Circular Seamless Stainless Steel Hollow Products From Japan

Investigation No. 731-TA-859 (Preliminary)

Publication 3262 **December 1999**

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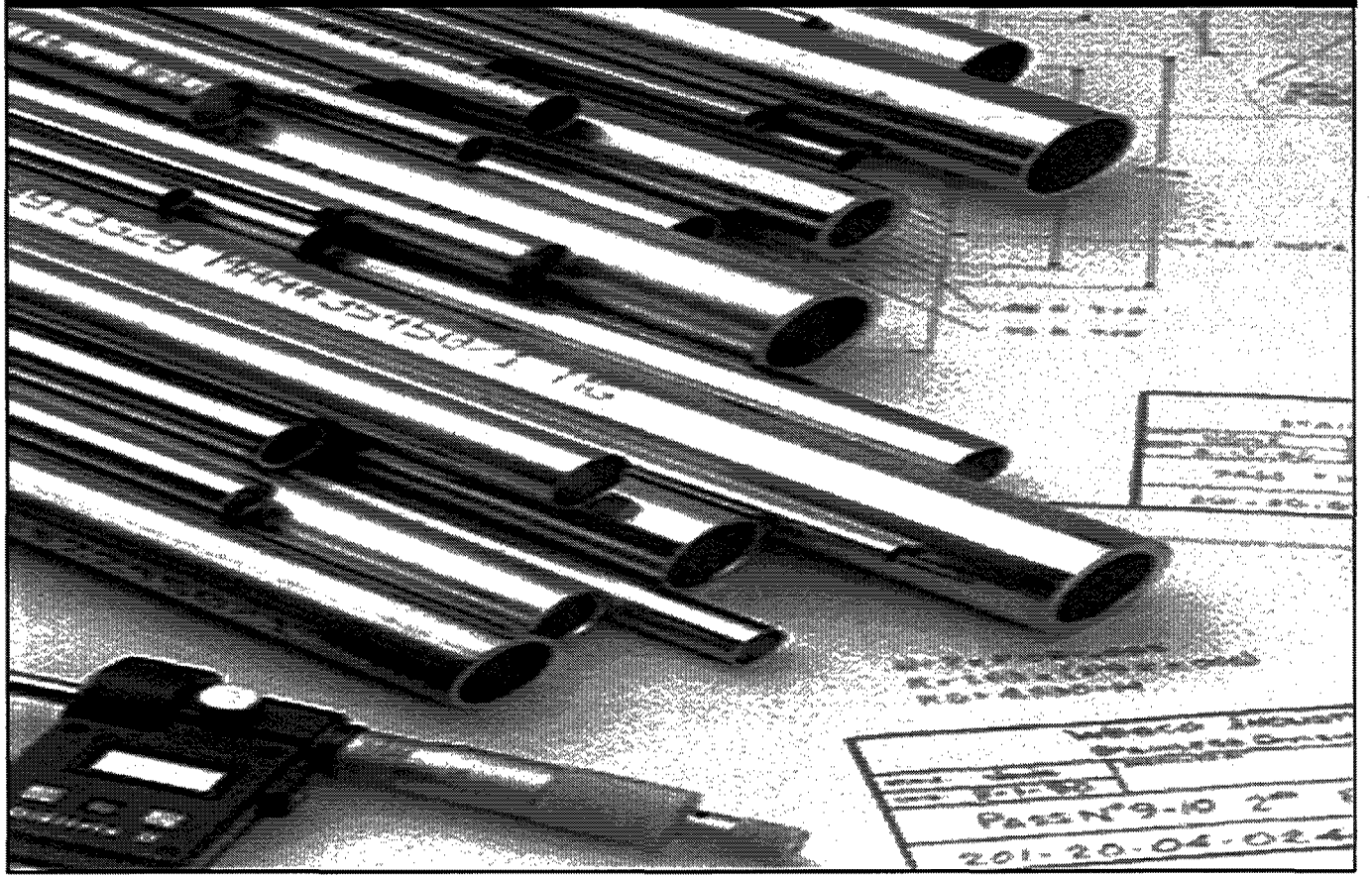
U.S. International Trade Commission



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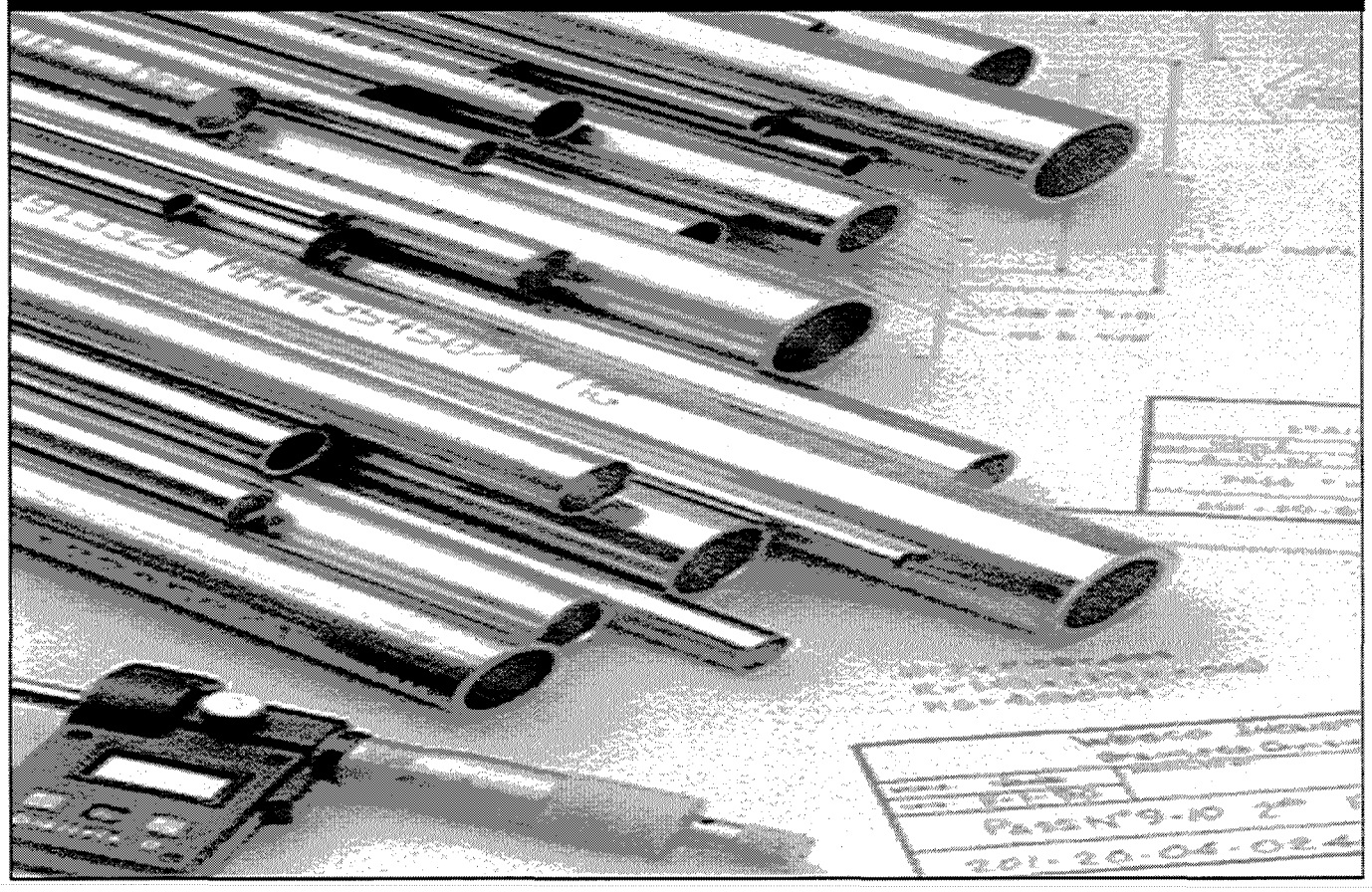

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-859 (Preliminary)

CIRCULAR SEAMLESS STAINLESS STEEL HOLLOW PRODUCTS FROM JAPAN

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines,[2] 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 circular seamless stainless steel hollow products, provided for in subheadings 7304.10.50, 7304.41.30, 7304.41.60, and 7304.49.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

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

BACKGROUND

This investigation results from a petition filed on behalf of Altx, Inc., Watervliet, NY; American Extruded Products, PMAC Ltd., Beaver Falls, PA; DMV Stainless USA, Inc., Houston, TX; Salem Tube, Inc., Greenville, PA; Sandvik Steel Co., Scranton, PA; International Extruded Products LLC d/b/a Wyman-Gordon Energy Products - IXP Buffalo, Buffalo, NY; and the United Steelworkers of America, AFL-CIO/CLC, Pittsburgh, PA. on October 26, 1999, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value imports of circular seamless stainless steel hollow products from Japan. Accordingly, effective October 26, 1999, the Commission instituted antidumping duty investigation No. 731-TA-859 (Preliminary). The Commission received an amendment to the petition on November 9, 1999, in which Pennsylvania Extruded Tube Co. joined as a co-petitioner in the case.

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 November 4, 1999 (64 FR 60223). The conference was held in Washington, DC, on November 16, 1999, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

[2] Commissioner Crawford not participating.

VIEWS OF THE COMMISSION

Based on the record in this investigation, we find a reasonable indication that an industry in the United States is materially injured by reason of imports of circular seamless stainless steel hollow products from Japan that are allegedly sold in the United States at less than fair value ("LTFV").[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] 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."[3]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[4] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic 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."[5] 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."[6]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission

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[1] Commissioner Crawford did not participate in this determination.

[2] 19 U.S.C. § 1673b(a); *see also* American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT __, Slip Op. 96-51, at 4-6 (Mar. 11, 1996).

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

[4] 19 U.S.C. § 1677(4)(A).

[5] 19 U.S.C. § 1677(4)(A).

[6] 19 U.S.C. § 1677(10).

[7] *See, e.g.*, NEC Corp. v. Dep't of Commerce, Slip Op. 98-164 at 8 (Ct. Int'l Trade, Dec. 15, 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749, n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of

(continued...)

may consider other factors it deems relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[9] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[10]

B. Product Description

In its notice of initiation Commerce described the merchandise within the scope of the investigation as follows:

> The scope of this investigation covers seamless stainless hollow products, including pipes, tubes, redraw hollows, and hollow bars, of circular cross section, containing 10.5 percent or more by weight chromium, regardless of production process, outside diameter, wall thickness, length, industry specification (domestic, foreign or proprietary), grade or intended use. Common specifications for the subject seamless stainless steel hollow products include, but are not limited to, ASTM-A-213, ASTM-A-268, ASTM-A-269, ASTM-A-270, ASTM-A-271, ASTM-A-312, ASTM-A-376, ASTM-A-498, ASTM-A-511, ASTM-A-632, ASTM-A-731, ASTM-A-771, ASTM-A-789, ASTM-A-790, ASTM-A-826 and their proprietary or foreign equivalents.
>
> The merchandise covered by this petition is found in the Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7304.10.50.20, 7304.10.50.50, 7304.10.50.80, 7304.41.30.05, 7304.41.30.15, 7304.41.30.45, 7304.41.60.05, 7304.41.60.15, 7304.41.60.45, 7304.49.00.05, 7304.49.00.15, 7304.49.00.45, 7304.49.00.60. Although HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive. Excluded from the scope of the investigation are finished oil country tubular goods certified to American Petroleum Institute ("API") standard 5CT or 5D. Also excluded are hollow drill bars and rods, classifiable under 7228.80 of the HTSUS.[11]

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[7] (...continued)
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* Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[8] *See, e.g.*, S. Rep. No. 96-249, at 90-91 (1979).

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

[10] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[11] 64 Fed. Reg. 63285 (Nov. 19, 1999).

C. Domestic Like Product Issues

Petitioners urge the Commission to find a single domestic like product that includes pipes, tubes, redraw hollows, and hollow bars, regardless of production process (hot- or cold-finished). Respondents contend that the Commission should determine that there are two domestic like products: hot-finished hollow products and cold-finished hollow products. One respondent also alleges that the Commission should determine that extreme-temperature hollow products constitute a separate like product.[12] We determine for the purposes of this preliminary investigation that there is one like product, consisting of hot- and cold-finished hollow products, including pipes, tubes, redraw hollows, and hollow bars.

1. Whether Hot-Finished and Cold-Finished Hollow Products Constitute a Single Domestic Like Product

Hot-finished and cold-finished hollow products have essentially the same chemical composition. The raw materials used to produce stainless steel products include stainless steel scrap, carbon steel scrap, and ferroalloys. The principal ferroalloys used are nickel, chromium, and molybdenum. Producers of stainless steel hollow products use round stainless steel billets purchased from domestic or foreign steel producers.[13] To manufacture a stainless steel hollow product, a billet is heated to hot-forming temperature (2,200 degrees Fahrenheit) and forced through a die and over an internal mandrel, forming a hot-finished hollow section.[14]

Small-diameter or thin-walled products and products requiring particularly close dimensional tolerances or a smooth finish are then cold-finished. The minimum diameter for hot finishing varies among producers due to differences in equipment capabilities, but hollow products with outside diameters smaller than approximately 1.125 inches can be produced only by cold finishing.[15] Cold-finished hollow products are produced in outside diameters of up to 24 inches.[16]

Cold-finished products can be produced by either cold drawing or tube reducing. Under either process, hot-finished seamless hollows are first pickled in acid to remove scale and oxides from both the outside and inside surfaces. The hollows are then rinsed in water and coated, by dipping, with a lubricant. For the cold-drawing process, the hollow is then pulled through a die and over an internal

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[12] Another respondent, Plymouth Tube Company ("Plymouth"), produces specialty cold-finished hollow products used in the semiconductor, aerospace, nuclear instrumentation, medical equipment, and pharmaceutical industries. Plymouth's Postconference Brief at 3. Plymouth argues that the Commission should exclude from the investigation the ultra high purity redraw hollows it purchases because there is no domestic production of such products. Plymouth's Postconference Brief at 7; Tr. at 92. When asked whether Plymouth was arguing for ultra high purity redraw hollows to be a separate domestic like product, Plymouth responded that it was not, but was making a point with respect to the scope of the investigation, and that the Commission should find that hot-finished and cold-finished hollow products constitute two domestic like products. Tr. at 92-93.

As noted above, the Commission cannot change the scope of the investigation. The Commission has consistently stated that it does not have the authority to "exclude" from its determination products that are included within the scope. *See, e.g.*, Fresh Garlic from the People's Republic of China, Inv. No. 731-TA-683 (Final), USITC Pub. 2825, at I-7 n.17 (Nov. 1994), *citing* Sandvik AB v. United States, 721 F. Supp. 1322, 1333 (Ct. Int'l Trade 1989), *aff'd*, 904 F.2d 46 (Fed. Cir. 1990).

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

[14] CR at I-4 - I-5, PR at I-3 - I-4.

[15] CR at II-1, PR at II-1.

[16] CR at I-6, PR at I-4.

mandrel, reducing the outside diameter and increasing the length. The mandrel inside the hollow controls the inside diameter and the wall thickness. Alternatively, the hot-finished hollow can undergo tube reducing, in which a pair of rolls having tapered grooves is rolled and reciprocated along the outside of the tube so that a reduction of both the diameter and the wall thickness is accomplished against a fixed, tapered mandrel on the inside of the tube. When a particular tube size requires greater reduction in cross-sectional area than can be accomplished through a single reduction process (due to work-hardening of the steel, which prevents further cold reduction), the product may be annealed, pickled, and again cold-drawn in order to achieve further cold reduction. For very small diameter tubes, the sequence of annealing, pickling, and cold-drawing may be repeated several times. Both hot-finished and cold-finished hollow products are then further processed by annealing, pickling, straightening, and testing.[17]

Because cold-finished hollow products are produced from hot-finished hollow products, both are produced, up to a point, on some of the same equipment, using some of the same production processes and the same production employees. However, the production of cold-finished hollow products requires additional production equipment and processes that are not needed to manufacture the hot-finished products, *i.e.* cold-drawing and/or tube-reducing equipment.[18] Moreover, domestic producers appear to focus on one type of product; only one domestic producer made both hot-finished and cold-finished hollow products during the period of investigation.[19]

Both cold-finished and hot-finished hollow products can be used for some of the same general purposes.[20] However, many of the uses for hollow products require cold-finishing because this process results in less eccentricity, closer dimensional tolerances, smoother surfaces, greater hardness, and lower wall thickness ratios than hot-finishing.[21] Moreover, small diameter or thin-walled products must be cold-finished.[22]

Domestic producers state that there is a fair to low degree of interchangeability between cold-finished and hot-finished hollow products.[23] Customers generally buy cold-finished hollow products only when hot-finished hollow products will not meet their specifications.[24]

The channels of distribution are the same for hot-finished and cold-finished hollow products; both are sold to distributors and end users.[25]

The prices of cold-finished hollow products are significantly higher than the prices of hot-finished hollow products. Hot-finished hollow products are approximately half as expensive per pound as cold-finished hollow products.[26]

While the evidence is mixed, we find one like product for cold-finished and hot-finished hollow products, due to similarities in some physical characteristics; some overlap in uses; some common production equipment, processes, and workers; and identical channels of distribution. However, we recognize that there are distinctions between the two types of products, including some differences in

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[17] CR at I-6 - I-7, PR at I-4 - I-5.

[18] CR at I-8, PR at I-6.

[19] CR at I-8, PR at I-6.

[20] CR at II-1, PR at II-1.

[21] CR at II-1, PR at II-1.

[22] CR at I-5, PR at I-4.

[23] CR at II-1, PR at II-1.

[24] CR at II-1, PR at II-1.

[25] CR at II-2, PR at II-2.

[26] CR at II-1, PR at II-1.

physical characteristics, differing producer and customer perceptions, and some uses for which hot-finished hollow products are not suitable, *e.g.*, instrumentation tubes.[27] Moreover, additional processing on different equipment is needed to produce the cold-finished product, which results in a significant price differential. In any final phase investigation, we intend to reexamine closely whether cold-finished and hot-finished hollow products constitute separate like products.[28] [29]

2. Whether Extreme-Temperature Hollow Products Constitute a Separate Domestic Like Product

MC Tubular Products, Inc. ("MCTP") argues that grades TP 405, 410, 430, and 446 of specification A 268 constitute a separate like product because of their use in applications involving temperature extremes. However, MCTP admits that there is no domestic production of this product. Accordingly, the Commission must identify the domestic product that is most similar in characteristics and uses with the article subject to investigation.[30] Despite limited data on extreme-temperature hollow products, it appears that such products share fundamental characteristics with circular seamless stainless steel pipes, tubes, and hollow bars. Therefore, for purposes of this preliminary determination, we find that pipes, tubes, and hollow bars are most similar to extreme-temperature hollow products.

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[27] Japanese Respondents' Postconference Brief at 10.

[28] We note that, in Certain Stainless Steel Plate from Belgium, Canada, Italy, Korea, South Africa, and Taiwan, Inv. Nos. 701-TA-376, 377 and 379 & 731-TA-788-793 (Final), USITC Pub. 3188, at 4, 7 (May 1999), the Commission reconsidered its preliminary finding of one domestic like product and determined in the final phase investigations that there were two domestic like products: hot-rolled and cold-rolled stainless steel plate in coils.

Chairman Bragg notes that upon reconsideration of the Commission's preliminary determination in Certain Stainless Steel Plate she continued to find one like product. *See* Dissenting Views of Chairman Lynn M. Bragg and Commissioner Stephen Koplan.

[29] Petitioners assert that pipes, tubes, and hollow bars comprise the same domestic like product. No other party argues to the contrary. Based on the limited information in the record, we find that there is no clear dividing line between pipes, tubes, and hollow bars. The physical characteristics are similar and overlapping. Pipes and tubes may be used for all of the same purposes, although hollow bars have other uses. Pipes and tubes are largely interchangeable and can be interchangeable with hollow bars in certain circumstances. All are produced on the same equipment by the same manufacturers and using the same employees, and all are sold to distributors as well as end-users. Price is not a distinguishing factor because the costs are determined primarily by the grade of the raw material used in production. Petitioners' Postconference Brief at 7-10.

[30] *See, e.g.,* Certain Cold-Rolled Steel Products from Argentina, Brazil, China, Indonesia, Japan, Russia, Slovakia, South Africa, Taiwan, Thailand, Turkey, and Venezuela, Inv. Nos. 701-TA-393-396 & 731-TA-829-840 (Preliminary), USITC Pub. 3214, at 10 n.58 (July 1999); *see also* Synthetic Indigo from China, Inv. No. 731-TA-851 (Preliminary), USITC Pub. 3222, at 7 (Aug. 1999) ("indigo slurry," a crude form of indigo, not considered a separate domestic like product because there is no domestic production of "indigo slurry" for domestic sale).

3. Whether Redraw Hollows Constitute a Separate Domestic Like Product

With respect to redraw hollows, using the finished/semifinished products analysis[31] we determine that redraw hollows do not constitute a separate domestic like product.[32] Redraw hollows are dedicated to the production of hollow products.[33] Because redraw hollows are used by producers of cold-finished hollow products, the market for redraw hollows is separate from the market for other hollow products.[34] Redraw hollows are commonly produced in grades and sizes (diameter and wall thickness) used for pipe, but are not finished (in terms of straightening, testing, and end finishing) in the same manner as pipe products.[35] Because additional processing is used to transform redraw hollows into hollow product, there is an additional cost, although it is not clear from the record exactly how much value is added by the additional processing.[36]

Thus, we determine that redraw hollows do not constitute a separate domestic like product.[37]

D. Domestic Industry and Related Parties

The domestic industry is defined as "the producers as a [w]hole of a domestic like product."[38] In defining the domestic industry, the Commission generally includes in the industry all of the domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[39] Based on our finding that there is one domestic like product that consists of pipes, tubes, redraw hollows, and hollow bars, regardless of production process (hot- or cold-finished), we find one domestic industry.

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[31] In that analysis the Commission examines: (1) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (2) whether there are perceived to be separate markets for the upstream and downstream articles; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) differences in the costs or value of the vertically differentiated articles; and (5) significance and extent of the processes used to transform the upstream into the downstream articles. Certain Carbon Steel Plate from China, Russia, South Africa, and Ukraine, Inv. Nos. 731-TA-753-756 (Final), USITC Pub. 3076, at 7 n.37 (Dec. 1997); Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Inv. Nos. 731-TA-736-737 (Final), USITC Pub. 2988, at 6 n.23 (Aug. 1996).

[32] No party has argued that redraw hollows are a separate like product.

[33] CR at I-11, PR at I-8.

[34] CR at I-11, PR at I-8.

[35] CR at I-11 - I-12, PR at I-8.

[36] CR at I-12, PR at I-8.

[37] In a previous stainless steel pipe and tube investigation, the Commission determined that redraw hollows did not constitute a separate like product. *See* Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 2033, at 7. Similarly, in the recent Seamless Pipe investigations, the Commission determined to include redraw hollows in the same domestic like product. Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, Japan, Mexico, Romania, and South Africa, Inv. Nos. 731-TA-846-850 (Preliminary), USITC Pub. 3221, at 11 n.44 (Aug. 1999).

[38] 19 U.S.C. § 1677(4)(A).

[39] *See* United States Steel Group v. United States, 873 F. Supp. 673, 681-684 (Ct. Int'l Trade 1994), *aff'd*, 96 F. 3d 1352 (Fed. Cir. 1996).

We must consider whether the production of hollow products includes the operations of redrawers/finishers, *i.e.* firms that provide cold-finishing processing.[40] In deciding whether a firm qualifies as a domestic producer, the Commission often analyzes the overall nature of a firm's production-related activities in the United States,[41] although production-related activity at minimum levels could be insufficient to constitute domestic production.[42]

As explained above, cold-drawing requires an additional investment in equipment. The original cost of the cold-drawers' assets totaled $86.7 million in 1998, with a book value of $35.8 million.[43] In 1998, they reported total capital expenditures of ***.[44] Cold-finishers employed a total of 643 production and related workers in 1998.[45] Thus, based on significant capital investment, the technical expertise required to produce cold-finished hollow products, and the large number of workers employed, we determine to include redrawers/finishers in the domestic industry in this investigation.[46]

We must further determine whether any producer of the domestic like product should be excluded from the domestic industry as a related party pursuant to 19 U.S.C. § 1677(4)(B).[47] Section 1677(4)(B) allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[48] Exclusion of such producers is within the Commission's discretion based upon the facts presented in each case.[49]

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[40] No party has objected to the inclusion of redrawers/finishers.

