

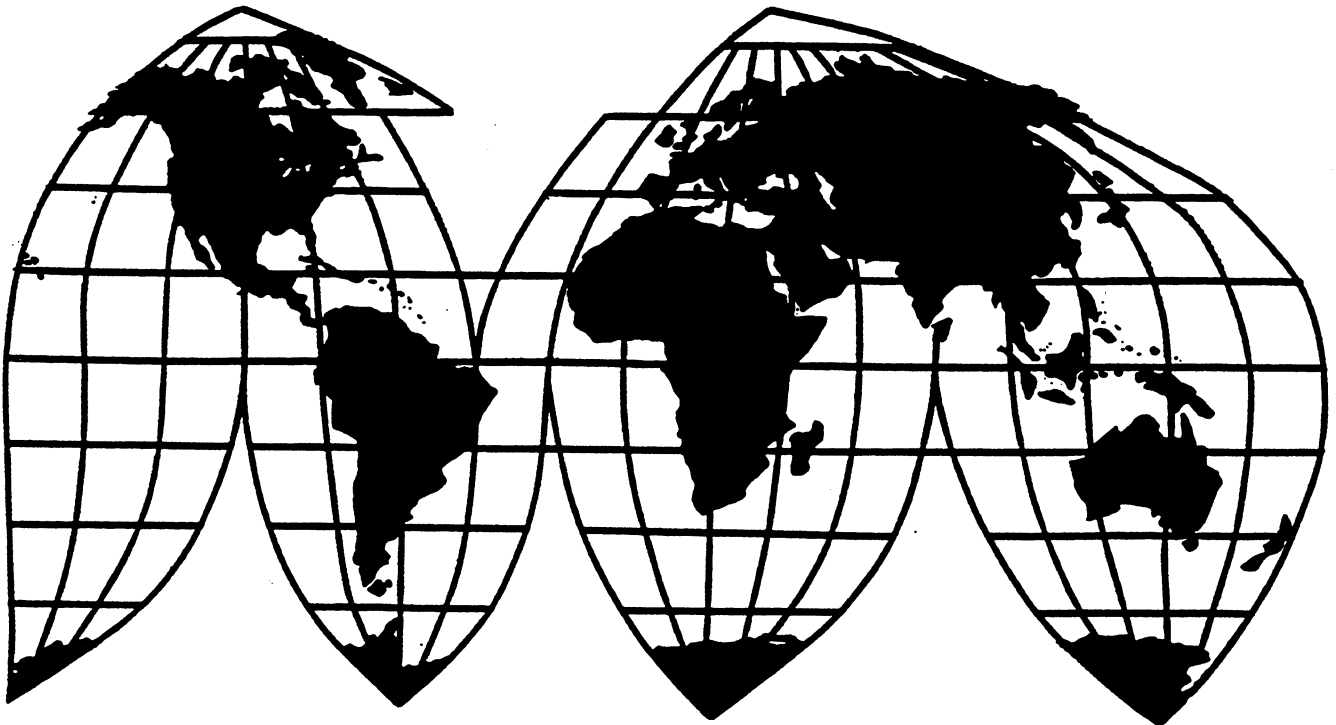
Clad Steel Plate from Japan

Investigation No. 731-TA-739 (Preliminary)

Publication 2936

November 1995

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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 asterisks.

GLOSSARY OF ABBREVIATIONS

Ametek	Ametek, Inc.
ASTM	American Society for Testing and Materials
COGS	Cost of goods sold
Commerce	U.S. Department of Commerce
Commission	U.S. International Trade Commission
Creusot	Creusot-Marrel, Inc.
Customs	U.S. Customs Service
DuPont	E.I. DuPont de Nemours & Company
Dynamic	Dynamic Materials Corporation
EAF	Electric arc furnace
HTS	Harmonized Tariff Schedule
Itochu	Itochu Pipe & Tube, Inc.
JSW	Japan Steel Works
JSWA	Japan Steel Works America, Inc.
Kawasaki	Kawasaki Steel Corporation
LTFV	Less than fair value
Lukens	Lukens Steel Company
MFN	Most-favored-nation
MITI	Ministry of International Trade and Industry
Mitsui	Mitsui & Company (U.S.A.), Inc.
Nippon	Nippon Steel Corporation
NKK	NKK Corporation
Okura	Okura & Company (America), Inc.
Phoenix	Phoenix Steel Corporation
PRW	Production and related worker
SG&A expenses	Selling, general, and administrative expenses
Sumitomo	Sumitomo Corporation of America
TIB	Temporary import bond
Vessel	Vessel Clads, Inc.
Voest-Alpine	Voest-Alpine Stahl Linz

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-739 (Preliminary)

CLAD STEEL PLATE FROM JAPAN

Determination

On the basis of the record¹ developed in the subject investigation, the 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 Japan of clad steel plate, provided for in subheading 7210.90.10 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).

Background

On September 29, 1995, a petition was filed with the Commission and the Department of Commerce by Lukens Steel Company, Coatesville, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of clad steel plate from Japan. Accordingly, effective September 29, 1995, the Commission instituted antidumping investigation No. 731-TA-739 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of October 10, 1995 (60 F.R. 52688). The conference was held in Washington, DC, on October 20, 1995, 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)).

VIEWS OF THE COMMISSION

Based on the record in this preliminary investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of clad steel plate from Japan that are alleged to be sold in the United States at less than fair value ("LTFV").^{1 2}

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard in preliminary antidumping investigations 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, or threatened with material injury, by reason of the allegedly LTFV imports.³ 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."⁴

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

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 the subject imports, the Commission first defines the "domestic like product" and the "industry."⁵ Section 771(4)(A) of the Act defines the relevant industry as the "producers as a [w]hole 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."⁶ 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. . . ."⁷

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.⁸ No single factor is dispositive, and the

¹ Whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded is not an issue in this investigation.

² This investigation is subject to the Uruguay Round Agreements Act ("URAA") amendments to the Tariff Act of 1930 ("the Act"), P.L. 103-465, approved Dec. 8, 1994, 108 Stat. 4809, 19 U.S.C. § 1671 *et seq.*, as amended.

³ 19 U.S.C. § 1673b(a); *see also American Lamb Co. v. United States*, 785 F.2d 994 (Fed. Cir. 1986); *Calabrian Corp. v. United States*, 794 F.Supp. 377, 381 (Ct. Int'l Trade 1992).

⁴ *American Lamb* 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

⁵ 19 U.S.C. § 1677(4)(A).

⁶ 19 U.S.C. § 1677(4)(A).

⁷ 19 U.S.C. § 1677(10).

⁸ *See, e.g., Nippon Steel Corp. v. United States*, 19 CIT__, Slip Op. 95-57 at 11 (Apr. 3, 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 (continued...)")

Commission may consider other factors it deems relevant based on the facts of a particular investigation.⁹ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.¹⁰

In its notice of initiation, the Department of Commerce has defined the imported article subject to this investigation as:

all clad steel plate of a width of 600 millimeters ("mm") or more and a composite thickness of 4.5 mm or more. Clad steel plate is a rectangular finished steel mill product consisting of a layer of cladding material (usually stainless steel or nickel) which is metallurgically bonded to a base or backing of ferrous metal (usually carbon or low alloy steel) where the latter predominates by weight.^{11 12}

Producers of clad steel plate utilize either a roll-bonding process, an explosion-bonding process, or a combination of the two to create a metallurgical bond across the entire joined surface of the base metal and the cladding alloy.¹³ The cladding layer of stainless steel, nickel or other high-value corrosion-resistant metals generally constitutes between 10 and 20 percent of the plate's composite thickness.¹⁴ The integral bonding of the two metals causes the clad plate to act like a single homogeneous plate.¹⁵ The purchaser thus receives the advantage of the corrosion-resistant cladding at a considerably lower price than would be paid for a plate of solid stainless steel or nickel, while also benefitting from the strength of the carbon steel backing.¹⁶ The principal uses for clad plate are in pressure vessels used in

⁸ (...continued)

at issue' and the 'unique facts of each case'). In analyzing domestic like product issues, the Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Aramide Mattschappi, V.O.F. v. United States, 19 CIT__, Slip Op. 95-113 at 4 (June 19, 1995); Calabrian Corp. v. United States, 794 F. Supp. 377, 382 n.4 (Ct. Int'l Trade 1992).

⁹ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

¹⁰ Torrington, 747 F. Supp. at 748-49.

¹¹ Initiation of Antidumping Duty Investigation: Clad Steel Plate from Japan, 60 Fed. Reg. 54666 (Oct. 25, 1995). The initiation notice further states: "Stainless clad steel plate is manufactured to American Society for Testing Materials ("ASTM") specifications A263 (400 series stainless types) and A264 (300 series stainless types). Nickel and nickel-base alloy clad steel plate is manufactured to ASTM specification A265. . . . Clad steel plate within the scope of this investigation is classifiable under the Harmonized Tariff Schedule of the United States ("HTSUS") 7210.90.10.00." Id.

¹² Commissioner Newquist notes that in Certain Flat-Rolled Carbon Steel Products, USITC Pub. 2664 (Aug. 1993), he found a like product consisting of corrosion-resistant flat-rolled carbon steel products, including clad steel plate. Here, because Commerce's scope is substantially narrower, Commissioner Newquist does not expand the like product definition to include all corrosion-resistant flat-rolled carbon steel products. Commissioner Newquist also notes that in Certain Flat-Rolled Carbon Steel Products, unlike his colleagues, he made an affirmative determination with regard to corrosion-resistant flat-rolled carbon steel products from Japan.

¹³ Confidential Report at I-4-I-6 ("CR"), Public Report at I-3 ("PR").

¹⁴ CR at I-2-I-3, PR at I-2.

¹⁵ CR at I-4-I-6, PR at I-3.

¹⁶ CR at I-3, PR at I-2; Petition at 4; Transcript of Commission Staff Conference (Oct. 20, 1995) at 10, 26 ("Conf. Tr.").

the oil and gas, pulp and paper and similar industries; in flue gas desulfurization equipment for electrical utilities; in the holds of ships carrying corrosive cargoes; in bridge bearing plates; and in pipes.¹⁷

For purposes of this preliminary investigation, both petitioner Lukens Steel Company ("Lukens") and respondent Japan Steel Works, Ltd. ("JSW") agree that the domestic like product should be coextensive with the scope of investigation established by Commerce.¹⁸ We find no basis on the present record to define the domestic like product more broadly to include clad plate less than 600 mm wide or less than 4.5 mm thick.¹⁹ We similarly find no basis for treating stainless steel clad plate as a separate domestic like product from plate clad with other alloys.²⁰ We therefore find a single domestic like product consisting of all clad plate at least 600 mm in width and at least 4.5 mm in thickness, regardless of cladding alloy.²¹ Accordingly, we determine that the domestic industry consists of the five known domestic producers of clad steel plate at least 600 mm wide and at least 4.5 mm thick.²²

III. CONDITION OF THE DOMESTIC INDUSTRY

In assessing whether there is a reasonable indication that the domestic industry is materially injured or threatened with material injury by reason of allegedly LTFV imports, we consider all relevant economic factors that bear on the state of the industry in the United

¹⁷ CR at I-3-I-4, PR at I-2.

¹⁸ Conf. Tr. at 36-39, 80-82; Petitioner's Postconference Brief at 6-7; Respondent's Postconference Brief at 3.

¹⁹ The evidence available in this preliminary investigation indicates that clad plate less than 600 mm wide and/or less than 4.5 mm thick serves different end uses than thicker and wider clad plate. Specifically, the narrow, thin plate tends to be used in cookware, coinage and electrical applications. CR at I-6, PR at I-3; Conf. Tr. at 37-39. Thin, narrow clad plate is generally clad on both sides, while petitioner's product is seldom double-sided. Conf. Tr. at 39. In addition, the thin, narrow plate is produced on strip mills, rather than on plate mills or in explosion bonding facilities. CR at I-6, PR at I-3; Conf. Tr. at 37 and 39. Finally, both producers and purchasers consider plate products to be limited to those 3/16 inches (4.5 mm) thick and above, while thinner products are considered clad sheet. Conf. Tr. at 39-40, 50.

²⁰ Plate clad with stainless steel and plate clad with other alloys are both produced using the same machinery and employees and have the same end uses. Conf. Tr. at 41-44. Moreover, process vessel designers view the various cladding alloys as interchangeable, in the sense that they will consider multiple alloys for the same project based on cost, performance and design variations. Conf. Tr. at 34, 80-82. We therefore find no clear dividing line between stainless steel clad plate and steel plate clad with other alloys, such as nickel.

