

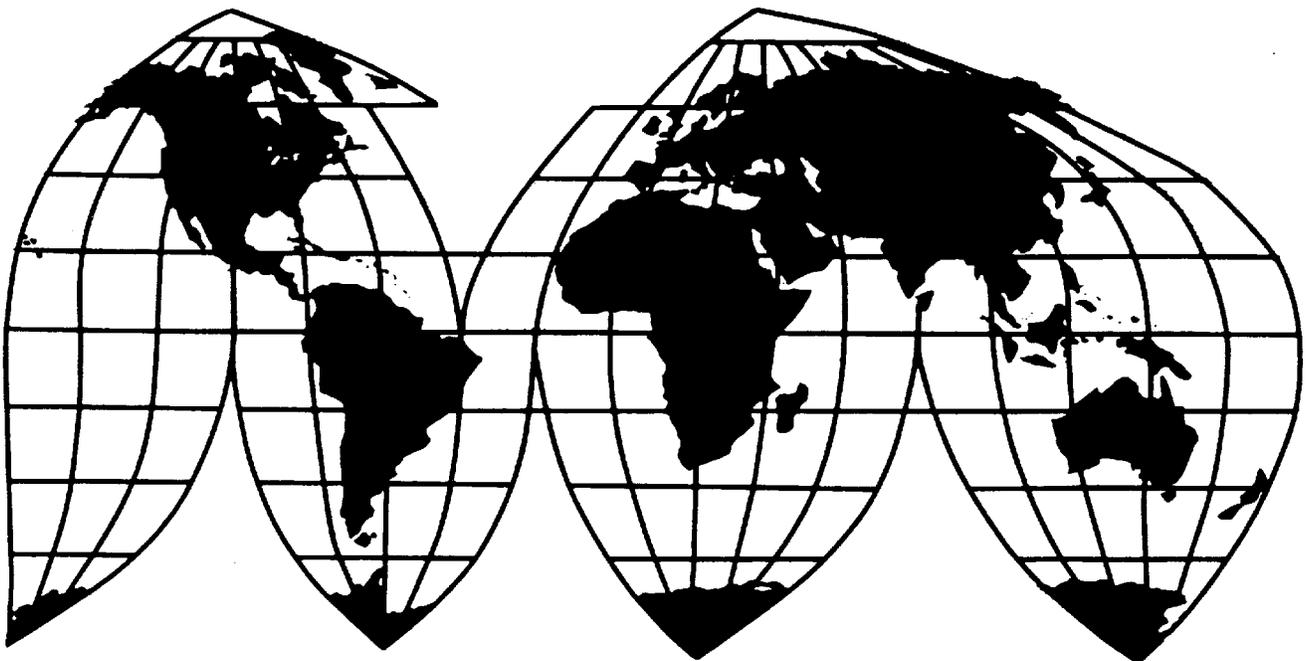
Certain Polyester Staple Fiber From China

Investigation No. 731-TA-1104 (Preliminary)

Publication 3878

August 2006

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1104 (Preliminary)

CERTAIN POLYESTER STAPLE FIBER FROM CHINA

DETERMINATION

On the basis of the record¹ developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of certain polyester staple fiber, provided for in subheading 5503.0020 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value.

COMMENCEMENT OF FINAL PHASE INVESTIGATION

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

On June 23, 2006, a petition was filed with the Commission and Commerce by DAK Americas, LLC, Charlotte, NC; Nan Ya Plastics Corporation, America, Lacke City, SC; and Wellman, Inc., Shrewsbury, NJ; alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of certain PSF from China. Accordingly, effective June 23, 2006, the Commission instituted antidumping duty investigation No. 731-TA-1104 (Preliminary).

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of June 29, 2006 (71 FR 37097, June 29, 2006). The conference was held in Washington, DC, on July 14, 2006, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of this investigation, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain polyester staple fiber (“PSF”) from China that are allegedly sold in the United States at less than fair value (“LTFV”).

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

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

II. BACKGROUND

PSF is a man-made fiber that is similar in appearance to cotton or wool fiber when baled. Certain PSF is known in the industry as “fiber for fill,” as it is primarily used as polyester fiberfill. Certain PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.³ Certain PSF used for fill can be produced in many variations for purposes of quality enhancement. For example, the subject fiber may be crimped or conjugated, giving the fiber “loft” for stuffing purposes. It may also be coated with a finish (usually silicone or oil-based), making the fiber smoother to the touch for certain high-end uses. The subject fiber may vary in shape and may be hollow or solid, depending on both the preference of the manufacturer and the end use of the fiber.⁴

¹ 19 U.S.C. § 1673b(a) (2000); see also, e.g., Co-Steel Raritan, Inc. v. United States, 357 F.3d 1294 (Fed. Cir. 2004); American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chem. Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

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

³ Confidential Staff Report (“CR”) at I-7, Public Staff Report (“PR”) at I-6. PSF is also used on a more limited basis in the production of ***. Id. at n.17.

⁴ Certain PSF is physically distinguishable from other types of polyester staple fiber not subject to this investigation, including carpet fiber and fine denier PSF for spinning into textile products, in terms of the product’s denier, length, and, in some cases, finish and “crimp.” While certain PSF is 3 denier or more in thickness and from 1 to 5 inches in length, fine denier PSF for textile applications is less than 3 denier in thickness and carpet fiber ranges from 10 to 18 denier in thickness cut into lengths of 6 to 8 inches. Unlike fine denier PSF or carpet fiber, certain PSF used as fiberfill is seldom visible after being incorporated into the finished product, generally making its appearance less important to purchasers than its performance in terms of loft, smoothness to the touch, and profile (i.e., hollow or solid). See, e.g., Certain Polyester Staple Fiber From Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review), USITC Pub. 3843 (Mar. 2006).

Manufacturing of certain PSF may be divided into two discrete stages. The first stage of the process is polymer formation, a process that can vary depending on whether virgin (unprocessed chemicals) or recycled materials are being used. Polymer formation also varies depending on whether conjugate fiber is being produced. The second stage of the process, which is common to all certain PSF, is fiber formation, including stretching, cutting, and baling.⁵

The petition in this investigation was filed on June 23, 2006, by DAK Americas, LLC (“DAK”), Nan Ya Plastics Corporation (“Nan Ya”), and Wellman, Inc. (“Wellman”). The petitioners participated at the conference and filed a postconference brief. Counsel for certain producers and exporters of the subject merchandise from China also appeared at the conference and filed a postconference brief. Those producers and exporters are Ningbo Dafa Chemical Fiber Co., Ltd.; Cixi Jiangnan Chemical Fiber Co. Ltd.; Xiamen Xianglu Chemical Fiber Co., Ltd.; and Jiaying Fuda Chemical Fiber Co., Ltd.