[41] *See, e.g.*, Sulfur Dyes from China and the United Kingdom, Inv. Nos. 731-TA-548 and 551 (Final), USITC Pub. 2602 (Feb. 1993); Dry Film Photoresist from Japan, Inv. No. 731-TA-622 (Preliminary), USITC Pub. 2555, at 14 (Aug. 1992); Dynamic Random Access Memories of One Megabit and Above from the Republic of Korea, Inv. No. 731-TA-556 (Preliminary), USITC Pub. 2519, at 11-12 (June 1992).

[42] Ferrovanadium and Nitrided Vanadium from Russia, Inv. No. 731-TA-702 (Final), USITC Pub. 2904, at I-8 (June 1995). The Commission generally considers six factors:

(1) source and extent of the firm's capital investment;
(2) technical expertise involved in U.S. production activities;
(3) value added to the product in the United States;
(4) employment levels;
(5) quantity and type of parts sourced in the United States; and
(6) any other costs and activities in the United States directly leading to production of the like product.

See, e.g., Large Newspaper Printing Presses and Components Thereof, Whether Assembled or Unassembled, from Germany and Japan, Inv. Nos. 731-TA-736 and 737 (Final), USITC Pub. 2988, at 7-8 (Aug. 1996).

[43] CR/PR at Table VI-5. The total original cost of the hot-finishers' fixed assets was $52.1 million in 1998; the total book value was $36.4 million. CR/PR at Table VI-5.

[44] CR/PR at Table VI-5.

[45] CR/PR at Table C-5. Hot-finishers employed 191 production and related workers in 1998. CR/PR at Table C-3.

[46] In the previous Stainless Steel Pipe investigations, the Commission also included redrawers in the domestic industry. *See* Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 2033, at 8; Stainless Steel Pipes and Tubes from Sweden, USITC Pub. 1966, at 8.

[47] No party has argued for any exclusions under this provision.

[48] 19 U.S.C. § 1677(4)(A).

[49] Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), *aff'd without opinion*, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The

(continued...)

We have considered whether to exclude three domestic producers under our related party analysis: Pennsylvania Extruded Tube Co. USA Inc. ("PEXCO"), a joint venture owned in part by a Japanese producer of subject merchandise, and *** and ***, domestic producers that also imported subject merchandise during the period of investigation.

PEXCO, one of the petitioners, is the largest domestic producer of the subject hollow products and is a joint venture between Sandvik Extruded Tube, Inc. ("Sandvik") and SMI Extruded Tube, Inc. ("Sumitomo"), a Japanese producer of hollow products. Under the joint venture agreement, Sandvik has a *** percent interest in PEXCO and Sumitomo has a *** percent interest.[50] PEXCO *** during the period of investigation, but rather sells its product to Sumitomo as well as to Sandvik.[51] Thus, PEXCO may be found to be a related party if PEXCO is under the corporate control of Sumitomo, *i.e.* Sumitomo is "legally or operationally in a position to exercise restraint or direction over" PEXCO.[52] Petitioners maintain that, given the relative shares of Sandvik and Sumitomo in the joint venture, and given the decision by PEXCO to participate as a petitioner in this investigation,[53] Sumitomo is not in control of PEXCO within the meaning of the statute.[54] Based on the limited information in the record, we agree with petitioners and, consequently, do not find that PEXCO is a related party.

Appropriate circumstances would not exist to exclude PEXCO from the domestic industry even if it were a related party. In 1998, PEXCO accounted for *** percent of domestic production of hot-finished hollow products and was ***.[55] Its interests appear to be those of a domestic producer, particularly in light of its status as a petitioner.

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[49] (...continued)
primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.* whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, *i.e.* whether inclusion or exclusion of the related party will skew the data for the rest of the industry. *See, e.g.,* Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. *See, e.g.*, Melamine Institutional Dinnerware from China, Indonesia and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016, at 14 n.81 (Feb. 1997).

[50] CR at III-2, PR at III-1; Petitioners' Postconference Brief at 15. PEXCO is operated by a management committee composed of four members appointed by Sandvik and two members appointed by Sumitomo. Petition at 6 n.4.

[51] Petitioners' Postconference Brief at 15, 16.

[52] 19 U.S.C. § 1677(4)(B). Neither the statute nor the legislative history establishes a numerical percentage requirement for determining control. In the past, the Commission has found that control does not exist, absent evidence to the contrary, if the ownership interest is less than that necessary, in and of itself, to establish control. *See, e.g.*, Certain Structural Steel Beams from Germany, Japan, Korea, and Spain, Inv. Nos. 701-TA-401 & 731-TA-852-855 (Preliminary), USITC Pub. 3225, at 8 & n.40 (Sept. 1999); Engineered Process Gas Turbo-Compressor Systems from Japan, Inv. No. 731-TA-748 (Preliminary), USITC Pub. 2976, at 8 (July 1996).

[53] *See* Petition at 4 n.6; Amendment to the Petition at 1.

[54] Petitioners' Postconference Brief at 16.

[55] CR/PR at Table III-1.

As stated above, *** imported subject hollow products during the period of investigation[56] and thus are related parties.

*** primary interest appears to be in domestic production. It is a petitioner in this investigation, and domestically produced hollow products represented ***. *** is the *** and is the ***,[57] accounting for *** percent of domestic production of cold-finished hollow products in 1998.[58] *** has stated that it imported subject hollow products "because the price was too good to pass up."[59] Its subject imports accounted for *** percent of the value of its U.S. shipments of hollow products in 1998.[60] ***'s ratio of operating income to net sales was *** percent in 1998 -- *** among the domestic producers.[61] *** thus does not appear to be deriving a benefit from its importations of subject merchandise or to be shielded by its imports from the effects of any dumping that may be occurring. Therefore, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

In 1998, *** accounted for *** percent of domestic production of cold-finished hollow products.[62] As to why *** imported subject hollow products, it explained only that it was "the successful bidder."[63]

It is somewhat difficult to determine whether *** primary interest lies in domestic production as opposed to importation. *** is the *** domestic producer of hollow products[64] and imported *** subject merchandise, but its subject imports accounted for *** percent of the value of its U.S. shipments of hollow products in 1998.[65] Although *** is not a petitioner, it has indicated that it *** the petition.[66] *** provided no financial information, so it is unknown whether or not it is deriving a benefit from its importations of subject merchandise or is shielded from the effects of any dumping that may be occurring. Because of *** volume of its subject imports, as well as the fact that no party has argued for its exclusion, we find that appropriate circumstances do not exist to exclude it from the domestic industry in this preliminary phase of the investigation.

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[56] CR/PR at Table IV-3.

[57] *Compare* CR/PR at Table III-1 *with* Tables III-2 & III-3.

[58] CR/PR at Table III-1.

[59] CR/PR at Table IV-3 n.1.

[60] *See* ***'s Producer and Importer Questionnaire Responses.

[61] CR/PR at Table VI-3.

[62] CR/PR at Table III-1.

[63] CR/PR at Table IV-3 n.2.

[64] *Compare* CR/PR at Table III-1 *with* Tables III-2 & III-3.

[65] *See* ***'s Producer and Importer Questionnaire Responses. *** bought *** redraw hollows from Japan, *see* CR/PR at Table IV-3 n.2, which are more costly than *** redraw hollows. The value of its subject import purchases fluctuated widely over the period of investigation. In 1996, its subject imports accounted for *** percent of the value of its U.S. shipments of hollow products; in 1997, the corresponding figure was *** percent. In interim 1998, *** subject imports accounted for *** percent of the value of its U.S. shipments of hollow products, but in interim 1999, the figure declined to *** percent. *See* ***'s Producer and Importer Questionnaire Responses.

[66] CR/PR at Table III-1.

III. MATERIAL INJURY

A. Reasonable Indication of Material Injury by Reason of Allegedly LTFV Imports

In the preliminary phase of antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[67] 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.[68] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[69] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[70] 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."[71]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing circular seamless stainless steel hollow products is materially injured by reason of subject imports from Japan that are allegedly sold in the United States at less than fair value.

1. Conditions of Competition

We have examined several conditions of competition in making our determination as to present material injury. First, we note for the purposes of this preliminary investigation that it appears there is no one particular business cycle for stainless steel hollow products. Rather, there appear to be several cycles, each tied to the various industries in which the products are used.[72] The demand for hollow products is a derived demand, determined in large part by the health and activity level of a number of industries, including the oil and gas, chemical and petrochemical, semiconductor, and power generation industries. To the degree that certain producers specialize in products utilized by specific industries, the level of perceived demand might differ across the hollow products industry.

There was a notable difference between demand perceived by domestic producers over the period of investigation and that perceived by importers of Japanese hollow products. Several of the domestic producers in support of the petition reported that demand fell over most of the period of investigation. In contrast, importers of subject hollow products reported stable demand during 1996 and 1997, a large increase in demand in 1998, and a large drop in late 1998 and 1999.[73] Respondents argue that demand fell sharply at the end of 1998, remained weak in 1999, but is now recovering.[74] The record indicates that apparent consumption for both hot- and cold-finished hollow products dipped in 1997 (more so for

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[67] 19 U.S.C. § 1673b(a).

[68] 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 . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B). *See also* Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[69] 19 U.S.C. § 1677(7)(A).

[70] 19 U.S.C. § 1677(7)(C)(iii).

[71] 19 U.S.C. § 1677(7)(C)(iii).

[72] Petitioners' Postconference Brief at 19-20; Japanese Respondents' Postconference Brief at 19, 21; Tr. at 61, 78.

[73] CR at II-9 - II-10, PR at II-6.

[74] Japanese Respondents' Postconference Brief at 20-21; Tr. at 61-62, 78.

hot-finished), but rose (by two and four percent respectively) from 1996 to 1998. Apparent consumption of hot-finished hollow products fell 14 percent comparing the first half of 1999 to the first half of 1998; apparent consumption of cold-finished hollow products was 12.2 percent higher during the first half of 1999.[75] We intend to explore the impact of business cycles, and demand conditions, in any final phase investigation.

Another important condition of competition is the influence of raw material costs on stainless steel prices. There is some evidence in the record that the decreased price of nickel and chromium may explain some of the decline in prices of stainless steel hollow products.[76] However, decreased raw material costs may not necessarily result in decreased costs of production for hollow products as other costs may have changed as well.[77] In any final phase investigation, we intend to examine closely the relationship between raw material costs and the price of hollow products.

Based on the record in this investigation, it appears that there may be a high degree of substitution between domestic and imported hollow products from Japan for a relatively wide range of hot-finished and cold-finished products. For a small to moderate percentage of products, however, domestic suppliers do not make a product comparable to the subject imports.[78] There is evidence that the domestic industry does not currently manufacture certain types of hollow products or certain size ranges.[79] At the same time, there is also a small set of hollow products for which imports from Japan do not effectively compete with domestic hollow products. Finally, there is at least one product category in which hot-finished subject imports compete with cold-finished domestic hollow products.[80] We intend to obtain more information on these issues in any final phase investigation in order to assess more fully the extent of actual competition between domestic producers and subject imports.

Lastly, non-subject imports have a strong presence in the market. Throughout the period of investigation, they commanded a market share of over 40 percent for all stainless steel hollow products.[81]

2. Volume

Section 771(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[82]

Because hot-finished hollow products are used to manufacture cold-finished hollow products, combining domestic production data for the two types could result in some double-counting of hot-finished products. Therefore, for purposes of this preliminary determination, domestic consumption data

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[75] CR/PR at Tables C-3 & C-5.

[76] Japanese Respondents' Postconference Brief at 22; MCTP's Postconference Brief at 6; Tr. at 65, 103, 104.

[77] *See* CR at V-1, PR at V-1.

[78] CR at II-12, PR at II-7.

[79] *See, e.g.*, Japanese Respondents' Postconference Brief at 39 (approximately 75 percent of the hot-finished imports of subject merchandise fall into categories that do not compete with U.S. production); *see also id.* at 26-28, 45. Among the types of products allegedly unavailable domestically are those meeting special chemistry requirements, super-hot-finished boiler pressure tubes, certain types of thin-walled hollow products, certain grades of specification A-268, hot-finished products over 3 inches in outer diameter, cold-finished products over 4 inches in outer diameter, and longer lengths of hollow products. CR at II-12 - II-13, PR at II-8.

[80] CR at II-12, PR at II-7.

[81] CR/PR at Table IV-4.

[82] 19 U.S.C. § 1677(7)(C)(i).

are based only on domestic shipments of hot-finished hollow products and total subject imports. In any final phase investigation, we shall attempt to gather data in a way that avoids such double-counting.[83] However, our conclusion on volume of subject imports in this preliminary phase investigation would be the same whether we combined domestic shipment data, with the attendant double-counting, or examined hot-finished and cold-finished products separately to avoid double-counting.[84]

The quantity of subject imports of hollow products increased significantly between 1996 and 1998, from 17,992 short tons to 23,492 short tons; subject imports in the first half of 1999 were 11,598 short tons compared to 9,348 short tons in the first half of 1998.[85] Subject import market share increased steadily over the period, climbing from 33.7 percent in 1996 to 41.7 percent in 1998, and to 47.2 percent in the first half of 1999, compared to 35.9 percent in the first half of 1998.[86] At the same time, domestic market share decreased, falling from 18.3 percent in 1996 to 16.0 percent in 1998, and to 11.2 percent in the first half of 1999 (compared to 22.1 percent in the first half of 1998).[87] Nonsubject import market share also decreased over the period, falling from 48.0 percent in 1996 to 42.3 percent in 1998 and to 41.6 percent in the first half of 1999 (compared to 42.0 percent in the first half of 1998).[88]

Based on the foregoing, for purposes of this preliminary determination we find the volume of subject imports of hollow products from Japan and the increase in that volume to be significant, both in absolute terms and relative to consumption in the United States.

3. Price Effects of the Subject Imports

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

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[89]

As discussed above, for purposes of this preliminary phase determination we find that there may be a high degree of substitutability, and therefore direct competition, between a wide range of domestic

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[83] We request that parties propose a method of data collection to avoid double-counting of hot-finished hollow products in any final phase of the investigation.

[84] The trends for hot-finished hollow products generally correspond to the trends for all hollow products. *Compare* Table C-1 *with* Table C-3.

[85] CR/PR at Table IV-1. Respondents claim that customs data misclassify 13 chrome oil country tubular goods ("OCTG") as subject hollow products, thus overstating subject import volume. Japanese Respondents' Postconference Brief at 36-38, 40. Until Commerce or the Customs Service changes this classification, however, we consider the reported data to be correct.

[86] CR/PR at Table IV-4.

[87] CR/PR at Table IV-4.

[88] CR/PR at Table IV-4.

[89] 19 U.S.C. § 1677(7)(C)(ii).

and Japanese stainless steel hollow products.[90] There are a number of products, however, that are produced by either the domestic or Japanese producers, but not both, and for such products substitutability and competition would necessarily be more limited.[91] Nonsubject imports, which hold a large share of the domestic market, are also considered to compete with the domestic and Japanese products.[92] In any final phase investigation, we intend to seek information on the impact of nonsubject imports on domestic prices.

Raw material costs fell sharply over the period for many of the primary raw materials used in stainless steel production. Because raw materials generally account for more than half of the cost of hot-finished stainless steel hollow products,[93] we intend to seek information in any final phase of the investigation on the impact of these raw material cost reductions on domestic and subject import prices.

The Commission requested price data for four specific stainless steel hollow products.[94] The product pricing data show generally declining prices and significant underselling of the domestic product by subject imports throughout the period of investigation. The data for product 1 show persistent underselling in all possible comparisons, along with steadily falling prices.[95] Product 2 data show a significant degree of underselling, in 10 of 12 quarterly comparisons, and generally lower prices toward the end of the period.[96] Data for product 3 show mainly overselling, but there were limited comparisons possible.[97] Finally, for product 4, there were only two comparisons, both showing significant underselling,[98] and the data further suggest a shift from the domestic to import suppliers by mid-1998. On balance, we find that these data indicate significant underselling and price depression.[99]

While we recognize that they may be affected by changes in the product mix,[100] data on average unit values also support our conclusion on price effects, showing decreasing value trends and lower values for the subject imports from Japan. The average unit value (per ton) of subject imports decreased steadily over the period of investigation: from $5,497.24 in 1996 to $3,845.25 in 1998, and from $4,355.89 in the first half of 1998 to $3,150.88 in the first half of 1999.[101] At the same time, average unit net sales value dropped from $9,088 in 1996 to $7,337 in 1998, but then rose slightly to $7,357 in the first half of 1999 (compared to $7,251 in the first half of 1998).[102]

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[90] *See* CR at II-12, PR at II-7.

[91] *See* CR at II-12 - II-14, PR at II-7 - II-9.

[92] *See* CR at II-16, PR at II-10.

[93] CR at V-1, PR at V-1.

[94] CR at V-6, PR at V-4.

[95] CR/PR at Table V-2.

[96] CR/PR at Table V-3.

[97] CR/PR at Table V-4.

[98] CR/PR at Table V-6.

[99] In any final phase investigation, we intend to seek pricing data on a wider and more representative set of products.

[100] CR at VI-5, PR at VI-1.

[101] CR/PR at Table C-1.

[102] CR/PR at Table VI-2.

4. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[103] 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."[104] [105] [106]

For purposes of this preliminary investigation, we find that increasing volumes of subject imports of circular seamless stainless steel hollow products are having an adverse impact on the domestic industry. The record shows declines in many key indicators of the condition of the domestic industry.

For hot-finished hollow products,[107] capacity utilization rose from 74.5 percent in 1996 to 76.2 percent in 1998, but then dropped to 44.7 percent in the first half of 1999 compared to 80.3 percent in the first half of 1998.[108] For cold-finished hollow products, capacity utilization climbed from 36.4 percent in 1996 to 38.1 percent in 1998, then fell to 28.9 percent in the first half of 1999 compared to 37.4 percent in the first half of 1998.[109]

Production of hot-finished hollow products increased slightly between 1996 and 1998, from 11,818 short tons to 12,266 short tons. It then fell sharply to 4,171 short tons in the first half of 1999

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[103] 19 U.S.C. § 1677(7)(C)(iii). *See also* SAA at 851, 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[104] 19 U.S.C. § 1677(7)(C)(iii). *See also* SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 & 731-TA-812-813 (Preliminary), USITC Pub. 3155, at 25 n.148 (Feb. 1999).

[105] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce stated that the estimated dumping margins based on price to constructed value comparisons range from 30.86 to 156.81 percent, and that the estimated dumping margins based on price-to-price comparisons range from 11.72 to 49.17 percent. 64 Fed. Reg. at 63287.

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

[107] We were not able to obtain usable data for production capacity or capacity utilization on an industry-wide basis (*i.e.* hot-finished plus cold-finished). We therefore must analyze these indicators separately for each segment of the industry. The production capacity for hot-finished hollow products rose over the period of investigation, from 10,612 short tons in 1996 to 13,217 short tons in 1998, and from 6,910 short tons in the first half of 1998 to 8,338 short tons in the first half of 1999. CR/PR at Table III-2. Production capacity for cold-finished hollow products decreased somewhat between 1996 and 1998: from 18,650 short tons to 17,750 short tons. However, it rose from 9,455 short tons in the first half of 1998 to 10,425 short tons in the first half of 1999. CR/PR at Table III-3.

[108] CR/PR at Table III-2.

[109] CR/PR at Table III-3. In any final phase investigation, we intend to examine why capacity utilization for cold-finished hollow products has been so low.

compared to 7,204 short tons in the first half of 1998.[110] Production of cold-finished hollow products fell slightly from 8,248 short tons in 1996 to 7,942 short tons in 1998, and then fell to 3,753 short tons in the first half of 1999 compared to 4,013 short tons in the first half of 1998.[111]

The financial data are generally adverse. Net sales decreased by quantity and value over the period of investigation, reflecting the loss of market share to subject imports and the price erosion caused by subject imports.[112] Gross profit decreased from $27.8 million in 1996 to $17.4 million in 1998, and from $11.5 million in the first half of 1998 to $5.8 million in the first half of 1999.[113] Operating income fell even more sharply, from $16.6 million in 1996 to $7.5 million in 1998, and from $6.6 million in the first half of 1998 to $1.0 million in the first half of 1999.[114] The number of companies reporting operating losses increased in the first half of 1999.[115] The ratio of operating income to net sales fell from 9.9 percent in 1996 to 3.3 percent in 1997, but then rose to 5.7 percent in 1998. However, it fell sharply to 1.9 percent in the first half of 1999, compared to 8.9 percent in the first half of 1998.[116] The ratio of cost of goods sold to net sales increased over the period: from 83.4 percent in 1996 to 86.7 percent in 1998, and from 84.4 percent in the first half of 1998 to 89.4 percent in the first half of 1999.[117] [118]

Employment data also show a decline in the condition of the domestic industry. The number of production and related workers ("PRWs") declined steadily over the period of investigation, from 968 PRWs in 1996 to 834 in 1998, and to 755 PRWs in the first half of 1999 (compared to 856 in the first half of 1998).[119] Hours worked followed the same trend, falling from 1.4 million hours in 1996 to 1.2 million hours in 1998, and from 631,000 hours in the first half of 1998 to 505,000 hours in the first half of 1999.[120]

Research and development expenses decreased steadily, from *** in 1996 to *** in 1998, and from *** in the first half of 1998 to *** in the first half of 1999.[121] Inventories increased over the period from 1,586 short tons in 1996 to 1,866 short tons in 1998, and from 1,459 short tons in the first half of 1998 to 1,787 short tons in the first half of 1999.[122]

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[110] CR/PR at Table III-2.

[111] CR/PR at Table III-3.

[112] The quantity of net sales decreased from *** short tons in 1996 to *** short tons in 1998, and from *** short tons in the first half of 1998 to *** short tons in the first half of 1999. The value of net sales decreased from *** in 1996 to *** in 1998, and from *** in the first half of 1998 to *** in the first half of 1999. CR/PR at Table VI-1.

[113] CR/PR at Table VI-1.

[114] CR/PR at Table VI-1.

[115] *See* CR/PR at Table VI-3.

[116] CR/PR at Table VI-1.

[117] CR/PR at Table VI-1.

[118] There is a wide disparity in performance among the domestic producers. In any final phase investigation, we intend to examine closely whether factors other than imports may explain some of the producers' poor performance, while being mindful of our obligation to examine the industry as a whole.

[119] CR/PR at Table III-9.

[120] CR/PR at Table III-9.

[121] CR/PR at Table VI-5. However, capital expenditures increased over the period due to an investment of ***. CR at VI-10, PR at VI-6. Capital expenditures increased from $8.3 million in 1996 to $14.8 million in 1998, and from $2.7 million in the first half of 1998 to $2.9 million in the first half of 1999. CR/PR at Table VI-5.

[122] CR/PR at Table III-8.

Based on the declines in capacity utilization, production, net sales, gross profit, operating income, employment indicators, and research and development expenses, as well as increases in the ratio of cost of goods sold to net sales and inventories, we find, for purposes of this preliminary investigation, a reasonable indication that subject imports are having an adverse impact on the domestic industry producing stainless steel hollow products.[123]

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing circular seamless stainless steel hollow products is materially injured by reason of imports of circular seamless stainless steel hollow products from Japan.

[123] The Commission is mindful of the possible impact on the domestic industry of non-subject imports, which held over 40 percent of the market throughout the period of investigation. However, non-subject import market share declined steadily: from 48.0 percent in 1996 to 42.3 percent in 1998, and from 42.0 percent in the first half of 1998 to 41.6 percent in the first half of 1999. CR/PR at Table IV-4. In any final phase investigation, we intend to collect more information on the impact of non-subject imports.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed on behalf of Altx, Inc. (Altx), Watervliet, NY; American Extruded Products, PMAC Ltd. (American Extruded Products), Beaver Falls, PA; DMV Stainless USA, Inc. (DMV), Houston, TX; Salem Tube, Inc. (Salem), Greenville, PA; Sandvik Steel Co. (Sandvik), Scranton, PA; International Extruded Products LLC d/b/a Wyman-Gordon Energy Products - IXP Buffalo (Wyman-Gordon), Buffalo, NY; and the United Steelworkers of America, AFL-CIO/CLC, Pittsburgh, PA, on October 26, 1999, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of circular seamless stainless steel hollow products (CSSSHP)[1] from Japan. The Commission received an amendment to the petition on November 9, 1999, in which Pennsylvania Extruded Tube Co. (Pexco) joined as a co-petitioner in the case. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
October 26, 1999	Petition filed with Commerce and the Commission; institution of Commission's investigation (64 FR 60223, November 4, 1999)
November 16, 1999	Commission's conference[3]
November 19, 1999	Commerce's notice of initiation (64 FR 63285, November 19, 1999)[4]
December 10, 1999	Commission's vote
December 10, 1999	Commission's determination transmitted to Commerce
December 17, 1999	Commission's views transmitted to Commerce

[1] For purposes of this investigation, CSSSHP include pipes, tubes, redraw hollows, and hollow bars of stainless steel, of circular cross section, containing 10.5 percent or more by weight of chromium, regardless of production process, outside diameter, wall thickness, length, industry specification (domestic, foreign, or proprietary), grade, or intended use. Common specifications for the subject seamless stainless steel hollow products include, but are not limited to, ASTM-A-213, ASTM-A-268, ASTM-A-269, ASTM-A-270, ASTM-A-271, ASTM-A-312, ASTM-A-376, ASTM-A-498, ASTM-A-511, ASTM-A-632, ASTM-A-731 ASTM-A-771, ASTM-A-789, ASTM-A-790, ASTM-A-826, and their proprietary or foreign equivalents.