²¹ This is consistent with the Commission's definition of the like product in the recent Flat-Rolled Products investigations. In those investigations, we found that clad steel plate at least 3/16 inch (approximately 4.5 mm) in thickness was a separate like product from other corrosion-resistant flat-rolled steel products. See Certain Flat-Rolled Carbon Steel Products, Invs. Nos. 701-TA-319-332, 334, 336-342, 344 and 347-53, and 731-TA-573-79, 581-92, 594-97, 599-609, and 612-619 (Final), USITC Pub. 2664 at 166-67 and I-26 n.56 (Aug. 1993). We note, however, that each Commission determination is sui generis. We are not bound in this investigation by the like product definition, or other findings made, in prior clad steel plate investigations. See generally, Kern-Liebers USA, Inc. v. United States, 19 CIT __, Slip Op. 95-9 at 25-26 (Jan. 27, 1995).

²² The five known domestic producers are petitioner Lukens, DuPont, Ametek, Dynamic, and ***. Only Lukens, DuPont, and Ametek responded to the Commission's questionnaire, and ***. CR at III-1, PR at III-1.

States.²³ 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 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."²⁴

There are several conditions of competition pertinent to our analysis of the domestic clad steel plate industry. First, sales of clad steel plate generally result from a multi-level competitive-bid process. General contractors or engineers design process vessels for inclusion in larger industrial projects, and fabricators compete for contracts to produce these process vessels. Clad steel plate producers, in turn, compete to supply fabricators with the clad plate used in the process vessels.²⁵ Clad plate producers may respond to several requests for bids on the same job: first to one or more fabricators who prepare their own bids to present to general contractors, and then again based on final specifications provided by the fabricator that won the contract.²⁶ Clad steel plate requirements for any specific project are identical irrespective of source,²⁷ and thus the domestic product and the subject imports are fairly good substitutes for each other.

Second, the record indicates that, despite the existence of several other domestic producers of clad steel plate, petitioner Lukens and respondent JSW competed principally, although not exclusively, with each other for certain large sales during the period of investigation. Both Lukens and JSW use the roll-bonding production method, as does domestic producer Ametek. Domestic producers DuPont and Dynamic instead use the explosion-bonding production method.²⁸ In general, roll-bonding is more cost effective than explosion-bonding for the production of thinner clad plate.²⁹ Thinner plate is generally specified in the largest contracts, which account, in turn, for a significant portion of the annual volume purchased.³⁰ Consequently, Lukens and JSW appear to be the most competitive bidders on many large contracts for thinner plate, and DuPont and other

²³ 19 U.S.C. § 1677(7)(C)(iii).

²⁴ 19 U.S.C. § 1677(7)(C)(iii).

²⁵ CR at II-1, PR at II-1.

²⁶ CR at V-1, PR at V-1. Respondent argued that JSW is foreclosed from the growing market for flue gas desulfurization projects, which require steel plate clad with a special alloy known as "Hastealloy," for which JSW claims to have no reliable and economical source of supply. Respondent's Postconference Brief at 25; Conf. Tr. at 68-69. Respondent also estimates that JSW is foreclosed from as much as 40 percent of the U.S. market by domestic content requirements, but did not provide further detail to support this claim. Conf. Tr. at 65, 82-83; Appendix to Respondent's Postconference Brief: Response to Questions from Staff (Oct. 27, 1995) at 4-5. Petitioner responds that there are virtually no domestic content requirements in this industry. Conf. Tr. at 44-45. In any final investigation, we will seek additional information with respect to any portions of the U.S. market in which competition by subject Japanese imports may be limited or foreclosed.

²⁷ CR at II-1, PR at II-1.

²⁸ CR at III-2-III-3, PR at III-1.

²⁹ While it is generally agreed that roll-bonding is the more economic method for producing thinner clad plate and explosion-bonding is more economic for producing thicker clad plate, there is disagreement over the scope of the mid-thickness range in which both production methods may be equally cost effective. CR at I-6-I-7, PR at I-4; Conf. Tr. at 27-29, 86, 88-89.

³⁰ CR at II-3, PR at II-2; Conf. Tr. at 27-29, 88-89, 96.

explosion bonders generally do not appear to compete with them for such sales.³¹

Third, because clad steel plate represents a significant share of fabricators' total production cost, and because several substitute products exist, demand for clad steel plate tends to be somewhat sensitive to changes in price.³² Fourth, demand for clad steel plate is somewhat cyclical, fluctuating with economic conditions that affect demand for capital goods and infrastructure.³³

Fifth, one domestic producer, ***, consumes clad steel plate internally in the production of downstream products. We find, however, that *** captive consumption is minuscule in relation to total U.S. production of clad steel plate. Accordingly, we determine that the threshold criterion for applicability of the statute's captive production provision, that domestic producers "internally transfer significant production of the domestic like product for the production of a downstream article," is not satisfied in this investigation.³⁴

Finally, the Commission recently investigated clad steel plate from Japan, and we recognize that the pendency of our previous investigation may have affected the level and market penetration of subject imports, as well as other market conditions, during the early part of the present period of investigation. We issued our affirmative preliminary determination with respect to clad plate in the Flat-Rolled Products investigations in August of 1992, liquidation was suspended in February of 1993, and we issued our final negative determination with respect to clad steel plate in August of 1993.^{35 36}

The data upon which we make this determination were provided by the three firms responding to our questionnaire, one of which accounts for a very large percentage of total production. Accordingly, our discussion of the condition of the industry in the public version of these views is necessarily general in nature.³⁷

The quantity and value of apparent U.S. consumption of clad steel plate declined *** from 1992 to 1994, but were higher in interim (January-June) 1995 than in interim 1994.³⁸

³¹ Table V-2, CR at V-7, PR at V-3; Conf. Tr. at 27-29, 52-53, 59, 61, 88-89. A third large roll-bonder, ***, sometimes participates in the bidding for large contracts. Rather than producing thinner clad plate by explosion-bonding, DuPont relies on a tolling arrangement whereby Lukens rolls DuPont's explosion-bonded plate to a thinner dimension. Conf. Tr. at 52-53; CR at I-6 n.19 and III-2, PR at I-3 n.19 and III-1.

³² CR at II-5-II-7, PR at II-2-II-3; Conf. Tr. at 25-26 (solid alloy plate), 65, 93 (welded overlay).

³³ Respondent's Postconference Brief at 26; Conf. Tr. at 25 and 72; CR at II-5-II-6, PR at II-2-II-3.

³⁴ See 19 U.S.C. § 1677(7)(C)(iv); Table VI-1, CR at VI-2, PR at VI-1; Table III-1, CR at III-4, PR at III-2. No party argued that there is significant captive production in this industry.

³⁵ See Certain Flat-Rolled Carbon Steel Products, Invs. Nos. 701-TA-319-332, 334, 336-342, 344 and 347-53, and 731-TA-573-79, 581-92, 594-97, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993).

³⁶ Commissioner Crawford concurs that the pendency of the previous investigation may have affected the level and market penetration of subject imports and other trends in the market during part of the period of this investigation. However, Commissioner Crawford does not rely on trends in the market over the period of investigation in her determination of material injury by reason of allegedly dumped imports.

³⁷ To protect confidential business information, actual numbers are presented in confidential footnotes.

³⁸ Apparent U.S. consumption by quantity ***. Table IV-2, CR at IV-5, PR at IV-2. The value of apparent U.S. consumption ***. Id. Our data on apparent consumption of clad steel plate (continued...)

The domestic industry's share of the total market for clad steel plate by quantity and value declined from 1992 to 1994, and was *** higher in interim 1995 compared with interim 1994.³⁹

U.S. producers' capacity to produce clad plate rose from 1992 to 1993 due to a capacity expansion by petitioner Lukens, then remained constant over the rest of the period of investigation.⁴⁰ U.S. producers' production volume declined from 1992 to 1994, but was higher in interim 1995 than in interim 1994.⁴¹ Declining production in the face of rising capacity resulted in a decline in domestic producers' average capacity utilization from 1992 to 1994. Capacity utilization was *** higher in interim 1995 than in interim 1994.⁴²

The domestic industry's total U.S. shipments, by quantity, of clad steel plate declined between 1992 and 1994, at a greater rate than the decline in domestic consumption, but were higher in interim 1995 than in interim 1994.⁴³ The total value of the domestic industry's U.S. shipments also fell during 1992-1994, but at a steeper rate. The value of shipments then rose faster than the corresponding quantity between the interim periods.⁴⁴

The year-end inventories held by domestic producers fluctuated, declining from 1992 to 1993, then rising in 1994 to exceed their 1992 level.⁴⁵ We give little weight to the rise in and existence of these inventories, however, since ***, which accounts for *** of these inventories, explained that its inventories are ***.⁴⁶

The number of production and related workers, hours worked, wages paid, and hourly wages paid rose from 1992 to 1994. The number of workers and hours worked were lower in interim 1995 than in interim 1994, while wages paid and hourly wages were higher in interim 1995 than in interim 1994. The domestic industry's productivity declined from 1992 to 1994, but was higher in interim 1995 than in interim 1994.⁴⁷

All of the financial performance indicators for the domestic clad plate industry declined between 1992 and 1994. While most showed partial improvement between interim 1994 and interim 1995, the industry's financial condition remained generally worse than it was at the beginning of the period of investigation. U.S. producers' net sales by value

³⁸ (...continued)

are overstated, since they include "non-subject" imports of clad steel plate of dimensions outside the scope of investigation established by Commerce. Table IV-1, CR at IV-3, PR at IV-1; CR at IV-1 n.2, PR at IV-1 n.2. We will try to eliminate data with respect to non-subject plate in any final investigation; we ask the parties to assist us, in any final investigation, in obtaining the pertinent information with respect to third country imports.

³⁹ Table IV-3, CR at IV-7, PR at IV-2. The domestic industry's market share by quantity declined from ***. Market share by value followed the same trend overall, but rose *** between 1993 and 1994.

⁴⁰ Table III-1, CR at III-4, PR at III-2.

⁴¹ Production ***. Table III-1, CR at III-4, PR at III-2.

⁴² Table III-1, CR at III-4, PR at III-2. Domestic producers' average capacity utilization declined from ***.

⁴³ Domestic producers' total U.S. shipments by quantity declined from ***. Table IV-2, CR at IV-5, PR at IV-2.

⁴⁴ The value of the domestic producers' total U.S. shipments ***. Table IV-2, CR at IV-5, PR at IV-2.

⁴⁵ Inventories ***. Table III-3, CR at III-7, PR at III-3.

⁴⁶ CR at III-5 n.13, PR at III-3 n.13. This is consistent with the parties' contention that clad plate is a custom product produced to order. CR at I-3, PR at I-2.

⁴⁷ Table III-4, CR at III-8, PR at III-3.

declined from 1992 to 1994, but were higher in interim 1995 than in interim 1994.⁴⁸ Gross profits of the domestic clad plate industry declined from 1992 to 1993, turned to a loss in 1994, and were barely positive in interim 1995 compared with a loss in interim 1994.⁴⁹ The operating income of the domestic clad plate industry turned to a loss between 1992 and 1993, and declined further between 1993 and 1994, remaining negative despite some improvement in the interim periods.⁵⁰ Operating income as a percentage of net sales similarly declined from 1992 to 1994, turned negative in 1993, and recovered somewhat but remained negative in interim 1995 compared with interim 1994.⁵¹ During this time, the industry experienced increases in both production costs and selling costs.⁵²

Finally, the total value of assets of U.S. producers increased between 1992 and 1994. Capital expenditures by the domestic clad steel plate industry rose from 1992 to 1993, then declined in 1994 to below their 1992 level, and were *** higher in interim 1995 than in interim 1994.^{53 54}

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

In preliminary antidumping 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.⁵⁵ 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.⁵⁶ Although the Commission may consider causes of injury to the

⁴⁸ Net sales ***. Table VI-1, CR at VI-2, PR at VI-1.

⁴⁹ Gross profits ***. Table VI-1, CR at VI-2, PR at VI-1.

⁵⁰ Operating income ***. Table VI-1, CR at VI-2, PR at VI-1.

⁵¹ The industry's operating income margin ***. Table VI-1, CR at VI-2, PR at VI-1.