III. DOMESTIC LIKE PRODUCT

A. In General

In determining 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.”⁶ Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Act”), defines the relevant domestic industry as the “[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.”⁷ 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.”⁸

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.⁹ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹⁰ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.¹¹ Although the Commission must accept the determination of the U.S. Department of

⁵ CR at I-9, PR at I-8.

⁶ 19 U.S.C. § 1677(4)(A).

⁷ Id.

⁸ 19 U.S.C. § 1677(10).

⁹ See, e.g., NEC Corp. v. Dep’t of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int’l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), aff’d, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) consumer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and where appropriate, (6) price. See Nippon Steel Corp., 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

¹⁰ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

¹¹ Nippon Steel Corp., 19 CIT at 455; Torrington Co., 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic 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

Commerce (“Commerce”) as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.¹² The Commission must base its domestic like product determination on the record in this investigation. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.¹³

B. Product Description

The Department of Commerce’s notice of initiation defines the imported merchandise within the scope of this investigation as follows –

[S]ynthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters measuring 3.3 decitex (3 denier, inclusive) or more in diameter. This merchandise is cut to lengths varying from one inch (25 mm) to five inches (127 mm). The merchandise subject to these orders may be coated, usually with a silicon or other finish, or not coated. PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.¹⁴

The notice also lists the following articles as excluded from the scope of this investigation:

(1) PSF [polyester staple fiber] of less than 3.3 decitex (less than 3 denier) currently classifiable in the Harmonized Tariff Schedule of the United States (“HTS”) at subheading 5503.20.0025 and known to the industry as PSF for spinning and generally used in woven and knit applications to produce textile and apparel products; (2) PSF of 10 to 18 denier that are cut to lengths of 6 to 8 inches and that are generally used in the manufacture of carpeting; and (3) low-melt PSF defined as bi-component fiber with an outer, non-polyester sheath that melts at a significantly lower temperature than its inner core (classified at HTSUS 5503.20.0015).¹⁵

C. Domestic Like Product

The petitioners argue that the Commission should find one domestic like product consisting of certain PSF coextensive with Commerce’s scope of investigation.¹⁶ Respondents did not take a position on the definition of the domestic like product.

consideration of an industry adversely affected by the imports under consideration.”)

¹² Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington Co., 747 F. Supp. at 748-52 (affirming Commission’s determination of six domestic like products in investigations where Commerce found five classes or kinds).

¹³ Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp. 2d 1298, 1304-05 (Ct. Int’l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT at 455; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int’l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int’l Trade 1988).

¹⁴ 71 Fed Reg. 41201, 41202 (Jul. 20, 2006); CR at I-5, PR at I-4.

¹⁵ 71 Fed Reg. 41201, 41202 (Jul. 20, 2006); CR at I-5, PR at I-4.

¹⁶ Petitioners’ Postconference Brief at 3-5.

Notwithstanding potential differences in inputs and physical characteristics of certain PSF, all certain PSF is a man-made fiber similar in appearance to cotton or wool fiber when baled, and is destined for the same end uses – providing loft in furniture, cushions, mattresses, comforters, pillows, sleeping bags, and ski jackets. Certain PSF is manufactured using the same employees and similar production processes, particularly following production of the molten polymer that is used to produce PSF. Because the manufacturer may mix PSF types and the customer may choose to use more PSF with lesser fill capacity or less PSF with greater fill capacity, there is, and producers and customers perceive, a significant degree of substitutability among certain PSF types.¹⁷ No differences in channels of distribution among PSF types or inputs are indicated by the record.¹⁸ Accordingly, we find that certain PSF is a continuum of products, without any clear distinctions among types, and therefore we define the domestic like product in this investigation as all certain PSF, coextensive with the scope of the investigation.¹⁹

IV. DOMESTIC INDUSTRY

A. In General

The domestic industry is defined 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.”²⁰ In defining the domestic industry, the Commission’s general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.²¹ Based on our finding that the domestic like product is certain polyester staple fiber, for purposes of this preliminary determination, we find that the domestic industry consists of all known domestic producers of certain PSF. The eight firms that comprise the domestic industry are DAK; Former Fiber Tech. (“FFT”); Invista S.a.r.l. (“Invista”); Nan Ya; Palmetto Synthetics, LLC (“Palmetto”); United Synthetics, Inc. (“United Synthetics”); U.S. Fibers; and Wellman.

B. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). Subsection 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.²² Exclusion

¹⁷ CR at I-8, I-11, PR at I-6, I-9. The parties have addressed the significance of the fact that pure white certain PSF is produced only from virgin, as opposed to recycled, materials. However, the need for a pure white PSF arises only in limited instances in which the cover material over the PSF is white or very light, the color of the fill can be seen through the cover, and appearance is important. CR at II-9-10, PR at II-6-7.

¹⁸ CR at I-12, PR at I-9.

¹⁹ This definition of the domestic like product is consistent with the domestic like product definition with respect to the outstanding antidumping duty order on certain PSF from Korea and Taiwan. See, e.g., Certain Polyester Staple Fiber From Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review), USITC Pub. 3843 (Mar. 2006).

²⁰ 19 U.S.C. § 1677(4)(A).

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

²² 19 U.S.C. § 1677(4)(B).

of such a producer is within the Commission's discretion based upon the facts presented in each investigation.

United Synthetics is *** percent owned by ***, the *** importer of the subject merchandise in 2005. Even if *** percent ownership interest is sufficient to reflect direct or indirect control over United Synthetics, and thus to confer related party status on United Synthetics, United Synthetics appears primarily interested in domestic production, given that it shipped significant quantities of domestic certain PSF over the period of investigation. United Synthetics' financial performance was not inconsistent with that of the industry overall,²³ and no party has argued that United Synthetics is shielded in any way from subject import competition, or otherwise benefitted from its relationship with ***. United Synthetics *** the petition. Because United Synthetics is *** domestic producer, accounting for *** percent of domestic production in 2005, its inclusion in the domestic industry will not significantly skew the Commission's data for the rest of the industry. For the reasons stated above, we determine that circumstances do not warrant the exclusion of United Synthetics from the domestic industry as an importer/related party. There are no other related party issues in this investigation. Accordingly, we conclude that the domestic industry consists of all known domestic producers of certain PSF.

V. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS FROM CHINA²⁴

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.²⁵ In making this determination, the Commission must consider the volume of subject 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.²⁶ The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."²⁷ 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.²⁸ 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."²⁹

For the reasons stated below, we determine that there is a reasonable indication that the domestic industry producing certain PSF is materially injured by reason of subject imports from China.

²³ CR/PR at Table VI-2.

²⁴ Negligibility is not an issue in this investigation. The petition was filed on June 23, 2006. Subject imports from China accounted for 39.0 percent of total imports of certain PSF from China in the most recent 12-month period for which data were available that preceded the filing of the petition; *i.e.*, between June 2005 to May 2006. CR at IV-10, PR at IV-7.

²⁵ 19 U.S.C. §§ 1671b(a) and 1673b(a).