The covered merchandise is included in the Harmonized Tariff Schedule of the United States (HTS) statistical reporting Nos. 7304.10.5020, 7304.10.5050, 7304.10.5080, 7304.41.3005, 7304.41.3015, 7304.41.3045, 7304.41.6005, 7304.41.6015, 7304.41.6045, 7304.49.0005, 7304.49.0015, 7304.49.0045, and 7304.49.0060. Although HTS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive. Excluded from the scope of the investigation are finished oil country tubular goods certified to American Petroleum Institute ("API") standard 5CT or 5D. Also excluded are hollow drill bars and rods, classifiable under subheading 7228.80 of the HTS.

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

[3] A list of witnesses that appeared at the conference is presented in app. B.

[4] The estimated LTFV margins alleged by petitioners and accepted by Commerce range from 30.86 to 156.81 percent based on price-to-constructed value comparisons and from 11.72 to 49.17 percent based on price-to-price comparisons.

SUMMARY DATA

A summary of data collected in the investigation is in appendix C. Table C-1 presents data for all CSSSHP; table C-2 presents data for all CSSSHP excluding Pexco;[5] table C-3 presents data for hot-finished CSSSHP; table C-4 presents data for hot-finished CSSSHP excluding Pexco; table C-5 presents data for cold-finished CSSSHP; table C-6 presents data for redraw hollow products; and table C-7 presents data for hollow bar products. Except as noted, U.S. industry data are based on questionnaire responses of 11 firms that accounted for nearly all U.S. production of CSSSHP during 1998. U.S. imports are based on official Commerce statistics where available, and on questionnaire responses where official statistics are not available.

PREVIOUS INVESTIGATIONS

The Commission has conducted three other investigations concerning seamless stainless steel pipes and tubes. In the first investigation, No. 731-TA-87 (Final), *Certain Seamless Stainless Steel Pipes and Tubes from Japan* (USITC Pub. 1347, February 1983), the Commission made an affirmative determination which resulted in the issuance of an antidumping order on March 1, 1983; this order was later revoked, effective October 29, 1985, pursuant to a voluntary restraint agreement.

The second and third investigations involved antidumping and countervailing duty investigations against seamless and welded stainless steel pipes and tubes from Sweden. In the countervailing duty investigation, No. 701-TA-281 (Final), *Stainless Steel Pipes and Tubes from Sweden* (USITC Pub. 1966, April 1987), the Commission made a negative determination. In the antidumping investigation against Sweden, No.731-TA-354 (Final), *Stainless Steel Pipes and Tubes from Sweden* (USITC Pub. 2033, November 1987), the Commission made an affirmative determination with respect to the seamless products, that resulted in a dumping order on December 3, 1987;[6] this order was revoked with respect to seamless products on August 16, 1995, after Commerce conducted a changed circumstances review.

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[5] Pexco is ***. It is separated to address the related party issue.

[6] The Commission initially made a negative determination with respect to the welded products from Sweden; on remand, the Commission made an affirmative determination with respect to the welded products and this resulted in an amended antidumping duty order including the welded products within the scope of the order (57 F.R. 52761, November 5, 1992). The antidumping order with respect to the welded products is scheduled to be revoked effective January 1, 2000, as a result of lack of domestic response in the sunset review of the order.

There have been three other antidumping investigations of welded stainless steel pipe and tube: the Commission made a negative determination in investigation No. AA1921-180, *Welded Stainless Steel Pipe and Tube from Japan* (USITC Pub. 899, July 1978) and affirmative determinations with respect to investigations Nos. 731-TA-540 and 541, *Certain Welded Stainless Steel Pipes from the Republic of Korea and Taiwan* (USITC Pub. 2585, December 1992). The Commission is currently conducting full sunset reviews of the antidumping orders with respect to the welded pipes from Korea and Taiwan.

THE PRODUCT

Description and Uses

The imported products subject to this investigation are seamless stainless steel hollow products, including pipes, tubes, redraw hollows, and hollow bars, of circular cross-section, containing 10.5 percent or more by weight of chromium, regardless of production process (hot- or cold-finished), outside diameter, wall thickness, industry specification (domestic, foreign, or proprietary), grade, or intended use, as previously described in the section of this report entitled "Background."[7] [8]

Seamless pipe and tubing are produced from a solid bar or billet and, unlike welded pipe or tubing, do not have a weld seam that could be a potential source of premature failure or possible contamination. Seamless pipe and tubing are therefore considered to be more reliable than welded products and are used when specified by purchasers, even though they are usually of higher price than their welded competition. Stainless steel pipe and tubing are generally used in chemical, petrochemical, dairy, semiconductor, and paper industries for corrosion resistant or hygienic reasons. They are also used in medical devices.

Production Processes

CSSSHP are produced from round billets. The billets may have been either continuous cast or rolled from larger continuous-cast blooms or from ingots. The molten stainless steel was produced in an electric arc melting furnace, refined in an argon-oxygen decarburization unit or by a similar process, and cast into either blooms, billets, or ingots. Raw materials for the production of stainless steel are stainless steel scrap, carbon steel scrap, and ferroalloys. The main alloys are nickel, chromium, and molybdenum. None of the U.S. manufacturers of hot-finished CSSSHP has its own steelmaking operations; they use billets purchased from domestic or foreign stainless steel producers. Several of the petitioning firms and all of the U.S. manufacturers not in the petitioning group are cold-finishers. These manufacturers purchase redraw hollows from domestic or foreign companies and perform only cold-finishing operations as described below.

Seamless hollow products are manufactured by either of two high temperature processes to form a central cavity in a solid steel billet: the rotary piercing process or the hot extrusion process. Because most grades of stainless steel do not lend themselves to the rotary piercing process, almost all CSSSHP are produced by the extrusion process.[9] The extrusion process requires a cylindrical billet with an axial hole, which is drilled through the entire length of the billet. The billet is then heated to hot-forming temperature (2,200 degrees Fahrenheit) and the hole is hot expanded by forcing a piercing die through

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[7] The full statement of the scope and, thus, of the products subject to investigation is contained in Commerce's notice of initiation (64 FR 63285, November 19, 1999, contained in app. A). That language should be understood to be incorporated by this reference into the Commission's description of the imported products it reviewed as part of this investigation.

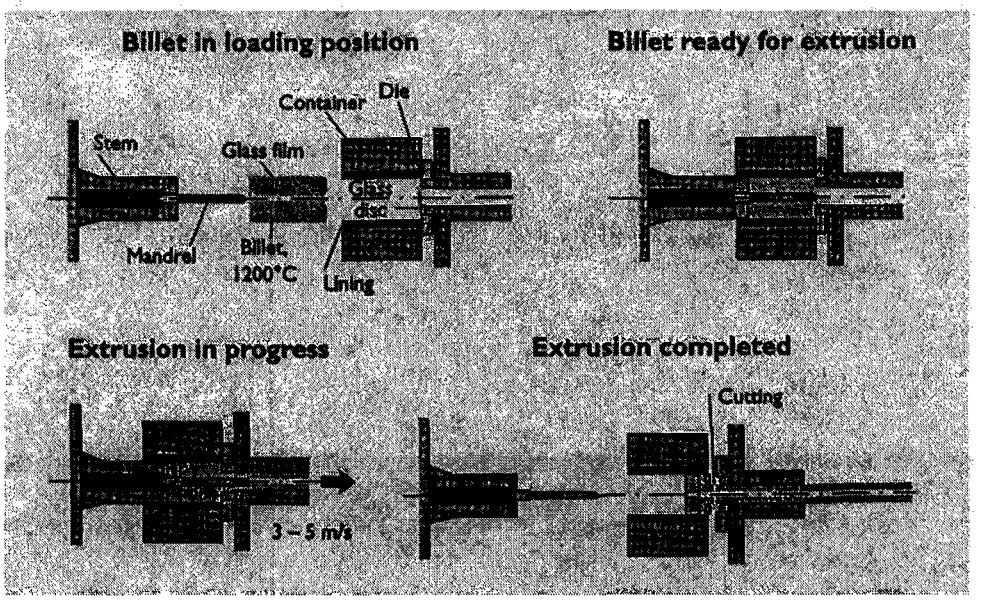
[8] CSSSHP subject to this investigation are currently classifiable in subheadings 7304.10.50, 7304.41.30, 7304.41.60, and 7304.49.00 of the HTS.

The column-1 general (normal trade relations) rate of duty for the subject products, applicable to Japan, is 3.8 percent ad valorem. This duty rate became effective January 1, 1999; is subject to phased reduction pursuant to concessions granted by the United States under the Uruguay Round of Multilateral Trade Negotiations (Pres. Proc. 6763); and is scheduled to be eliminated on January 1, 2004.

[9] One U.S. producer, ***. Staff conversation with ***, November 23, 1999.

the drilled hole. The billet is then reheated and forced through a die and over an internal mandrel, forming a hot-finished hollow section (see figure I-1).

Figure I-1
Cycle of operations in the production of an extruded tubular section

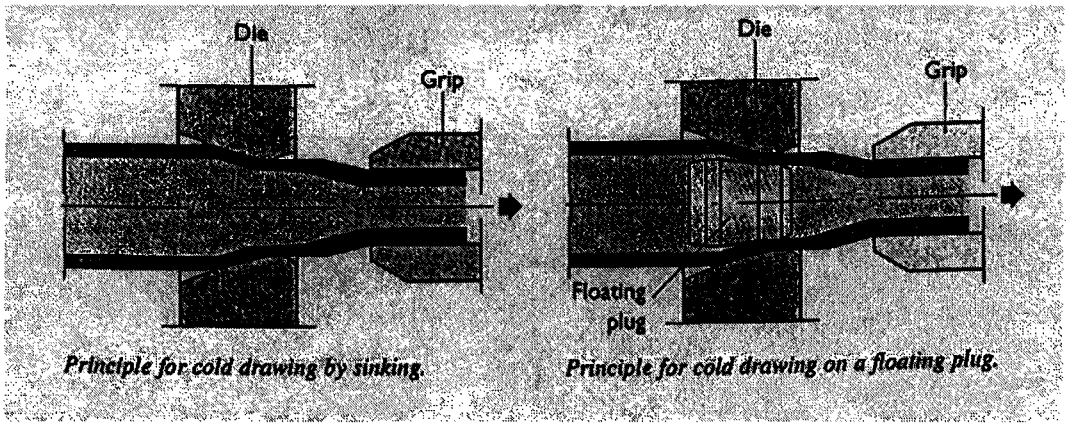


Source: Petition, exhibit 5.

While CSSSHP may be furnished either hot-finished or cold-finished, small diameter or thin walled products and products requiring particularly close dimensional tolerances or smooth finish are cold-finished. Cold-finishing consists of cold tube-reducing by rolling on an internal mandrel, or cold-drawing by pulling through a die, usually with an internal plug or mandrel to form the inside of the tube. The minimum diameter for hot finishing differs from producer to producer because of differences in equipment capabilities; however, hot-finished pipe or tubing is produced as small as 1 inch in diameter. Cold-finished CSSSHP are produced in outside diameters up to 24 inches. To produce cold-finished product, hot-finished seamless hollows are first pickled in acid to remove scale and oxides from both the outside and inside surfaces. They are then rinsed in water and coated, by dipping, with a lubricant for cold drawing. The hollow is pulled through a die and over an internal mandrel, reducing the outside diameter and increasing the length. The mandrel inside the hollow controls the inside diameter and the wall thickness (see figure I-2). An alternate method of cold-working, commonly used on seamless stainless steel, is tube reducing; in this method, a pair of rolls having tapered grooves are rolled and reciprocated along the outside of the tube so that a reduction of both the diameter and the wall thickness is accomplished against a fixed, tapered mandrel on the inside of the tube (see figure I-3).[10] When a particular tube size requires greater reduction in cross-sectional area than can be accomplished (due to work-hardening of the steel which prevents further cold reduction), the product may be annealed, pickled, and again cold-drawn in order to achieve further cold reduction. For very small diameter tubes, the sequence of annealing, pickling, and cold-drawing may be repeated several times.

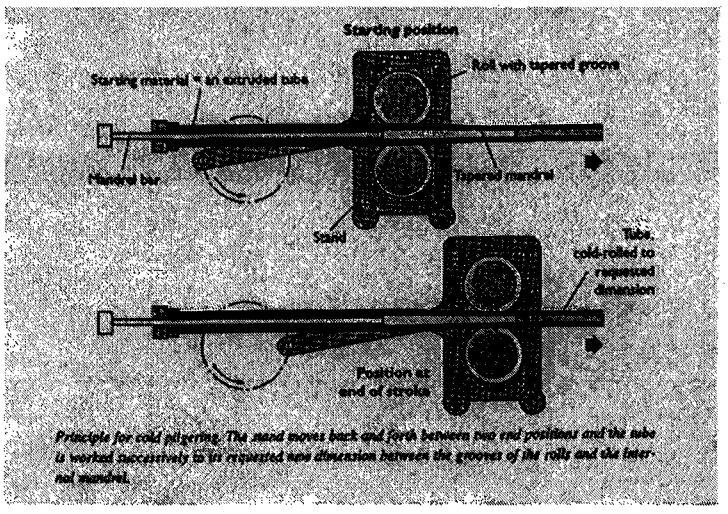
[10] This process of tube reducing is sometimes called "pilgering."

Figure I-2
Diagram of the cold-drawing process



Source: Petition, exhibit 5.

Figure I-3
Cycle of operations in tube reducing, showing dies at start and end of stroke



Source: Petition, exhibit 5.

Both hot-finished and cold-finished stainless steel hollow products are further processed by annealing, pickling, straightening, and testing. Manufacture of CSSSHP in Japan is believed to involve the same manufacturing processes as these described herein for domestic production. Several Japanese manufacturers are steel-producing companies; those that have steelmaking and rolling facilities may obtain billets by internal transfer rather than by purchase.

Domestic Like Products

In making its injury determinations the Commission first determines the domestic like product. The governing statute defines "domestic like product" as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" (19 USC § 1677(4)(A)).

Petitioners argue, on the basis of the factors that the Commission considers in analyzing like-product issues, that all CSSSHP are a single like product, including hot-finished and cold-finished CSSSHP, and including redraw hollows and hollow bar, both of which are normally furnished hot-finished, but which could be either hot- or cold-finished.

Japanese respondents and Plymouth Tube Co., a domestic producer of cold-finished hollow products, argue that hot-finished and cold-finished CSSSHP should be considered as two separate like products. They emphasize the fact that, at least since ALTech stopped production, there are no U.S. producers that produce both hot- and cold-finished product. Additionally, they point to the substantial equipment required for cold-finishing and not required for hot-finishing.[11]

Importer MC Tubular Products, Inc. supports the Japanese respondents and Plymouth Tube in their position that hot- and cold-finished CSSSHP should be separate like products, and also asks that the Commission determine that "extreme temperature seamless stainless steel hollow products" comprise a distinct like product. The proposed like product, which they identify as types 405, 410, 430, and 436 of ASTM specification A 268,[12] is used in heat exchangers for the refining of high-sulfur crude oil. According to MC Tubular Products, there are no domestic producers of these products.[13]

Production of cold-finished CSSSHP involves the processing of hot-finished hollows (redraw hollows); redraw hollows are produced on the same equipment, in the same facilities, and utilizing the same production employees as those used to produce other hot-finished CSSSHP. Production of cold-finished CSSSHP, however, requires additional production equipment not needed for the production of hot-finished CSSSHP: cold-drawing and/or tube-reducing equipment. Only one U.S. producer made both hot-finished and cold-finished CSSSHP during the period of investigation.[14]

Interchangeability

Petitioners and respondents agree that Japanese product is interchangeable with U.S.-produced product. Respondents argue, however, that there are many specific products that are not available from U.S. producers. Plymouth Tube claims that it is unable to obtain from domestic sources redraw hollows of a modified grade 316L that contains 0.4 percent or less by weight of manganese.[15] Mr. Joseph Kreitzer, President of Prudential Stainless Pipe (Prudential), a master distributor[16] of CSSSHP, testified that about 40 percent of his purchases of imported CSSSHP are of items not produced in the United

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[11] Postconference brief of Japanese respondents, pp. 5, 15-16.

[12] ASTM-A-268 is a specification for seamless and welded ferritic and martensitic stainless steel tubing for general service. These grades of stainless steel differ from the more commonly used austenitic grades, such as 304, 304L, 316, and 316L. The ferritic and martensitic grades are often called "straight chrome" grades because, unlike the austenitic (often called "nickel-chrome") grades, they do not contain high amounts (8 percent or more) of nickel.

[13] Postconference brief of MC Tubular Products, Inc., pp. 3-6.

[14] ALTech produced both hot- and cold-finished product. ALTech ceased production in July 1999. Its facilities have been purchased by Tubacex, the parent company of Salem Tube, a producer of cold-finished CSSSHP.

[15] Postconference brief of Plymouth Tube, pp. 2-6.

[16] A master distributor is a stocking distributor that sells only to other distributors.

States or produced in relatively less salable form (especially in shorter lengths) than those available from Japan or Europe.[17]

There are a number of nonsubject products that are potential substitutes for CSSSHP. The most likely substitute would be welded stainless steel pipe or tubing of similar dimension to the product to be substituted. Welded pipe or tubing would be less costly than CSSSHP, but would normally be considered less reliable. A user would weigh the price differential before electing to use CSSSHP. Other potential substitutes would depend upon the service conditions. There are other metal alloys, such as nickel or titanium, that have excellent corrosion resistance, but may be even more expensive than CSSSHP. Plastic piping materials may have excellent corrosion resistance but be lacking in physical strength or more subject to damage than CSSSHP. In short, there are no direct substitutes for CSSSHP, but there are many potential substitutes, depending upon price and service conditions.

Channels of Distribution

During the period of investigation, between 75 and 80 percent of the U.S. producers' shipments of CSSSHP were to distributors, with most of the remaining shipped to end users. Less than 1 percent was reported as internally consumed. Reported subject imports were shipped to distributors (approximately 60 percent) and endusers (approximately 40 percent). Most of the U.S.-produced hot-finished CSSSHP were shipped to either large distributers (70-75 percent) or to firms that redraw (endusers, about 25-30 percent). Cold-finished CSSSHP are shipped to end users (nearly three fourths) and distributors (the remaining shipments).

Price

Unit values for U.S. shipments of domestically produced hot-finished CSSSHP fell from $6,077 per short ton in 1996 to $5,015 short ton in 1998. Such shipments also dropped during the interim periods from $5,011 per short ton in interim 1998 to $4,703 per short ton in interim 1999. Cold-finished CSSSHP prices fell from $11,725 per short ton in 1996 to $10,454 per short ton in 1998. Interim prices also dropped, from $10,707 per short ton to $9,365 per short ton. Unit values for hot-finished CSSSHP from Japan dropped from $4,471 per short ton in 1996 to $3,356 per short ton in 1998, a 25 percent drop, and continued to fall to $2,588 per short ton in interim 1999. The import unit values for cold-finished CSSSHP from Japan decreased irregularly from $7,501 in 1996 to $5,463 in 1998 to $4,345 in interim 1999. More detailed information on prices for specific products is presented in Part V of this report.

INTERMEDIATE PRODUCT

Domestic producers propose a single domestic like product which comprises both hot- and cold-finished CSSSHP. However, respondents have proposed that both the Commission and Commerce look at hot-finished CSSSHP and cold-finished CSSSHP as two separate products. Cold-finished CSSSHP are produced using hot-finished CSSSHP as starting materials.

Whenever the subject product is an intermediate product and there is a like-product issue concerning the downstream product, the Commission employs a five-factor "semifinished/finished products" test, as set forth in *Stainless Steel Bar from Brazil, India, Italy, Japan, and Spain (Invs. Nos. 731-TA-678-682 (Preliminary))*. The factors to be examined are:

[17] Conference transcript, pp. 89-90.

(1) Uses (Is the upstream product dedicated to the production of the downstream product or does it have independent uses?)

(2) Markets (Are there separate markets for the upstream and downstream products?)

(3) Characteristics and functions (Are there differences in the physical characteristics and functions of the upstream and downstream products?)

(4) Value (Are there differences in the production costs and/or sales values (transfer values or market prices as appropriate) of the upstream and downstream products?)

(5) Transformation processes (What are the significance and extent of the processes used to transform the upstream product into the downstream product?)

In this case, cold-finished CSSSHP are downstream products, and redraw hollows, which are a particular type of hot-finished CSSSHP, are the upstream product or intermediate product. Hot-finished CSSSHP have many uses independent from the production of cold-finished CSSSHP. Such uses include pipe, tubing, and hollow bar. Many specifications, particularly those for pipe, allow the use of either hot-finished or cold-finished product at the option of manufacturer, thereby making the choice dependent upon the specific manufacturing capabilities of the manufacturer. In such cases, there may be a perception among customers and manufacturers that there is a single market for both the hot-finished and the cold-finished products. For many CSSSHP, however, specifications specifically require cold-finished product and, in such cases, there may be a perception that the market is separate from that for hot-finished CSSSHP. Redraw hollows are purchased for use by producers of cold-finished CSSSHP; therefore, the market for redraw hollows is separate from that of other CSSSHP, whether hot- or cold-finished. Although redraw hollows are commonly produced in grades and sizes (diameter and wall thickness) that are also used for pipe, redraw hollows are not finished (straightening, testing, and end finishing) in the same way as pipe products; therefore, there is no common other use for redraw hollows.

Cold-finished CSSSHP are clearly different from hot-finished CSSSHP in physical characteristics. Cold-finished product has a smoother surface and is produced to closer tolerances. Cold-finished CSSSHP are more costly to produce than hot-finished CSSSHP, due to the significant additional operations required to produce them. These additional operations include, at a minimum, cold drawing or tube reducing and an additional sequence of annealing and pickling operations. The cost of these additional operations is reflected in the higher prices and higher value of cold-finished product.

As mentioned above, the additional operations of cold-drawing or tube reducing are required to transform hot-finished redraw hollows into cold-finished CSSSHP. Special equipment is required that is not required for the production of hot-finished CSSSHP.

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

U.S. MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

U.S. Market Segments

CSSSHP within the scope of the petition can be divided according to several characteristics including finishing process, chemistry, and size. There is a clear distinction in production between cold-finished and hot-finished CSSSHP. Although both can be used for some of the same general purposes, hollow product purchasers typically choose either a hot-finished product or a cold-finished product with little thought of substitution between the two. There are two main reasons for this: price and ability to meet specifications. Hot-finished CSSSHP are usually less expensive than cold-finished CSSSHP (approximately half as expensive per pound). Cold-finished CSSSHP are usually only purchased when hot-finished CSSSHP will not meet the necessary specifications. Cold-finishing can produce CSSSHP with less eccentricity, closer dimensional tolerances, smoother surfaces, greater hardness, and lower wall thickness ratios than can hot-finishing. In addition, there are some types of tests for product integrity that can only be performed with cold-finished CSSSHP. Many of the end uses of CSSSHP require such advantages and consequently only cold-finished CSSSHP may be used. Additionally, there are certain sizes that require either hot-finishing or cold-finishing. CSSSHP with outside diameters smaller than about 1.125 inches cannot be produced with a hot-finishing process alone, and therefore require cold-finishing.

Only one of the firms, ***, that filled out a questionnaire indicated that the ability to substitute between hot- and cold-finished CSSSHP was high. This firm ***. The rest suggested that there was either fair or low substitutability between the two. Domestic producers tended to prefer the characterization of fair substitutability (seven indicating "fair," four indicating "low"), while those importers that are not also domestic producers were unanimous in indicating a low degree of substitutability.

