stainless steel butt-weld pipe fittings offered for sale to customers in the Philippines which were similar to those sold to the United States. Petitioners adjusted these prices for estimated freight costs and a distributor markup of five percent, since the sales prices were obtained from end-users. Petitioners did not calculate an imputed credit expense for the home market sales because the terms of payment were payment before delivery or cash on delivery. In addition, petitioners did not adjust the reported prices for differences in packing costs. See footnote 3, above. Finally, petitioners converted the home market prices from Philippine pesos to U.S. dollars based on the average exchange rate of the month in which the U.S. sale took place, as published in International Financial Statistics.

With respect to home market viability, petitioners determined, based on information provided by a foreign market researcher, that the volume of

Philippine home market sales was sufficient to form a basis for NV pursuant to section 773(a)(1)(B)(ii)(II) of the Act.

Petitioners based EP for Tung Fong on either duty-paid, CIF price quotes made by Tung Fong to unaffiliated U.S. distributors or on ex-work sales. Petitioners based EP for Enlin on duty-paid CIF price quotes. For the U.S. sales whose terms were CIF duty paid, the petitioners made deductions for foreign inland freight, international freight and insurance, U.S. import duties, and imputed credit. For the ex-works sales, petitioners made adjustments for imputed credit. For sales made through distributors, petitioners made a deduction for the U.S. distributor's markup.

Petitioners estimated foreign inland freight based on freight rate and distance information provided by a foreign market researcher. They estimated international freight and insurance by calculating the difference between the CIF and U.S. Customs values reported in the official import statistics for January through September, 1999. They calculated the import duties based on the 1999 import duty rate of five percent of dutiable value. In addition, petitioners subtracted amounts for the U.S. harbor maintenance fee of 0.125 percent of dutiable value and the U.S. merchandise processing fee of 0.21 percent of dutiable value. See supplement to petition dated January 10, 2000, Exhibit P-1.

Petitioners calculated imputed credit expenses based on the average payment period of 90 days for sales made by Tung Fong and 30 days for sales made by Enlin, and the average lending rate in the United States of 7.88 percent for the POI as published in International Financial Statistics. They calculated the distributor's percentage markup based on the domestic industry's knowledge of the channels of distribution in the United States.

Petitioners estimated dumping margins ranging from 18.24 percent to 60.17 percent. Should the need arise to use as facts available under section 776 of the Act any of this information in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

Allegations and Evidence of Material Injury and Causation

The petition alleges that the U.S. industry producing the domestic like product is being materially injured, and is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold

at less than NV. Petitioners explained that the industry's injured condition is evident in the declining trends in (1) U.S. market share, (2) average unit sales values, (3) share of domestic consumption, (4) operating income, (5) employment, (6) output, (7) sales, and (8) capacity utilization.

The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, lost sales, and pricing information. The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are supported by accurate and adequate evidence and meet the statutory requirements for initiation (see Attachments to Initiation Checklist, Re: Material Injury, January 18, 2000).

Initiation of Antidumping Investigations

Based upon our examination of the petition on pipe fittings from Germany, Italy, Malaysia and the Philippines, we find that the petition meets the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of pipe fittings from Germany, Italy, Malaysia and the Philippines are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of Germany, Italy, Malaysia and the Philippines. We will attempt to provide a copy of the public versions of each petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determinations by the ITC

The ITC will determine, by no later than February 14, 2000, whether there is a reasonable indication that imports of pipe fittings from Germany, Italy, Malaysia and the Philippines are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in these investigations being terminated; otherwise, these

investigations will proceed according to statutory and regulatory time limits.

This notice is published pursuant to section 777(i) of the Act.

Dated: January 18, 2000.

Robert S. LaRussa,

*Assistant Secretary for Import
Administration.*

[FR Doc. 00-2015 Filed 1-28-00; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B
CALENDAR OF THE COMMISSION'S CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Certain Stainless Steel Butt-Weld Pipe Fittings from
Germany, Italy, Malaysia, and The Philippines

Invs. Nos.: 731-TA-864-867 (Preliminary)

Date and Time: January 19, 2000 - 9:30 a.m.

Sessions were held in connection with these investigations in Courtroom B, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Georgetown Economic Services
Washington, DC
on behalf of

Alloy Piping Products, Inc.
Flowline Division of Markovitz Enterprises, Inc.
Gerlin, Inc.
Taylor Forge Stainless, Inc.