²⁶ 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, e.g., Angus Chem. Co. v. United States*, 140 F.3d 1478 (Fed. Cir. 1998).

²⁷ 19 U.S.C. § 1677(7)(A).

²⁸ 19 U.S.C. § 1677(7)(C)(iii).

²⁹ 19 U.S.C. § 1677(7)(C)(iii).

A. Conditions of Competition and the Relevant Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

Certain PSF is largely consumed in production of various home-related products, such as furniture and sleep products, therefore demand is related to the strength of the housing market.³⁰ Petitioners contend that demand in the U.S. market for certain PSF has been healthy and is moderately increasing.³¹ However, while responses of both domestic producers and importers were mixed, the domestic producers generally reported in questionnaire responses that demand for certain PSF was stable or decreasing over the period while importers generally reported demand as increasing or stable.³² Apparent U.S. consumption, when measured by quantity, increased by *** percent between 2003 and 2005, and it was 0.4 percent higher in interim (January - March) 2006 than in interim 2005.³³

2. Supply Conditions

As noted in the discussion of the domestic industry, the domestic industry is comprised of eight companies.³⁴ Certain of those producers reported consolidations, closings, or reductions in production lines during the period of investigation. In November 2004, DAK Monomers LLC, DAK Resins LLC, and DAK Fibers LLC merged into a single company, DAK Americas LLC. DAK also stated that it closed its facility in Mexico in July of 2005 to re-balance and improve capacity utilization of U.S. facilities.³⁵ *** reported that ***.³⁶ *** reported ***, due to lower-priced imports of certain PSF from China. *** reported ***.³⁷

Market shares shifted significantly over the period among domestic producers, subject imports from China, imports subject to antidumping duty orders on certain PSF from Korea and Taiwan, and other nonsubject imports. Domestic producers were the principal suppliers of certain PSF to the U.S. market throughout the period of investigation. Through 2004, Korea was the leading source of imports of certain PSF and Taiwan was the second largest import source. In 2005, however, China became the

³⁰ CR at II-6, PR at II-4 - II-5.

³¹ Petitioners' Postconference Brief at 7-8.

³² CR at II-6, PR at II-5.

³³ CR/PR at Tables IV-4 and C-1. Apparent U.S. consumption on a quantity basis increased from *** billion pounds in 2003 to *** billion pounds in 2004, and to 1.10 billion pounds in 2005. Apparent U.S. consumption on a quantity basis was 268.7 million pounds in interim 2006 compared with 267.8 million pounds in interim 2005. CR/PR at Table IV-4. Apparent U.S. consumption on a value basis increased from \$*** million in 2003 to \$*** million in 2004, and to \$739 million in 2005. Apparent U.S. consumption on a value basis was \$173 million in interim 2006 compared with \$178 million in interim 2005. Thus, when measured by value, apparent U.S. consumption increased by *** percent between 2003 and 2005, but was 2.8 percent lower in interim 2006 than in interim 2005. CR/PR at Tables IV-4 and C-1.

³⁴ Other producers that had been part of the domestic industry until just before or early in the period of investigation are ***, which reported that it had entered *** bankruptcy, and ***, which reported going out of business during the five-year review of certain PSF from Korea and Taiwan. CR/PR at III-1.

³⁵ Conference transcript at 12 (McNaull).

³⁶ ***'s producers' questionnaire response, section II-2.

³⁷ CR at III-3, PR at III-2 - III-3.

largest source of imports of certain PSF, surpassing both Korea and Taiwan. Chinese subject imports remained the largest import source of certain PSF in interim 2006. Besides the domestic like product and imports of certain PSF from China, Korea, and Taiwan, the market was supplied during the period of investigation by imports of certain PSF from various nonsubject sources, including Indonesia, Thailand, India, and Mexico.³⁸ In any final phase investigation, we will seek information on these and other potential suppliers of certain PSF in the U.S. market.

3. Other Conditions

Hurricanes Katrina and Rita, which impacted the United States in 2005, disrupted raw material supplies to certain domestic producers during the period of investigation and caused some curtailment of domestic producers' shipments. For instance, in September 2005, *** declared force majeure for two months at its *** plant due to raw material shortages, and reduced shipments to its customers. *** also reported problems with raw material supplies following Hurricanes Katrina and Rita and instituted raw material surcharges to offset the short-term elevated cost in raw materials.³⁹

Domestic producers' cost of goods sold ("COGS") increased over the period of investigation, reflecting increases in raw material costs. The unit value of raw materials increased from \$*** in 2003 to \$*** in 2004 and then to \$0.50 in 2005, and was \$0.50 in interim 2006 compared with \$0.47 in interim 2005.⁴⁰

Because the machinery and equipment used in various stages of certain PSF production are also used to make other products, most domestic producers can shift production relatively easily among certain PSF and other polyester products, such as fibers for spinning, carpet fibers, nylon fibers, or specialty fibers.⁴¹

4. Substitutability

All producers and a majority of importers reported that the domestic like product and the subject merchandise from China are always or frequently interchangeable.⁴² Certain importers provided additional comments. *** stated that quality is a "huge factor," and added that it could not obtain certain PSF with consistent quality and pricing from domestic producers ***. *** explained that it markets Chinese product for specific end uses, to consumers who would use a different raw material (rather than PSF) if Chinese certain PSF were not available. *** said that the fibers that it markets have been produced in Asia since the 1970s, and are generally considered commodity-type products with little differentiation. However, *** offered an opposite opinion, maintaining that different countries produce certain PSF with different physical characteristics, quality levels, and colors. *** stated that for fill end uses, the bounce, softness, resiliency, and durability of the certain PSF may differ. *** added that different end users use different fiber-processing machines, and that compatibility with end users' machines can vary widely from one type of certain PSF to another. *** also noted that in some end-use markets, regenerated and virgin certain PSF do not compete and have not competed for many years.⁴³

³⁸ See CR/PR at Tables IV-2, IV-4, IV-5, IV-6.

³⁹ CR at II-2, PR at II-1 - II-2. We intend to explore more fully in any final phase of this investigation the scope and any lingering effects of the hurricanes on the domestic PSF industry.

⁴⁰ CR/PR at Table VI-1.

⁴¹ CR at II-3, PR at II-2.

⁴² CR/PR at Table II-4.

⁴³ CR at II-13, PR at II-9.