⁵² As a share of net sales, both the domestic industry's cost of goods sold (COGS) and selling, general, and administrative (SG&A) expenses increased from 1992 to 1994, and were lower in interim 1995 than in interim 1994. The domestic industry's COGS as a share of net sales was ***. The domestic industry's SG&A expenses as a share of net sales were ***. Table VI-1, CR at VI-2, PR at VI-1.

⁵³ Tables VI-5 and VI-6, CR at VI-11, PR at VI-2-VI-3.

⁵⁴ Based on examination of the relevant statutory factors, Commissioner Rohr and Commissioner Newquist find that there is a reasonable indication that the domestic clad steel plate industry is presently experiencing material injury.

⁵⁵ 19 U.S.C. § 1673b(a). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

⁵⁶ 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

industry other than the allegedly LTFV and subsidized imports,⁵⁷ it is not to weigh causes.⁵⁸

For the reasons discussed below, we find that there is a reasonable indication that the domestic industry producing clad steel plate is materially injured by reason of allegedly LTFV imports from Japan. Because there is only one Japanese producer that exports clad steel plate to the United States and a small number of importers, much of our data are confidential, and our discussion in the public opinion is in general terms.

A. Volume of the Subject Imports

The quantity of subject imports fell from 1992 to 1993, before rising in 1994 to a level nearly double that in 1992. The volume of subject imports was greater in interim 1995

⁵⁷ Alternative causes may include the following:

[T]he volume and prices of imports sold at fair value, contraction in demand or changes in patterns of consumption, trade, restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry.

S. Rep. No. 249, 96th Cong., 1st Sess. 74 (1979). Similar language is contained in the House Report. H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979).

⁵⁸ See, e.g., Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

⁵⁹ For Chairman Watson's interpretation of the statutory requirement regarding causation, see Certain Calcium Aluminate Cement and Cement Clinker from France, Inv. No. 731-TA-645 (Final), USITC Pub. 2772 at I-14 n.68 (May 1994).

⁶⁰ Commissioner Rohr and Commissioner Newquist further note that the Commission need not determine that imports are "the principal, a substantial, or a significant cause of material injury." S. Rep. No. 249, at 57, 74. Rather, a finding that imports are a cause of material injury is sufficient. See e.g., Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741 (Ct. Int'l Trade 1989); Citrosuco Paulista, 704 F. Supp. at 1101.

⁶¹ Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of allegedly LTFV imports, not by reason of the allegedly LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the allegedly LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the allegedly LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

than in interim 1994.⁶² The share of total U.S. consumption of clad steel plate held by subject imports followed the same trend,⁶³ falling from 1992 to 1993, then rising *** in 1994. Import penetration was lower in interim 1995 than in interim 1994.⁶⁴ The increase in subject imports' market share between 1993 and 1994 came partially at the expense of the domestic industry, which saw its market share decline significantly between those two years.⁶⁵ The domestic industry's market share recovered only slightly in interim 1995 compared with interim 1994.⁶⁶ Moreover, the subject imports' gains in market share from 1992 to 1994 occurred as apparent consumption was falling, indicating that increases in import levels were

⁶² The quantity of subject imports fell from ***. Table IV-2, CR at IV-5, PR at IV-1.

These data do not include the *** metric tons of clad steel plate exported to the United States by JSW in 1995 as temporary imports under bond ("TIB"). CR at IV-2 n.5, PR at IV-1. TIB is a procedure whereby merchandise may be entered into the customs territory of the United States duty-free by posting a bond. Under the terms of the bond, the importer agrees to export the merchandise within a specified time (usually a year) or pay liquidated damages, generally equal to twice the normal duty. One circumstance in which TIB procedures may be applied is to process the imported merchandise in the United States into a downstream product which is subsequently exported, as occurred with the imports at issue in this investigation. See Harmonized Tariff Schedule of the United States, USITC Pub. 2690, Ch. 98, Subch. XIII, U.S. Notes at 98-37 (Supp. 1 1994); 19 C.F.R. §§ 10.31-10.40 (1995). Petitioner argues that TIB imports of clad plate should be considered subject imports or, in the alternative, a relevant economic factor under 19 U.S.C. § 1677(7)(B)(ii)(F)(i). Petitioner's Postconference Brief at 14-16. Respondent argues that the Commission should not consider TIB imports to be subject imports, because they are not "entries for consumption" within the meaning of the antidumping and countervailing duty laws. Respondent's Postconference Brief at 7-8. Because Commerce's present policy is not to treat TIB imports as subject imports, we conclude that TIB imports are not subject imports for purposes of this preliminary investigation and do not consider them in reaching our affirmative determination. Cf. Coumarin from the People's Republic of China, Inv. No. 731-TA-677 (Final), USITC Pub. 2852 at I-9-I-10 (Feb. 1995); Defrost Timers from Japan, Inv. No. 731-TA-643 (Final), USITC Pub. 2740 at I-11-I-12 (Feb. 1994). We may address the issue again after Commerce has had an opportunity to consider it, and invite the parties to brief the issue in more detail in any final investigation. See Titanium Metals Corp. v. United States, 19 CIT ___, Slip Op. 95-153 (Aug. 30, 1995), reprinted in 29 Cust. Bull. & Dec. 91 (Sept. 27, 1995) (stating that Commerce is reconsidering its treatment of TIB imports).

⁶³ Commissioner Crawford does not rely on trends in the market share of subject imports in her determination of material injury by reason of allegedly dumped imports.

⁶⁴ The share of total U.S. consumption of clad steel plate held by subject imports ***. The subject imports' (and the domestic industry's) market share is understated, due to the inclusion in our import data of clad plate products outside the scope of investigation ("non-subject" clad plate). While we were able to segregate subject and non-subject imports from Japan, we were not able to separate third country imports into subject and non-subject categories. In any final investigation, will attempt to refine these data further. CR at IV-1 n.2, CR at IV-1; Table IV-3, CR at IV-7, PR at IV-2.

⁶⁵ For purposes of this preliminary investigation, Commissioner Newquist notes only that the subject imports' market share increased significantly at the same time that the domestic industry's share declined.

⁶⁶ Between 1992 and 1993, the domestic industry's market share changed little by quantity and declined by value. During that time the market share of non-subject imports rose significantly and that of subject imports declined. Between 1993 and 1994, by contrast, the market share of non-subject imports declined significantly, the market share of subject imports rose, and the domestic industry's market share declined. The domestic industry's market share declined from ***. Table IV-3, CR at IV-7, PR at IV-2.

not driven by an increase in overall demand.⁶⁷ We therefore find that the volume and the increase in volume of subject imports, as well as the level of and increase in their market share, are significant.

B. Price Effects of the Subject Imports

We obtained very limited pricing data in this preliminary investigation.^{68 69} In the *** instances in which we were able to obtain domestic producer and importer bids on the same contract, however, the importer *** than that of the domestic producer.^{70 71} The unit

⁶⁷ Table IV-2, CR at IV-5, PR at IV-2. Respondent suggested that import trends could be explained by consumption trends. Conf. Tr. at 72.

⁶⁸ Commissioner Crawford does not join in the analysis in this paragraph. Commissioner Crawford finds that subject imports are having significant effects on domestic prices for clad steel plate. To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In this investigation, the alleged dumping margin is 118.53 percent. Thus, prices for the subject imports likely would have risen by a significant amount if they had been priced fairly, and they would have become more expensive relative to the domestic product and non-subject imports. In such a case, demand would have shifted away from subject imports and towards the relatively less-expensive products. In this investigation, non-subject imports are not a major presence in the domestic market, and thus most of the demand for subject imports would have shifted to the domestic product had subject imports been priced fairly. As demand for the domestic product would have increased, the domestic industry would have been able to increase its prices, unless price discipline exists in the market. In this investigation, the domestic industry has *** available capacity, *** inventories, and export markets with which to supply the demand satisfied by subject imports. These market conditions normally would impose price discipline on domestic prices. In this industry, however, non-subject imports are not a major presence, and two domestic producers, Lukens and DuPont, dominate the market. In addition, there is only limited competition between Lukens and DuPont because Lukens generally produces thinner clad steel plate than DuPont. Indeed, when it has needed a thinner product, DuPont has produced its thicker product and then has had Lukens process it into the thinner product. Thus, it is unlikely that competition among domestic producers and from non-subject imports would have imposed discipline on domestic prices. Because of their market dominance for their different products, Lukens and DuPont have sufficient market power to increase prices or increase production, or some combination of each, as determined by their individual economic benefit. Thus, if subject imports had been fairly traded, the domestic industry would have been able to increase its prices significantly. Consequently, Commissioner Crawford finds that subject imports are having significant effects on domestic prices for clad steel plate.

⁶⁹ As part of its consideration of the impact of imports, the statute as amended by the URAA specifies that the Commission is to consider "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The SAA indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850. New section 771(35)(C), 19 U.S.C. § 1677(35)(C) defines the "margin of dumping" to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. The dumping margin identified by the Commerce Department in its notice initiating this investigation is 118.53 percent. 60 Fed. Reg. 54666, 54667 (Oct. 25, 1995).

⁷⁰ This evidence is contrary to respondent's contention that JSW's product is not price-competitive in the U.S. market and that its sales are made on the basis of non-price factors.

Respondent's Postconference Brief at 11-13; Conf. Tr. at 61-64, 67. We note, however, that the
(continued...)

value of the subject imports declined from 1992 to 1994, recovering *** in interim 1995 compared with interim 1994.⁷² The unit value of domestic shipments followed the same trend, but the unit value of the subject imports was consistently lower than that of domestic shipments by a substantial margin. The available information on unit values suggests that the subject imports may have undersold and/or depressed domestic prices for clad steel plate.⁷³ In addition, the domestic industry's cost of goods sold ("COGS") as a percentage of net sales rose from 1992 to 1994, and unit COGS rose from 1993 to 1994.⁷⁴ The industry's apparent inability to raise prices to cover these cost increases suggests that the pricing of the subject imports may have prevented price increases that otherwise would have occurred to a significant degree. Although we make no specific findings with respect to price depression or suppression, these data are consistent with our finding of a reasonable indication of material injury by reason of the subject imports.^{75 76}

C. Impact of the Subject Imports on the Domestic Industry

The adverse impact on the domestic industry of the increased volume of subject imports at what may be significantly depressing or suppressing prices is reflected in the industry's declining production, shipments, employment and financial performance between

⁷⁰ (...continued)

tonnages reported by the successful and unsuccessful bidder did not match exactly. Table V-1, CR at V-5, PR at V-2.

⁷¹ Vice Chairman Nuzum notes that the 118.53 percent margin of dumping set forth in Commerce's notice of institution far exceeds the magnitude by which Japanese clad plate appears to undersell U.S. clad plate. In the limited available instances of ***. Table V-2, CR at V-7, PR at V-3. Furthermore, the unit values of Japanese clad plate were approximately *** below U.S. shipments' unit values. Table C-1, CR at C-3, PR at C-3. This suggests that, were the Japanese clad plate priced at fair value, it would not be underselling the U.S. product. Given the evidence that price plays an important role in the awarding of a contract for clad plate, dumping of the magnitude alleged here appears to have had a direct impact on the ability of the Japanese product to compete against the domestic product.

⁷² Table IV-1, CR at IV-3, PR at IV-1.

⁷³ Table III-2, CR at III-6, PR at III-2. We recognize that product mix may affect unit value trends and therefore give these data limited weight as evidence of absolute or relative price levels. In the absence of other more probative data, however, we have looked to unit value data as "facts otherwise available" to us under 19 U.S.C. § 1677e(a).

⁷⁴ Table VI-1, CR at VI-2, PR at VI-1.

⁷⁵ Commissioner Rohr believes that it is the function of the Commission to make specific findings in an investigation if such findings are that the data in a particular case is ambiguous or inconclusive. In this investigation, he views the evidence as providing a reasonable indication of adverse price effects under the standard enunciated in American Lamb, that is, it is not clear that there are no adverse price effects and it is likely that more evidence showing such price effects will be adduced in any final investigation.

⁷⁶ We urge the parties to suggest an appropriate methodology for data collection that will yield more probative evidence with respect to pricing in this market prior to the time our questionnaires are mailed in any final investigation. In any final investigation, we will seek further information with respect to (1) whether JSW competes on only the few largest contracts offered each year; (2) whether a few fabricators account for a large percentage of the total volume of clad plate purchased each year; (3) whether there is a price leader in this market; and (4) the relative importance to customers of timely delivery and price.