Thomas A. Barfield, Jr., President, Alloy Piping Products, Inc.
Ron Brown, Director Emeritus, Alloy Piping Products, Inc.
Phillip C. Mavrich, President, Flowline Division of Markovitz Enterprises, Inc.
Jack Sharkey, Executive Vice President, Gerlin, Inc.

Michael T. Kerwin)
John M. Gloninger)
Joanna Schlesinger) --REPRESENTATIVES OF PETITIONERS
John M. Ascienzo)

In Opposition to the Imposition of Antidumping Duties:

Davis & Leiman P.C.
Washington, DC
on behalf of

Wilh. Schulz GmbH and Schulz (Mfg.) Sdn. Bhd.

John Dale, Vice President, Schulz USA

Mark D. Davis--OF COUNSEL

In Opposition to the Imposition of Antidumping Duties--Continued

Grunfeld, Desiderio, Lebowitz & Silverman LLP
New York, NY
on behalf of

Silbo Industries, Inc.

Howard Jacob, Executive Vice President, Silbo Industries, Inc.

Max F. Schutzman--OF COUNSEL

Manatt Phelps Phillips
Washington, DC
on behalf of

Coprosider/IBF
Norca Industrial Co. LLC

Bob Blumenkranz, General Manager, Norca Industrial Co. LLC

David R. Amerine--OF COUNSEL

White & Case
Washington, DC
on behalf of

Kanzen Tetsu Sdn. Bhd.

Richard King--OF COUNSEL

Capital Trade
Washington, DC
on behalf of

Wilh. Schulz GmbH and Schulz (Mfg.) Sdn. Bhd
Kanzen Tetsu Sdn. Bhd.

Daniel Klett--ECONOMIST

APPENDIX C
SUMMARY DATA

Table C-1

Butt-weld fittings: Summary data concerning the U.S. market, 1996-98, January-September 1998, and January-September 1999

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	1996	1997	1998	January-September		1996-98	1996-97	1997-98	Jan.-Sept. 1998-99
				1998	1999				
U.S. consumption quantity:									
Amount	9,991	10,987	11,241	8,608	9,272	12.5	10.0	2.3	7.7
Producers' share (1)	57.5	55.3	53.7	53.4	55.7	-3.8	-2.2	-1.6	2.3
Importers' share (1):									
Germany									
Italy		*	*	*	*	*	*	*	
Malaysia									
Philippines									
Subtotal	21.8	26.0	27.7	28.0	26.1	5.9	4.2	1.7	-1.9
Other sources	20.7	18.7	18.5	18.5	18.2	-2.1	-2.0	-0.1	-0.3
Total imports	42.5	44.7	46.3	46.6	44.3	3.8	2.2	1.6	-2.3
U.S. consumption value:									
Amount	80,655	79,810	71,121	55,084	47,522	-11.8	-1.0	-10.9	-13.7
Producers' share (1)	76.1	71.9	67.9	66.7	67.3	-8.2	-4.2	-4.0	0.6
Importers' share (1):									
Germany									
Italy		*	*	*	*	*	*	*	
Malaysia									
Philippines									
Subtotal	14.4	16.3	18.2	19.1	18.8	3.8	1.9	1.9	-0.2
Other sources	9.6	11.8	14.0	14.2	13.9	4.4	2.3	2.1	-0.4
Total imports	23.9	28.1	32.1	33.3	32.7	8.2	4.2	4.0	-0.6
U.S. shipments of imports from:									
Germany:									
Quantity		*	*	*	*	*	*	*	
Value									
Unit value									
Ending inventory quantity									
Italy:									
Quantity		*	*	*	*	*	*	*	
Value									
Unit value									
Ending inventory quantity									
Malaysia:									
Quantity		*	*	*	*	*	*	*	
Value									
Unit value									
Ending inventory quantity									
Philippines:									
Quantity		*	*	*	*	*	*	*	
Value									
Unit value									
Ending inventory quantity									
Subtotal:									
Quantity	2,179	2,862	3,118	2,413	2,422	43.1	31.3	9.0	0.4
Value	11,600	13,008	12,920	10,500	8,950	11.4	12.1	-0.7	-14.8
Unit value	\$5.37	\$4.58	\$4.34	\$4.47	\$3.61	-19.1	-14.6	-5.2	-14.8
Ending inventory quantity		*	*	*	*	*	*	*	
Other sources:									
Quantity	2,064	2,050	2,083	1,594	1,685	0.9	-0.7	1.6	5.7
Value	7,711	9,447	9,925	7,830	6,584	28.7	22.5	5.1	-15.9
Unit value	\$3.87	\$4.87	\$5.18	\$5.40	\$4.20	33.8	25.7	6.4	-22.2
Ending inventory quantity		*	*	*	*	*	*	*	
All sources:									
Quantity	4,244	4,911	5,201	4,007	4,107	22.5	15.7	5.9	2.5
Value	19,311	22,455	22,844	18,330	15,534	18.3	16.3	1.7	-15.3
Unit value	\$4.73	\$4.68	\$4.65	\$4.80	\$3.95	-1.6	-0.9	-0.7	-17.7
Ending inventory quantity		*	*	*	*	*	*	*	