*** described competition between U.S. and Chinese product as hinging on availability. Specifically, *** said that, while conjugate fiber is produced in the United States, it is not available in the quantity or the range of qualities requested by the market. *** added that regenerated conjugate is not available from U.S. producers, and that there is a difference among individual products available from each country. *** responded that its customers require 100 percent recycled products due to environmental concerns, and that not all suppliers produce such a product. *** indicated that it usually imports certain PSF that is not produced in the United States.⁴⁴

B. Volume of Subject Imports

Section 771(7)(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.”⁴⁵

We find that the volume of and increase in subject imports were significant during the period examined, both in absolute terms and relative to consumption in the United States. In absolute terms, the volume of subject imports, after declining slightly from 74.6 million pounds in 2003 to 71.3 million pounds in 2004, increased significantly to 194.9 million pounds in 2005. Subject import volume, therefore, rose 173.4 percent from 2004 to 2005, and 161.2 percent overall from 2003 to 2005. In interim 2006, the subject imports were 60.1 million pounds compared with 30.6 million pounds in interim 2005, representing an increase of 96.6 percent.⁴⁶

The share of the quantity of U.S. apparent consumption held by subject imports, after decreasing from *** percent in 2003 to *** percent in 2004, increased to 17.7 percent in 2005, an overall net increase over the period of *** percentage points.⁴⁷ In interim 2006, subject imports’ share of U.S. apparent consumption was 11.0 percentage points higher than in interim 2005: 22.4 percent in interim 2006 compared with 11.4 percent in interim 2005.

Domestic producers’ share of U.S. apparent consumption fluctuated over the period, increasing from *** percent in 2003 to *** percent in 2004, then declining to 50.1 percent in 2005. We note that subject import volume increased significantly in 2004. Therefore, notwithstanding their *** percentage-point gain of market share in 2004, domestic producers experienced a net market share gain of only *** between 2003 and 2005. The substantial increase in subject imports’ market share in interim 2006, as compared with interim 2005, was accompanied by a substantial decline in domestic producers’ market share from 57.7 percent in interim 2005 to 42.6 percent in interim 2006.⁴⁸

The record indicates that nonsubject imports of certain PSF, including those from Korea and Taiwan that are subject to antidumping duty orders, are present in the U.S. market.⁴⁹ We intend to further explore the role of nonsubject imports in the U.S. market in any final phase of this investigation.⁵⁰

⁴⁴ CR at II-14, PR at II-10.

⁴⁵ 19 U.S.C. § 1677(7)(C)(i).

⁴⁶ CR/PR at Table C-1.

⁴⁷ CR/PR at Table IV-5.

⁴⁸ CR/PR at Table C-1.

⁴⁹ Petitioners contend that PSF producers in Korea and Taiwan have opened PSF operations in China in response to the U.S. antidumping orders on certain PSF from Korea and Taiwan, and antidumping duty investigations and trade actions in other countries regarding PSF from Korea and Taiwan. Petitioners’ Postconference Brief at 11-12 and Exhibits 7-10.

⁵⁰ In any final phase investigation, the Commission invites parties to comment on the applicability of the recent decision by the U.S. Court of Appeals for the Federal Circuit, Bratsk Aluminum Smelter v. United States, No. 05-1213 (Fed. Cir. Apr. 10, 2006), to the facts of this investigation. The Commission also invites parties to comment

We find that the volume of and increase in subject imports were significant during the period examined, both in absolute terms and relative to consumption in the United States.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of 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.⁵¹

The record reflects divergent views by market participants on the importance of price in purchasing decisions. As noted above, all responding producers and a majority of responding importers found that subject imports were always or frequently interchangeable with the domestic like product.⁵² However, while a majority of responding domestic producers reported that non-price differences between subject imports and the domestic like product were never or only sometimes a factor in purchasing decisions, the majority of responding importers reported that non-price differences were always or frequently an important factor.⁵³

In this investigation, U.S. producers and importers provided quarterly pricing data for seven types of certain PSF.⁵⁴ The pricing data show a consistent pattern of underselling by subject imports. Subject imports undersold the domestic like product in 35 of the 50 quarterly comparisons, with margins of underselling ranging from 0.2 percent to 41.5 percent.⁵⁵ Underselling was more prevalent (on a per-quarter basis) in the latter part of the period of investigation. In 2005 and the first quarter of 2006, the subject imports undersold the domestic like product in 17 of 20 quarterly comparisons.⁵⁶ For purposes of this preliminary investigation, we find that there has been significant price underselling of the domestic like product by subject imports.

on what additional information the Commission should collect to address the issues raised by the Court and how that information should be collected, and to identify which of the various nonsubject sources should be the focus of additional information gathering by the Commission in any final phase investigation.

⁵¹ 19 U.S.C. § 1677(7)(C)(ii).

⁵² CR/PR at Table II-4.

⁵³ CR/PR at Table II-5.

⁵⁴ CR at V-5, PR at V-4. The record does not indicate any limitations on competition between articles produced from so-called virgin materials and those produced from recycled or regenerated materials sufficient to warrant their separate consideration in our pricing analysis. Therefore, for purposes of this preliminary phase of the investigation, we find that the data for products 1 and 6 (virgin and regenerated 5-7 denier, solid, dry) and for products 2 and 7 (virgin and regenerated 5-7 denier, hollow, slick) can be combined, as they are in CR/PR at Part V. However, we intend to explore this issue further in any final phase of the investigation. Also, we note that the pricing data show a similar pattern of underselling by subject imports when the uncombined data are examined; namely, subject imports undersold the domestic like product in 44 of the 63 quarterly comparisons and margins of underselling ranged from 0.2 to 42.2 percent. Also, the uncombined data, like the combined data, show that underselling was more prevalent in 2005 and the first three months of 2006, in which the subject imports undersold the domestic like product in 21 of 25 quarterly comparisons. CR/PR at Tables E-1 - E-7.

⁵⁵ CR/PR at Tables V-1 - V-6.

⁵⁶ CR/PR at Tables V-1 - V-6.

We have also considered movements in certain PSF prices over the period of investigation. The Commission's pricing data show an increase in prices for all products for both the domestic and subject PSF.⁵⁷ Therefore, we do not find evidence that subject imports are depressing domestic prices to a significant degree. We note, however, some indication of decreased domestic producer prices in the final quarter of the period for which price comparison data were obtained in this preliminary phase investigation.

Unit COGS increased from \$*** in 2003 to \$*** in 2004, and then to \$0.68 in 2005.⁵⁸ The domestic producers were able to increase prices in 2005 sufficiently to cover COGS, but COGS as a share of net sales remained at a high level (95.4 percent in 2005). Unit COGS was even higher in the interim 2006 period, \$0.69 compared with \$0.64 in interim 2005. Domestic producers were not able to increase prices as rapidly as their cost increases and, therefore, their COGS/sales ratio increased to 97.4 percent in interim 2006 as compared with 95.8 percent in interim 2005.⁵⁹ Thus, there is some evidence of price suppression in the most recent quarter. We also note that domestic producers appear to have sacrificed market share in the interest of maintaining or increasing price levels, as their market share declined from *** percent in 2004 to 50.1 percent in 2005. Domestic producers' market share declined further to 42.6 percent in interim 2006 compared with 57.7 percent in interim 2005.⁶⁰

For the foregoing reasons, we find in the preliminary phase of this investigation that the subject imports have had significant adverse effects on domestic prices.