1992 and 1994.⁷⁷ The record does not indicate, as asserted by respondent, that any injury was self-inflicted as a result of Lukens' capital investments during the period.⁷⁸ Although most of Lukens' capital investments occurred in 1993,⁷⁹ on a per unit basis the domestic industry's COGS and selling, general and administrative expenses ("SG&A") declined from 1992 to 1993.⁸⁰ Per unit costs did not rise until 1994, when subject imports were also rising and production was falling, but capital expenditures were declining ***.^{81 82} Moreover, although a number of industry indicators improved in interim 1995 as compared to interim 1994, such partial-year improvements as occurred are not sufficient to warrant a negative preliminary determination.⁸³ Thus, on the basis of the domestic industry's declining shipments, diminishing market share, and deteriorating profitability, we find that the rising volume and market share of the subject imports are having an adverse impact on the domestic industry.

⁷⁷ Commissioner Crawford's analysis does not rely on declining trends in the statutory factors, and thus she does not join in that analysis. She concurs that the subject imports are having a significant impact on the domestic industry. In her analysis of material injury by reason of dumped imports, Commissioner Crawford evaluates the impact on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(C)(iii). These factors together either encompass or reflect the volume and price effects of the dumped imports, and so she gauges the impact of the dumping through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As noted earlier, had subject imports been priced fairly, most of the demand for subject imports would have shifted to the domestic product. The increase in demand for the domestic product would have increased the domestic industry's output and sales significantly. In addition, the increase in demand for the domestic product would have permitted the domestic industry to increase its prices without effective discipline from competition within the industry or from non-subject imports. The combination of price increases and sales increases would have resulted in a significant increase in domestic revenues, had the subject imports been fairly traded. Consequently, the domestic industry would have been materially better off if the subject imports had been priced fairly. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry is materially injured by reason of the subject imports.

⁷⁸ Respondent contended that Lukens' losses are "paper losses" incurred because capacity must be expanded in large amounts in anticipation of rising demand. Respondent argues that Lukens expected such losses and is now trying to blame them on subject imports. Respondent's Postconference Brief at 28-30 and Exhibit J.

⁷⁹ Table VI-6, CR at VI-11, PR at VI-3.

⁸⁰ Table VI-1, CR at VI-2, PR at VI-1. In any final investigation, we will examine *** fixed cost allocation methodology in greater detail and, in particular ***. See CR at VI-8, PR at VI-2.

⁸¹ *Id.*; Table III-1, CR at III-4, PR at III-2; Table IV-1, CR at IV-3, PR at IV-1; Table VI-6, CR at VI-11, PR at VI-3.

⁸² Commissioner Rohr notes that the variance analysis presented in the Report at Table VI-4, CR at VI-10, PR at VI-2, shows the interaction of changes in price and volume on industry profitability and that the analysis reveals both significant adverse price and volume effects on industry profitability.

⁸³ In any final investigation, we will investigate the extent to which contracts lost may have continuing effects over an extended period of time due to the small number of large contracts available in a year and the lag time between contract award and product delivery. Cf. Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Invs. Nos. 731-TA-736-737 (Preliminary), USITC Pub. 2916 at I-30 (Aug. 1995).

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic industry producing clad steel plate is materially injured by reason of allegedly LTFV imports from Japan.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Lukens Steel Company, Coatesville, PA, on September 29, 1995, alleging that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports of clad steel plate¹ from Japan. Information relating to the background of the investigation is provided below.²

<i>Date</i>	<i>Action</i>
September 29, 1995	Petition filed with Commerce and the Commission; ³ institution of Commission investigation (60 F.R. 52688, October 10, 1995)
October 20, 1995	Commission's conference ⁴
October 25, 1995	Commerce's notice of initiation (60 F.R. 54666)
November 13, 1995	Commission's vote
November 13, 1995	Commission determination to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in table C-1 of appendix C. Except as noted, U.S. industry data are based on questionnaire responses of three firms that accounted for *** percent of estimated U.S. production of clad steel plate during 1994. U.S. imports are based on Commerce statistics.

THE PRODUCT

The imported product subject to this investigation is clad steel plate of a width of 600mm (approximately 24 inches) or greater and a thickness of 4.5mm or more. Clad steel plate of a width less than 600mm is not subject to this investigation. Likewise, clad steel "plate" of a thickness less than 4.5mm (approximately 3/16 inch) is not subject to this investigation (such products would generally be considered to be sheet, rather than plate). This section presents information on both imported and domestically produced clad steel plate, as well as information related to the Commission's "domestic like product" determination.⁵

¹ For purposes of this investigation, clad steel plate is plate of a width of 600mm or more and a composite thickness of 4.5mm or more. Clad steel plate is a rectangular finished steel mill product consisting of a layer of cladding material (usually stainless steel or nickel) which is metallurgically bonded to a base or backing of ferrous metal (usually carbon or low alloy steel) where the latter predominates by weight. Stainless clad steel plate is manufactured to ASTM specifications A263 (400 series stainless types) and A264 (300 series stainless types). Nickel and nickel-base alloy clad steel plate is manufactured to ASTM specification A265. Clad steel plate is provided for in subheading 7210.90.10 of the HTS with a 1995 most-favored-nation tariff rate of 5.8 percent ad valorem, applicable to imports from Japan.

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

³ The petition alleged the LTFV margin on the subject imports to be 123.11 percent. Commerce revised the LTFV margin to 118.53 percent in its notice of initiation.

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

⁵ 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.

Physical Characteristics and Uses

Clad steel plate is a flat-rolled, corrosion-resistant, "composite" steel plate product, 3/16 inches or more in thickness, composed of cladding material which is metallurgically bonded to a base carbon or alloy steel plate. The cladding material, which is a solid sheet or plate of alloy metal such as stainless steel, nickel-based alloys, copper, or titanium, is generally 10 to 20 percent of the total thickness of the composite.⁶ The base metal, the thicker portion of the composite, is either carbon or alloy steel. In the 1993 steel investigations, the Commission found clad steel plate to be a discrete "like product" and defined it as carbon (or alloy) steel plate that has been covered with a metallic coating such as stainless steel, nickel, copper, or titanium on one or both sides by a process that forms a physical bond between the cladding material and the carbon steel substrate.⁷

The base or backing metal, which is carbon or alloy steel, is thicker than the cladding metal and normally provides the required strength to the clad composite. At Lukens, the backing material is produced in an EAF and, depending on the desired thickness of the plate, continuously cast.⁸ The thinner layer of the composite (stainless steel or nickel, for example) is usually selected for corrosion resistance qualities, thus allowing the designer to gain the desired benefit of solid high-alloy plate at less cost.⁹ The predominant cladding material used in clad steel plate is stainless steel.¹⁰

Clad steel plate is produced to meet exact customer specifications. Clad steel plate is used to manufacture vessels or structures used in heavy industry projects where corrosion resistance qualities are essential. Lukens testified at the conference that pressure vessels used in the hydrocarbon processing industry represent the largest application for roll-bonded clad plate.¹¹ Clad steel plate is also used in catalytic cracking units, hydrocrackers, reactors, coke drums, and other equipment used in petroleum refining and natural gas processing. The main end users of clad steel plate include oil and chemical companies, the shipbuilding industry, electric utilities, pulp and paper companies, and other users of industrial equipment. Lukens generally sells clad plate to fabricators of process equipment, heat exchangers, and other applications where corrosion resistance is required.¹²

The most frequently specified grades of stainless steel cladding are types 304 and 304L, 316 and 316L, and 410S. These are described in ASTM specification A240. All clad steel plate produced by Lukens meets either ASTM specifications A263 (400 series stainless steel types) and A264 (300 series stainless steel types) or A265 (nickel and nickel-base alloy clad).¹³

Use of Common Manufacturing Facilities and Production Employees

There are two processes by which clad steel plate is produced, regardless of what cladding material is used. The first is the roll-bonding process, or "sandwich" process, which was first

⁶ Depending on customer specifications, Lukens offers the option of cladding thicknesses ranging from 5 percent to 40 percent.

⁷ *Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, Invs. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-353, and Invs. Nos. 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993), Vol. I, p. 166; Vol. II, p. I-27.

⁸ Thicker plate is generally rolled from ingots, according to Lukens. About *** percent of Lukens' steel is continuously cast; the remainder is bottom-poured into ingot molds. Lukens produces its backing materials, made of either carbon or low-alloy steel, as well as stainless steel used for cladding, at its own facilities. Nickel and copper used for cladding is purchased from outside sources; fieldtrip, Oct. 12, 1995.

⁹ Petition, p. 4.

¹⁰ Conference transcript, p. 10.

¹¹ Ibid, p. 12.

¹² Petition, p. 6.

¹³ Ibid, pp. 5-6.

developed by Lukens and International Nickel Company in 1930. This process typically involves assembling a four-ply clad "pack" comprised of two "backing steel" slabs and two "cladding" inserts. The assembly process takes place in a facility dedicated to that purpose and involves placing two cladding inserts between two steel backing slabs. Before placement, the cladding inserts are submerged into a nickel solution and electrolytically plated to promote bonding. A "parting compound" is then applied to one side of each insert to permit separation of the bonded clad plates once rolling has taken place. Steel spacer bars are placed around the periphery of one backing steel slab and the cladding inserts and second backing slab are then placed on top of it. The assembly is welded around its edges to keep the pack in place.

Once the pack is assembled, it is transported to a soaking pit to reheat the steel and prepare it for rolling. The thickness of the steel determines how long the pack needs to soak. The assembled pack then is rolled at high temperature and pressure.¹⁴ The thickness is thus reduced, and the backing steel is metallurgically bonded to the cladding. After rolling, the edges of the pack are cut and the pack is separated. From there, the resultant two clad plates are transported to the finishing line, where they are cleaned, descaled, and pickled. Each plate is then cut to its final dimensions, inspected, scrubbed, packaged, and shipped.¹⁵ Both Lukens and JSW use this method to produce clad steel plate, and agree that the two processes are virtually identical.¹⁶

The second method, which is usually reserved for clad plate 1.5 inches and more in thickness,¹⁷ is called explosion bonding. In this process, the base and cladding materials are inspected, abraded for ideal surface conditioning, and matched before being transported to the cladding site. The matched plates are moved into an underground "shooting chamber," where the explosion bonding takes place. In this process, the base and clad materials are bonded by the detonation of specially formulated explosives over the cladding material. The energy produced by the explosion propels the cladding material across the "standoff" space, and the resulting "jet" at the collision point carries away surface oxide films that normally would inhibit bonding. The pressure generated by the collision creates a continuous metallurgical bond along the entire interface of the backing steel and the cladding.¹⁸ Clad steel plate produced by explosion bonding may be further rolled to achieve the desired thickness. This is known as the "bang and roll" method.¹⁹

Clad steel plate of less than 600mm in width, which is generally produced in thicknesses under 3/16 inch (4.5mm), is typically used by different customers in distinctly different applications, such as coinage, cookware, and electrical applications. Most clad plate of less than 600mm in width is produced on strip mills. The only exception may be narrow welding transition joints, which are explosion bonded.²⁰

The manufacture of clad steel plate utilizes the same facilities as those for the production of plate. The only facility dedicated to clad steel plate production is the assembly facility, where the employees are specially trained for its operation. The production facilities, however, are not the same as those used in the production of corrosion-resistant carbon steel products.²¹

¹⁴ Lukens has two rolling mills, a 140-inch mill and a 206-inch mill, and uses these same mills for both plate and clad plate production. ***.

¹⁵ Alternative processes may be used when actual thickness or combinations of unique materials are required by the customer.

¹⁶ Conference transcript, pp. 9 and 78.

¹⁷ Fieldtrip, Oct. 12, 1995.

¹⁸ DuPont DETACLAD Operations, "Problem-Solving Materials for the Industry," DuPont, Kennett Square, PA.

¹⁹ DuPont developed the explosion bonding process 30 years ago. DuPont ***, then explosion bonds the materials in a mine in western Pennsylvania. ***.

²⁰ Petition, p. 6.

²¹ Most corrosion-resistant carbon steel products are coated or plated with zinc, tin, aluminum, nickel, or a combination of these metals and are produced using a totally different production process. This is achieved by (continued...)