A second characteristic by which CSSSHP can be classified is steel chemistry. Here the main categories are austenitic, ferritic, and martensitic. The former contains the largest percentage of nickel and is the largest category in terms of production tonnage by a considerable amount. Within each of these categories are a number of specified grades representing more minor chemistry variations.

CSSSHP are also differentiated by size. The size of a given product will typically include an outside diameter and either a wall thickness or an inside diameter specification. Though there are some restrictions on the wall thickness of CSSSHP relative to outside diameter, generally there is a continuum of product sizes ranging from nearly hypodermic needle size to products with outside diameters greater than 24 inches. CSSSHP with outside diameters larger than about 1 inch are often hot-finished because of the cost advantage just discussed. CSSSHP with smaller diameters must be cold-finished. CSSSHP producers can produce a certain range of sizes with a given set of equipment. Equipment that is designed for the production of small outside diameter sizes is not well suited for the production of very large sizes, and visa versa. Another aspect of size is length. Lengths vary according to the size and weight handling capability of the equipment in production facilities. In many cases, longer lengths are preferred by customers as product waste is minimized. For these reasons, an individual producer will often specialize by size (outside diameter and length) of product.

Channels of Distribution

CSSSHP are sold in significant quantities both to distributors and to end users. CSSSHP sold to distributors are typically standardized (commodity) products, both hot- and cold-finished, in a large variety of sizes and chemistries. CSSSHP sold to end users are likely to be more specialized, although a significant minority of suppliers reported that similar CSSSHP were sold to both types of purchasers.[1] For this reason, cold-finished CSSSHP are relatively popular among end users as they are better able to meet exacting tolerances. This is particularly the case for CSSSHP designed for very high pressure/temperature use such as boiler tubes or heat exchangers. Sales to end users typically entail higher unit values than do sales to distributors.

Geographic considerations seem to play a smaller role in the market for CSSSHP than might be the case for other steel products due to the relatively low level of transportation costs in the total costs of the CSSSHP. The majority of questionnaire respondents indicate a history or willingness to sell nationwide. Demand varies across the United States, however, with an especially strong presence in the Texas/Gulf Coast region and along the East Coast. Because of this localized demand and because transportation costs are not negligible, sellers do tend to partially concentrate their sales geographically. Among U.S. producers, none reported selling even half of their output within 100 miles of its plant, but several sold much more than half to customers within 1,000 miles of their plants. Importers tended to report selling larger percentages of their output within close proximity of their storage facilities or ports of entry, with many importers selling more than half of their product within 100 miles, and virtually all of imported CSSSHP sold within 1,000 miles.

Business Cycle

The business cycle in the market for CSSSHP depends in large part on demand from several end-use industries including the oil/gas, semiconductor, petrochemical, chemical, aerospace, power generation, and pharmaceutical industries. The business cycles for these industries are not necessarily similar, so demand from a variety of other end uses may offset the effect of a change in demand from any single end use. However, the demand of some of these industries is larger than that of others, and any downturn (or upturn) in these industries can affect overall demand disproportionately. For instance, many importers report the demand from the energy (especially oil and gas) industry and from the petrochemical industry as having had a large impact on overall demand in recent years.[2] Some sellers of CSSSHP specialize in production for certain industries and can be tremendously affected by events in that industry.

Supply considerations also affect the business cycle for CSSSHP. In particular, the price of stainless steel generally and the (related) price of nickel - one of the most costly components of many varieties of stainless steel - will have a large influence on the price of hollows. During the conference, Joseph Kreitzer of Prudential (an importer of stainless steel hollows) estimated that CSSSHP account for only about 1 percent of the overall use of stainless steel worldwide, suggesting that events in the overall stainless steel industry drive the price of seamless hollows, and not the other way around.[3]

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[1] Producers' and importers' questionnaires.

[2] Importers' questionnaires.

[3] Conference transcript, p. 83.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. CSSSHP producers are likely to respond to changes in demand with moderate to large changes in the quantity of shipments of U.S.-produced CSSSHP to the U.S. market. The main contributing factors to the moderate to high degree of responsiveness of supply are the availability of unused capacity (especially for the production of cold-finished CSSSHP) and some ability to transfer resources from the production of alternative products to the production of CSSSHP.

Industry capacity

There is some level of disagreement over the ability of domestic producers to service the U.S. market. The respondents, making reference to a document by Tubacex (a nonsubject foreign affiliate of one of the petitioners), suggest that U.S. consumption is five times the level of domestic production.[4] The petitioners reply that there is sufficient unused capacity to greatly increase the domestic output and that an antidumping duty against Japanese imported CSSSHP would not require U.S. producers to satisfy demand singlehandedly.

Capacity utilization figures of 28.9 to 38.1 percent among cold-finished CSSSHP producers during the period of investigation clearly indicate that there is substantial room for increased output by domestic producers. The capacity utilization rates are uniformly much higher for hot-finished CSSSHP producers, particularly before 1999, ranging from 72.3 to 76.2 percent during 1996-98. A significant drop in production in 1999, along with a 20 percent increase in capacity compared with interim 1998, brought capacity utilization down to 44.7 percent during the first half of 1999. ***. The capacity utilization figures do not appear to be directly disputed by the respondents, but issue is taken with *** domestic suppliers of hot-finished CSSSHP, ***.[5]

Inventory levels

Inventory levels of cold-finished CSSSHP for the first half of 1999 stood at about 24 percent of (annualized) shipments. This is higher than for previous periods, not because of markedly higher inventories, but because of reduced shipments. Inventory levels have been very small for hot-finished CSSSHP producers throughout the period of investigation, much less than one-tenth of 1 percent of annual shipments. Inventories in 1999, however, were higher than in any previous period.

Alternative markets

Several domestic CSSSHP producers sell some of their output in export markets. Exporting generally increased among producers of hot-and cold-finished CSSSHP during the period of investigation, although exports of hot-finished CSSSHP fell in interim 1998. As a ratio to domestic shipments, export shipments of hot-finished CSSSHP increased from 21 percent in 1996 to 36 percent in 1998 and 52 percent in interim 1999. *** accounted for *** percent of these exports in each year, and

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[4] Conference transcript, p. 51.

[5] Postconference brief, Japanese respondents, p. 32. In agreement with the latter characterization, serious questions about the quality and market presence of *** were made apparent in staff conversations with ***.

*** percent in 1997 and interim 1999. Cold-finished CSSSHP exports rose from 6 percent of domestic shipments in 1996 to 12 percent in 1998 and 13 percent in interim 1999. It is not clear to what extent export sales to foreign affiliates of U.S. CSSSHP producers would be diverted back to the U.S. market were domestic demand to increase.

The chief export market for U.S.-produced hot-finished CSSSHP is Canada. Some sales were also made to Germany. Canada and Mexico are the principal export markets for U.S. producers of cold-finished CSSSHP. India was reported to be an important export market by ***. ***, a producer of *** cold-finished CSSSHP, reported that it exports to the Middle East, the Far East, and South America. There are indications that export options are somewhat limited for U.S. producers of cold-finished CSSSHP because of difficulties competing in price on the world market.

Production alternatives

A number of domestic CSSSHP producers indicated that other products can be produced using the same equipment and workers that they use for CSSSHP. Among these alternative products are non-circular shapes, nickel alloys, carbon products, and welded products. The first of these was indicated to be a production alternative only by hot-finished CSSSHP producers. The last was reported only by cold-finished CSSSHP producers. Five domestic producers, however, stated that no other products are produced with the same equipment or workers. Among these five are ***.

Raw materials

Raw material prices also play a role in the ability of U.S. producers to provide an adequate supply of CSSSHP. The petitioners point out that such effects should provide no relative advantage or disadvantage for domestic producers since these raw materials are commodities that sell for similar prices worldwide.[6] However, raw material prices can be of assistance in attributing the proper amount of price change to import competition and in assessing the likely effect of potential antidumping duties. Some aspects of this issue are discussed in greater length in Part V.

Subject Imports

Based on available information, the Japanese producers are likely to respond to changes in demand with large changes in the quantity of shipments of CSSSHP to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the availability of unused capacity and the existence of alternate markets to or from which supply could be easily diverted.

Industry capacity

The capability of Japanese producers to increase output sold to the U.S. market is disputed. The foreign producer questionnaire capacity utilization figures show fairly high capacity utilization rates, 91.3 percent for hot-finished CSSSHP and 92.5 percent for cold-finished CSSSHP in 1998, for example. However, as the petitioners have noted, this is enough available capacity to greatly increase exports to the United States, were Japanese producers to decide to devote this capacity to production for the U.S. market.[7]

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[6] Postconference brief, petitioners, p. 23.

[7] Postconference brief, petitioners, p. 35.

Inventory levels

Inventory levels among Japanese producers responding to the Commission's questionnaires were fairly constant throughout the entire period of investigation, and much more similar for hot- and cold-finished CSSSHP, relative to U.S. inventory levels. Hot-finished CSSSHP inventories ranged from 4 percent to 6 percent of annual production, while cold-finished CSSSHP inventories averaged from 7 to 9 percent. Lower production levels of cold-finished CSSSHP in interim 1999 resulted in inventory-to-production ratios that were slightly higher than in past periods. In comparison to domestic CSSSHP, Japanese hot-finished CSSSHP inventory-to-production ratios were much higher. For cold-finished CSSSHP, the inventory-to-production ratios were much lower in Japan than in the United States. The reported Japanese inventory levels appear to be fairly neutral, in that they suggest neither great scarcity nor great excess of supply.

Alternative markets

Japanese CSSSHP producers sell a great deal of their product in markets outside of the United States. The Japanese producers' responses to the Commission's questionnaire indicate that over most of the period of investigation, 55-60 percent of Japanese shipments went to their own domestic market. During 1999, however, this percentage plummeted dramatically for hot-finished CSSSHP to 36 percent (domestic shipments of cold-finished CSSSHP remained stable in 1999). In most years, exports to third countries exceeded those to the United States, with third country to total shipments ratios of about one fifth to one third. Third country exports of hot-finished CSSSHP (as a percentage of total shipments) fell from 1996-97 levels during 1998, but rose greatly, to nearly half of total shipments, during interim 1999. Both the petitioners and some purchasers have suggested that the shift away from the U.S. market and towards third markets in 1999 was at least partially a response to concern about (what turned out to be) the impending U.S. antidumping investigation.

The petitioners have suggested that the recent Asian crisis and the prolonged Japanese slump have provided an impetus for Japanese producers to make sales to the U.S. market a priority.[8] While this might be a partial explanation for the increase in Japanese market share over the period of investigation (1998 in particular), most indications are that the regional economic weakness at the source of such action is slowly improving and might, therefore, not provide a source of increasing threat. However, the projections reported by Japanese producers in response to the Commission's questionnaire indicate that Japanese domestic sales are unlikely to reach 1996 quantities by 2000.[9]

U.S. Demand

U.S. demand for CSSSHP depends on several factors, including the unique strength and temperature/corrosion resistance of CSSSHP and the downstream demand in industries utilizing CSSSHP. Based on these factors and the available information, U.S. purchasers for CSSSHP are likely to respond to changes in price with small changes in the quantity of CSSSHP purchased.

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[8] Petition, p. 37.

[9] For hot-finished CSSSHP, total sales to non-U.S. customers are projected to be larger in 2000 than in 1996 due to the increase in third country sales. For cold-finished CSSSHP, the projected decline in home country sales from 1996 to 2000 is smaller than the projected decrease in capacity over the same period.

Demand Characteristics

As noted above, the demand for CSSSHP is a derived demand, determined in large part by the health and activity level of a number of industries including energy, pharmaceuticals, aerospace, chemicals and petrochemicals, and semiconductors. To the degree that certain producers are specialized to one or another of these purchasing industries, the level of perceived demand might differ across the CSSSHP industry. There was a notable difference between demand perceived by U.S. producers over the period of investigation and that perceived by importers of Japanese CSSSHP, as indicated in the responses to the Commission's questionnaires. Several of the domestic producers in support of the petition reported that demand fell over most of the period of the investigation.[10] Importers of Japanese CSSSHP saw demand trends much differently. Several reported stable demand during 1996 and 1997, with a big increase in demand in 1998, and a major drop in late 1998 or 1999.[11]

Staff conversations with distributors failed to clear up the conflicting stories on demand trends. ***, both pipe distributors, reported a slowdown in demand after 1997. *** (whose business is mostly in boiler pressure tubes) and *** reported the opposite, that demand has been fairly strong for the past 2 or 3 years. Despite the potential difference in demand trends for hot- and cold-finished CSSSHP generally, no specific statements were made indicating such differences.

The aggregate figures for apparent consumption and unit values reported elsewhere in this report are consistent with a drop in demand from 1996 to 1997 (apparent consumption fell by 20 percent while unit values fell by significant amounts for both U.S. and Japanese CSSSHP, both hot- and cold-finished), and also a drop in 1999 (though apparent consumption only fell slightly, unit values plunged). It is not as clear, however, whether demand was up or down in 1998. While the quantity consumed in 1998 is consistent with an increase in demand for Japanese CSSSHP (an increase from 15.0 million pounds in 1997 to 23.5 million pounds in 1998), purchases of U.S.-produced hot-finished CSSSHP fell by 0.4 million pounds and purchases of U.S.-produced cold-finished CSSSHP fell by 0.6 million pounds in 1998. The concurrent drop in unit values - by 3.9 percent for imports of hot-finished imported CSSSHP from Japan and 7.6 percent and 2.6 percent for hot- and cold-finished U.S.-produced CSSSHP, respectively, in 1998 suggests that supply factors may also have been important.

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[10] These firms include ***. The Asian slowdown and the slump in oil prices were cited as the main contributing factors. A drop in investments related to Y2K concerns was also noted. Other interpretations of demand by U.S producers include the following: *** indicated that sales dropped dramatically before late 1998, with a slowdown in inquires following. A few other producers reported lower demand over the period. *** (along with ***) stated that the downturn in the semiconductor industry was responsible for lower business. *** reported a global slowdown, in part due to events in Asia. *** cited unspecified cyclical industry factors as lowering demand. Only two domestic producers (***) perceived a constant or improving level of demand over the period of investigation.

[11] These firms include ***. They typically attributed the 1998 increase in demand to increases in activity in the petrochemical and oil industries, and the drop in 1999 to the drop in oil prices. *** provided interpretations largely consistent with the previous description, with slight differences in detail. *** also reported generally high demand for its specialty CSSSHP. Among importers, only *** and *** suggested that demand was flat or weak before late 1998.

Substitute Products

Domestic producers and importers generally agree that there is little direct substitutability between CSSSHP and other products. Welded stainless steel hollow products were mentioned in a few of the questionnaires, but generally not as serious alternatives, except in the lowest seamless grades.[12] Purchasers generally specify seamless product only when the pressure/heat containing properties of seamless are required, because welded product is less expensive than seamless. Unless welded product became more expensive than seamless product, changes in the relative price of the two would not do much to induce buyers to switch from seamless to welded or visa versa. Two questionnaires suggested that some mechanical tubing (also known as hollow bar) could be replaced with solid bar under certain conditions. Finally, some nickel (and other) alloy products share some characteristics with stainless steel.

Cost Share

The sellers of CSSSHP report widely varying percentages of the costs of end-use products accounted for by their CSSSHP. The most frequent estimates put these percentages at approximately 25 to 40 percent. However, some sellers report that percentages can be as low as 5 to 10 percent and as high as 80 to 90 percent or higher. For instance, *** reported that for chemical/process (high-pressure) applications, CSSSHP account for as little as 20 percent of total end-use costs. At the other extreme, for lower pressure applications, the percentage is closer to 80 percent. ***, ***, and *** also reported very wide ranges of end-use cost percentages. *** reported that CSSSHP account for 100 percent of the end-use cost. A couple of domestic cold finishers (*** and ***) suggested percentages in the neighborhood of 50 to 75 percent.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchasing Decisions

The degree of substitution between domestic and imported CSSSHP depends on such factors as relative prices, product availability, quality (e.g., grade standards, reliability of supply, defect rates, cosmetic factors, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is a high degree of substitution between domestic and imported CSSSHP from Japan for a relatively wide range of hot-finished and cold-finished products. For a small to moderate percentage of products, however, domestic suppliers do not provide strong alternatives to Japanese imports. Similarly, there is also a small set of CSSSHP for which Japanese imports do not effectively compete with domestic CSSSHP. Finally, there is at least one product category in which hot-finished Japanese CSSSHP compete with cold-finished U.S. CSSSHP. Absent any pricing differences, the substitutability between U.S. and Japanese CSSSHP in this category would be high. Several of the factors considered are discussed below.

[12] However, *** noted that large diameter cold-finished CSSSHP (a very small category of CSSSHP) competes mainly with welded product, despite being approximately 7 to 10 times as expensive. Staff conversation, November 30, 1999.

Comparisons of Domestic CSSSHP and Subject Imports

An area of disagreement is whether or not domestic producers have the capability of producing certain categories of product at all. On this subject, the respondents assert that there is a wide range of products which the United States is unable to produce and for which it is therefore dependent on imports from Japan or from nonsubject countries. The most common assertion on the importer questionnaire responses is that hot-finished CSSSHP above 3 inches in outside diameter and cold-finished CSSSHP above 4 inches in outside diameter are essentially unavailable domestically. Others have stated that the lack of U.S. capability is only in the range from 3 inches to 8 (or maybe 10) inches in outside diameter.[13] Further assertions have been made regarding the inability of the domestic industry to produce special chemistry requirements. In particular, the Maryland plant of Plymouth Tube, a domestic cold finisher in opposition to the petition, claimed that the redraw hollows it obtains from Japanese sources are very high purity (low manganese, copper, and tin levels) and are unavailable from domestic sources.[14] Other product categories alleged to be unavailable domestically are super-hot-finished boiler pressure tubes (allegedly, functionally equivalent products can only be produced in the United States with cold-finishing techniques), certain types of thin-walled CSSSHP, certain grades of specification A-268, and longer lengths of CSSSHP (specifically for products with a high weight-to-length ratio).

The petitioners dispute the extent of the domestic coverage shortfall. They point out that American Extruded Products (a firm which the respondents characterized as mainly producing non-circular shapes)[15] has its strongest capabilities in the 3-6 inch outside diameter range of hot-finished CSSSHP.[16] The petitioners also claim both that most if not all of Plymouth Tube's chemistry needs can be met by Pexco (and nonsubject sources), and that whatever chemistry issues may be unresolved apply to only a very small percentage of the overall market.[17]

Several purchasers of CSSSHP have indicated that they largely agree with the respondents' version of domestic size unavailability.[18] Importers were asked to indicate in their questionnaires what percentage of the products that they handle is unavailable from U.S. sources. While the responses to this question were too spotty to be taken as definitive, some importers indicated that significant amounts of product were involved. For instance, *** suggested that approximately *** percent of their product could not be obtained domestically. Both *** reported that *** percent of their CSSSHP are not produced domestically. As noted in Part I, Prudential reported that 40 percent of their sales are unavailable from U.S. sources.[19] Likewise, certain purchasers have indicated that CSSSHP unavailable from U.S. producers account for very large portions of their CSSSHP businesses.[20]

U.S. producers have capabilities in a couple of areas that are not shared by Japanese imports. One domestic hollow product purchaser reported that at least some domestic cold tubing finishers use a

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[13] Postconference brief, Sumitomo, et. al, p. 28, and staff conversations with *** (November 19, 1999) and *** (November 19, 1999), both CSSSHP purchasers.

[14] Conference transcript, p. 88.

[15] Postconference brief, Sumitomo, et. al, p. 28.

[16] Postconference brief, petitioners. p. 21.

[17] Postconference brief, petitioners, p. 22.

[18] Notably, *** acknowledges in its importers' questionnaire that 6-8 inch outside diameter sizes of (hot-finished) starting materials are not available from domestic sources.

[19] In a November 30, 1999, conversation with staff, ***.

[20] Conference transcript, p. 71; letter from ***, November 12, 1999; staff conversation with ***, November 19, 1999.

"bright annealing" process that increases the shine of the steel surface.[21] While this is chiefly a cosmetic enhancement, many purchasers specify product of this sort and are willing to pay a premium to obtain it. Also, a few domestic producers of specialized cold-finished CSSSHP indicated that at least part of their product line experiences no competition from Japanese imports. These companies, accounting for *** percent of reported domestic cold-finished CSSSHP production, stated that roughly 25 percent of their sales, on average, do not face Japanese competition.

Japanese producers are purported to experience certain advantages from their size and level of integration. Specifically, the ability to produce and sell the "whole package" of CSSSHP provides marketers of Japanese CSSSHP the ability to provide one stop shopping. Domestic producers are much more limited in this regard. Pexco and its part owner, Sandvik, have this ability to jointly market product, at least in certain size ranges. The respondents have suggested that several of the domestic producers (DMV, Sandvik, Pexco, Salem, and Altx), conduct business as part of larger affiliated groups with at least partial control from nonsubject countries. Whether this provides any measure of "whole package" benefits to these producers has not been fully addressed. However, one Japanese producer, ***, emphasized that it held an advantage in being able to physically control the product from the original melting of the steel to the final finishing of the hollow product. This is something that joint marketing itself does not provide.[22]

The importer questionnaire responses indicated a perception of Japanese CSSSHP as having a uniquely high level of product quality. Among other responses, it was suggested that Japanese CSSSHP experience fewer quality rejections, meet customer specifications to closer tolerances, have an image of high reliability to customers, and have received formal qualification from major customers such as Exxon.[23] Domestic producers in opposition to the petition, *** (who purchase hot-finished redraw hollows imported from Japan), have also indicated that higher quality CSSSHP and more useful technical and sales support are available from Japanese sources.[24] Certain domestic distributors have also pointed to isolated instances of low domestic CSSSHP quality.[25]

The petitioners have suggested that the combination of the claimed higher Japanese quality and lower sales prices of Japanese CSSSHP should be inconsistent in a relatively competitive market. Further, they asserted that there are essentially no quality differences in most CSSSHP for which there are offerings from both countries. All CSSSHP are sold to specifications, either industry standard or purchaser stipulated, and purchasers claim that any CSSSHP meeting these specifications are interchangeable with other CSSSHP meeting the same specifications. Staff conversations with CSSSHP purchasers tended to confirm this viewpoint for CSSSHP where there is direct competition.

U.S. producers have a significant advantage in time from product order to product delivery, with most delivery times ranging from 1-12 weeks. Imports from Japan, on the other hand, typically take 13-26 weeks. It is generally acknowledged that this faster response time enables domestic producers to win a small proportion of orders, even in the absence of comparable prices.

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[21] Staff conversation with ***, November 19, 1999.

[22] Importers' questionnaire.

[23] Importers' questionnaire.

[24] Producers' questionnaire.

[25] ***.

Comparisons of Domestic CSSSHP, Subject Imports, and Nonsubject Imports

The available evidence suggests that nonsubject imports from certain countries are generally comparable with Japanese imports. That is, they share many of the characteristics by which Japanese imported CSSSHP can be distinguished from domestic CSSSHP. These characteristics include product range, pricing tactics, sales terms, and time from order to delivery. However, for many of these characteristics, nonsubject CSSSHP imports do not differ from U.S. products to the same extent as do imports from Japan. The countries for which these generalizations apply are principally European. Other countries, including some from Asia, supply imports which are principally competitive in the lower end of the market.

Product Range

The range and quality of European-produced CSSSHP have been acknowledged by both those in favor of the petition and those in opposition to be very comparable to the Japanese CSSSHP range and quality, although some importers (***) report quality advantages for Japanese CSSSHP. While questionnaire responses of those domestic producers supporting the petition have not conceded any major differences between U.S. and subject or U.S. and nonsubject imports, importers and purchasers of CSSSHP have reported gaps in the U.S. ability to supply certain CSSSHP. They have indicated that the main alternative to imports of Japanese CSSSHP in these gaps is imports from European (and sometimes other) producers. For instance, Thomas Maternowski of the Maryland plant of Plymouth Tube testified that in the absence of Japanese hot-finished redraw hollows, his cold-finishing plant would be forced to rely upon the Swedish affiliate of Sandvik Canada, its most direct competitor, for its special chemistry redraw hollows. It was asserted that Sandvik Sweden had made it clear that whatever supply it had was earmarked for Sandvik Canada. As is implied in this scenario, several other purchasers of CSSSHP have stated a belief that an antidumping duty against Japanese CSSSHP would be very much in the interest of the nonsubject foreign affiliates of some of the U.S. producers.