D. Impact of the Subject Imports⁶¹

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."⁶² These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. 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."⁶³

As noted above, despite moderately increasing U.S. apparent consumption of certain PSF over the period of investigation, low-priced competition from Chinese imports has forced U.S. producers to cede market share while attempting to obtain prices sufficient to cover increasing COGS.

⁵⁷ CR/PR at Tables V-1 - V-6.

⁵⁸ CR/PR at Table C-1.

⁵⁹ CR/PR at Table C-1.

⁶⁰ CR/PR at Table C-1. While the record is mixed regarding lost sales, some confirmed lost sales, and information concerning the role of pricing in purchasing decisions obtained in our investigation of lost sales allegations, provide additional support for our findings that subject imports have had substantial price effects and that competition from subject imports prevented domestic producers from raising prices sufficiently to achieve a significant return or maintain market share. See CR at V-17 - V-20, PR at V-7 - V-8.

⁶¹ In its notice of initiation of the antidumping duty investigation, Commerce estimated the dumping margins for subject imports from China to range from 87.43 percent to 108.98 percent. 71 Fed. Reg. 41201, 41203.

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

⁶³ 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 (Feb. 1999) at 25 n.148.

We have examined the performance indicators in the trade and financial data for the domestic industry producing certain PSF. U.S. production, capacity, shipments, and net sales quantity all increased from 2003 to 2004. However, all these indicia declined from 2004 to 2005 coincident with the rapid increase in subject import volume from 2004 to 2005. Between 2004 and 2005, as subject import volume increased by 173.4 percent, domestic production declined *** percent, capacity declined ***, U.S. shipments declined *** percent, and net sales quantity declined *** percent. These indicia declined even more significantly from interim 2005 to interim 2006 as subject import volume increased by 96.6 percent.⁶⁴ Between interim 2005 and interim 2006, U.S. production declined 15.3 percent; capacity declined by 19.0 percent; U.S. shipments declined by 26.0 percent; and net sales quantity declined by 17.7 percent.⁶⁵

The decline in U.S. shipments caused by the increase in subject import volume reduced U.S. market share from *** percent in 2004 to 50.1 percent in 2005. U.S. market share declined further between the interim periods, from 57.7 percent in interim 2005 to 42.6 percent in interim 2006.⁶⁶

The average number of production related workers and hours worked for certain PSF experienced an overall decline from 2003 to 2005.⁶⁷ Wages paid increased slightly over the period.⁶⁸ Productivity increased from 2003 to 2004, but declined in 2005, to a level above the 2003 level, and was lower in interim 2006 compared with interim 2005.⁶⁹

⁶⁴ Production increased from *** million pounds in 2003 to *** million pounds in 2004 and then fell to 606.8 million pounds in 2005. In interim 2006, production was 139.1 million pounds compared with 164.2 million pounds in interim 2005. CR/PR at Table C-1.

Average capacity (as revised) increased from *** million pounds in 2003 to *** million pounds in 2004, and then declined to 758.7 million pounds in 2005. In interim 2006, capacity was 166.7 million pounds compared with 205.8 million pounds in interim 2005. CR/PR at Table C-1. Respondents contend that the domestic producers appear not to have rationally allocated production among certain PSF and other products that can be produced on the same equipment and machinery. Respondents' Postconference Brief at 1-3. The above revised capacity data reflect some adjustments by Commission staff to rationalize allocation of capacity and unused capacity among certain PSF and other products that can be produced on the equipment and machinery. We intend in any final phase investigation to explore further the bases for reporting industry capacity and unused capacity data.

U.S. commercial shipments increased from *** million pounds in 2003 to *** million pounds in 2004, and then declined to 552.4 million pounds in 2005. In interim 2006, shipments were 114.3 million pounds compared with 154.52 million pounds in interim 2005. CR/PR at Table C-1.

Net sales increased from *** million pounds in 2003 to *** million pounds in 2004, and then declined to 592.3 million pounds in 2005. In interim 2006, net sales were 133.3 million pounds compared with 162.0 million pounds in interim 2005. CR/PR at Table C-1.

⁶⁵ Id.

⁶⁶ Id.

⁶⁷ The average number of production workers declined from *** in 2003 to *** in 2004, then declined further to 1,043 in 2005. In interim 2006, the number of production workers was 986 compared with 1,054 in interim 2005. However, hours worked were stable at *** from 2003 to 2005. Hours worked declined to 532,000 in interim 2006 compared with 549,000 in interim 2005. CR/PR at Table C-1.

⁶⁸ CR/PR at Table C-1.

⁶⁹ Productivity increased from *** pounds per hour in 2003 to *** pounds per hour in 2004, then fell to 237.3 pounds per hour in 2005. Productivity was 237.8 pounds per hour in interim 2006 compared with 279.0 in interim 2005. CR/PR at Table C-1.

We also note that end-of-period inventories increased irregularly over the period of investigation. End-of-period inventories increased from *** million pounds in 2003 to *** million pounds in 2004, decreased slightly to 32.6 million pounds in 2005, and were 36.1 million pounds in interim 2006 compared with 31.6 million pounds in interim 2005. CR/PR at Table C-1.

Many of the domestic industry's consolidated financial indicators declined or remained at unhealthy levels over the period of investigation. The industry was able to increase prices in 2004, but not sufficiently to cover total costs. Accordingly, the industry's operating margin worsened from a loss of *** percent in 2003 to a loss of *** percent in 2004. Further price increases to cover increasing raw material costs in 2005 permitted the industry to achieve a modest operating margin of 1.6 percent. As noted above, however, that modest profit was accomplished only at the expense of lost market share. Moreover, in interim 2006, the industry returned to an operating loss position, a loss of 1.3 percent, compared with a profit of 1.5 percent in interim 2005. It also lost additional market share between the interim periods.⁷⁰

Capital expenditures for the domestic industry decreased in 2004 and in 2005, but increased somewhat in interim 2006 compared with interim 2005.⁷¹

Declines in U.S. industry performance indicators occurred as subject imports entered the U.S. market in increased and significant volumes, and gained market share at the expense of the domestic industry. At the same time, subject imports undersold the domestic like product and had significant adverse effects on domestic producers' prices.

For purposes of this preliminary determination, we thus conclude that subject imports had an adverse impact on the condition of the domestic industry during the period of investigation.

CONCLUSION

For the reasons stated above, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain polyester staple fiber from China that are allegedly sold in the United States at less than fair value.

⁷⁰ CR/PR at Table C-1.