Interchangeability and Perceptions of the Product

While roll bonding and explosion bonding are distinctly different processes, clad steel products produced by these two methods are largely interchangeable. The choice of process normally depends on economic rather than technical considerations. Roll bonding is more cost-effective when rolling thinner plate, generally between 3/16 inch and 2 inches. Explosion bonding is usually used for plate thicker than 1.5 inches, or reactive metals.²¹ The overlap between 1.5 and 2 inches results because production process decisions are based on a variety of factors, including customer preference, price, and material (backing and cladding) combinations.

Channels of Distribution

Both domestic and imported clad steel plate are generally sold on a competitive-bid basis to fabricators who are seeking to meet the requirements of general contractors or engineers for specific projects which incorporate vessels or other structures made of the product. Fabricators, in turn, compete for contract awards to construct these vessels or structures for the end user. This process is the same for plate produced with any of the types of cladding material or from either production process.

Price

The price for clad steel plate varies widely depending on the specifications (including type of cladding material) required by the individual purchaser. Generally, stainless steel is a lower valued product than nickel-based alloy; stainless steel is a ferrous metal that is predominantly iron, while nickel-based alloys are predominantly nickel, which is more expensive.²²

²¹ (...continued)

either passing the substrate through a bath of molten metal (hot-dip method) or an aqueous, often acidic, solution containing dissolved coating material, where opposing electrical charges bond the substrate and the coating metal (electroplating).

²² Petition, p. 5.

²³ Conference transcript, p. 33.

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

MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

The U.S. market for clad steel plate consists principally of the chemical, petroleum, power, and shipbuilding industries. Clad steel plate can be used anywhere its particular qualities of strength and corrosion resistance are required. The market for clad steel plate includes U.S. producers and importers which sell the subject plate primarily to fabricators on a competitive-bid basis. According to Lukens, the bid process begins when a project involving clad steel plate is offered for bidding to various clad fabricators.¹ The fabricators use such plate to fulfill the requirements of general contractors or engineers for specific projects which incorporate vessels or other structures made of the plate. Fabricators, in turn, compete for contract awards to fabricate and construct these vessels or structures for the ultimate user.²

Clad steel plate requirements for any specific project are identical irrespective of source. Specifications vary widely from project to project as to the type of cladding and backing material and as to thickness and other dimensions depending on the intended use of the final product. The specifications for a project are provided to fabricators and in turn to clad steel plate producers and importers by the firm that will be the owner/operator of the project or by that firm's design contractor.³

Lukens testified at the conference that it competes with other U.S. clad steel plate producers but not generally in the market that JSW and Lukens focus on. Lukens and JSW compete mainly in the market for large process vessels (200-800 tons) where they supply 4-ply thicknesses of clad steel plate. Explosion bonders do not normally compete in that market sector.⁴

Lukens, DuPont, and Ametek sell primarily to end users⁵ located throughout the United States.⁶ U.S. importers' sales are ***. ***. Mr. Maakaroun, Itochu, testified at the conference that he supplies clad steel plate to fabricators of process equipment for the oil and gas industry.⁷

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

The responsiveness of the supply of clad steel plate to changes in price is influenced by such factors as the level of excess production capacity in the industry, the availability of export markets, the ease of shifting employees, facilities, and equipment to the production of other products, and the existence of significant inventories. Data from questionnaires indicate that the supply is highly responsive to changes in price.

¹ The clad steel plate producer might receive the request for a quotation from two or more competing fabricators; each would have specific plate sizes, quantities, and material specifications. Once selected, the fabricator finalizes the design details and may request a revised quotation. Lukens processes approximately *** quotations a year; ***.

² There are at least two, and often three, levels of distribution between the clad steel plate producer and the final user of the product. For a more detailed description of industry applications for clad steel plate see JSW's postconference brief, p. 4, and conference transcript, pp. 10-11.

³ Petition, p. 16.

⁴ Conference transcript, pp. 27-28, 46, and 52.

⁵ U.S. shipments of clad steel plate to end users accounted for *** percent of total U.S. shipments during January 1992-June 1995.

⁶ ***.

⁷ Conference transcript, p. 61.

Domestic Production

As discussed earlier in the report, U.S. producers of clad steel plate use both the roll-bonding method and the explosion-bonding method to produce the plate.⁸ The choice of process normally depends on economic rather than technical considerations. The explosion-bonding process is not as economical when bonding thinner clad steel plate as is the roll-bonding method. The thinner stainless steel clad plate⁹ is typically the product requested in the largest contracts; therefore the explosion-bond producers are not as competitive as the roll-bond producers in this sizable market.¹⁰ Lukens, the largest U.S. producer of clad steel plate, has recently upgraded its facilities and could likely respond to changes in demand by increasing sales of clad plate to the U.S. market.

Capacity in the U.S. Industry

Moderate to high levels of unused capacity exist in the U.S. clad steel plate industry, which would indicate that U.S. producers could respond to changes in demand with increased production. The annual capacity utilization rate ranged from *** percent in 1992 to *** percent in 1994. The rate was *** percent during January-June 1995, a *** over the level in the first half of 1994.

Production Alternatives

Employees and equipment used to produce clad steel plate ***.

Inventory Levels

End-of-period inventories of clad steel plate have been *** in relation to U.S. shipments during 1992-94. They ranged from *** percent in 1994 to *** percent in 1993. Such inventories increase the degree to which U.S. producers could supply increased demand for the product.

Export Markets

Responding U.S. producers have been increasingly supplying export markets as worldwide demand for clad steel plate has increased. Lukens and DuPont reported ***. They ranged from *** percent in 1993 to *** percent in 1994. During the first 6 months of 1995 they amounted to *** percent of total shipments, *** from the same period in the previous year.

U.S. Demand

The overall demand for clad steel plate depends upon the requirements for this material in its major end-use markets, which include the petroleum, oil, chemical, electrical utility, and pulp and paper industries. The responsiveness of the demand for clad steel plate to changes in its price is influenced by such factors as the cost share of the plate in the final products where it is used, and the availability of important substitute products. Information from questionnaires and other sources indicates that clad steel plate often accounts for a significant share of the total cost of final products, and that it faces price competition from important substitute products in some cases.

⁸ Although roll-bonding and explosion-bonding processes are distinctly different, both are acceptable ways to manufacture integrally bonded clad steels; petition, p. 5.

⁹ The majority of the stainless clad steel plate produced is three inches or less in thickness.

¹⁰ Lukens maintains, however, that both processes manufacture products that comply with the requirements of ASTM A263, A264, and A265, and that they serve the same end-use markets; petition, p. 5. See also conference transcript, pp. 28-29.

Although the cost share of clad steel plate can vary, it generally accounts for anywhere from *** percent to as much as *** percent of the cost of the pressure vessels used in the petroleum, chemical, and pulp and paper industries.¹¹

Responses of U.S. producers and the majority of importers to narrative questions in the questionnaire indicate that demand for clad steel plate has increased since 1992. The increase was attributed to such factors as the overall improvement in the economy and greater capital expenditures by the oil and chemical industries. Increased environmental applications were also cited.

In its questionnaire response, Lukens estimated that clad steel plate consumption has increased slightly since 1992, ***.¹² ***. Apparent consumption of clad steel plate declined by *** percent between 1992 and 1994, with a decline in U.S. producers' shipments but an increase in imports. Apparent consumption grew by *** percent in January-June 1995, with growth in both imports and U.S. shipments.

***.¹³ JSW responded that ***. Itochu responded that ***.¹⁴ Mitsui, on the other hand, responded that ***.

Substitute Products

While questionnaire responses concerning substitute products varied, stainless steel plate is generally regarded as a substitute for clad steel plate in lower thicknesses, and carbon steel plate with weld overlay is viewed as a substitute in greater thicknesses. Lukens considers ***.¹⁵ However, JSWA believes that ***.¹⁶

Comparison of Domestic Products and Subject Imports

U.S. producers and importers were requested to provide information regarding the differences in non-price factors between the U.S. and Japanese clad steel plate, as well as differences between the U.S. and Japanese clad plate compared with imports from other countries.¹⁷ U.S. producers responded that the domestic and Japanese products are completely interchangeable in their uses, that the quality of the JSW clad steel plate is comparable to the U.S. product, and that they compete with JSW on the basis of price. According to the four responses received from importers of the Japanese product, the quality of the Japanese clad steel plate is either comparable or superior to that of the U.S. product and it is generally used interchangeably with the U.S. product. However, one of the importers reported that its product is ***.

U.S. producers indicated that non-price differences between U.S.-produced and imported clad steel plate from Japan are not important considerations. However, U.S. importers cited quality, technical support, and timely delivery¹⁸ as non-price advantages of the Japanese clad steel plate.¹⁹

¹¹ Fieldtrip, Oct. 12, 1995.

¹² Lukens testified at the conference that its recent plant upgrade was based on its belief that demand for clad steel plate would increase not only in the United States but worldwide. Lukens feels that anywhere there is corrosion resistance required, clad steel plate offers a lower cost alternative to a solid alloy product; conference transcript, pp. 20 and 25. See also JSW's postconference brief, p. 26.

¹³ There is a new demand for clad steel plate in flue gas desulfurization. The plate would be used in chimneys and ducts. Power plants have need for this requirement; conference transcript, p. 69. See also JSW's postconference brief, p. 25.

¹⁴ See also conference transcript, pp. 61, 76, and 83.

¹⁵ See also conference transcript, pp. 25-26, 34, and 47-48.

¹⁶ Ibid, p. 65.

¹⁷ Responses indicate that the U.S. and Japanese clad steel plate is interchangeable with imports of such plate from other countries.

¹⁸ U.S. producers reported lead times between order and delivery ranging from 6 to 18 weeks, while U.S. importers reported lead times ranging from 10 to 18 weeks.

¹⁹ See also conference transcript, pp. 62-64, 67, and 78.

PART III: CONDITION OF THE U.S. INDUSTRY

INFORMATION PRESENTED IN THIS SECTION

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 margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in the sections entitled "U.S. Imports, Apparent Consumption, and Market Shares" and "Pricing and Related Information," respectively. Information on the other factors specified is presented in this section and in part VI and (except as noted) is based on the questionnaire responses of three firms¹ that accounted for *** percent of U.S. production² of clad steel plate during 1994.

U.S. PRODUCERS

According to the petition, there were five U.S. producers³ of clad steel plate during January 1992-June 1995.⁴ Responses to the Commission's producers' questionnaire were received from Ametek, DuPont, and Lukens. Lukens (the petitioner) accounted for *** percent of total reported U.S. production of clad steel plate in 1994. ***. No U.S. producer reported importing clad steel plate.

Lukens primarily produces clad steel plate by the roll-bonding method but also utilizes the "bang and roll" method, on a toll basis, to produce thinner plate gauges from explosion bonded clad plate. DuPont and Dynamic are primarily explosion-bond clad steel plate producers.

Lukens is a nonintegrated producer of carbon, alloy, stainless, and clad steel plate.⁵ The plant in Coatesville has two 150-ton and two 100-ton electric furnaces and an 85-inch single-strand slab caster.⁶ A second plant in Conshohocken, PA, acquired by Lukens in 1978, is equipped with a 4-high, 2-stand, 110-inch plate mill. Lukens produces carbon plate up to 30 inches thick, 195 inches wide, and 1,000 inches in length. In 1992, Lukens acquired Washington Stainless Steel, which enabled it to produce stainless steel.⁷ Lukens *** contracts with DuPont for explosion bonding services. DuPont explosively bonds Lukens' clad assemblies, which are then rolled to final thicknesses by Lukens. This toll arrangement accounts for *** percent of Lukens' total production in any given year.⁸

DuPont has been producing clad steel plate using the explosion-bonding method for more than 30 years. The prebonding operations are located in Coatesville, PA. The explosion bonding is

¹ ***.

² Lukens supplied production estimates in exhibit 1 of the petition. *** to the total production of responding firms to estimate total U.S. production of clad steel plate in 1994.

³ The producers, their locations, and their shares of 1994 domestic production are: Ametek, Eighty Four, PA (*** percent); DuPont, Kennett Square, PA (*** percent); Dynamic, Lafayette, CO (*** percent); Lukens, Coatesville, PA (*** percent); and Vessel, Berwyn, PA (*** percent)]; petition, exhibit 1. ***.