In contrast to the story of Japanese/nonsubject comparability, a few reports refer to rare cases of incomparability. One domestic purchaser indicated that there were certain specialty alloys that are not available from nonsubject sources.[26] Another, ***, indicated in its questionnaire that some thin wall tubing is not available from sources outside Japan. The Maryland plant of Plymouth Tube identified a case for which certain CSSSHP are available from a nonsubject source, but not from Japan. It reported that for its main product line, there is no important competition from Japanese CSSSHP. Rather, the main competition comes from Sandvik's facility in Canada.

Pricing Behavior

There is a certain level of disagreement over the extent to which nonsubject imports can be blamed for falling CSSSHP prices. Average unit-value figures presented by the petitioners, based on data from the U.S. Department of Commerce, indicate that average unit values of Japanese import shipments fell by 30.3 percent between 1996 and 1998, while those of nonsubject imports fell by 25.4 percent (in comparison to a drop in domestic unit values of *** percent).[27] Petitioners take this to

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[26] Staff conversation with ***, November 19, 1999.

[27] Original petition, p. 32. On p. 18 of an amendment to the petition, different percentages are given for the changes in unit values from 1996 to 1998. A November 30, 1999, staff conversation with *** of Collier, Shannon, Rill & Scott, PLLC (counsel to the petitioners), determined that the percentages in the amended petition refer to the

(continued...)

be "clear" indication of Japanese price leadership. These percentage calculations, however, appear to suffer from a "composition" effects problem. In other words, aggregate Japanese unit values fell more quickly over the period of investigation than similar values for nonsubject imports because import quantities from Japan increased in the lowest value categories of CSSSHP and fell in the highest value CSSSHP categories, not because the price of each Japanese product fell more rapidly than the price of each similar nonsubject product.[28] When this is adjusted for by disaggregating HTS categories and comparing prices within categories, Japanese prices actually rose relative to nonsubject imports by 4.1 percent within the typical category between 1996 and 1998. The same analysis applied to 1996 to interim 1999 prices indicates that Japanese prices fell by 2.2 percent relative to nonsubject prices over this period.

Similar calculations (adjusting for composition effects) show, however, that Japanese unit values were persistently about 10 percent lower on average than those of nonsubject imports. One importer, ***, reported in its questionnaire that Japanese prices are lower than nonsubject prices.

Discussions with stainless steel hollow purchasers also produced some indication that nonsubject producers are not appreciably less aggressive in their pricing than Japanese producers.[29] One purchaser, ***, related that Japanese firms began to suspend their orders after word of the impending antidumping case spread, but that European suppliers quickly appeared to fill the void, at lower prices than Japanese suppliers.

Other Considerations

U.S. producers hold the same advantage over both subject and nonsubject imports with respect to lead time from order to delivery. *** reported that nonsubject imports are sold at a price advantage relative to domestic CSSSHP and that they (nonsubject imports) are sold with less favorable payment terms than Japanese imports. *** stated that the nonsubject importers provide longer payment terms than domestic producers. *** asserted that nonsubject countries can provide CSSSHP imports with longer lengths than U.S. CSSSHP, but that these countries lag behind Japan in terms of sales support. *** stated that many nonsubject imports are comparable to Japanese imports. That firm also stated that this only holds for European CSSSHP, not CSSSHP from Korea, India, etc. *** pointed to an instance where Korean and Indian CSSSHP were priced below CSSSHP of Japanese, European, or domestic producers.[30] *** indicated that imports of CSSSHP from China should likewise not be classified with European imports, for reasons of quality and reliability.

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[27] (...continued)
period from 1996 to interim 1999.

[28] *** has also suggested that the drop in Japanese unit values was in part due to a misclassification of some 13 Chrome OCTG into CSSSHP HTS categories during the period of investigation (conversation with staff, November 19, 1999). These products apparently carry a much lower price per pound than the typical CSSSHP.

[29] Staff conversations with ***; November 19-22, 1999.

[30] Postconference brief, Japanese respondents, annex O.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged 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 Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 11 firms.

U.S. PRODUCERS

In addition to the seven producing petitioners, eight other firms were identified as domestic producers of CSSSHP. Dynamic Metal Forming, Superior Tube Co., Timken Co., Tube Methods, Inc., and Uniform Tubes, Inc. did not send back completed questionnaires; however, all reported the ability if given more time.[1] ALTech Specialty Steel Corp. ceased production of CSSSHP, and its production assets and facility were sold to Tubacex America in September 1999.[2] The following tabulation, compiled from questionnaire responses, shows firms that produced CSSSHP during the period of investigation and their parent companies:

Producing firm	Parent company
Hot-finished	
ALTech	***
American Extruded Products (AXP)	***
Wyman-Gordon (IXP)	***
Pexco	***
Cold-finished	
DMV	***
Greenville	***
Kaiser	***
Plymouth Tube	***
Salem	***
Sandvik	***
Handy & Harman	***

[1] The Timken Co. (operations are in Canton, OH, and Wooster, OH, and ***) reported in telephone conversations with Commission staff that it annually produced about ***. Tube Methods, Inc. (operations are in Bridgeport, PA, and ***) reported in a telephone conversation with Commission staff that it produces between ***. Uniform Tubes, Inc. (operations are in Collegeville, PA, and South Plainfield, NJ, and ***) stated in telephone conversations with Commission staff that it produced ***.

[2] ALTech was a significant domestic producer of the subject merchandise through mid-1999. ALTech sold its plant and equipment to Tubacex America in September 1999, and that facility is now operated as Altx, Inc. ALTech is no longer in the seamless hollow products business, and so was not a petitioner when the case was filed. ALTech supported the petition, however. Altx, Inc., the successor to ALTech's business, is a petitioner. It has been investing in the mill to improve competitiveness. Commercial production has not taken place during the period since the purchase. Commercial production is scheduled to resume shortly. Telephone conversation with ***, counsel for petitioners.

Table III-1, compiled from firms completing the Commission's questionnaires, shows producers' identities (by type of finishing), plant locations, share of reported production of specified product, and position on the petition.

Table III-1
CSSSHP: U.S. producers, plant locations, share of production in 1998, and position on the petition

Firm	Location of production facilities	Share (*percent*) of reported production of CSSSHP in 1998	Position on petition
Hot-finished			
ALTech	Watervliet, NY	***	Support
American Extruded Products	Beaver Falls, PA	***	Support
Wyman-Gordon	Buffalo, NY	***	Support
Pexco	Clarks Summit, PA	***	Support
Cold-finished			
DMV	Houston, TX	***	Support
Greenville	Clarksville, AR	***	***
Kaiser	Irvine, CA	***	***
Plymouth Tube	W. Monroe, LA Salisbury, MD	*** ***	***
Salem	Greenville, PA	***	Support
Sandvik	Clarks Summit, PA	***	Support
Handy & Harman	Norristown, PA	***	***

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

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Aggregate data for U.S. producers of hot-finished CSSSHP are shown in table III-2. Aggregate data for U.S. producers of cold-finished CSSSHP are shown in table III-3. Since some of the cold-finished CSSSHP reported are further processed from domestically produced hot-finished CSSSHP, it would be inappropriate to sum the hot- and cold-finished products because of double counting. The rise in capacity is attributed to *** during 1996-98. *** in capacity during the interim periods of 1998 and 1999. With the exception of ***, all producers stated that they produced ***.

Table III-2
Hot-finished CSSSHP: U.S. production capacity, production, and capacity utilization, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
Capacity (*short tons*)[1]	10,612	12,256	13,217	6,910	8,338
Production (*short tons*)	11,818	11,561	12,266	7,204	4,171
Capacity utilization (*percent*)	74.5	72.3	76.2	80.3	44.7

[1] *** did not provide capacity data.

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

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

Table III-3
Cold-finished CSSSHP: U.S. production capacity, production, and capacity utilization, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
Capacity (*short tons*)[1]	18,650	18,650	17,750	9,455	10,425
Production (*short tons*)	8,248	7,338	7,942	4,013	3,753
Capacity utilization (*percent*)	36.4	31.3	38.1	37.4	28.9

[1] *** did not provide capacity data.

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

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

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

U.S. producers' shipments of both hot-finished and cold-finished CSSSHP are shown in tables III-4 and III-5. It would be inappropriate to combine U.S. shipments of hot- and cold-finished products because of double counting. Table III-6 presents U.S. producers' U.S. shipments by specified products and table III-7 shows U.S. producers' non-import purchases by sources. Producers' direct imports are presented in Part IV of this report.

Table III-4
Hot-finished CSSSHP: U.S. producers' shipments, by types, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Open-market U.S. shipments	9,780	9,398	9,004	5,749	2,750
Captive U.S. shipments	0	0	0	0	0
Total U.S. shipments	9,780	9,398	9,004	5,749	2,750
Export shipments	2,037	2,164	3,254	1,455	1,419
Total shipments	11,816	11,562	12,258	7,204	4,169
	Value (*1,000 dollars*)				
Open-market U.S. shipments	59,428	51,018	45,158	28,806	12,933
Captive U.S. shipments	0	0	0	0	0
Total U.S. shipments	59,428	51,018	45,158	28,806	12,933
Export shipments	15,148	11,485	15,431	7,212	6,748
Total shipments	74,576	62,504	60,589	36,018	19,681
	Unit value (*per short ton*)				
Open-market U.S. shipments	$6,076.83	$5,428.89	$5,015.14	$5,010.73	$4,702.74
Captive U.S. shipments	(1)	(1)	(1)	(1)	(1)
Average U.S. shipments	6,076.83	5,428.89	5,015.14	5,010.73	4,702.74
Export shipments	7,436.43	5,307.30	4,742.16	4,956.70	4,755.46
Average shipments	6,311.21	5,406.13	4,942.68	4,999.82	4,720.68

[1] Not applicable.

Note.-- Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures.

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

Table III-5
Cold-finished CSSSHP: U.S. producers' shipments, by types, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Open-market U.S. shipments	7,646	6,961	6,340	3,358	3,168
Captive U.S. shipments	185	199	227	90	123
Total U.S. shipments	7,831	7,160	6,567	3,448	3,291
Export shipments	473	550	819	385	425
Total shipments	8,304	7,710	7,386	3,833	3,716
	Value (*1,000 dollars*)				
Open-market U.S. shipments	90,422	74,957	66,515	35,992	30,081
Captive U.S. shipments	1,395	1,929	2,137	925	738
Total U.S. shipments	91,817	76,886	68,652	36,917	30,819
Export shipments	6,412	6,362	7,075	3,462	3,283
Total shipments	98,229	83,248	75,727	40,379	34,102
	Unit value (*per short ton*)				
Open-market U.S. shipments	$11,826.05	$10,768.14	$10,491.32	$10,718.28	$9,495.14
Captive U.S. shipments	7,540.54	9,693.47	9,414.10	10,277.78	6,000.00
Average U.S. shipments	11,724.81	10,738.27	10,454.09	10,706.79	9,364.51
Export shipments	13,556.03	11,567.27	8,638.58	8,992.21	7,724.71
Average shipments	11,829.12	10,797.41	10,252.78	10,534.57	9,176.96

Note.-- Because of rounding, figures may not add to the totals shown. Unit values are calculated from the unrounded figures.

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

Table III-6
CSSSHP: U.S. producers' U.S. shipments,[1] by specific product types, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Hot finished					
Boiler (A213):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Duplex (A789, A790):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Redraw hollows:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
All other hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Total, all hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	5,876	6,757	6,898	4,163	2,364
Cold-finished					
Heat exchange (A213), with outside diameter ≤ 1¼ inches	2,160	1,936	1,726	855	755
Boiler (A213), with outside diameter > 1¼ inches	663	486	709	387	315
Duplex (A789, A790)	364	250	298	138	171
All other cold finished	4,427	4,375	3,682	1,973	2,025
Total, all cold-finished	7,614	7,047	6,415	3,353	3,266

See footnotes at end of table.

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Value (*$1,000*)				
Hot finished					
Boiler (A213):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Duplex (A789, A790):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Redraw hollows:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
All other hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	***	***	***	***	***
Total, all hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Total	34,856	35,470	32,826	19,534	10,605
Cold-finished					
Heat exchange (A213), with outside diameter ≤ 1¼ inches	20,995	17,517	16,276	7,790	6,321
Boiler (A213), with outside diameter > 1¼ inches	6,195	3,948	5,840	3,093	2,636
Duplex (A789, A790)	5,238	3,274	3,745	1,863	1,963
All other cold finished	56,911	50,821	40,927	23,039	19,651
Total, all cold-finished	89,339	75,560	66,788	35,785	30,571

See footnotes at end of table.

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Unit value (*per short ton*)				
Hot finished					
Boiler (A213):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Average	***	***	***	***	***
Duplex (A789, A790):					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Average	***	***	***	***	***
Redraw hollows:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Average	***	***	***	***	***
All other hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Average	***	***	***	***	***
Average, all hot-finished:					
≤ 3 inches outside diameter	***	***	***	***	***
> 3 inches outside diameter	***	***	***	***	***
Average	$5,932.50	$5,249.61	$4,758.53	$4,692.44	$4,485.85
Cold-finished					
Heat exchange (A213), with outside diameter ≤ 1¼ inches	9,721.48	9,048.50	9,430.11	9,109.94	8,372.19
Boiler (A213), with outside diameter > 1¼ inches	9,343.89	8,123.46	8,236.95	7,992.25	8,368.25
Duplex (A789, A790)	14,390.11	13,096.00	12,567.11	11,768.12	11,479.53
All other cold finished	12,855.73	11,616.23	11,115.43	11,677.14	9,704.00
Average, all cold-finished	11,734.06	10,722.45	10,411.29	10,600.90	9,360.26

[1] ***.

[2] Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Unit values are calculated from unrounded data.

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

Table III-7
Hot-finished CSSSHP: U.S. producers' non-import purchases, by sources, 1996-98, January-June 1998, and January-June 1999

Source	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Purchases of imports from Japan	964	769	2,104	1,040	1,297
Purchases of other imports	589	214	403	225	217
Purchases from domestic producers	1,467	1,762	1,497	723	286
Purchases from other sources	0	0	0	0	0
Total	3,020	2,745	4,004	1,988	1,800
	Value (*1,000 dollars*)				
Purchases of imports from Japan	8,131	5,635	9,887	4,968	5,126
Purchases of other imports	3,332	964	1,697	1,015	995
Purchases from domestic producers	8,757	10,181	8,306	4,081	1,507
Purchases from other sources	0	0	0	0	0
Total	20,220	16,780	19,890	10,064	7,628
	Unit value (*per short ton*)				
Purchases of imports from Japan	$8,434.65	$7,327.70	$4,699.14	$4,776.92	$3,952.20
Purchases of other imports	5,657.05	4,504.67	4,210.92	4,511.11	4,585.25
Purchases from domestic producers	5,969.33	5,778.09	5,548.43	5,644.54	5,269.23
Purchases from other sources	(1)	(1)	(1)	(1)	(1)
Average	6,695.36	6,112.93	4,967.53	5,062.37	4,237.78

[1] Not applicable.

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

U.S. PRODUCERS' INVENTORIES

Table III-8 shows producers' end-of-period inventories of CSSSHP during the period of investigation. Nearly all the inventories reported were cold-finished. Inventory information on hot- and cold-finished CSSSHP are presented separately in appendix tables C-3 and C-5, respectively.

Table III-8
CSSSHP: U.S. producers' end-of-period inventories, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
Inventories (*short tons*)	1,586	1,456	1,866	1,459	1,787
Source: Compiled from data submitted in response to Commission questionnaires.					

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-9 presents employment data for production and related workers producing CSSSHP. Productivity and unit labor information are not available for combined hot- and cold-finished CSSSHP. Employment data for hot- and cold-finished CSSSHP are presented separately in appendix tables C-3 and C-5, respectively. With the exception of ***, all producers stated that their PRW's ***.

Table III-9
CSSSHP: Average number of production and related workers, hours worked, wages paid to such employees, and hourly wages, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
PRW's (*number*)	968	878	834	856	755
Hours worked (*1,000*)	1,422	1,262	1,203	631	505
Wages paid (*1,000 dollars*)	20,182	18,397	17,807	9,433	7,057
Hourly wages	$14.20	$14.58	$14.81	$14.94	$13.98
Source: Compiled from data submitted in response to Commission questionnaires.					

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

U.S. IMPORTERS

Questionnaires were sent to 24 firms believed to be importers, based on information provided by the U.S. Customs Service and on information provided in the petition. In addition, importer questionnaires were sent to the 15 firms that received the producer questionnaire. Seventeen identified importers and four producers responded with completed importer questionnaires. These 21 firms accounted for 48 percent (14,800 short tons) of total imports (47,282 short tons) and 63 percent (22,600 short tons) of total imports from Japan (23,492 short tons) as reported by Commerce for 1998. The seven other producers all stated that they did not import and five of the identified importing firms reported that they had no imports of CSSSHP. The majority of importers imported both hot- and cold-finished product.

U.S. IMPORTS

U.S. imports, by sources, are presented in table IV-1. Japan's share of imports (by quantity) rose from 41 percent in 1996 to nearly 50 percent in 1998 and rose during the interim periods from 46 percent to 53 percent. This increase is reflected in the drop in the share of imports from the next five leading supplying countries (Germany, France, Spain, the United Kingdom, and Canada, respectively), which fell from 47 percent in 1996 to 36 percent in 1998; interim periods show a further drop from 38 percent to 29 percent. Table IV-2 presents data for U.S. producers' direct imports. Table IV-3 presents production and import data for U.S. producers that import subject Japanese CSSSHP.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

U.S. consumption fluctuated from 53,419 short tons in 1996 to 42,716 short tons in 1997 to 56,287 short tons in 1998. Consumption during the interim periods fell from 26,047 short tons to 24,583 short tons. U.S. producers' reported U.S. shipments, conversely, fell from 9,780 short tons in 1996 to 9,004 short tons in 1998. Such shipments fell by over half from 5,749 short tons in January-June 1998 to 2,750 short tons during the same period of 1999. Table IV-4 shows U. S. producers' U.S. shipments, U.S. imports, apparent U.S. consumption, and market shares.

Table IV-1
CSSSHP: U.S. imports, 1996-98, January-June 1998, and January-June 1999

Source	Calendar year			January-June	
	1996	1997	1998	1998	1999
			Quantity (*short tons*)		
Japan	17,992	14,939	23,492	9,348	11,598
Other sources	25,648	18,379	23,791	10,950	10,235
Total	43,640	33,319	47,282	20,298	21,833
			Value (*1,000 dollars*)[1]		
Japan	98,906	61,749	90,331	40,718	36,544
Other sources	134,633	105,571	105,808	53,496	45,881
Total	233,539	167,319	196,139	94,214	82,425
			Unit value (*per short ton*)[1]		
Japan	$5,497.24	$4,133.27	$3,845.25	$4,355.89	$3,150.88
Other sources	5,249.29	5,744.01	4,447.43	4,885.38	4,482.89
Average	5,351.52	5,021.78	4,148.24	4,641.53	3,775.30
			Share of quantity (*percent*)		
Japan	41.2	44.8	49.7	46.1	53.1
Other sources	58.8	55.2	50.3	53.9	46.9
Total	100.0	100.0	100.0	100.0	100
			Share of value (*percent*)		
Japan	42.4	36.9	46.1	43.2	44.3
Other sources	57.6	63.1	53.9	56.8	55.7
Total	100.0	100.0	100.0	100.0	100.0

[1] Landed, duty-paid.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded data.

Source: Compiled from official Commerce statistics.

Table IV-2
Hot-finished CSSSHP: U.S. producers' imports, by sources, 1996-98, January-June 1998, and January-June 1999

* * * * * * *

Table IV-3
CSSSHP: Production and imports by U.S. producers that import subject product, 1996-98, January-June 1998, and January-June 1999

* * * * * * *

Table IV-4
CSSSHP: U.S. producers' U.S. shipments, U.S. imports, and U.S. consumption, 1996-98, January-June 1998, and January-June 1999

Item	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
U.S. producers' shipments[1]	9,780	9,398	9,004	5,749	2,750
U.S. imports from--					
Japan	17,992	14,939	23,492	9,348	11,598
Nonsubject countries	25,648	18,379	23,791	10,950	10,235
All countries	43,640	33,319	47,282	20,298	21,833
Total U.S. consumption	53,419	42,716	56,287	26,047	24,583
	Share of quantity (*percent*)				
U.S. producers' shipments[1]	18.3	22.0	16.0	22.1	11.2
U.S. imports from--					
Japan	33.7	35.0	41.7	35.9	47.2
Nonsubject countries	48.0	43.0	42.3	42.0	41.6
All countries	81.7	78.0	84.0	77.9	88.8

[1] To avoid double counting, U.S. producers' shipments in this table reflect U.S. commercial shipments of hot-finished CSSSHP only.

Note.--Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded data.

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

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Stainless steel bars/billets are the stock material for all hot-finished CSSSHP. Over the period of investigation, approximately 54 percent of the cost of hot-finished CSSSHP was accounted for by these and other raw materials. These, in turn, become the stock material for cold-finishing. Approximately 49 percent of the cost of cold-finished CSSSHP comes from raw materials cost.[1] Stainless steel bar prices (and indeed, the prices of all stainless steel products) depend in large part on the cost of the materials used to produce stainless steel bar. The largest raw material component of the cost of new stainless steel generally is nickel, with chromium also having important effects. Over the period of investigation, nickel and stainless steel scrap prices fluctuated significantly. In 1996, nickel prices averaged $3.50 per pound. They fell steadily through 1997 and 1998, before rising in 1999. Nickel prices averaged $2.18 per pound in 1998 and $2.26 per pound in interim 1999.[2] Stainless steel scrap prices fell from an average price of $745 per ton in 1996 to $536 per ton in 1998.[3] Average prices from 1996 to 1998 fell by 28 percent for stainless steel scrap and 38 percent for nickel.

The drop in the prices of nickel and stainless steel scrap does not necessarily translate to a drop in the cost of production of CSSSHP, as other costs may change as well. Table V-1 gives some indication of the importance of the drop in the price of nickel. Using the nickel requirements for grade 304/304L (a very common austenitic grade), a sample nickel cost of producing a ton of stainless steel is computed.[4] This cost fell by $211 from 1996 to 1998, 32 percent of the decline in the average cost of raw materials used domestically in producing a ton of hot-finished CSSSHP over the same period, and 16 percent of the drop in the overall U.S. cost of producing and marketing a ton of hot-finished CSSSHP. It was 20 percent of the decline in average price of open-market CSSSHP shipments in the United States from domestic producers of hot-finished CSSSHP. The $669 drop in the cost of raw materials from 1996 to 1998 was 63 percent of the decline in average unit value of producers' U.S. shipments over that period.

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[1] Computed from responses to domestic producers' questionnaires.

[2] USGS Minerals Information: Mineral Industry Surveys, various issues. See http://minerals.usgs.gov/minerals/pubs/commodity/nickel/

[3] USGS Minerals Information: Metal Prices in the United States through 1998. See http://minerals.usgs.gov/minerals/pubs/commodity/nickel/500798.pdf. The units have been changed from long tons to short tons.

[4] As noted in Part I, austenitic grades of stainless steel contain much more nickel than either ferritic or martensitic grades. These other two steel types typically contain less than 1 percent of nickel by weight. Grades 304 and 304L contain at least 8 percent of nickel by weight. Every other austenitic grade contains at least as much nickel. Grade 316L, for instance contains at least 10 percent nickel. The computations described assume exactly 8 percent nickel content.

Table V-1
CSSSHP raw material cost comparison: Nickel prices, nickel costs in stainless steel, and CSSSHP raw materials costs and overall costs, 1996-98, January-June 1998, and January-June 1999

Item	Calendar Year			January - June	
	1996	1997	1998	1998	1999
Average nickel price (*dollars/pound*)[1]	3.502	3.221	2.179	2.455	2.263
Cost of nickel to produce one ton of grade 304 or 304L (*dollars*)[2]	560	515	349	393	362
Raw material cost per short ton, U.S.-produced hot-finished CSSSHP (*dollars*)[3]	3,228	2,868	2,559	2,539	2,370
Average cost of U.S.-produced hot-finished CSSSHP (*dollars/ton*)[3]	6,054	5,302	4,694	4,658	4,723

[1] Cathode New York Dealer prices from USGS Mineral Industry Surveys.
[2] Computed as nickel price per pound times 8 percent of 2000 pounds.
[3] Compiled from data submitted in response to Commission questionnaires.

Transportation Costs to the U.S. Market

Transportation costs for CSSSHP from Japan to the United States (excluding U.S. inland costs) are estimated to be approximately 3.1 percent of the total cost for CSSSHP, with a range of 1.1 percent to 3.5 percent for specific CSSSHP categories. These estimates are derived from official import data and represent the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.