⁷¹ Capital expenditures declined from \$*** million in 2003 to \$*** million in 2004, then fell to \$1.2 million in 2005. Capital expenditures were \$216,000 in interim 2006 compared with \$154,000 in 2005. CR/PR at Table C-1.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by DAK Americas, LLC, Charlotte, NC (“DAK”); Nan Ya Plastics Corporation, America, Lake City, SC (“Nan Ya”); and Wellman, Inc., Shrewsbury, NJ (“Wellman”), on June 23, 2006, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of certain polyester staple fiber (“PSF”)¹ from China. Information relating to the background of the investigation is provided below.²

<i>Date</i>	<i>Action</i>
June 23, 2006	Petition filed with Commerce and the Commission; institution of Commission investigation (71 FR 37097, June 29, 2006)
July 13, 2006	Commerce’s initiation (71 FR 41201, July 20, 2006)
July 14, 2006	Commission’s conference ¹
August 7, 2006	Commission’s vote and determination to Commerce
August 14, 2006	Commission’s views to Commerce

¹ A list of witnesses appearing at the conference is presented in app. B.

ORGANIZATION OF THE REPORT

Section 771(7)(B) of the Tariff Act of 1930 (the “Act”) (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

In evaluating the volume of imports of merchandise, 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.

. . .

¹ A complete description of the imported products subject to investigation is presented in *The Subject Product* section of this part of the report.

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

In evaluating the effect of imports of such merchandise on prices, 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.

. . .
In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in [an antidumping investigation], the magnitude of the margin of dumping.

Information on the subject merchandise, alleged margins of dumping, and domestic like product is presented in *Part I*. Information on conditions of competition and other relevant economic factors is presented in *Part II*. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. The volume and pricing of imports of the subject merchandise are presented in *Parts IV and V*, respectively. *Part VI* presents information on the financial experience of U.S. producers. The statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury are presented in *Part VII*.

U.S. MARKET SUMMARY

The domestic industry producing certain polyester staple fiber consists of eight companies. The largest producer of subject PSF is *** with *** percent of domestic production. *** producer of certain PSF, *** the imposition of antidumping duties on imports of certain PSF from China, and accounts for *** percent of domestic production. *** producers, ***, reported imports of certain PSF from nonsubject sources during the period of investigation.

Twenty-two firms reported having imported PSF. Sixteen of these firms imported subject PSF, with five firms importing exclusively from China. Five firms reported imports from both Korea and Taiwan. Fewer than five companies reported imports from India, Indonesia, Japan, and Mexico. The largest importer of subject PSF from China in 2005 was ***, representing *** percent of all imports of certain PSF from China and *** percent of imports from all sources.

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of eight firms that accounted for all known U.S. production of certain PSF during 2005. U.S. imports are based on official Commerce statistics.

PREVIOUS AND RELATED INVESTIGATIONS

On April 2, 1999, a petition was filed with Commerce and the Commission alleging that an industry in the United States was materially injured by reason of dumped imports of certain PSF from Korea and Taiwan.³ Following Commerce's final affirmative dumping determinations, the Commission made affirmative injury determinations with respect to imports from Korea and Taiwan. Commerce issued antidumping duty orders with weighted-average margins of 7.91 to 14.10 percent *ad valorem* for imports from Korea, and 5.77 to 9.51 percent *ad valorem* for imports from Taiwan.⁴

On March 31, 2005, the Commission instituted its five-year reviews of the antidumping duty orders on imports of certain PSF from Korea and Taiwan. On August 5, 2005, Commerce determined that revocation of the antidumping duty orders would likely lead to continuation or recurrence of dumping at a weighted-average margin of 7.91 percent *ad valorem* for Korea, and a range of 3.79 to 11.50 percent *ad valorem* for Taiwan.⁵ On March 23, 2006, the Commission published its determinations in its full five-year reviews that revocation of the antidumping duty orders on imports of certain PSF from Korea and Taiwan would likely lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.⁶ Commerce published notice of continuation of the antidumping duty orders regarding imports of certain PSF from Korea and Taiwan on April 3, 2006.⁷

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

Commerce has initiated an antidumping investigation based on petitioners' allegations of LTFV sales of certain PSF from China. The estimated dumping margins (in percent *ad valorem*) ranged from 87.43 to 108.98 percent.⁸

THE SUBJECT PRODUCT

Commerce has defined the imported merchandise within the scope of this investigation as follows:⁹

³ The petition was filed by E.I. Dupont de Nemours, Inc. ("DuPont"); Nan Ya Plastics Corp., America (originally a petitioner in the Korea investigation only); Arteva Specialties S.a.r.l., d/b/a KoSa; Wellman, Inc.; and Intercontinental Polymers, Inc. However, in a letter dated May 4, 1999, DuPont withdrew its support for the Taiwan case before the preliminary determination and Nan Ya withdrew its support for the Korea case, and thus was removed as a petitioner. *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. I-6.

⁴ *Notice of Amended Final Determination of Sales at Less Than Fair Value: Certain Polyester Staple Fiber from the Republic of Korea and Antidumping Duty Orders: Certain Polyester Staple Fiber From the Republic of Korea and Taiwan*, 65 FR 33807, May 25, 2000.

⁵ *Certain Polyester Staple Fiber from the Republic of Korea and Taiwan: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 70 FR 45368, August 5, 2005.

⁶ 71 FR 14721.

⁷ 71 FR 16558.

⁸ *Initiation of Antidumping Duty Investigation: Certain Polyester Staple Fiber from the People's Republic of China*, 71 FR 41201, July 20, 2006.

⁹ *Ibid*, at 41202.

Synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters measuring 3.3 decitex¹⁰ (3 denier¹¹, inclusive) or more in diameter. This merchandise is cut to lengths varying from one inch (25 mm) to five inches (127 mm). The subject merchandise may be coated, usually with a silicon or other finish, or not coated. PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.

The following products are excluded from the scope: (1) PSF of less than 3.3 decitex (less than 3 denier) currently classifiable in the Harmonized Tariff Schedule of the United States (“HTS”) at subheading 5503.20.0025¹² and known to the industry as PSF for spinning and generally used in woven and knit applications to produce textile and apparel products; (2) PSF of 10 to 18 denier that are cut to lengths of 6 to 8 inches and that are generally used in the manufacture of carpeting; and (3) low-melt PSF defined as a bi-component fiber with an outer, non-polyester sheath that melts at a significantly lower temperature than its inner polyester core (classified at HTSUS 5503.20.0015).¹³

Tariff Treatment

Certain PSF is imported under HTS subheading 5503.20.00 (statistical reporting numbers 5503.20.0045 and 5503.20.0065) and enters the United States at a column 1-general duty tariff rate of 4.3 percent *ad valorem*. Table I-1 presents current tariff rates for certain PSF.

¹⁰ Decitex is the Canadian and European equivalent to denier and equals the total weight in grams of 10,000 meters. Antron Carpet Fiber website, found at http://www.antron.net/content/resources/styling_glossary/ant06_08_04.shtml, retrieved July 12, 2006.