⁴ Phoenix was a roll-bond producer of clad steel plate in the 1980s. In mid to late 1980 it exited the clad business. The assets were acquired by a Chinese company that now operates in the name of CitiSteel; conference transcript, p. 30.

⁵ Conference transcript, p. 23.

⁶ Clad plate backing and cladding metals represent a small percentage of total mill production at the EAF; conference transcript, pp. 18 and 32.

⁷ This addition allows Lukens to better determine its product mix and avoid dependence on external companies for stainless slab. The new stainless melting and rolling capacity increased the range of specialty products available from the Lukens division and allowed it to get access to a market which is expected to grow by 5 percent a year; *Metal Bulletin Monthly*, p. 60, May 1995. See also conference transcript, pp. 23-24.

⁸ Questionnaire response submitted by Lukens and conference transcript, pp. 52-53.

done in an underground shooting chamber in Dunbar, PA. The clad steel plate is then returned to the Coatesville facility for finishing. DuPont also produces clad heads and tube sheet from clad steel plate. DuPont purchases both its backing steel and cladding material.

Ametek, a relatively new producer of clad steel plate, uses the roll-bond method. ***. Dynamic, formerly Explosive Fabricators, Inc., uses the explosion-bond method of clad steel plate production. Dynamic purchases its backing steel and cladding materials and also produces tube sheets. ***.⁹

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Table III-1 and figure III-1 present data on U.S. producers' capacity and production of clad steel plate during January 1992-June 1995. U.S. capacity increased between 1992 and 1993 and remained stable in 1994. Lukens upgraded its clad plate production facility in 1992-93 to handle larger clad plate products, increase capacity, and reduce nickel consumption. The upgraded facility has larger and environmentally upgraded plating tanks, new welding stations and equipment, a larger blaster, and additional crane capacity. Lukens' clad production capacity is ***.¹⁰ Production of clad steel plate declined during 1992-94 and then increased in January-June 1995. There were numerical errors in the production data provided by ***,¹¹ however no revised figures were received from the firm.

Table III-1

Clad steel plate: U.S. capacity, production, and capacity utilization, by firms, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

Figure III-1

Clad steel plate: U.S. production, capacity, and capacity utilization, 1992-94

* * * * *

SHIPMENTS

U.S. producers' U.S. shipments are presented in table III-2. The volume and value of U.S. shipments of clad steel plate declined during 1992-94 and then increased in January-June 1995 compared to the corresponding period in 1994. The volume and value of exports of clad steel plate increased during 1992-94¹² and then declined in interim 1995 (table C-1). ***.

Table III-2

Clad steel plate: U.S. producers' U.S. shipments, by firms, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

⁹ *Stainless Clad Steel Plate from Japan*, Inv. No. 731-TA-50 (Final), USITC Pub. 1270 (June 1982).

¹⁰ Questionnaire response submitted by Lukens and conference transcript, p. 20.

¹¹ Letter from ***.

¹² ***.

U.S. PRODUCERS' INVENTORIES

Although clad steel plate is a specialty product that is produced to specification, U.S. producers reported that end-of-period inventories increased by *** percent in 1992-94 and by *** percent in interim 1995 (table III-3).¹³

Table III-3

Clad steel plate: End-of-period inventories of U.S. producers, by firms, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

U.S. EMPLOYMENT, COMPENSATION, AND PRODUCTIVITY

U.S. producers' employment and productivity data are presented in table III-4. Employment of PRWs was steady during 1992-94 and declined slightly in January-June 1995. Hours worked and wages paid increased during 1992-94.

Table III-4

Average number of production and related workers producing clad steel plate, hours worked, wages paid to such employees, and hourly wages, productivity, and unit production costs, by firms, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

¹³ ***.

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

U.S. IMPORTERS

Importers' questionnaires were sent to 12 firms that the Commission believed could be importing clad steel plate from Japan and other countries. Four firms reported imports from Japan during January 1992-June 1995: ***.¹ Based on adjusted official statistics for clad steel plate,² these four importers accounted for *** percent, by quantity, of subject imports in 1994 from Japan. ***³ reported imports of clad steel plate from ***, respectively, and five firms reported that they did not import clad steel plate.

U.S. IMPORTS

U.S. imports of clad steel plate are presented in table IV-1 and figure IV-1. Imports of clad steel plate subject to this investigation are provided for under subheading 7210.90.10 of the HTS. With the exception of 1993, Japan has been the largest exporter of clad steel plate to the United States. Counsel for respondents argues that product imported under a TIB should not be considered subject imports because such imports are not subject to the U.S. antidumping law.⁴

Table IV-1

Clad steel plate: U.S. imports, by sources, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

Figure IV-1

Clad steel plate: U.S. imports, by sources, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

APPARENT U.S. CONSUMPTION

Data on apparent consumption of clad steel plate are presented in table IV-2 and figure IV-2. Apparent consumption is calculated from U.S. producers' shipment data provided in response to Commission questionnaires and from imports provided in official statistics.

Table IV-2

Clad steel plate: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

¹ All of the firms that import clad steel plate from Japan are ***.

² The official statistics have been adjusted to account for imports of clad steel plate from Kawasaki. Kawasaki exports clad steel plate in thicknesses less than 4.5mm that is not within the scope of the investigation as defined by Commerce. Clad steel plate less than 4.5mm thick is used in cookware, coinage, and electrical applications.

³ Telefax message from ***.

⁴ JSW's postconference brief, pp. 7-8. JSW exported *** to the United States under a TIB in 1995. JSW's clad plate was used ***. Products under a TIB are not included in Commerce's official import statistics (imports for consumption).

Figure IV-2

Clad steel plate: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

U.S. MARKET SHARES

The market shares of U.S. producers and imports from Japan and all other sources, based on apparent U.S. consumption of clad steel plate, are presented in table IV-3 and figure IV-3.

Table IV-3

Clad steel plate: Apparent U.S. consumption and market shares, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

Figure IV-3

Clad steel plate: Share of the quantity of U.S. consumption, by sources, 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

PART V: PRICING AND RELATED INFORMATION

PRICES

The market for clad steel plate is characterized by closed bid competition, although the competing firms often know who their competitors are when bidding on a specific project.¹ The products required for individual projects all have distinct specifications and are used in specialized applications. Successful bidding on projects that require clad steel plate is a multi-step process. First, the end user, which may be an oil company or a pulp mill, retains an engineering firm to do a job involving clad steel plate. This firm begins by soliciting bids from various clad fabricators. In turn, each of the competing fabricators solicits bids from domestic clad producers and importers of this product from Japan and other sources. The competing producers and importers then prepare and submit formal written quotations.²

It may take weeks or even months for the end user to select a fabricator for the project. Once a fabricator has been selected it finalizes design details and contacts the clad bidders with final plate sizes, quantities, and material specifications. The clad bidders are then asked to respond again with final quotations. After reviewing these quotations, the fabricator then selects the clad producer for the project.

Methods of arriving at bid prices to quote to fabricators differ among suppliers. Lukens reported that it uses a complex cost model which considers several factors: the type of cladding (stainless, nickel-based alloy, etc.), the plate size, and total thickness and quantity. A markup is then added to the estimated cost to establish a selling price. The importers of Japanese-produced clad steel plate typically forward the requests for bids to JSW in Japan. Once the bid from JSW has been received they add on transportation and insurance charges, customs fees and other charges, and a markup to arrive at a bid price to quote to their customer.

U.S. producers all reported that they quote prices on an f.o.b. basis while importers of the Japanese product may quote prices on either an f.o.b. or a delivered basis. In the case of both Lukens and DuPont, the quotes are f.o.b. Coatesville, PA. Itochu and *** both quote prices on a delivered basis, while *** quotes on an f.o.b. basis and *** quotes on both an f.o.b. and delivered basis. Although discounts are sometimes provided for large orders, none of the producers or importers indicated that they have a standard discounting policy.

Inland transportation costs vary as a percentage of the total delivered cost to purchasers of clad steel plate. In the case of producers, DuPont and Lukens both reported that these costs amount to approximately *** percent of the delivered price. Among importers of Japanese-produced clad steel plate, the reported costs ranged from *** percent to *** percent of the delivered price.

Clad steel plate is marketed throughout the United States, although individual producers and importers focus on particular regions. DuPont and Lukens both indicated that they sell in all areas of the United States. However, DuPont's largest customers are in ***. Ametek markets clad steel plate in ***. Among importers, Itochu ***, while JSWA sells *** and ***. *** sales are limited to ***. The majority of all inland shipments by producers and importers are for distances of less than 1,000 miles.

Timeliness in delivery of the clad steel plate is considered crucial by purchasers when they are undertaking a project. A telephone survey by the staff of 9 large fabricators indicated that they generally consider timeliness in meeting delivery schedules to be as important as price when selecting a supplier, because a delay in the arrival of this metal can halt work on an entire project.³ Average

¹ *** considers the bidding to be open. However, all of the other producers and importers that completed questionnaires consider the bidding closed.

² Conference transcript, pp. 12-13.

³ The fabricators contacted were ***. The purchasing people interviewed in 5 of the companies, *** all stated that suppliers of the Japanese material are more prompt and timely in meeting delivery schedules than Lukens. The spokesman for *** also reported that JSW is better than the other suppliers in meeting agreed

(continued...)

reported lead times for delivery of clad steel plate varied. Ametek reported lead times of *** weeks. DuPont's lead time ranges from *** when the metal needs to be ordered from a mill. Lukens reported that its lead time ranges from *** weeks, on average. Among importers of Japanese-produced clad steel plate, lead times ranged from 10 to 18 weeks.

Bid Data

Since most sales of clad steel plate are on a bid basis, bid data were requested from producers and importers for the period 1992-94 and January-June 1995. A problem in collecting this information is that a very large number of bids are submitted annually by both producers and importers. For example, Lukens reported that it submits approximately *** bids annually in response to requests for quotations. Therefore, in order to make the questionnaire manageable, the data request was limited to the largest 5 bids during each of the years 1992-94 and January-June 1995. The response to this request was mixed. Among producers, only Lukens and Dupont provided bid data. Lukens only had information on the bids that it actually won for the years 1992 and 1993, but was able to provide data on both winning and losing bids for 1994 and 1995. DuPont was only able to provide data on its winning bids for 1994 and 1995. Among importers, Itochu provided complete data for the entire specified period and JSWA provided data that was largely complete from 1993 onward. However, *** and *** could only provide data on winning bids.

Total quantities and values of the largest bids reported by U.S. producers and importers are presented in table V-1. Bids reported in a given year are not generally good indicators of levels of shipments by a particular supplier in a given year. In cases where bids are won, the clad steel plate is often not shipped until the following year. In cases where losing bids are reported, they are often far greater than actual shipment levels. The greatest divergence between bids and shipments has occurred in the cases of Itochu and JSWA. Itochu *** recorded during the three and one-half year period, and JSWA *** during the period. Thus, in 1994 Itochu's largest bids involved projects totaling *** in that year. JSWA's bids totalled *** in that year. During January-June 1995 JSWA submitted bids on ***.

Table V-1

Clad steel plate: Total tonnages and values of largest projects bid on by U.S. producers and importers of Japanese material, 1992-94 and Jan.-June 1995

* * * * *

The unit value per pound of the bids submitted by the two producers and four importers shown on an annual basis for 1992-94 and for the first 6 months of 1995 do not exhibit any clear-cut trends for the periods shown. The wide variability in these unit values is due to the differing specifications of the clad steel plate required in different projects.

In requesting data on largest bids from producers and importers it was intended that competing bids by the different suppliers could be matched up. However, in most cases this was not possible. The largest bids reported by particular suppliers were generally not among the largest bids reported by other suppliers. The staff attempted to obtain additional detailed data on bids by contacting a number of the larger fabricators. However, these efforts were generally not successful. Because of the very closed nature of the bid process, the purchasers were not willing to respond to an informal request by the Commission staff for detailed bid information, even though they were often willing to discuss the purchasing process in a more general way.

³ (...continued)

upon schedules. However, he said that the scheduled lead times for delivery of Japanese clad steel plate are longer than for U.S.-produced material. The spokesman for *** said that none of the U.S. producers or suppliers of Japanese-produced material are very good at meeting delivery schedules.

Bid data in cases where winning bids and and/or competing bidders are known are presented in table V-2. In the majority of cases shown, JSW was known to be a bidder, but the importer of the Japanese material was not known. Also, in most cases only the winning bid was known; bids by competing suppliers could not be obtained.