U.S. Inland Transportation Costs

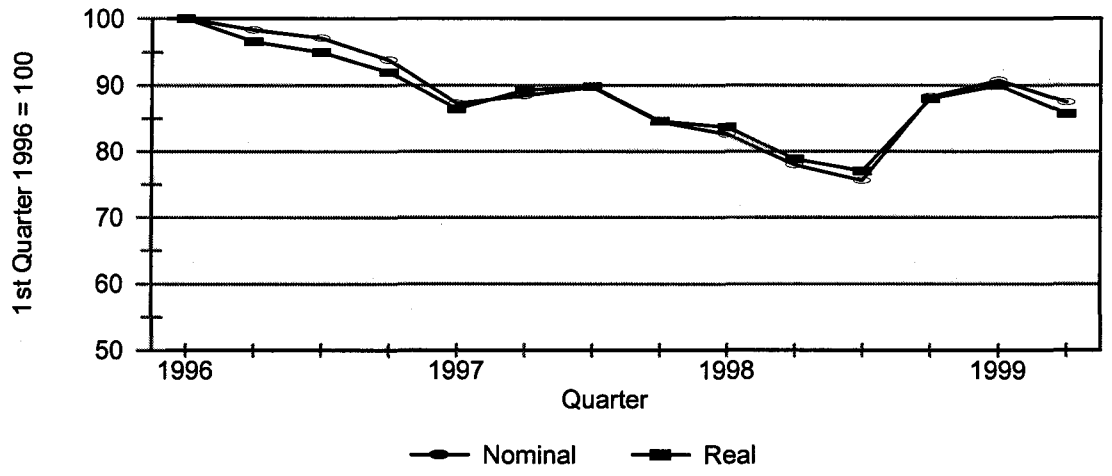
Transportation costs from the production facility to the location of the purchaser are a small to moderate percentage of overall price of CSSSHP. However, because the price per ton varies across the final products, there is some degree of variation in these costs, with most of both domestic producers and importers reporting that 1 to 7 percent of the delivered price of CSSSHP is accounted for by transportation expenses.[5] Generally, cold-finished CSSSHP should be expected to have lower transportation cost percentages than hot-finished CSSSHP because of the higher value per ton. This effect is not evident from the reported data, however.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Japanese yen depreciated 12.5 percent relative to the U.S. dollar from January 1996 to June 1999 (figure V-1). The real value of the Japanese yen depreciated 14.3 percent vis-a-vis the U.S. dollar in that time period. Both the nominal and real value of the yen fell by over 20 percent between 1996 and the third quarter of 1998. In the three subsequent quarters, the value of the yen returned to levels close to those at the beginning of 1997.

[5] Two importers, ***, reported higher transportation costs, 10 percent and 20 percent, respectively.

Figure V-1
Exchange rates: Indices of the nominal and real exchange rates between the Japanese yen and the U.S. dollar, by quarters, January 1996 - June 1999



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

PRICING PRACTICES

Pricing Methods

Pricing methods in the CSSSHP industry vary according to the type of seller and the product category. Importers almost exclusively negotiate the price for their CSSSHP on a transaction-by-transaction basis. Only one importer reported that set prices were used. Domestic producers also sell a great deal of their CSSSHP on a transaction-by-transaction basis, but a greater number of domestic producers report using internal price schedules or cost engineering analysis as the basis for the negotiations. Price lists were used in a couple of instances - ***. Most of the CSSSHP sold commercially is sold on a spot basis. However, a few of the smaller market participants sell exclusively by contract. *** sell 100 percent of their goods by contract. *** does as well. Of the remaining suppliers, only two sell a small percentage of their CSSSHP by contract.

Sales Terms and Discounts

Most sellers of both imported and domestically produced CSSSHP reported similar typical terms of sale. All suppliers used one or another variation of net 30. Prices are typically quoted f.o.b. plant/port. Only one of the domestic firms, ***, reported quoting delivered prices. Eleven domestic firms reported quoting prices f.o.b. plant. Somewhat more variety exists among import price quotes, with a couple of instances each of c.i.f (***) and ex-dock duty paid (***), as well as four importers using delivered price quotations (***).[6] Six importers reported quoting prices f.o.b. port, and two (who are also domestic producers) reported quoting prices f.o.b. mill.

Discount policies differ by firm. Some have no discount policy while others use multiple discounting methods. In the domestic industry, four firms (***) offer quantity discounts, two (***) offer

[6] *** quotes prices both delivered and f.o.b. port.

discounts based on yearly volume, two (***) provide discounts to distributors, two (***) report no formal discount policy but do lower prices informally in response to market conditions and the terms of the transaction, and three do not offer discounts of any kind. Discounts range from 3 percent to 7.5 percent in most cases. One domestic producer, ***, discounts from 3 to 10 cents per pound, based on quantity. Fewer sellers of imported Japanese CSSSHP reported a discount policy. Of those not also producing CSSSHP domestically, five responding importers indicated that discounts were available, some on a quantity basis, others on an annual volume basis. None of the importers revealed the typical size of discounts, and most indicated that discounting was done on a case-by-case basis.

PRICE DATA

The Commission requested U.S. producers and importers of CSSSHP to provide quarterly data for the total quantity and value of specific CSSSHP that were shipped to unrelated customers in the U.S. market. Data were requested for the period January 1996-June 1999. The products for which pricing data were requested are as follows:

Product 1.-- Hot-finished pipe, ASTM A-312, grade 316/316L, 2 inch schedule 40.

Product 2.-- Cold-finished tube, ASTM A-213, grade 304/304L, ¾ inch outside diameter by 0.049 inch average wall thickness.

Product 3.-- Hollow bar, ASTM A-511, grade 304/304L, 2 inch outside diameter by ½ inch average wall thickness.

Product 4.-- Redraw hollow, ASTM A-511, grade 316/316L, 2 inch outside diameter by 0.188 inch average wall thickness.

Eight U.S. producers and 10 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. The pricing data provided by these firms are presented in tables V-2 through V-6 and figures V-2 through V-5. Pricing data reported by U.S. producers for products 1, 3, and 4 accounted for approximately 10.8 percent of the quantity (5.6 percent of the value) of U.S. producers' shipments of hot-finished CSSSHP from January 1996 to June 1999. Pricing data for these products reported by importers of CSSSHP from Japan accounted for approximately 3.3 percent of the quantity of imports (1.8 percent of the value) of Japanese hot-finished CSSSHP, as computed from official data. Pricing data reported by U.S. producers for product 2 accounted for approximately 1.4 percent of the quantity (0.6 percent of the value) of U.S. producers' shipments of cold-finished CSSSHP, while that reported by importers of Japanese CSSSHP accounted for only 0.25 percent of the quantity (0.16 percent of the value) of official imports from Japan of cold-finished CSSSHP.

Table V-2
Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to distributors[2] and margins of underselling/(overselling), by quarters, January 1996-June 1999

* * * * * * *

Table V-3
Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 1996-June 1999

* * * * * * *

Table V-4
Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to distributors and margins of underselling/(overselling), by quarters, January 1996-June 1999

* * * * * * *

Table V-5
Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to distributors and margins of underselling/(overselling), by quarters, January 1996-June 1999

* * * * * * *

Table V-6
Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to end users and margins of underselling/(overselling), by quarters, January 1996-June 1999

* * * * * * *

Figure V-2
Weighted-average f.o.b. prices of domestic and imported product 1 sold to distributors

* * * * * * *

Figure V-3
Weighted-average f.o.b. prices of domestic and imported product 2 sold to distributors

* * * * * * *

Figure V-4
Weighted-average f.o.b. prices of domestic and imported product 3 sold to distributors

* * * * * * *

Figure V-5
Weighted-average f.o.b. prices of domestic and imported product 4 sold to end users

* * * * * * *

Pricing data was very sporadic, in part because of the wide range of specification possibilities within the category of CSSSHP as defined by the petitioners. In addition, a few firms sell only specialized CSSSHP. For these firms, there was no production of the relatively generic products for which pricing was obtained. Three of the four products are typically hot-finished CSSSHP. Only product 2 tends to be cold-finished. Consequently, a number of domestic firms had all (or nearly all) of their reported pricing data fall into this category. The bulk of the reported domestic data for the other three products came from ***. Pricing information on imports from Japan of product 4 came *** only for 1998 and the first quarter of 1999. With the exception of product 4, none of the responding firms reported selling these products to end users. This is to be expected, as the Japanese importers reported selling most of their standardized CSSSHP (necessarily all of the four products for which pricing data were collected are standardized) to distributors as discussed in Part II. Redraw hollows, used chiefly as an intermediate product in the production of cold-finished CSSSHP, stand out as the exception.

Price Comparisons and Trends

A comparison of domestic and Japanese prices for product 1 (table V-2 and figure V-2) clearly shows a lower Japanese price for the product throughout 1997-99. Japanese prices were about *** to *** percent lower than domestic prices through the second quarter of 1998. Beginning in the third quarter of 1998, however, Japanese prices fell *** while quantities rose ***. Price underselling margins increased to about *** percent in the last two quarters of 1998 and about *** percent in the first two quarters of 1999. U.S. prices fell over the final four quarters, but *** than Japanese prices. *** of the increase in quantity - and consequently *** of the drop in price - can be accounted for by ***.[7] The petitioners have presented the same data with *** excluded (along with a high priced/low volume importer), showing that the underselling margin percentage from the rest of Japanese imports actually fell *** during three of the final four quarters.[8] Even in this case, there is a clear downward trend in prices over the final four quarters.

As was generally the case with product 1, product 2 (table V-3 and figure V-3) has much larger reported quantities for domestic shipments than for imports. For sales to distributors of this product, the underselling margin is *** and *** variable (ranging from overselling margins of *** percent to underselling margins approaching *** percent). Prices for domestic sales to end users tended to be higher than those for sales to distributors.

The quantities reported for product 3 (table V-4 and figure V-4) were very small in comparison to the other two products. This is a product that has a very thick wall. Its weight per foot is 2.19 times that of product 1 and 21.8 times that of product 2. Again, Japanese reported quantities are *** lower than domestic quantities. Additionally, in eight of the quarters, there were no reported sales of Japanese product. In those quarters with data coverage, Japanese imports usually oversold comparable domestic products by *** variable margins ***.

No real comparison can be made between prices to distributors of product 4 from the two countries (table V-5). It is clear, however, that domestic end user prices are *** than domestic prices for distributors. In sales to end users (table V-6 and figure V-5) only two quarters of matching data are available. For these quarters, Japanese prices were lower than domestic prices by ***. However, a pattern emerges, in both the price and quantity data, which almost seems to suggest that the market for this product (a hot-finished one that is most often used as the source material for redrawers) was completely taken over by Japanese imports in the first three quarters of 1998. All of the Japanese product was imported ***.

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[7] ***.

[8] Postconference brief, petitioners, Exhibit 5.

Of the four products, product 1 exhibits the most distinctive downward price trend, with prices dropping *** percent from 1996 to 1999. Product 2 also appears to exhibit lower prices over the period, though these are more difficult to discern. By the end of 1998 domestic prices were *** percent lower than in the first quarter of 1996. Price reductions for both of these products are *** to the declines in average unit value presented earlier in this report.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of CSSSHP to report any instances of lost sales or revenues they experienced due to competition from imports of CSSSHP from Japan during January 1996-June 1999. No allegations of lost sales or lost revenues were provided with the petition. The petitioners stated that the history of antidumping proceedings in the stainless steel industry has made purchasers very reluctant to reveal the details of competing price offers. Some allegations, however, were brought forth in the questionnaire responses. Of the 12 responding U.S. producers, 5 reported that they had to either reduce prices or roll back announced price increases.[9] Of these, *** has not made customer information available to staff. Another, ***, has made approximately 170 specific allegations of sales lost to (apparently) all sources. While the petitioners stated that over 60 of these refer to sales lost to Japanese firms,[10] *** questionnaire response generally does not make clear the source country. Some of these allegations are clearly sales lost to European and Korean imports. The firm has yet to provide customer contact information so that these allegations can be verified.

*** provided two allegations of lost sales with enough information to make verification feasible. Neither of ***'s allegations specified a quantity or dollar value for the loss. In the first of these, ***. A second lost sale allegation was made by *** against ***. In this allegation ***.

*** made one allegation with enough specificity to verify. In this allegation, ***.

*** made an allegation of lost sales of *** during 1998. This quantity had been ***.

[9] A few others indicated that such instances occurred but that no records were kept.

[10] Postconference brief, petitioners, p. 32.

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

BACKGROUND

Ten producers,[1] which together accounted for the majority of all U.S. production of CSSSHP during the period of investigation, provided financial data. Four producers[2] mainly produced hot-finished products and the remaining, six producers[3] produced cold-finished products.

The producers were requested to provide the results of operations for both trade sales (market sales) and company transfers (intra-company sales and/or internal consumption) combined. No producer reported company transfers.[4]

OPERATIONS ON CIRCULAR SEAMLESS STAINLESS STEEL HOLLOW PRODUCTS

The results of the U.S. producers' operations producing all types of CSSSHP are presented in table VI-1. For financial data on all types of CSSSHP, net sale quantities, net sales values, and cost of goods sold (COGS) were adjusted for the hot-finished materials purchased from domestic producers by cold-finished producers to eliminate double counting. Unadjusted financial information for the hot-finished producers is presented in table VI-1A, while data for the cold-finished producers are shown in table VI-1B. Per-unit financial analysis is also presented in the same manner (combined, hot-finished, and cold-finished) because, unlike industries in which fluctuations in financial results reflect changes in the unit selling prices and costs for virtually the same products, in the CSSSHP industry, differences in product mix play a dominant role in the fluctuations of sales values and total costs. For instance, the selling prices of products with much smaller diameters are much higher than those of products with bigger diameters since smaller diameter products are much more costly to manufacture and the unit values and costs are calculated on the basis of weight (per short ton), not length (per foot). For all CSSSHP, net sales volumes, values, and operating income levels decreased from 1996 to 1997 and increased somewhat in 1998 (except for net sales value, which continued to decline). Similar financial indicators for interim 1999 declined compared with interim 1998. The per-unit financial data for all CSSSHP, as well as hot-finished and cold-finished, are presented in table VI-2. As shown, average per-unit selling prices and costs of cold-finished products are considerably higher than those of hot-finished products.

The results of operations by individual firms are presented in table VI-3. Three producers had positive operating incomes for all periods, and two producers suffered an operating loss for one period only. Average operating income margins also decreased from 1996 to 1997 and increased in 1998, but decreased significantly from interim 1998 to interim 1999.

Selected per-unit cost data of producers on their CSSSHP operations are presented in table VI-4. Product mix may have a significant impact on the average per-unit values. Raw materials, direct labor costs, and factory overhead continuously decreased from 1996 through 1998 except for a minor increase of direct labor in 1997. However, in spite of declining materials cost in interim 1999 from interim 1998, increasing labor and factory overhead costs in interim 1999 resulted in an overall increase of COGS in

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[1] The producers with fiscal year ends other than December 31 are ***.

[2] They are ALTech, APX, IXP, and Pexco.

[3] They are ***. *** did not provide useful financial data.

[4] Although no company transfers were reported in their financial data, *** reported that they had such transfers.

Table VI-1
Results of operations of U.S. producers in the production of all CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Net sales	***	***	***	***	***
	Value (*$1,000*)				
Net sales	***	***	***	***	***
COGS	***	***	***	***	***
Gross profit	27,819	15,080	17,418	11,540	5,811
SG&A expenses	11,212	10,541	9,906	4,951	4,769
Operating income (loss)	16,607	4,539	7,512	6,590	1,042
Interest expense	2,251	1,551	1,494	741	579
Other expense	0	4	0	0	0
Other income items	2,067	955	1,035	519	590
Net income (loss)	16,423	3,939	7,053	6,368	1,053
Depreciation/amortization	5,925	6,406	6,682	3,355	3,624
Cash flow	22,348	10,345	13,735	9,723	4,676
	Ratio to net sales (*percent*)				
COGS	83.4	88.9	86.7	84.4	89.4
Gross profit	16.6	11.1	13.3	15.6	10.6
SG&A expenses	6.7	7.8	7.5	6.7	8.7
Operating income (loss)	9.9	3.3	5.7	8.9	1.9
	Number of firms reporting				
Operating losses	2	4	4	3	6
Data	10	10	10	10	10

Note.--Table VI-1A and table VI-1B are not additive for the consolidation due to the elimination of hot-finished CSSSHP purchased from domestic producers by cold-finished producers. Because of rounding, figures may not add.

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

Table VI-1A
Results of operations of U.S. producers in the production of hot-finished CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Net sales	12,034	11,675	12,410	7,299	4,194
	Value (*$1,000*)				
Net sales	77,056	63,833	62,283	37,150	19,929
COGS	69,404	59,252	55,888	32,829	18,861
Gross profit	7,653	4,581	6,395	4,321	1,068
SG&A expenses	3,453	2,648	2,373	1,170	949
Operating income (loss)	4,200	1,933	4,022	3,152	119
Interest expense	355	202	225	118	77
Other expense	0	0	0	0	0
Other income items	102	172	129	61	32
Net income (loss)	3,947	1,903	3,926	3,095	74
Depreciation/amortization	3,182	3,198	3,589	1,762	1,782
Cash flow	7,129	5,101	7,515	4,857	1,855
	Ratio to net sales (*percent*)				
COGS	90.1	92.8	89.7	88.4	94.6
Gross profit	9.9	7.2	10.3	11.6	5.4
SG&A expenses	4.5	4.1	3.8	3.1	4.8
Operating income (loss)	5.5	3.0	6.5	8.5	0.6
	Number of firms reporting				
Operating losses	1	2	2	2	3
Data	4	4	4	4	4

Note.--Because of rounding, figures may not add.

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

Table VI-1B
Results of operations of U.S. producers in the production of cold-finished CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Net sales	***	***	***	***	***
	Value (*$1,000*)				
Net sales	***	***	***	***	***
COGS	***	***	***	***	***
Gross profit	20,166	10,499	11,023	7,219	4,743
SG&A expenses	7,759	7,893	7,533	3,781	3,820
Operating income (loss)	12,407	2,606	3,490	3,438	923
Interest expense	1,896	1,349	1,269	623	502
Other expense	0	4	0	0	0
Other income items	1,965	783	906	458	558
Net income (loss)	12,476	2,036	3,127	3,273	979
Depreciation/amortization	2,743	3,208	3,093	1,593	1,842
Cash flow	15,219	5,244	6,220	4,866	2,821
	Ratio to net sales (*percent*)				
COGS	79.4	87.0	85.7	82.2	86.9
Gross profit	20.6	13.0	14.3	17.8	13.1
SG&A expenses	7.9	9.8	9.8	9.3	10.5
Operating income (loss)	12.7	3.2	4.5	8.5	2.5
	Number of firms reporting				
Operating losses	1	2	2	1	3
Data	6	6	6	6	6

Note.--Because of rounding, figures may not add.

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

Table VI-2
Results of operations of U.S. producers in the production of CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
	Value (*per short ton*)				
All CSSSHP					
Net sales	$9,088	$7,854	$7,337	$7,251	$7,357
COGS	7,577	6,980	6,364	6,119	6,576
Gross profit	***	***	***	***	***
SG&A expenses	***	***	***	***	***
Operating income	***	***	***	***	***
Hot-finished					
Net sales	6,403	5,468	5,019	5,090	4,752
COGS	5,768	5,075	4,503	4,498	4,497
Gross profit	636	392	515	592	255
SG&A expenses	287	227	191	160	226
Operating income	349	166	324	432	28
Cold-finished					
Net sales	12,713	11,251	11,094	11,330	10,288
COGS	10,099	9,791	9,508	9,317	8,942
Gross profit	***	***	***	***	***
SG&A expenses	***	***	***	***	***
Operating income	***	***	***	***	***

Note.--Because of rounding, figures may not add.

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

interim 1999. SG&A expenses[5] increased insignificantly from 1996 to 1997 and decreased from 1997 to 1998 while SG&A in interim 1999 increased substantially from interim 1998. Total unit costs continuously decreased from 1996 to 1998 while total costs increased from interim 1998 to interim 1999.

The variance analysis is not presented for this case since selling prices, sales revenues, and total costs were largely affected by product mix, rather than the fluctuations of selling prices and costs, as previously described.

[5] ***.

Table VI-3
Results of U.S. producers (by firm) in the production of CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

* * * * * * *

Table VI-4
Unit costs of U.S. producers in the production of CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
COGS:	Value *(per short ton)*				
Raw materials	$4,137	$3,649	$3,310	$3,259	$3,217
Direct labor	1,335	1,359	1,263	1,184	1,318
Factory overhead	2,106	1,973	1,791	1,675	2,040
Total COGS	7,577	6,980	6,364	6,119	6,576
SG&A expenses:[1]					
Selling expenses	***	***	***	***	***
G&A expenses	***	***	***	***	***
Total SG&A expenses	***	***	***	***	***
Total cost	***	***	***	***	***

[1] All hot-finished producers did not break out selling expenses from total SG&A expenses.

Note.--Because of rounding, figures may not add.

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

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

The U.S. producers' capital expenditures and R&D expenses, together with the value of their fixed assets,[6] are presented in table VI-5. Capital expenditures increased *** in 1998 from 1997, due mainly to ***, and also increased slightly in interim 1999 from interim 1998.

***. Aggregated R&D expenses decreased over all the periods. The original cost and book value of fixed assets indicated mixed trends over the periods.

[6] ***.

Table VI-5
Capital expenditures, R&D expenses, and assets utilized by U.S. producers in their production of CSSSHP, fiscal years 1996-98, January-June 1998, and January-June 1999

Item	Fiscal year			January-June	
	1996	1997	1998	1998	1999
	Value (*$1,000*)				
Capital expenditures:					
Hot-finished	488	1,135	***	425	334
Cold-finished	7,813	3,720	***	2,311	2,591
Total	8,301	4,855	14,809	2,736	2,925
R&D expenses:					
Hot-finished	***	***	***	***	***
Cold-finished	***	***	***	***	***
Total	***	***	***	***	***
Fixed assets:					
Hot-finished:					
Original cost	42,311	42,960	52,129	50,037	49,973
Book value	32,553	30,443	36,351	36,123	32,544
Cold-finished:					
Original cost	79,210	82,931	86,730	84,647	88,311
Book value	36,566	35,623	35,813	35,423	34,038
Total					
Original cost	121,521	125,891	138,859	134,684	138,284
Book value	69,119	66,066	72,164	71,546	66,582

Note.--Because of rounding, figures may not add.

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

CAPITAL AND INVESTMENT

The producers' comments regarding any actual or potential negative effects of imports of CSSSHP from Japan on their firms' growth, investment, ability to raise capital, and/or development and production efforts (including efforts to develop a derivative or more advanced version of the product) are presented in appendix D.

PART VII: THREAT CONSIDERATIONS

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

THE INDUSTRY IN JAPAN

Table VII-1 presents aggregate data for production and shipments of CSSSHP[1] for the following nine responding Japanese producers: Kawaski Steel Corp.; Kobe Special Tube Co., Ltd.; Kuze Bellows Kogyo-sho Co., Ltd.; Nippon Steel Corp.; NKK Corp.; Sanyo Special Steel Co., Ltd.; Sumkin Stainless Steel Tube Co., Ltd.; Sumitomo Metal Industries, Ltd.; and Tokyo Seimitsu Kan Co., Ltd. These nine companies reported shipments to the United States that were slightly more than half of official Commerce statistics in 1996 and 1997, nearly 70 percent in 1998, over 80 percent in the interim period of 1998, but only a little more than 40 percent during the same period of 1999. Data on hot-finished CSSSHP are presented in table VII-2 and data on cold-finished are presented in table VII-3. Table VII-4 presents data for specified products shipped to the United States.

[1] The commission's foreign producers' questionnaire attempt to collect data concerning the internal consumption of hot-finished CSSSHP to produce cold-finished CSSSHP was unsuccessful. One firm ***. Staff believes that the hot-finished figures exclude product further processed by cold-finishing. Since most reporting firms are integrated producers that make hot-finished CSSSHP and then do cold-finishing, there is minimal double counting of hot-finished CSSSHP used to produce CSSSHP in the data presented for all CSSSHP.