¹¹ Denier is a weight-per-unit-length measure of filament fibers or yarns. Denier is numerically equal to the weight in grams of 9,000 meters of fiber. Denier is a direct numbering system in which the lower numbers represent the finer sizes and the higher numbers the coarser sizes. In the U.S., the denier system is used for numbering filament yarns and man-made fiber staple tow, but not spun yarns. Antron Carpet Fiber website, found at http://www.antron.net/content/resources/styling_glossary/ant06_08_04.shtml, retrieved July 12, 2006. Denier is not a unit of measure commonly used in the Harmonized System tariff nomenclature.

¹² The North American Industry Classification System code for the manufacture of PSF is 32522.

¹³ The scope of the products subject to the current investigation concerning China is consistent with the scope of the outstanding antidumping duty orders concerning Korea and Taiwan. *Certain Polyester Staple Fiber from the Republic of Korea and Taiwan: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 70 FR 45368, August 5, 2005.

Table I-1
Certain PSF: Tariff rates, 2006

HTS Provision	Article Description	Column 1		Column 2 ³
		General ¹	Special ²	
Rates (percent <i>ad valorem</i>)				
5503	Synthetic staple fibers, not carded, combed, or otherwise processed for spinning:	4.3	Free ⁴	25.0
5503.20.00	Of polyester			
5503.20.0045	Other: Measuring 3.3 decitex or more but less than 13.2			
5503.20.0065	Measuring 13.2 decitex or more			
¹ Normal trade relations, formerly known as the most-favored-nation duty rate, applicable to imports from China. ² General note 3(c)(i) lists the special tariff treatment programs indicated in this column. Goods must meet eligibility rules set forth in other general notes, and importers must properly claim such treatment. ³ Applies to imports from a small number of countries that do not enjoy normal trade relations duty status. ⁴ Applies to eligible imports under Generalized System of Preferences ("GSP"); and eligible imports under free trade agreements from Australia (AU), Canada (CA), Chile (CL), Israel (IL), Jordan (JO), Mexico (MX), Morocco (MA), and Singapore (SG).				
Source: 2006 United States Harmonized Tariff Schedule.				

THE DOMESTIC LIKE PRODUCT

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

Petitioners contend that Chinese imports are directly competitive with U.S.-produced certain PSF, and have no significant differences in physical characteristics and uses, and are interchangeable with U.S.-produced certain PSF in fiberfill applications. Furthermore, petitioners argue that Chinese certain PSF competes for the same customers and sales as domestically produced PSF.¹⁴ Petitioners also argue that channels of distribution are the same for all types of certain PSF, and certain PSF is produced in the same facilities using the same basic process regardless of type or input.¹⁵

¹⁴ Conference transcript, pp. 48-49 (Rosenthal).

¹⁵ Petitioner's postconference brief, p. 5.

Physical Characteristics and Uses¹⁶

PSF is a man-made fiber that is similar in appearance to cotton or wool fiber when baled. Certain PSF is known in the industry as “fiber for fill,” as it is primarily used as polyester fiberfill.¹⁷ Certain PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.¹⁸ Certain PSF has physical characteristics that distinguish it from other polyester staple fibers (such as carpet fiber and fiber for spinning), including the denier of the fiber, the length of the fiber, and in some cases the finish and “crimp” of the fiber. Most synthetic fiber is sold by quantity based on the denier of the fiber.

Because certain PSF is principally used as fiberfill, it is seldom visible.¹⁹ Therefore, the appearance of certain PSF can be less important than its performance²⁰ to customers. However, the appearance of certain PSF directly affects the look and perceived value of many end products, such as mattresses, comforters, cushions, pillows, and furniture with less opaque upholstery.

Certain PSF used for fill can be produced in many variations for purposes of quality enhancement. For example, the subject fiber may be crimped or conjugated, giving the fiber “loft” for stuffing purposes. It may also be coated with a finish (usually silicone or oil-based), making the fiber smoother to the touch for certain high-end uses.²¹ The subject fiber may vary in shape and may be hollow or solid, depending on both the preference of the manufacturer and the end use of the fiber.

Raw materials used in the production of certain PSF may also vary. Staple fiber can be made by reacting ethylene glycol with either terephthalic acid or its methyl ester; if so produced, it is termed virgin PSF. Staple fiber may also be made from recycled polyester, using either consumer waste, such as polyethylene terephthalate (“PET”) bottles, or industrial waste, such as polyester chips or spun tow.²² Fiber made in this way is known as regenerated, or recycled, fiber. In the reviews on Korea and Taiwan industry witnesses disagreed on whether regenerated and recycled PSF are different terms for the same product or are products distinguishable according to the quality of the recycled inputs.²³ Some producers of the subject fiber also manufacture a blend of virgin and recycled/regenerated materials by introducing polyester chips into the virgin production line. Finally, PSF may be in the form of a low-melt fiber. This is a bi-component fiber with an outer sheath that melts at a significantly lower temperature than its inner

¹⁶ The following discussion generally is from the Commission’s five-year reviews of the antidumping duty orders on certain PSF from Korea and Taiwan. *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, pp. I-11-I-12.

¹⁷ Conference transcript, p. 17 (Bermish). PSF is also used on a more limited basis in the production of ***. Staff telephone interview with ***, July 5, 2006; see also *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-11.

¹⁸ Petition page 8. See also *Certain Polyester Staple Fiber from the Republic of Korea and Taiwan: Final Results of the Expedited Sunset Reviews of the Antidumping Duty Orders*, 70 FR 45368, August 5, 2005.

¹⁹ Conference transcript, pp. 46-47 (Bermish).

²⁰ “Performance” refers to the ability of the fiber to fulfill purchasers’ end use, in loft, fill capacity, and durability.

²¹ A silicone finish is preferred for certain end uses such as pillows. When rubbed, fiber with a silicone finish will slide, lending the product a slightly slick feeling. *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-12.

²² Conference transcript, p. 17 (Bermish).

²³ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-15.

polyester core, for purposes of thermal bonding, and is not included within the scope of this investigation.²⁴

Certain PSF comprises three types of PSF: conjugate, regenerated, and virgin.²⁵ Virgin PSF is a single component, single-cremp PSF that does not contain regenerated fibers. Virgin fibers are made directly from raw materials and are characterized by the purity of the whiteness of the fibers. Regenerated PSF is made from recycled inputs and does not contain any virgin fibers. Conjugate PSF has a three-dimensional spiral twist in the fiber, designed to provide greater loft or fill capacity to the fiber. Non-conjugate fiber has a two-dimensional sawtooth cremp and provides somewhat less fill capacity.²⁶ Petitioners argue that these subgroups are completely interchangeable and compete equally for sales in the U.S. certain PSF market.²⁷ Petitioners further emphasized at the conference that “customers care about the end product, not the raw material that goes into making that end product.”²⁸

During the preliminary phase of this investigation, respondents have not addressed the issue of the domestic like product. In its five-year reviews of certain PSF from Korea and Taiwan, the Commission confirmed its determinations in the original investigations that the domestic like product was defined to be one like product coextensive with the scope of the reviews.²⁹

Manufacturing Process³⁰

Manufacturing of certain PSF may be divided into two discrete stages. The first stage of the process is polymer formation, a process that can vary depending on whether virgin (unprocessed chemicals) or recycled materials are being used. Polymer formation also varies, depending on whether conjugate fiber or low-melt fiber is being produced. The second stage of the process, which is common to all certain PSF, is fiber formation, including stretching, cutting, and baling.