Table V-2

Clad steel plate: Information on largest bids of producers and importers, 1992-94 and Jan.-June 1995

* * * * *

In two cases shown in the table, competing bids by Lukens and suppliers of Japanese product were available. In both instances *** of clad steel plate.⁴ ***⁵

Lukens reported 13 instances where it succeeded in winning large bids in cases where competitors were known. In 12 of these bids it faced competition from imports from ***, and in one case, another domestic producer, ***, was their only known competition. In *** of the *** cases where they faced competition from Japan, *** was also a competitor. In *** of those cases where it won bids in competition with Japanese products, Lukens ***. In *** cases Lukens ***. In the other 5 winning bids, ***.⁶

EXCHANGE RATES

Nominal and real exchange rate data for Japan and for France, a source of imported clad steel plate not subject to the investigation, are presented in figure V-1. The data show that the Japanese currency generally appreciated in both nominal and real terms in relation to the dollar during the period shown, while the French currency was fairly stable in relation to the dollar in both nominal and real terms during this period.⁷

LOST SALES AND LOST REVENUES

Lukens was the only producer to provide lost revenues and lost sales allegations. Lukens provided *** lost sales allegations involving *** tons of clad steel plate valued at \$*** and *** allegations of lost revenues involving *** tons of clad steel plate valued at \$*** due to competition from imports from Japan. The staff investigated all of the allegations.

Lukens alleged that it lost a sale of *** tons of clad steel plate valued at \$*** to *** in *** because of competition from imports from Japan. ***.

Lukens alleged that it lost revenues of \$*** on a sale of *** tons of clad steel plate to *** because of competition from imports from Japan. Lukens alleged that it was forced to lower its original bid from about \$*** to \$*** as a result of the Japanese competition. ***.

Lukens alleged that it lost revenues of approximately \$*** on a sale of *** tons of clad steel plate to *** because of competition from imports from Japan. Lukens alleged that it was forced to lower its original bid from \$*** to \$*** as a result of the Japanese competition. ***.

Lukens alleged that it lost revenues of about \$*** on a sale of *** tons of clad steel plate to *** because of competition from imports from Japan. Lukens alleged that it was forced to lower its original bid from \$*** to \$*** as a result of the Japanese competition. ***.

Lukens alleged that it lost combined revenues of about \$*** on two sales of clad steel plate to *** and that it also lost a sale of \$*** to the same company earlier in the year as a result of

⁴ This bid is discussed in the section of the report entitled "Lost Sales and Lost Revenues."

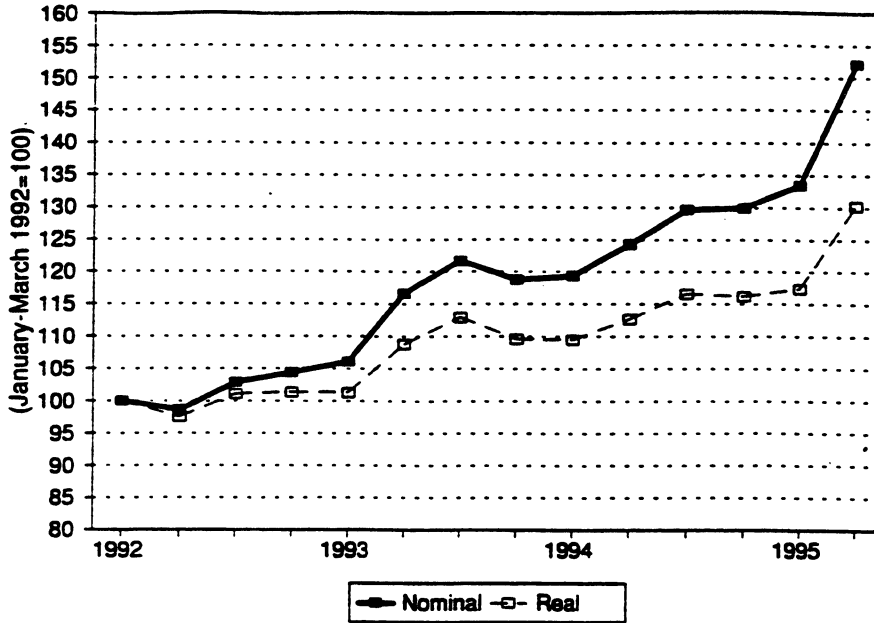
⁵ This bid is also discussed in the "Lost Sales and Lost Revenues" section of the report.

⁶ These cases are discussed in the "Lost Sales and Lost Revenue" section of the report.

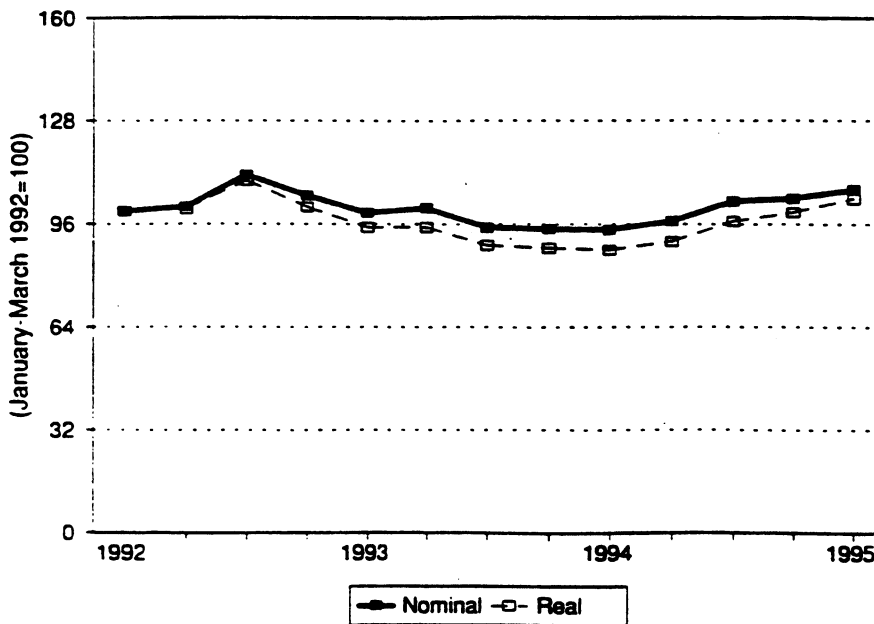
⁷ Real exchange rates are calculated by adjusting the nominal rates for movements in producer prices in the United States and the other countries.

Figure V-1
 Indexes of nominal and real exchange rates of the currencies of Japan and France in relation to the U.S. dollar, by quarters, Jan. 1992-June 1995

Japanese Yen



French Franc



Source: International Monetary Fund, *International Financial Statistics*, October 1995.

Japanese import competition. Lukens alleged that it had to lower its bid from \$*** to \$*** to make a sale of *** tons to *** and that it had to lower its bid from \$*** to \$*** in *** to make a sale of *** tons. The lost sale allegation concerned a transaction involving *** tons of clad steel plate that occurred in ***. ***.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

INTRODUCTION

Two producers, DuPont and Lukens, accounting for approximately *** percent of reported U.S. production of clad steel plate in 1994, furnished financial data on their operations producing clad steel plate. The other U.S. producers did not provide any financial information.

OPERATIONS ON CLAD STEEL PLATE

The aggregate income-and-loss data of DuPont and Lukens on their clad steel plate operations are presented in table VI-1 and figure VI-1. Net sales value declined by *** percent whereas quantity sold dropped by *** percent during 1992-94. During the same period the average selling price per ton fell by *** percent. Average selling price per ton may be impacted by product mix changes such as type of cladding material, percentage of cladding, and/or plate gauge.¹ From January-June 1994 to 1995, net sales value rose by *** percent, quantity sold increased by *** percent, and average selling price per ton dropped by *** percent. The industry reported an aggregate operating income in 1992, but increasing losses in 1993 and 1994. The operating losses somewhat declined from interim 1994 to 1995. The operating losses were due to a combination of ***.

Table VI-1

Income-and-loss experience of U.S. producers on their operations producing clad steel plate, fiscal years 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

Figure VI-1

Clad steel plate: Income and loss

* * * * *

DuPont's Operations On Its Clad Steel Plate

The income-and-loss data of DuPont are presented in table VI-2. Net sales value *** and sales volume *** during 1992-94. During the interim periods, net sales value ***, whereas quantity sold *** from 1994 to 1995. Average selling price *** from 1992 to 1993, *** from 1993 to 1994, and then *** from 1994 to January-June 1995. The cost of goods sold as a percent of net sales *** in 1994 and in interim 1995 because of the *** level of sales in those periods. The SG&A expenses *** in 1994 and thereafter, mainly because ***.

Table VI-2

Income-and-loss experience of DuPont on its operations producing clad steel plate, fiscal years 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

¹ Exhibit 2 of Lukens' postconference brief.

Lukens' Operations On Its Clad Steel Plate

The income-and-loss data of Lukens are presented in table VI-3. Lukens stated in its 1994 Annual Report that "the company launched a \$400 million capital investment program in 1993 aimed at lowering cost, increasing capacity, broadening product lines, and enhancing quality and customer service."² Lukens reported total capital expenditures of about \$*** during 1992-94 for clad steel plate operations. ***.

Table VI-3

Income-and-loss experience of Lukens on its operations producing clad steel plate, fiscal years 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

Net sales value *** during 1992-94, but quantity sold *** in 1993 from 1992, and then *** in 1994. During the interim periods, both net sales value and volume *** from 1994 to 1995. Average selling price *** during 1992-94, and then *** from 1994 to January-June 1995.

Lukens' reported "standard cost" consists of ***. Most of the *** costs are directly associated with clad steel plate facilities. ***.

VARIANCE ANALYSIS

The variance analysis for the aggregate income-and-loss data shown in table VI-1 is presented in table VI-4. There are some export sales and insignificant intercompany transfers. The wide range of unit values of the various types of clad steel plate, and the product mix changes from period to period, may substantially impact the effects of changes in pricing, costs, and volume on profitability.

Table VI-4

Clad steel plate: Variances in net sales; cost of goods sold; gross profit; selling, general, and administrative expenses; and operating income due to changes in price, volume, costs, and/or expenses of U.S. producers, between the fiscal years 1992-94, 1992-93, 1993-94, and between the Jan.-June periods of 1994 and 1995

* * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The original value and book value of property, plant, and equipment, by firms, are presented in table VI-5. The capital expenditures and research and development expenses, by firms, are shown in table VI-6.

Table VI-5

Value of assets of U.S. producers of clad steel plate, by firms, fiscal years 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

² 1994 Annual Report of Lukens, p. 10.

Table VI-6

Capital expenditures by and research and development expenses of U.S. producers of clad steel plate, by firms, fiscal years 1992-94, Jan.-June 1994, and Jan.-June 1995

* * * * *

CAPITAL AND INVESTMENT

U.S. producers were asked if their firms had any major capital expenditures in the last five years which influenced their capacity to produce clad steel plate. ***.

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of clad steel plate from Japan on their firms' return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. Their responses were as follows:

Actual Negative Effects

Ametek--***.
DuPont--***.
Lukens--***.

Anticipated Negative Effects

Ametek--***.
DuPont--***.
Lukens--***.

PART VII: THREAT CONSIDERATIONS

INFORMATION PRESENTED IN THIS SECTION

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of clad steel plate is presented in the parts entitled "U.S. Imports, Apparent Consumption, and Market Shares" and "Pricing and Related Data," respectively, 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 the clad steel plate industry in Japan, including the potential for "product-shifting;" inventories of U.S. imports of clad steel plate from Japan; and any other threat indicators, if applicable, is presented in this section of the report.

On October 6, 1981, Lukens filed an antidumping petition involving stainless steel clad plate from Japan. The petition resulted in an antidumping order¹ that was subsequently revoked.² In August 1993, the Commission found that imports of clad steel plate from Japan were not injuring or threatening injury to an industry in the United States.³

THE INDUSTRY IN JAPAN

There are five known producers of clad steel plate in Japan: JSW,⁴ NKK,⁵ Nippon, Kawasaki, and Sumitomo. JSW is the only Japanese producer of the subject merchandise that is known to export to the United States.⁶ JSW's wholly-owned subsidiary company in the United States, JSWA, NY, provides technical and mechanical assistance to U.S. firms.⁷ Data on JSW's production and shipments of clad steel plate were provided by counsel in response to the Commission's foreign producer questionnaire and are presented in table VII-1. The Commission also received general information and specific data regarding the industry producing clad steel plate in Japan from the U.S. Embassy in Tokyo. Total production of clad steel plate in Japan, as reported by MITI, was 36,281 tons in 1992, 33,751 tons in 1993, 44,431 tons in 1994, 21,288 tons in January-June 1994, and 22,651 tons in January-June 1995.