Table VII-1
CSSSHP: Japan's production capacity, production, shipments, and inventories, 1996-98, January-June 1998, January-June 1999, and projected 1999-2000

Item	Actual experience					Projections	
				January-June			
	1996	1997	1998	1998	1999	1999	2000
	Quantity (*short tons*)						
Capacity	86,298	87,709	85,305	43,567	42,951	82,851	83,513
Production	79,368	78,932	78,346	41,288	35,418	72,729	78,234
End of period inventories	4,702	5,375	4,912	4,974	4,560	5,061	4,667
Shipments:							
Internal consumption	0	0	0	0	0	0	0
Home market	48,113	46,114	43,534	23,558	15,689	36,327	41,282
Exports to--							
The United States	9,373	7,829	16,232	7,808	5,008	10,025	10,568
All other markets	22,603	24,320	19,042	10,322	15,072	26,228	26,777
Total exports	31,976	32,149	35,274	18,130	20,080	36,253	37,345
Total shipments	80,089	78,263	78,808	41,688	35,769	72,580	78,627
	Ratios and shares (*percent*)						
Capacity utilization	92.0	90.0	91.8	94.8	82.5	87.8	93.7
Inventories to production	5.9	6.8	6.3	6.0	6.4	7.0	6.0
Inventories to total shipments	5.9	6.9	6.2	6.0	6.4	7.0	5.9
Share of total quantity of shipments:							
Internal consumption	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Home market	60.1	58.9	55.2	56.5	43.9	50.1	52.5
Exports to--							
The United States	11.7	10.0	20.6	18.7	14.0	13.8	13.4
All other markets	28.2	31.1	24.2	24.8	42.1	36.1	34.1
All export markets	39.9	41.1	44.8	43.5	56.1	49.9	47.5

[1] Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Ratios and shares are calculated from the unrounded data. Part year inventory ratios are annualized.

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

Table VII-2
Hot-finished CSSSHP: Japan' production capacity, production, shipments, and inventories, 1996-98, January-June 1998, January-June 1999, and projected 1999-2000

Item	Actual experience					Projections	
				January-June			
	1996	1997	1998	1998	1999	1999	2000
	Quantity (*short tons*)						
Capacity	46,773	48,094	46,273	24,170	24,762	46,231	47,004
Production	41,768	41,323	42,251	22,975	19,892	38,631	43,817
End of period inventories	1,966	2,466	2,443	2,205	1,743	2,758	2,404
Shipments:							
Internal consumption[1]	0	0	0	0	0	0	0
Home market	25,431	24,240	22,618	12,688	7,373	16,765	21,703
Exports to--							
The United States	5,528	5,287	12,206	5,680	3,383	6,654	7,200
All other markets	11,704	11,297	7,449	4,866	9,836	14,900	15,267
Total exports	17,232	16,584	19,655	10,546	13,219	21,554	22,467
Total shipments	42,663	40,824	42,273	23,234	20,592	38,319	44,170
	Ratios and shares (*percent*)						
Capacity utilization	89.3	85.9	91.3	95.1	80.3	83.6	93.2
Inventories to production	4.7	6.0	5.8	4.8	4.4	7.1	5.5
Inventories to total shipments	4.6	6.0	5.8	4.7	4.2	7.2	5.4
Share of total quantity of shipments:							
Internal consumption[1]	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Home market	59.6	59.4	53.5	54.6	35.8	43.8	49.1
Exports to--							
The United States	13.0	13.0	28.9	24.4	16.4	17.4	16.3
All other markets	27.4	27.7	17.6	20.9	47.8	38.9	34.6
All export markets	40.4	40.6	46.5	45.4	64.2	56.2	50.9

[1] The Commission asked for "internal consumption to produce cold-finished circular seamless stainless steel hollow products" and no meaningful data were reported.
[2] Not applicable.

Note.--Because of rounding, figures may not add to the totals shown. Ratios and shares are calculated from the unrounded data. Part year inventory ratios are annualized.

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

Table VII-3
Cold-finished CSSSHP: Japan's production capacity, production, shipments, and inventories, 1996-98, January-June 1998, January-June 1999, and projected 1999-2000

Item	Actual experience					Projections	
				January-June			
	1996	1997	1998	1998	1999	1999	2000
	Quantity (*short tons*)						
Capacity	39,525	39,615	39,032	19,396	18,189	36,621	36,509
Production	37,600	37,608	36,094	18,313	15,526	34,098	34,417
End of period inventories	2,735	2,909	2,469	2,768	2,817	2,303	2,263
Shipments:							
Internal consumption	0	0	0	0	0	0	0
Home market	22,680	21,874	20,916	10,869	8,317	19,563	19,579
Exports to--							
The United States	3,845	2,541	4,025	2,127	1,625	3,372	3,368
All other markets	10,900	13,022	11,594	5,455	5,237	11,329	11,510
Total exports	14,745	15,563	15,619	7,582	6,862	14,701	14,878
Total shipments	37,425	37,437	36,535	18,451	15,179	34,264	34,457
	Ratios and shares (*percent*)						
Capacity utilization	95.1	94.9	92.5	94.4	85.4	93.1	94.3
Inventories to production	7.3	7.7	6.8	7.6	9.1	6.8	6.6
Inventories to total shipments	7.3	7.8	6.8	7.5	9.3	6.7	6.6
Share of total quantity of shipments:							
Internal consumption	([1])	([1])	([1])	([1])	([1])	([1])	([1])
Home market	60.6	58.4	57.2	58.9	54.8	57.1	56.8
Exports to--							
The United States	10.3	6.8	11.0	11.5	10.7	9.8	9.8
All other markets	29.1	34.8	31.7	29.6	34.5	33.1	33.4
All export markets	39.4	41.6	42.8	41.1	45.2	42.9	43.2

[1] Not applicable.

Note: Because of rounding, figures may not add to totals shown. Ratios and shares are calculated from the unrounded data. Part year inventory ratios are annualized.

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

Table VII-4
CSSSHP: Japanese producers' exports to the United States, by specific types, 1996-98, January-June 1998, and January-June 1999

Source	Calendar year			January-June	
	1996	1997	1998	1998	1999
	Quantity (*short tons*)				
Hot finished					
Boiler (A213):					
≤ 3 inches outside diameter	379	171	583	62	76
> 3 inches outside diameter	0	0	0	0	0
Total	379	171	583	62	76
Commodity (A312, A376, A511):					
≤ 3 inches outside diameter	1,204	1,908	3,133	1,573	820
> 3 inches outside diameter	2,994	2,479	5,716	2,872	1,344
Total	4,198	4,387	8,849	4,445	2,164
Duplex (A789, A790):					
≤ 3 inches outside diameter	2	0	9	7	7
> 3 inches outside diameter	0	7	0	0	0
Total	2	7	9	7	7
Redraw hollows:					
≤ 3 inches outside diameter	839	671	2,756	1,095	1,127
> 3 inches outside diameter	67	44	7	5	4
Total	906	715	2,763	1,100	1,131
All other hot-finished:					
≤ 3 inches outside diameter	4	6	1	1	3
> 3 inches outside diameter	41	1	2	64	2
Total	45	7	3	65	5
Subtotal, all hot-finished:					
≤ 3 inches outside diameter	2,428	2,756	6,482	2,738	2,033
> 3 inches outside diameter	3,102	2,531	5,725	2,941	1,350
Total	5,530	5,287	12,207	5,679	3,383

Continued on next page.

Source	Calendar year			January-June	
	1996	1997	1998	1998	1999
Cold-finished[1]					
Heat exchange (A213), with outside diameter ≤ 1¼ inches	231	208	487	122	298
Boiler (A213), with outside diameter > 1¼ inches	1,091	532	865	624	281
Commodity (A312, A376, A511):	1,383	1,470	1,922	990	701
Duplex (A789, A790)	67	13	99	87	29
Redraw hollow	629	74	217	157	171
All other cold finished	261	116	249	92	51
Subtotal, all cold-finished	3,662	2,413	3,839	2,072	1,531
Total, all hollow products	9,192	7,700	16,046	7,751	4,914

[1] *** did not provide data on specific types of products exported to the United States.

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

U.S. IMPORTERS' INVENTORIES

Table VII-5 presents U.S. importers' reported end-of-period inventories of imported CSSSHP during the period of investigation.

NONSUBJECT SOURCES OF CSSSHP

There are a number of foreign producers of CSSSHP. In 1998, in addition to Japan, 31 other countries shipped CSSSHP to the United States. The volume of such imports ranged over the period of investigation from less than 1 short ton to over 5,000 short tons. As was shown in table IV-1, nonsubject imports account for over half of total U.S. imports in all periods except interim 1999. In 1998, the following 10 countries made up the bulk of nonsubject imports: Germany (4,715 short tons), France (3,979 short tons), Spain (3,615 short tons), the United Kingdom (2,120 short tons), Canada (2,265 short tons), Korea (1,796 short tons), Sweden (1,705 short tons), Austria (1,420 short tons), Mexico (651 short tons), and India (540 short tons).

U.S. IMPORTERS' CURRENT ORDERS

In response to a question on whether importers had ordered CSSSHP from Japan for delivery after June 30, 1999, 11 firms reported that a total of 3,326 short tons were scheduled for delivery between July 1999 and February 2000.

Table VII-5
CSSSHP: U.S. importers' end-of-period inventories of imports, 1996-98, January-June 1998, and January-June 1999

Source	Calendar year			January-June	
	1996	1997	1998	1998	1999
Imports from Japan:					
Inventories (*short tons*)	1,266	1,095	1,204	1,070	1,263
Ratio to imports (*percent*)	17.7	16.9	8.1	8.1	11.7
Ratio to U.S. shipments of imports (*percent*)	18.2	16.6	8.2	8.1	12.9
Imports from all other sources:					
Inventories (*short tons*)	1,404	1,329	1,625	1,623	1,483
Ratio to imports (*percent*)	20.4	20.5	20.7	19.8	26.6
Ratio to U.S. shipments of imports (*percent*)	21.3	20.8	22.1	21.7	26.4
Imports from all sources:					
Inventories (*short tons*)	2,670	2,424	2,829	2,693	2,746
Ratio to imports (*percent*)	19.0	18.7	12.5	12.5	16.8
Ratio to U.S. shipments of imports (*percent*)	19.7	18.6	12.9	13.0	17.8

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

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–859 (Preliminary)]

Circular Seamless Stainless Steel Hollow Products From Japan

AGENCY: United States International Trade Commission.
ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–859 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Japan of circular seamless stainless steel hollow products, including pipes, tubes, redraw hollows, and hollow bars, provided for in subheadings 7304.10.50, 7304.41.30, 7304.41.60, and 7304.49.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. § 1673a(c)(1)(B)), the Commission must

reach a preliminary determination in antidumping investigations in 45 days, or in this case by December 10, 1999. The Commission's views are due at the Department of Commerce within five business days thereafter, or by December 17, 1999.

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: October 26, 1999.

FOR FURTHER INFORMATION CONTACT: Fred Ruggles (202–205–3187 or fruggles@usitc.gov), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted in response to a petition filed on October 26, 1999, by Altx, Inc., Watervliet, NY; American Extruded Products Corp., Beaver Falls, PA; DMV Stainless USA, Inc., Houston, TX; Salem Tube, Inc., Greenville, PA; Sandvik, Steel Co., Scranton, PA; International Extruded Products LLC d/b/a Wyman-Gordon Energy Products—IXP Buffalo, Buffalo, NY; and the United Steelworkers of America, AFL–CIO/CLC, Pittsburgh, PA.

Participationintheinvestigationand publicservicelist. —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 days after publication of this notice in the **FederalRegister** . Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limiteddisclosureofbusiness proprietaryinformation(BPI)underan administrativeprotectiveorder(APO) andBPIservicelist. —Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. § 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **FederalRegister** . 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 November 16, 1999, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Fred Ruggles (202–205–3187) not later than November 12, 1999, 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 to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Writtensubmissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before November 19, 1999, 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 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. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

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 document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: October 29, 1999.

By order of the Commission.

DonnaR.Koehnke,

Secretary.

[FR Doc. 99–28805 Filed 11–3–99; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-588-853]

Initiation of Antidumping Duty Investigation: Circular Seamless Stainless Steel Hollow Products From Japan

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

EFFECTIVE DATE: November 19, 1999.

FOR FURTHER INFORMATION CONTACT: Charles Riggle or Constance Handley at (202) 482-0650 and (202) 482-0631, respectively; Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230.

Initiation of Investigation

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 ("the Act") by the Uruguay Round Agreements Act ("URAA"). In addition, unless otherwise indicated, all citations to the Department's regulations are references to the provisions codified at 19 CFR Part 351 (1998).

The Petition

On October 26, 1999, the Department of Commerce ("the Department") received a petition on circular seamless stainless steel hollow products from Japan filed in proper form by Altx, Inc., American Extruded Products, PMAC Ltd, DMV Stainless USA, Inc., Salem Tube Inc., Sandvik Steel Co. International Extruded Products LLC and the United Steel Workers of America, AFL-CIO/CLC. On November 9, 1999, Pennsylvania Extruded Company (Pexco) joined as a co-petitioner in the case. The Department received supplements to the petition on November 9, 10, and 12, 1999.

In accordance with section 732(b) of the Act, the petitioners allege that imports of circular seamless stainless steel hollow products 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 an industry in the United States.

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

Scope of Investigation

The scope of this investigation covers seamless stainless hollow products, including pipes, tubes, redraw hollows, and hollow bars, of circular cross section, containing 10.5 percent or more by weight chromium, regardless of production process, outside diameter, wall thickness, length, industry specification (domestic, foreign or proprietary), grade or intended use. Common specifications for the subject seamless stainless steel hollow products include, but are not limited to, ASTM-A-213, ASTM-A-268, ASTM-A-269, ASTM-A-270, ASTM-A-271, ASTM-A-312, ASTM-A-376, ASTM-A-498, ASTM-A-511, ASTM-A-632, ASTM-A-731 ASTM-A-771, ASTM-A-789, ASTM-A-790, ASTM-A-826 and their proprietary or foreign equivalents.

The merchandise covered by this petition is found in the Harmonized

Tariff Schedule of the United States (HTSUS) subheadings 7304.10.50.20, 7304.10.50.50, 7304.10.50.80, 7304.41.30.05, 7304.41.30.15, 7304.41.30.45, 7304.41.60.05, 7304.41.60.15, 7304.41.60.45, 7304.49.00.05, 7304.49.00.15, 7304.49.00.45, 7304.49.00.60. Although HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive. Excluded from the scope of the investigation are finished oil country tubular goods certified to American Petroleum Institute ("API") standard 5CT or 5D. Also excluded are hollow drill bars and rods, classifiable under 7228.80 of the HTSUS.

During our review of the petition, we discussed the scope with the petitioners to ensure that the scope in the petition accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations (62 FR 27323), we are setting aside a period for parties to raise issues regarding product coverage. The Department encourages all parties to submit such comments by December 13, 1999. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, D.C. 20230. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

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

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.[1]

Section 771(10) of the Act defines the domestic like product as "a product that is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

After the filing of the petition, we received comments from U.S. redrawers and from Sumitomo Metal Industries, Ltd. (Sumitomo), a Japanese producer of the subject merchandise, requesting that for the purposes of determining industry support, the Department define hot-finished pipe and cold-drawn pipe as separate like products. These parties contend that hot-finished and cold-drawn pipe are made by different companies with different equipment and sold for different uses.

In addition, Sumitomo argues that while the ordinary uses for pipe and tubing can be met by the hot-rolling process, there are uses such as heat exchange, hydraulics, instrumentation, and subsea control and service, which demand greater accuracy, higher physical properties, better surfaces, thinner walls and smaller diameters that require cold-drawing methods. Therefore, both the U.S. redrawers and Sumitomo requested that the Department poll producers of hot-finished and cold-drawn pipe and tube separately to determine if the petitioners have adequate industry support for both types of products.

On November 12, 1999, the petitioners submitted rebuttal comments, stating that with the addition of Pexco, the largest U.S. domestic producer of the subject merchandise, as a petitioner, the petition has clearly been filed on behalf of the U.S. domestic industry whether circular seamless stainless steel hollow products are treated as a single like product, or as two distinct like products.

For purposes of this initiation, we are adopting the domestic like product definition set forth in the petition. Seamless stainless steel hollow products are made along a continuum of sizes and grades, with a degree of substitution of one type of product for another along the continuum. While we recognize that certain differences exist between the products in the proposed like product groupings, we find that the similarities are more significant. For example, all products in the proposed like product groupings share characteristics, such as chemical composition, that make them suitable for uses in pressurized, corrosive, high-temperature environments. Moreover, Sumitomo acknowledged in its November 10, 1999, submission (at 11) that no particular general application is always the exclusive domain of either hot-finished or cold-finished products.

With regard to the assertion that hot-finished and cold-drawn hollow products are manufactured by different companies and with different equipment, given the time constraints placed on the Department, our industry support analysis focuses on the factors specified in section 771(10) of the Act, *i.e.*, physical characteristics and uses of the domestic like product. Moreover, as stated above, based on the evidence available, we find that the similarities outweigh the differences between these products.

Further, several steel cases support our conclusion that hot-finished and cold-drawn products are treated appropriately as a single like product by the Department. *See e.g. Initiation of Antidumping Duty Investigations: Certain Large Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe from Japan and Mexico; and Certain Small Diameter Carbon and Alloy Seamless Standard, Line and Pressure Pipe From the Czech Republic, Japan, the Republic of South Africa and Romania*, 64 FR 40825 (July 28, 1999); *Final Determination of Sales at Less Than Fair Value; Stainless Steel Hollow Products from Sweden*52 FR 37810 (October 9, 1987); *Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Germany: Final Results of Antidumping Duty Administrative Review*, 63 FR 13217 (March 18, 1998) and *Stainless Steel Bar From Japan: Final Results of Antidumping*

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

Administrative Review, 64 FR 36333 (July 6, 1999). The facts of this case do not justify departure from our large body of established precedent.

Because the petitioners did not account for more than 50 percent of the domestic production at the time the petition was filed, we polled the industry as directed in 732(c)(4)(D) of the Act. While certain domestic producers [2] expressed opposition to the petition, the entry of Pexco on November 9, 1999, as a petitioner now means that the petitioners account for more than 50 per cent of total production of the domestic like product. As such, they have established the requisite level of industry support. *See Attachment to the Initiation Checklist, Re: Industry Support,* November 15, 1999.

Sumitomo argued further that the Department should have gathered U.S. production data for the period July 1, 1998, through June 30, 1999, rather than calendar year 1998 data, for purposes of its industry support analysis because this period would reflect the most recent state of the industry. With regard to Sumitomo's argument as to the use of 1998 production data, we note that, pursuant to 19 CFR 351.203(e)(1), the Department has discretion in defining the 12-month period for which production will be measured. In this case, we believe that the calender year 1998, which was used in the petition for the purposes of demonstrating industry support, is representative and consistent with Department practice. *See e.g., Initiation Checklist for the Petitions Covering Certain Cold-Rolled Carbon Steel Flat Products from Argentina, Brazil, South Africa, Slovakia, Indonesia, Japan, Thailand, Taiwan, Venezuela, the People's Republic of China, Turkey, and Russia,* dated June 14, 1999, and *Initiation Checklist* for the *Petition Covering Solid Agricultural Grade Ammonium Nitrate from The Russian Federation,* dated June 21, 1999.

Finally, Sumitomo stated that 1998 production by Al Tech, whose seamless pipe production facility was later purchased by the petitioner Altx, should not be considered for purposes of determining industry support. The petitioners claimed that the inclusion of Al Tech's 1998 production is appropriate because the equipment employed in 1998 to produce the like product is now operated by Altx. We note that this is a moot point because, with the entry of Pexco as a petitioner, the inclusion of Al Tech's production is not necessary for the petitioners to demonstrate adequate industry support.

Export Price and Normal Value

The petitioners, in determining normal value ("NV") for Japan, relied upon price data contained in a confidential market research report filed with the Department. At our request, the petitioners arranged for the Department to contact the authors of the report to verify the accuracy of the data, the methodology used to collect the data, and the credentials of those gathering the market research. The Department's discussion with the authors of the market research reports is summarized in *Memorandum to the File: Re: Foreign Market Research Reports* dated November 2, 1999.

The petitioners based EP on affidavits of U.S. price offerings for seamless stainless steel hollow products manufactured by Sumitomo, Nippon, and Sanyo during January through April 1999. The petitioners selected seamless stainless hollow products with specifications commonly exported to the United States. In the absence of more definitive information, the petitioners refer to the date of the offer as the date of sale. The affidavits with the sales price offers reflect the prices offered to an unaffiliated customer.

The petitioners calculated a net U.S. price by subtracting estimated costs for shipment from the factory in Japan to the port of export, and Japanese trading company commissions, from the sales price. For a more detailed discussion of the deductions and adjustments relating to home market price, U.S. price, factors of production and sources of data, *see Initiation Checklist,* dated November 15, 1999. Should the need arise to use as facts available under section 776 of the Act any of this information in our preliminary or final determinations, we may re-examine the information and revise the margin calculations, if appropriate.

As further explained below in the "Initiation of Cost Investigation" section, the petitioners provided information demonstrating reasonable grounds to believe or suspect that sales of seamless stainless steel hollow products sold in the home market were made at prices below the fully absorbed cost of production ("COP"), within the meaning of section 773(b) of the Act. Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing ("COM"), selling, general, and administrative expenses ("SG&A") and packing. To calculate COP, the petitioners based COM on their own production experience, adjusted for known differences between costs incurred to produce seamless stainless steel hollow products in the United States and in Japan using market research and publicly available data.

To calculate SG&A and financial expenses, petitioners relied upon the fiscal year 1998 audited financial statements of a Japanese steel producer. Based upon the comparison of the adjusted prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country-wide cost investigation.

When we find that sales in the home market are made at prices below cost, we compare EP to constructed value [3] ("CV"). The margin calculations based on price to CV comparisons, indicate dumping margins ranging from 30.86–156.81 percent. The estimated dumping margins, based on price-to-price comparisons, range from 11.72–49.17 percent.

Based on the data provided by the petitioners, there is reason to believe that imports of circular stainless steel hollow products from Japan are being, or are likely to be, sold at less than normal value.

Initiation of Cost Investigation

As noted above, pursuant to section 773(b) of the Act, the petitioners provided specific factual information demonstrating reasonable grounds to believe or suspect that sales in the Japanese home market were made at prices below the fully absorbed COP and, accordingly, requested that the Department conduct a country-wide sales-below-COP investigation in connection with the requested antidumping investigation for Japan. The Statement of Administrative Action accompanying the URAA, H.R. Doc. 103–412 ("SAA"), states that an allegation of sales below COP need not be specific to individual exporters or producers. SAA at 833. The SAA at 833 states that "Commerce will consider allegations of below-cost sales in the aggregate for a foreign country, just as Commerce currently considers allegations of sales at less than fair value on a country-wide basis for purposes of

[2] These producers are principally redrawers who import, directly or indirectly, at least some of their inputs from Japan.

[3] Pursuant to section 773(e) of the Act, the constructed value is the sum of (1) the cost of materials and fabrication of the subject merchandise, (2) selling, general, and administrative expenses and profit in the foreign market, and (3) the cost of packing for exportation to the United States.

initiating an antidumping investigation."

Further, the SAA provides that "new section 773(b)(2)(A) retains the current requirement that Commerce have 'reasonable grounds to believe or suspect' that below cost sales have occurred before initiating such an investigation. 'Reasonable grounds' * * * exist when an interested party provides specific factual information on costs and prices, observed or constructed, indicating that sales in the foreign market in question are at below-cost prices." *Id.* Based upon the comparison of the adjusted prices from the petition for the representative foreign like products to their costs of production, we find the existence of "reasonable grounds to believe or suspect" that sales of these foreign like products in Japan were made below the COP within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating the requested country-wide cost investigation.

Allegations and Evidence of Material Injury and Causation

The petition alleges that the U.S. industry producing the domestic like products is being materially injured, and is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. The petitioners explained that the industry's injured condition is evident in the declining trends in (1) U.S. market share, (2) average unit sales values, (3) share of domestic consumption, (4) operating income, (5) employment, (6) output, (7) sales, (8) return on investment, (9) capacity utilization, (10) ability to raise capital and (11) cash flow.

The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, lost sales, and pricing information. The Department assessed the allegations and supporting evidence regarding material injury and causation and determined that these allegations are supported by accurate and adequate evidence and meet the statutory requirements for initiation (*see Attachments to Initiation Checklist, Re: Material Injury,* November 15, 1999).

Initiation of Antidumping Investigation

Based upon our examination of the petition on circular seamless stainless steel hollow products from Japan, we find that the petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of circular seamless stainless steel hollow products from Japan are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determinations no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

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

International Trade Commission Notification

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

Preliminary Determinations by the ITC

The ITC will determine, by no later than December 10, 1999, whether there is a reasonable indication that imports of circular seamless stainless steel hollow products 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, this investigation will proceed according to statutory and regulatory time limits.