Table continued on next page.

Table C-1—Continued

Butt-weld fittings: Summary data concerning the U.S. market, 1996-98, January-September 1998, and January-September 1999

(Quantity=1,000 pounds, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per pound; period changes=percent, except where noted)

Item	Reported data					Period changes			
	1996	1997	1998	January-September		1996-98	1996-97	1997-98	Jan.-Sept. 1998-99
U.S. producers:									
Average capacity quantity	10,399	11,317	11,913	8,938	9,751	14.6	8.8	5.3	9.1
Production quantity	5,793	6,349	6,129	4,657	5,257	5.8	9.6	-3.5	12.9
Capacity utilization (1)	55.7	56.1	51.4	52.1	53.9	-4.3	0.4	-4.7	1.8
U.S. shipments:									
Quantity	5,748	6,076	6,041	4,601	5,165	5.1	5.7	-0.6	12.3
Value	61,344	57,355	48,277	36,754	31,988	-21.3	-6.5	-15.8	-13.0
Unit value	\$10.67	\$9.44	\$7.99	\$7.99	\$6.19	-25.1	-11.6	-15.3	-22.5
Export shipments:									
Quantity	101	138	242	196	107	140.4	36.5	76.1	-45.4
Value	1,254	1,367	2,156	1,813	903	71.9	9.0	57.7	-50.2
Unit value	\$12.44	\$9.93	\$8.90	\$9.25	\$8.44	-28.5	-20.1	-10.4	-8.8
Ending inventory quantity	1,678	1,740	1,709	1,642	1,799	1.8	3.7	-1.8	9.6
Inventories/total shipments (1)	28.7	28.0	27.2	25.7	25.6	-1.5	-0.7	-0.8	-0.1
Production workers	530	549	491	489	449	-7.4	3.6	-10.6	-8.2
Hours worked (1,000s)	885	929	796	602	568	-10.0	5.0	-14.3	-5.6
Wages paid (\$1,000s)	9,149	9,950	9,018	6,703	6,655	-1.4	8.8	-9.4	-0.7
Hourly wages	\$10.34	\$10.71	\$11.33	\$11.13	\$11.72	9.6	3.6	5.8	5.2
Productivity (pounds per hour)	5.6	5.8	6.1	6.2	6.9	10.0	4.9	4.9	12.0
Unit labor costs	\$1.85	\$1.83	\$1.85	\$1.80	\$1.69	-0.4	-1.2	0.8	-6.1
Net sales:									
Quantity	6,355	5,902	6,473	4,468	5,198	1.9	-7.1	9.7	16.3
Value	63,657	53,285	48,241	35,807	32,611	-24.2	-16.3	-9.5	-8.9
Unit value	\$10.02	\$9.03	\$7.45	\$8.01	\$6.27	-25.6	-9.9	-17.5	-21.7
Cost of goods sold (COGS)	42,205	37,016	35,653	26,284	27,086	-15.5	-12.3	-3.7	3.1
Gross profit or (loss)	21,452	16,269	12,588	9,523	5,525	-41.3	-24.2	-22.6	-42.0
SG&A expenses	9,378	9,684	8,646	6,657	6,459	-7.8	3.3	-10.7	-3.0
Operating income or (loss)	12,074	6,585	3,942	2,866	(934)	-67.3	-45.5	-40.1	(3)
Capital expenditures	709	683	1,171	974	726	65.2	-3.7	71.4	-25.5
Unit COGS	\$6.64	\$6.27	\$5.51	\$5.88	\$5.21	-17.1	-5.6	-12.2	-11.4
Unit SG&A expenses	\$1.48	\$1.64	\$1.34	\$1.49	\$1.24	-9.5	11.2	-18.6	-16.6
Unit operating income or (loss)	\$1.90	\$1.12	\$0.61	\$0.64	(\$0.18)	-67.9	-41.3	-45.4	(3)
COGS/sales (1)	66.3	69.5	73.9	73.4	83.1	7.6	3.2	4.4	9.7
Operating income or (loss)/ sales (1)	19.0	12.4	8.2	8.0	-2.9	-10.8	-6.6	-4.2	-10.9

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Not applicable.