¹ 47 F.R. 34178, Aug. 6, 1982.

² 50 F.R. 38151, Sept. 30, 1985.

³ *Certain Flat-Rolled Carbon Steel Products from Argentina, Australia, Austria, Belgium, Brazil, Canada, Finland, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, Poland, Romania, Spain, Sweden, and the United Kingdom*, Invs. Nos. 701-TA-319-332, 334, 336-342, 344, and 347-353, and 731-TA-573-579, 581-592, 594-597, 599-609, and 612-619 (Final), USITC Pub. 2664 (Aug. 1993).

⁴ JSW estimates that it accounted for *** percent of total production of clad steel plate in Japan in 1994; questionnaire response, Oct. 23, 1995.

⁵ NKK is planning to increase its production of stainless clad plate to meet growing demand for the product due to rising prices for stainless steel; *Metal Bulletin*, p. 23, June 26, 1995. NKK is not currently exporting stainless steel clad plate but with its added capacity it plans to enter the export market. The Asean countries and India are the main targets for such exports, but Europe and the United States are also being considered; Lukens' postconference brief, exhibit 1.

⁶ As mentioned earlier in the report, the clad steel plate produced and exported to the United States by Kawasaki is not within the scope of the investigation as defined by Commerce. Kawasaki exports clad steel plate in thicknesses less than 4.5mm for use in cookware, coinage, etc.; conference transcript, pp. 81-82, and Lukens' postconference brief, pp. 6-7. ***.

⁷ JSWA is involved more with other JSW products since clad steel plate is a relatively small part of JSW's business; conference transcript, p. 74. JSW reported that sales of clad steel plate accounted for *** percent of its total sales in 1994; questionnaire response, Oct. 23, 1995. In 1994, JSW received inquiries for a total of *** metric tons but only shipped *** metric tons; postconference brief, p. 13.

Table VII-1

Clad steel plate: JSW's capacity, production, inventories, capacity utilization, and shipments, 1992-94, Jan.-June 1994, Jan.-June 1995, and projected 1995-96

* * * * *

JSW produces clad steel plate using a hot-rolling process.⁸ Its rolling facilities are used to produce ***. The surface to be bonded of both the cladding metal and the backing steel are ground and cleaned. They are then nickel-plated to ensure metallurgical bond. Two plates of backing material (carbon or alloy steel) with two plates of cladding material between them are placed together with the two cladding metals together. The sides of the cladding metal which are placed together are coated with a parting compound so they can be separated after bonding. The four pieces of metal with the cladding material in the middle and the backing material on the outside are matched together to form an assembly or pack and are then welded along the edges to protect the cladding material from contamination during heating before rolling. The assembly is then heated to the proper temperature and mill rolled to the required thickness.⁹ The process metallurgically bonds the backing and cladding material. The assembly is then heat treated and separated into two clad plates to be cut into the appropriate dimensions.¹⁰

JSW's production of clad steel plate *** during 1992-95.¹¹ ***.

U.S. IMPORTERS' INVENTORIES

U.S. importers of Japanese clad steel plate do not generally hold inventories because the subject product is produced to specification for particular projects.

U.S. IMPORTERS' CURRENT ORDERS

Reported orders for Japanese clad steel plate that U.S. importers have placed for delivery after June 30, 1995, totaled *** tons. Such orders were reported by ***.

⁸ JSW does not use continuous casting to produce the backing or cladding. JSW *** and produces the backing material by rolling ingots.

⁹ The rolling facilities are also used for producing very thick carbon steel plate, although some facilities are dedicated to the production of clad steel plate; conference transcript, p. 87.

¹⁰ *Stainless Clad Steel Plate from Japan*, Inv. No. 731-TA-50 (Final), USITC Pub. 1270 (June 1982). JSW's production process is basically unchanged since 1980.

¹¹ This includes plates clad with stainless steel, nickel and nickel alloys, and copper and copper alloys.

APPENDIX A
FEDERAL REGISTER NOTICES

material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of clad steel plate, provided for in subheading 7210.90.10 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), the Commission must complete preliminary antidumping investigations in 45 days, or in this case by November 13, 1995. The Commission's views are due at the Department of Commerce within 5 business days thereafter, or by November 20, 1995.

For further information concerning the conduct of this investigation 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: September 29, 1995.

FOR FURTHER INFORMATION CONTACT: Valerie Newkirk (202-205-3190), 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> or <ftp://ftp.usitc.gov>).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on September 29, 1995, by Lukens Steel Company, Coatesville, PA.

Participation in the Investigation and Public Service List

Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven (7) days after publication of this notice in the Federal Register. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation

upon the expiration of the period for filing entries of appearance.

Limited Disclosure of Business Proprietary Information (BPI) under an Administrative Protective Order (APO) and BPI Service List

Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this preliminary investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made not later than seven (7) 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 this investigation for 9:30 a.m. on October 20, 1995, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Valerie Newkirk (202-205-3190) not later than October 18, 1995, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which 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 sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before October 25, 1995, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three (3) days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-739 (Preliminary)]

Clad Steel Plate From Japan

AGENCY: United States International Trade Commission.

ACTION: Institution and scheduling of a preliminary antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of preliminary antidumping investigation No. 731-TA-739 (Preliminary) under section 733(a) of the Tariff Act of 1930, as amended by section 212(b) of the Uruguay Round Agreements Act (URAA), Public Law 103-465, 108 Stat. 4809 (1994) (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with

document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of the Tariff Act of 1930, title VII, as amended by the URAA. This notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.

Issued: October 4, 1995.

Donna R. Koehnke,

Secretary.

[FR Doc. 95-25042 Filed 10-6-95; 8:45 am]

BILLING CODE 7020-02-P

**International Trade Administration
[A-588-835]****Initiation of Antidumping Duty
Investigation: Clad Steel Plate From
Japan**

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

EFFECTIVE DATE: October 25, 1995.

FOR FURTHER INFORMATION CONTACT:
Ellen Grebasch at (202) 482-3773,
Dorothy Tomaszewski at (202) 482-0631
or Erik Warga at (202) 482-0922, Office
of Antidumping Investigations, Import
Administration, International Trade
Administration, U.S. Department of
Commerce, 14th Street and Constitution
Avenue, NW., Washington, DC 20230.

INITIATION OF INVESTIGATION:**The Applicable Statute**

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").

The Petition

On September 29, 1995, the Department of Commerce ("the Department") received a petition filed in proper form by Lukens Steel Company ("petitioner"), a domestic producer of clad steel plate.

In accordance with section 732(b) of the Act, petitioner alleges that imports of clad steel plate from Japan 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, or threatening material injury to, a U.S. industry.

Petitioner claims that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act.

**Determination of Industry Support for
the Petition**

Section 732(c)(4)(A) of the Act requires the Department to determine, prior to the initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets these minimum requirements 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.

A review of the production data provided in the petition and other information readily available to the Department indicates that the petitioner accounts for more than 25 percent of the total production of the domestic like product and for more than 50 percent of that produced by companies expressing support for, or opposition to, the petition. The Department received no expressions of opposition to the petition from any domestic producer or workers. Accordingly, the Department determines that the petition is supported by the domestic industry.

Scope of the Investigation

The scope of this investigation is all clad¹ steel plate of a width of 600 millimeters ("mm") or more and a composite thickness of 4.5mm or more. Clad steel plate is a rectangular finished steel mill product consisting of a layer of cladding material (usually stainless steel or nickel) which is metallurgically bonded to a base or backing of ferrous metal (usually carbon or low alloy steel) where the latter predominates by weight.

Stainless clad steel plate is manufactured to American Society for Testing and Materials ("ASTM") specifications A263 (400 series stainless types) and A264 (300 series stainless types). Nickel and nickel-base alloy clad steel plate is manufactured to ASTM specification A265. These specifications are illustrative but not necessarily all-inclusive with respect to the domestic like product.

Clad steel plate within the scope of this investigation is classifiable under

the Harmonized Tariff Schedule of the United States ("HTSUS") 7210.90.10.00. Although the HTSUS subheading is provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Export Price and Normal Value

Export price was based on petitioner's sale order, with the terms of sale as delivered, which was "lost" to a producer in Japan. Petitioner reduced the price based on the "lost" sale order for ocean freight, marine insurance, U.S. duties, inland freight and credit expense. For purposes of initiation, we disallowed petitioner's adjustment for credit expenses because the Act does not provide for deduction of such expenses from export price.

Petitioner based normal value on constructed value ("CV") in accordance with section 773(a)(4) of the Act because it could not obtain price quotations for subject merchandise in the home market. Petitioner computed CV using its own production experience adjusting for known differences in Japanese labor, electricity and natural gas rates. The adjusted Japanese labor rate was based on 1994 published compensation cost from the Bureau of Labor Statistics. The adjusted electricity and natural gas rates were based on 1993 published OECD energy prices. For SG&A excluding interest costs, the petitioner relied on the Japanese producer's March 1995 consolidated summary financial data that it obtained from a public source. We note that in the calculation of CV, petitioner did not include an amount for interest costs. Because the 1995 financial data showed the Japanese producer to be operating at a loss, profit was figured as zero in the CV calculation.

Based on comparisons of export price to normal value, the calculated dumping margin for clad steel plate from Japan, as revised by the Department, is 118.53 percent *ad valorem*.

Fair Value Comparisons

Based on the data provided by the petitioner, there is reason to believe that imports of clad steel plate from Japan are being, or are likely to be, sold at less than fair value.

Initiation of Investigation

We have examined the petition on clad steel plate and have found that it meets the requirements of section 732 of the Act, including the requirements concerning allegations of the material injury or threat of material injury to the domestic producers of a domestic like product by reason of the complained-of imports, allegedly sold at less than fair

value. Therefore, we are initiating an antidumping duty investigation to determine whether imports of clad steel plate from Japan are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determination by February 15, 1996.

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 the government of Japan. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition.

International Trade Commission (ITC) Notification

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

Preliminary Determination by the ITC

The ITC will determine by November 13, 1995, whether there is a reasonable indication that imports of clad steel plate from Japan are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

Dated: October 19, 1995.

Susan G. Esserman,

Assistant Secretary for Import Administration
[FR Doc. 95-26482 Filed 10-24-95; 8:45 am]
BILLING CODE 3510-06-P

¹ Cladding is the association of layers of metals of different colors or natures by molecular interpenetration of the surfaces in contact. This limited diffusion is characteristic of clad products and differentiates them from products metalized in other manners (e.g., by normal electroplating). The various cladding processes include pouring molten cladding metal onto the basic metal, followed by rolling; simple hot-rolling of the cladding metal to ensure efficient welding to the basic metal; any other method of deposition or superimposing of the cladding metal followed by any mechanical or thermal process to ensure welding (e.g., electrocladding), in which the cladding metal (nickel, chromium, etc.) is applied to the basic metal by electroplating, molecular interpenetration of the surfaces in contact then being obtained by heat treatment at the appropriate temperature with subsequent cold-rolling. See *Harmonized Commodity Description and Coding System Explanatory Notes*, Chapter 72, General Note (IV)(C)(2)(e).

APPENDIX B
CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

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

Subject: CLAD STEEL PLATE FROM JAPAN
Investigation No. 731-TA-739 (Preliminary)
Date and Time: October 20, 1995 - 9:30 a.m.

Sessions were held in connection with the investigation in Room 111 (Courtroom B) of the United States International Trade Commission, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Fenwick & West--Counsel
Washington, DC
On behalf of

Lukens Steel Company

Michael D. Markward, Carbon & Alloy Plate Products Manager
John J. Connolly, Manufacturing Analysis Manager

Roger M. Golden)--OF COUNSEL

In Opposition of the Imposition of Antidumping Duties

Kirkland & Ellis--Counsel
Washington, DC
On behalf of

Japan Steel Works and Japan Steel Works America, Inc.

Itochu Pipe & Tube, Inc., Nadra Maakaroun, Manager

Kenneth G. Weigel)--OF COUNSEL

APPENDIX C
SUMMARY TABLE