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

Dated: November 15, 1999.

Joseph A. Spetrini,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99-30282 Filed 11-18-99; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigation:

CIRCULAR SEAMLESS STAINLESS STEEL HOLLOW PRODUCTS FROM JAPAN

Investigation No. 731-TA-859 (Preliminary)

November 16, 1999 - 9:30 am

The conference was held in Room 101 (Main Hearing Room) of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

COLLIER, SHANNON, RILL & SCOTT
Washington, DC
on behalf of

Altx, Inc., American Extruded Products, PMAC Ltd., DMV Stainless USA, Inc., Houston, TX; Salem Tube, Inc., Sandvik Steel Co., International Extruded Products LLC d/b/a Wyman-Gordon Energy Products - IXP Buffalo, Pennsylvania Extruded Tube Co., and the United Steelworkers of America

Arthur Hinze, Exceutive Vice President, PMAC, Ltd.

Stanley Peek, Operations Manager, PMAC, Ltd.

Melvin L. Gephardt, President, DMV Stainless USA

Tom Andriola, Vice President & General Manager, Sandvik Steel Co.

Michael Kerwin, Georgetown Economics

David Hartquist, Esq.
Jeffrey S. Beckington, Esq.)--OF COUNSEL
Allan Luberda, Esq.

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

WILMER, CUTLER & PICKERING
Washington, DC
on behalf of

Sumitomo Metal Industries, Ltd.; Nippon Steel Corp.; Kawasaki Steel Corp.; NKK Corp.; Kobe Steel, Ltd.; and Sanyo Special Steel Co.

Keiji Hanihara, Sumnitomo Metal Industries, Ltd.

John Greenwald, Esq.)--OF COUNSEL

GARDNER, CARTON & DOUGLAS
Washington, DC
on behalf of

Thomas Maternowski, General Manager, Plymouth Tube Company, Inc. (Salisbury, MD)

W.N. Harrell Smith, Esq.)--OF COUNSEL

PRUDENTIAL STAINLESS PIPE
Avenel, NJ

Joseph Kreitzer, President

APPENDIX C

SUMMARY DATA

Table C-1
CSSSHP: Summary data concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

(Quantity=*short tons*; value=*1,000 dollars*; unit values, and unit expenses are *per short ton*; and period changes=*percent*, except where noted)

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. consumption quantity:[1]									
Amount	53,419	42,716	56,287	26,047	24,583	5.4	-20.0	31.8	-5.6
Producers' share[2]	18.3	22.0	16.0	22.1	11.2	-2.3	3.7	-6.0	-10.9
Importers' share:[2]									
Japan	33.7	35.0	41.7	35.9	47.2	8.1	1.3	6.8	11.3
Other sources	48.0	43.0	42.3	42.0	41.6	-5.7	-5.0	-0.8	-0.4
Total	81.7	78.0	84.0	77.9	88.8	2.3	-3.7	6.0	10.9
U.S. imports from--									
Japan:									
Quantity	17,992	14,939	23,492	9,348	11,598	30.6	-17.0	57.2	24.1
Value	98,906	61,749	90,331	40,718	36,544	-8.7	-37.6	46.3	-10.3
Unit value	$5,497.24	$4,133.27	$3,845.25	$4,355.89	$3,150.88	-30.1	-24.8	-7.0	-27.7
Ending inventory	1,266	1,095	1,204	1,070	1,263	-4.9	-13.5	10.0	18.1
Other sources:									
Quantity	25,648	18,379	23,791	10,950	10,235	-7.2	-28.3	29.4	-6.5
Value	134,633	105,571	105,808	53,496	45,881	-21.4	-21.6	0.2	-14.2
Unit value	$5,249.29	$5,744.01	$4,447.43	$4,885.38	$4,482.89	-15.3	9.4	-22.6	-8.2
Ending inventory	1,404	1,329	1,625	1,623	1,483	15.7	-5.3	22.3	-8.6
U.S. imports from--									
All sources:									
Quantity	43,640	33,319	47,282	20,298	21,833	8.3	-23.7	41.9	7.6
Value	233,539	167,319	196,139	94,214	82,425	-16.0	-28.4	17.2	-12.5
Unit value	$5,351.52	$5,021.78	$4,148.24	$4,641.53	$3,775.30	-22.5	-6.2	-17.4	-18.7
Ending inventory	2,670	2,424	2,829	2,693	2,746	6.0	-9.2	16.7	2.0
U.S. producers'--									
Export shipments:									
Quantity	2,510	2,714	4,073	1,840	1,844	62.3	8.1	50.1	0.2
Value	21,560	17,847	22,507	10,674	10,031	4.4	-17.2	26.1	-6.0
Unit value	$8,589.64	$6,575.90	$5,525.92	$5,801.09	$5,439.80	-35.7	-23.4	-16.0	-6.2
Ending inventory quantity	1,586	1,456	1,866	1,459	1,787	17.7	-8.2	28.2	22.5
Production workers	968	878	834	856	755	-13.8	-9.3	-5.0	-11.8
Hours worked (*1,000 hours*)	1,422	1,262	1,203	631	505	-15.4	-11.2	-4.7	-20.0
Wages paid (*1,000 dollars*)	20,182	18,397	17,807	9,433	7,057	-11.8	-8.8	-3.2	-25.2
Hourly wages	$14.20	$14.58	$14.81	$14.94	$13.98	4.3	2.7	1.5	-6.4

Table continued on next page.

(Quantity=*short tons*; value=*1,000 dollars*; unit values, and unit expenses are *per short ton*; and period changes=*percent*, except where noted)

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. producers'--continued--									
Net sales:									
Quantity	***	***	***	***	***	-2.7	-6.3	3.7	-27.1
Value	***	***	***	***	***	-21.5	-19.0	-3.1	-26.0
Unit value	$***	$***	$***	$***	$***	-18.8	-13.5	-6.2	1.9
Cost of goods sold (COGS)	***	***	***	***	***	-18.3	-13.6	-5.4	-21.6
Gross profit or (loss)	27,819	15,080	17,418	11,540	5,811	-37.4	-45.8	15.5	-49.6
SG&A expenses	11,212	10,541	9,906	4,951	4,769	-11.6	-6.0	-6.0	-3.7
Operating income	16,607	4,539	7,512	6,590	1,042	-54.8	-72.7	65.5	-84.2
Capital expenditures	8,301	4,855	14,809	2,736	2,925	78.4	-41.5	205.0	6.9
Unit COGS	$7,577	$6,980	$6,364	$6,119	$6,576	-16.0	-7.9	-8.8	7.5
Unit SG&A expenses	***	***	***	***	***	-9.2	0.3	-9.4	32.1
Unit operating income	***	***	***	***	***	-53.5	-70.8	59.5	-78.3
COGS/sales[2]	83.4	88.9	86.7	84.4	89.4	3.4	5.5	-2.1	5.0
Operating income or (loss)/sales[2]	9.9	3.3	5.7	8.9	1.9	-4.2	-6.6	2.4	-7.0

[1] To avoid double counting, consumption is calculated from imports of both hot- and cold-finished CSSSHP plus U.S. producers' U.S. shipments of hot-finished CSSSHP.

[2] Period changes are in percentage points.

Note.–Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded data.

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

Table C-2
CSSSHP: Certain summary data excluding Pexco concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

* * * * * * *

Table C-3
Hot-finished CSSSHP: Summary data concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

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

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. consumption quantity: Amount	42,296	31,376	43,204	19,993	17,212	2.1	-25.8	37.7	-13.9
Producers' share[1]	23.1	30.0	20.8	28.8	16.0	-2.3	6.8	-9.1	-12.8
Importers' share:[1]									
Japan	28.1	30.9	41.8	33.9	45.8	13.6	2.7	10.9	11.9
Other sources	48.7	39.2	37.4	37.4	38.2	-11.3	-9.6	-1.8	0.9
Total	76.9	70.0	79.2	71.2	84.0	2.3	-6.8	9.1	12.8
U.S. consumption value: Amount	195,215	149,115	163,900	84,935	57,480	-16.0	-23.6	9.9	-32.3
Producers' share[1]	30.4	34.2	27.6	33.9	22.5	-2.9	3.8	-6.7	-11.4
Importers' share:[1]									
Japan	27.2	22.7	36.9	30.4	35.5	9.7	-4.6	14.3	5.1
Other sources	42.3	43.1	35.5	35.7	42.0	-6.8	0.8	-7.6	6.3
Total	69.6	65.8	72.4	66.1	77.5	2.9	-3.8	6.7	11.4
U.S. imports from-- Japan: Quantity	11,898	9,685	18,038	6,774	7,882	51.6	-18.6	86.3	16.4
Value	53,194	33,821	60,536	25,792	20,398	13.8	-36.4	79.0	-20.9
Unit value	$4,470.97	$3,492.29	$3,356.07	$3,807.67	$2,587.85	-24.9	-21.9	-3.9	-32.0
Other sources:									
Quantity	20,619	12,294	16,162	7,470	6,580	-21.6	-40.4	31.5	-11.9
Value	82,592	64,275	58,206	30,338	24,149	-29.5	-22.2	-9.4	-20.4
Unit value	$4,005.61	$5,228.05	$3,601.38	$4,061.20	$3,670.24	-10.1	30.5	-31.1	-9.6
U.S. imports from-- All sources									
Quantity	32,517	21,979	34,200	14,244	14,462	5.2	-32.4	55.6	1.5
Value	135,786	98,096	118,743	56,130	44,547	-12.6	-27.8	21.0	-20.6
Unit value	$4,175.88	$4,463.22	$3,472.00	$3,940.63	$3,080.30	-16.9	6.9	-22.2	-21.8
U.S. producers'-- Capacity quantity	10,612	12,256	13,217	6,910	8,338	24.5	15.5	7.8	20.7
Production quantity	11,818	11,561	12,266	7,204	4,171	3.8	-2.2	6.1	-42.1
Capacity utilization[1]	74.5	72.3	76.2	80.3	44.7	1.7	-2.1	3.9	-35.6
U.S. shipments:									
Quantity	9,780	9,398	9,004	5,749	2,750	-7.9	-3.9	-4.2	-52.2
Value	59,428	51,018	45,158	28,806	12,933	-24.0	-14.2	-11.5	-55.1
Unit value	$6,076.83	$5,428.89	$5,015.14	$5,010.73	$4,702.74	-17.5	-10.7	-7.6	-6.1

Table continued on next page.

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

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. producers'--continued--									
Export shipments:									
Quantity	2,037	2,164	3,254	1,455	1,419	59.7	6.2	50.4	-2.5
Value	15,148	11,485	15,431	7,212	6,748	1.9	-24.2	34.4	-6.4
Unit value	$7,436.43	$5,307.30	$4,742.16	$4,956.70	$4,755.46	-36.2	-28.6	-10.6	-4.1
Ending inventory quantity	2	1	9	1	11	350.0	-50.0	800.0	1,000.0
Inventories/total shipments[1]	(2)	(2)	(2)	(2)	0.1	0.1	-3.0	0.1	0.3
Production workers	258	202	191	185	151	-26.0	-21.7	-5.4	-18.4
Hours worked (*1,000 hours*)	496	368	345	202	115	-30.4	-25.9	-6.1	-43.1
Wages paid (*1,000 dollars*)	8,442	7,314	6,959	3,962	2,120	-17.6	-13.4	-4.9	-46.5
Hourly wages	$17.01	$19.89	$20.15	$19.64	$18.45	18.5	16.9	1.3	-6.0
Productivity (*tons per hour*)	23.8	31.4	35.5	35.7	36.3	49.2	32.0	13.0	1.7
Unit labor costs	$714.27	$632.68	$567.33	$550.04	$508.19	-20.6	-11.4	-10.3	-7.6
Net sales:									
Quantity	12,034	11,675	12,410	7,299	4,194	3.1	-3.0	6.3	-42.5
Value	77,056	63,832	62,283	37,150	19,929	-19.2	-17.2	-2.4	-46.4
Unit value	$6,403.49	$5,467.64	$5,018.64	$5,089.84	$4,751.67	-21.6	-14.6	-8.2	-6.6
Cost of goods sold (COGS)	69,404	59,252	55,888	32,828	18,861	-19.5	-14.6	-5.7	-42.5
Gross profit or (loss)	7,653	4,581	6,395	4,321	1,068	-16.4	-40.1	39.6	-75.3
SG&A expenses	3,453	2,648	2,373	1,170	949	-31.3	-23.3	-10.4	-18.8
Operating income	4,199	1,933	4,022	3,152	119	-4.2	-54.0	108.1	-96.2
Capital expenditures	488	1,135	***	425	334	1,736.4	132.6	689.5	-21.4
Unit COGS	$5,767.55	$5,075.25	$4,503.32	$4,497.79	$4,496.96	-21.9	-12.0	-11.3	-2.0
Unit SG&A expenses	$286.96	$226.82	$191.24	$160.25	$226.37	-33.4	-21.0	-15.7	41.3
Unit operating income	$348.98	$165.57	$324.08	$431.80	$28.35	-7.1	-52.6	95.7	-93.4
COGS/sales[1]	90.1	92.8	89.7	88.4	94.6	-0.3	2.8	-3.1	6.3
Operating income or (loss)/sales[1]	5.4	3.0	6.5	8.5	0.6	1.0	-2.4	3.4	-7.9

[1] Period changes are in percentage points.
[2] Less than 0.05 percent.
[3] A decrease of less than 0.05 percentage points.

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit value and other ratios are calculated from the unrounded data. Capacity utilization is calculated using data of firms providing both capacity and production information. Partial year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

Table C-4
Hot-finished CSSSHP: Certain summary data excluding Pexco concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

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Table C-5
Cold-finished CSSSHP: Summary data concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

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

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. consumption quantity: Amount	18,954	18,500	19,649	9,502	10,662	3.7	-2.4	6.2	12.2
Producers' share[1]	41.3	38.7	33.4	36.3	30.9	-7.9	-2.6	-5.3	-5.4
Importers' share:[1]									
Japan	32.2	28.4	27.8	27.1	34.9	-4.4	-3.7	-0.6	7.8
Other sources	26.5	32.9	38.8	36.6	34.3	12.3	6.4	5.9	-2.3
Total	58.7	61.3	66.6	63.7	69.1	7.9	2.6	5.3	5.4
U.S. consumption value: Amount	189,570	146,109	146,049	75,001	68,697	-23.0	-22.9	0.0	-8.4
Producers' share[1]	48.4	52.6	47.0	49.2	44.9	-1.4	4.2	-5.6	-4.4
Importers' share:[1]									
Japan	24.1	19.1	20.4	19.9	23.5	-3.7	-5.0	1.3	3.6
Other sources	27.5	28.3	32.6	30.9	31.6	5.1	0.8	4.3	0.8
Total	51.6	47.4	53.0	50.8	55.1	1.4	-4.2	5.6	4.4
U.S. imports from-- Japan: Quantity	6,094	5,255	5,454	2,574	3,716	-10.5	-13.8	3.8	44.4
Value	45,712	27,927	29,795	14,926	16,146	-34.8	-38.9	6.7	8.2
Unit value	$7,500.76	$5,314.57	$5,463.17	$5,798.53	$4,345.28	-27.2	-29.1	2.8	-25.1
Other sources:									
Quantity	5,029	6,085	7,629	3,480	3,655	51.7	21.0	25.4	5.0
Value	52,040	41,296	47,602	23,158	21,733	-8.5	-20.6	15.3	-6.2
Unit value	$10,348.84	$6,786.45	$6,239.91	$6,654.51	$5,945.71	-39.7	-34.4	-8.1	-10.7
U.S. imports from-- All sources									
Quantity	11,123	11,340	13,082	6,054	7,371	17.6	2.0	15.4	21.7
Value	97,753	69,223	77,397	38,084	37,878	-20.8	-29.2	11.8	-0.5
Unit value	$8,788.35	$6,104.38	$5,916.10	$6,290.57	$5,138.93	-32.7	-30.5	-3.1	-18.3
U.S. producers'-- Capacity quantity	18,650	18,650	17,750	9,455	10,425	-4.8	0.0	-4.8	10.3
Production quantity	8,248	7,338	7,942	4,013	3,753	-3.7	-11.0	8.2	-6.5
Capacity utilization[1]	36.4	31.3	38.1	37.4	28.9	1.7	-5.1	6.8	-8.5

Table continued on next page.

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

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. producers'--continued--									
U.S. shipments:									
Quantity	7,831	7,160	6,567	3,448	3,291	-16.1	-8.6	-8.3	-4.6
Value	91,817	76,886	68,652	36,917	30,819	-25.2	-16.3	-10.7	-16.5
Unit value	$11,724.81	$10,738.27	$10,454.09	$10,706.79	$9,364.51	-10.8	-8.4	-2.6	-12.5
Export shipments:									
Quantity	473	550	819	385	425	73.2	16.3	48.9	10.4
Value	6,412	6,362	7,075	3,462	3,283	10.3	-0.8	11.2	-5.2
Unit value	$13,556.03	$11,567.27	$8,638.58	$8,992.21	$7,724.71	-36.3	-14.7	-25.3	-14.1
Ending inventory quantity	1,584	1,455	1,857	1,458	1,776	17.2	-8.1	27.6	21.8
Inventories/total shipments[1]	19.1	18.9	25.1	19.0	23.9	6.1	-0.2	6.3	9.8
Production workers	710	676	643	671	604	-9.4	-4.8	-4.9	-10.0
Hours worked (*1,000 hours*)	926	894	858	430	390	-7.3	-3.5	-4.0	-9.2
Wages paid (*1,000 dollars*)	11,740	11,082	10,848	5,470	4,937	-7.6	-5.6	-2.1	-9.8
Hourly wages	$12.68	$12.40	$12.65	$12.74	$12.66	-0.3	-2.2	2.0	-0.6
Productivity (*tons per hour*)	8.9	8.2	9.3	9.3	9.6	3.9	-7.8	12.8	3.0
Unit labor costs	$1,423.41	$1,510.26	$1,365.89	$1,363.17	$1,315.45	-4.0	6.1	-9.6	-3.5
Net sales:[2]									
Quantity	***	***	***	***	***	-9.9	-6.8	-3.3	-1.7
Value	***	***	***	***	***	-21.4	-17.5	-4.7	-10.7
Unit value	$12,712.86	$11,250.90	$11,093.94	$11,330.45	$10,287.58	-12.7	-11.5	-1.4	-9.2
Cost of goods sold (COGS)	***	***	***	***	***	-15.2	-9.6	-6.1	-5.6
Gross profit or (loss)	20,166	10,499	11,023	7,219	4,743	-45.3	-47.9	5.0	-34.3
SG&A expenses	7,759	7,893	7,533	3,781	3,820	-2.9	1.7	-4.6	1.0
Operating income	12,407	2,606	3,490	3,438	923	-71.9	-79.0	33.9	-73.2
Capital expenditures	7,813	3,720	***	2,311	2,591	-25.2	-52.4	57.2	12.1
Unit COGS	$10,098.65	$9,790.68	$9,508.13	$9,317.35	$8,942.43	-5.8	-3.1	-2.9	-4.0
Unit SG&A expenses	***	***	***	***	***	7.7	9.1	-1.3	2.8
Unit operating income	***	***	***	***	***	-68.8	-77.5	38.5	-72.7
COGS/sales[1]	79.4	87.0	85.7	82.2	86.9	6.3	7.6	-1.3	4.7
Operating income or (loss)/sales[1]	12.7	3.2	4.5	8.5	2.5	-8.1	-9.4	1.3	-5.9

[1] Period changes are in percentage points.
[2] *** did not provide usable data.

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded data. Capacity is calculated using data of firms providing both capacity and prouction information. Partial year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

Table C-6
Redraw hollow products: Summary data concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

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Table C-7
Hollow bar products: Summary data concerning the U.S. market, 1996-98, January-June 1998, and January-June 1999

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

	Calendar year			January-June		Period changes			
Item	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. producers'--									
Capacity quantity	1,303	1,523	1,710	940	839	31.2	16.9	12.3	-10.7
Production quantity	2,604	2,464	2,381	1,657	635	-8.6	-5.3	-3.4	-61.7
Capacity utilization[1]	58.3	59.3	56.7	66.2	33.8	-1.6	1.0	-2.6	-32.3
U.S. shipments:									
Quantity	2,604	2,450	2,381	1,657	635	-8.6	-5.9	-2.8	-61.7
Value	16,209	14,143	12,831	8,806	3,558	-20.8	-12.7	-9.3	-59.6
Unit value	$6,226.00	$5,772.11	$5,389.72	$5,313.90	$5,602.27	-13.4	-7.3	-6.6	5.4
Export shipments:									
Quantity	0	14	0	0	0	(2)	-100.0	(2)	(2)
Value	0	58	0	0	0	(2)	-100.0	(2)	(2)
Unit value	(2)	$4,142.86	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ending inventory quantity	0	0	0	0	0	(2)	(2)	(2)	(2)
Inventories/total shipments[1]	0	0	0	0	0	(2)	(2)	(2)	(2)
Production workers	103	97	89	89	75	-13.6	-5.8	-8.2	-15.7
Hours worked (*1,000 hours*)	148	131	113	78	35	-23.6	-11.3	-13.9	-55.1
Wages paid (*1,000 dollars*)	2,804	2,854	2,551	1,588	684	-9.0	1.8	-10.6	-56.9
Hourly wages	$18.92	$21.72	$22.53	$20.44	$19.59	19.1	14.8	3.7	-4.1
Productivity (*tons per hour*)	17.6	18.8	21.0	21.3	18.2	19.7	6.8	12.1	-14.7
Unit labor costs	$1,076.90	$1,158.14	$1,071.37	$958.24	$1,076.52	-0.5	7.5	-7.5	12.3
Net sales:[3]									
Quantity	770	920	1,053	686	320	36.8	19.6	14.4	-53.4
Value	4,797	4,990	5,478	3,522	1,647	14.2	4.0	9.8	-53.2
Unit value	$6,234.44	$5,422.58	$5,204.05	$5,132.91	$5,145.27	-16.5	-13.0	-4.0	0.2
Cost of goods sold (COGS)	4,509	4,506	4,676	2,923	1,433	3.7	-0.1	3.8	-51.0
Gross profit or (loss)	289	485	802	599	214	177.8	67.8	65.6	-64.2
SG&A expenses	153	144	192	102	65	25.2	-6.2	33.5	-36.1
Operating income	135	341	610	497	149	350.7	151.6	79.1	-70.0
Capital expenditures	112	100	321	223	62	186.3	-10.6	220.3	-72.2
Unit COGS	$5,859.13	$4,896.01	$4,441.82	$4,259.69	$4,475.79	-24.2	-16.4	-9.3	5.1
Unit SG&A expenses	$199.35	$156.36	$182.48	$149.23	$204.31	-8.5	-21.6	16.7	36.9
Unit operating income	$175.96	$370.21	$579.75	$723.99	$465.17	229.5	110.4	56.6	-35.7

Table continued on next page.

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

Item	Calendar year			January-June		Period changes			
	1996	1997	1998	1998	1999	1996-98	1996-97	1997-98	January-June 1998-January-June 1999
U.S. producers'--continued--COGS/sales[1]	94.0	90.3	85.4	83.0	87.0	-8.6	-3.7	-4.9	4.0
Operating income or (loss)/sales[1]	2.8	6.8	11.1	14.1	9.0	8.3	4.0	4.3	-5.1

[1] Period changes are in percentage points.
[2] Not applicable.
[3] *** did not provide financial data for hollow bar products.

Note.–Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and other ratios are calculated from the unrounded data. Capacity utilization is calculated using data of firms providing both capacity and production information. Partial year inventory ratios are annualized.

Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.

APPENDIX D

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

The Commission requested U.S. producers to describe whether the scale of capital investments undertaken has been influenced by the presence of imports of circular seamless stainless steel hollow products from Japan, and any actual or potential negative effects on their return on investment, their 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 as a result of imports of circular seamless stainless steel hollow products from Japan. (Questions III-8, 9, and 10). Their responses are as follows:

Scale of Capital Investments

ALTech ***. "***."

AXP ***. "***."

DMV ***. "***."

Greenville ***.

Handy & Harmon ***.

IXP ***. "***."

Pexco ***.

Plymouth Tube ***.

Salem ***. "***."

Sandvik ***.

Actual Negative Effects

ALTech ***. "***."

AXP ***. "***."

DMV ***. "***."

Greenville ***.

Handy & Harmon ***.

IXP ***. "***."

Pexco ***. "***."

Plymouth Tube ***.

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Sandvik ***. "***."

Anticipated Negative Effects

ALTech ***. "***."

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