(3) Undefined.

Note.—Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis.

Source: Compiled from data submitted in response to Commission questionnaires.

APPENDIX D

U.S. DEPARTMENT OF COMMERCE OFFICIAL STATISTICS

Table D-1

Butt-weld fittings: U.S. imports, by source, 1996-98 and January-September 1998-99

Source	1996	1997	1998	January-September	
				1998	1999
Quantity (1,000 pounds)					
Germany	405	893	372	311	567
Italy	314	833	727	518	734
Malaysia	1,238	1,248	1,618	1,189	1,167
Philippines	378	591	491	434	553
Subtotal	2,335	3,565	3,207	2,452	3,021
All other	5,302	6,859	5,080	4,191	3,926
Total	7,638	10,425	8,288	6,643	6,947
Value (\$1,000)					
Germany	3,382	4,153	2,318	1,812	1,978
Italy	2,229	3,534	2,126	1,649	2,605
Malaysia	5,521	5,325	4,424	3,376	2,986
Philippines	1,547	1,914	1,585	1,343	1,722
Subtotal	12,679	14,925	10,454	8,180	9,292
All other	34,480	33,936	23,285	19,250	25,159
Total	47,160	48,861	33,738	27,429	34,451
Unit value (per pound)					
Germany	\$8.35	\$4.65	\$6.24	\$5.83	\$3.49
Italy	7.10	4.24	2.93	3.18	3.55
Malaysia	4.46	4.27	2.73	2.84	2.56
Philippines	4.09	3.24	3.23	3.09	3.11
Average	5.43	4.19	3.26	3.34	3.08
All other	6.50	4.95	4.58	4.59	6.41
Average	6.17	4.69	4.07	4.13	4.96

Note.--Presented values are landed duty-paid values.

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

APPENDIX E

**EFFECTS OF IMPORTS ON PRODUCERS' EXISTING DEVELOPMENT
AND PRODUCTION EFFORTS, GROWTH, INVESTMENT,
AND ABILITY TO RAISE CAPITAL**

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of butt-weld fittings from Germany, Italy, Malaysia, and/or the Philippines on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product).

Actual Negative Effects

The majority of responding producers stated that they had experienced actual negative effects as a result of butt-weld fittings imports from the above-referenced countries. Summarized excerpts from producer responses reporting actual negative effects are provided below. (Note: Statements that are not in quotes reflect items checked in section III-8 of the questionnaire.)

- ***: "Actual loss of previous purchase orders to supply fittings -- due to extreme low price of import items."
- ***: Reduction in the size of capital investments; lowering of credit rating.
- ***: Reduction in the size of capital investments; lowering of credit rating.
- ***: Denial/rejection of investment proposal; reduction in the size of capital investments; lowering of credit rating.
- ***: No actual negative effects.
- ***: Cancellation/rejection of expansion project; reduction in the size of capital investments.
- ***: Reduction in the size of capital investments.

Anticipated Negative Effects

The majority of responding producers stated that they also anticipate negative effects as a result of imports of butt-weld fittings imports from the above-referenced countries. Narrative excerpts from producer responses reporting anticipated negative effects are provided below.

- ***: "As the U.S. economy remains strong versus other countries, we anticipate more dumping in this country, our competitors are reducing employees to keep up with falling demand due to overabundance of cheaper import fittings."
- ***: "Reduced ability to grow our business, replace aging equipment due to reduced profitability."
- ***: "Price deterioration."
- ***: "All of the above {referenced countries} are exporting product into ***'s market at pricing levels below Fair Market Value."
- ***: No anticipated negative impact.
- ***: "Prices will remain depressed as long as imports continue. We would expect more of a production shift away from this product line if the flooding of imports continues."
- ***: "We expect price declines to continue and sales and profitability to fall further."