The manufacture of certain PSF from virgin materials begins by reacting ethylene glycol with either terephthalic acid or its methyl ester in the presence of an antimony catalyst. The reaction is carried out at a high temperature and in a vacuum to achieve the high molecular weights needed to form useful fiber. The mix is then sent through an esterification process before it is polymerized. Esterification is the chemical process of combining an acid with an alcohol to form an ester. If a virgin or recycled blend is to be produced, the recycled material (usually in the form of polyester chips) is introduced at the esterification stage.

After polymerization, the solid, molten plastic, which has a consistency similar to cold honey, must be heated and liquefied before it can be extruded. The liquid fiber-forming polymers are then extruded through tiny holes of a spinneret, a device similar in principle to a showerhead, to form

²⁴ Petition, p. 10.

²⁵ Petitioners argue that it is important to distinguish inputs that are used in the production of certain PSF from the type of certain PSF produced. “Certain PSF may be made from either virgin or non-virgin inputs” to produce virgin or regenerated certain PSF. Certain PSF may also “be made into different types of products, such as conjugate PSF, mechanically crimped PSF, slick or dry PSF, solid or hollow PSF” of varying denier. Petitioners’ postconference brief, p. 4, fn. 3.

²⁶ Conference transcript, p. 23 (Barfield).

²⁷ Ibid, p. 17 (McNaull), pp. 48-50 (Rosenthal), and p. 49 (Barfield).

²⁸ Ibid, p. 48 (Rosenthal).

²⁹ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, pp. 5-6.

³⁰ The following discussion generally is from the Commission’s five-year reviews of the antidumping duty orders on certain PSF from Korea and Taiwan. *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, pp. I-12-I-14.

continuous filaments of semi-solid polymer. The denier of the fiber is controlled by the size of the holes on the spinneret. After extrusion, the semi-solid fibers are blasted with cold air to form solid fibers. This process is known as continuous polymerization.³¹

The manufacture of regenerated³² certain PSF begins with the processing of the recycled materials. As reported in the petition, regenerated certain PSF inputs can consist of a variety of different types of materials including: virgin first-quality chip, virgin off-spec chip, post-industrial (regenerated) pellet waste, post-industrial (regenerated) film waste, post-consumer bottles, post-consumer bottle flake, and miscellaneous post-industrial (regenerated) waste.³³ Depending on the materials used, the recycled product is cleaned and either chipped or pelletized before being sent to the extruder. The recycled material is then melted to form molten polymers and sent through the spinneret to form continuous filaments of semi-solid polymer. As with fiber from virgin materials, the polymer is then blasted with cold air to form solid fiber.³⁴

The second stage of production is common to fibers made from either virgin or recycled materials. The solid fiber is coated for the first time with an oil finish, usually only for internal use to facilitate further processing. The spun tow, as it is now known, is collected into a can to be stretched. The spun tow is sent over a creel and a series of “draw wheels” in order to orient the fiber molecules and strengthen the tow. Next, the tow is sent through a crimping machine, which gives the fiber tow a two-dimensional, saw-tooth shape.³⁵ The tow is then sent through an oven to heat-set the crimp. A second finish (usually silicone or some type of oil-based finish) may be added during this stage of the process, either before the fiber tow is crimped and heat-set or directly after, depending on the preference of the manufacturer. Finally, the fiber tow is cut to length and baled.³⁶

The manufacturing processes for nonsubject PSF are similar to those for certain PSF. Nonsubject PSF includes PSF of less than 3 denier, PSF for carpeting, and low-melt PSF, in addition to other products.³⁷ These nonsubject forms of PSF may be manufactured on the same equipment and machinery used in the production of certain PSF.³⁸ The production of PSF of less than 3 denier, commonly referred to as fine denier PSF, is controlled by the size of the holes on the spinneret. By using a spinneret with smaller holes, a production line can switch from heavier gauge PSF to finer denier; the other steps of the manufacturing process remain generally the same.³⁹ PSF for carpeting is a higher denier than certain PSF and is produced by using a spinneret with larger holes. To achieve carpet fibers with luster, a slightly different mix of raw materials is used.⁴⁰ Low-melt fiber is produced in a very similar process to conjugate fiber. Like conjugate fiber, low-melt fiber can be produced by both a direct spinning system or a batch system. Component polymers are forced through a Y-shaped extruder to form a single fiber. A chemical

³¹ Petition, p. 11. See also conference transcript, p. 17 (Bermish).

³² “Regenerated certain PSF” refers to both regenerated and recycled PSF unless otherwise noted.

³³ Petition, p. 12; see also *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-13.

³⁴ Petition, p. 11.

³⁵ Conference transcript, p. 23 (Barfield).

³⁶ Petition, p. 12.

³⁷ Petition, pp. 9-10.

³⁸ See part III of this report.

³⁹ Petition, p. 11. See also *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-14.

⁴⁰ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-14.

ingredient is added to make the outer sheath polymer subject to a lower melting point. The fiber is then stretched, cut, and baled.⁴¹

Interchangeability and Customer and Producer Perceptions

Petitioners argue that imports of certain PSF are completely interchangeable and compete for the same sales as U.S.-produced PSF.⁴² When ordering certain PSF, customers conduct a type of total cost analysis that compares the cost of the fiber against its fill capacity. Some customers choose to pay more for better fill capacity or decide to purchase and use more fiber with a lesser fill capacity.⁴³ Petitioners argue that certain PSF is interchangeable regardless of inputs or type produced, such as conjugate versus non-conjugate and virgin versus non-virgin.⁴⁴

Petitioners argue that the quality of certain PSF from China is comparable to the quality of U.S.-produced PSF. A witness for petitioner Nan Ya argued that “the imported Chinese fiber and their quality is very acceptable to meet {customer} requirements. In a lot of cases {the Chinese fiber} doesn’t surpass our quality, but {imports} are able to give the customer the quality they need to achieve their product performance...”⁴⁵

Channels of Distribution

Certain PSF is transported via rail or truck in containers to distributors and end users; however, a majority of shipments go to end users. In 2005, 16.4 percent of shipments from U.S. producers were to distributors while 83.6 percent were to end users. Shipments to distributors dropped from 18.8 percent during interim period January-March 2005 to 5.6 percent during interim period January-March 2006. Importers reported that over 98.0 percent of all imports were shipped directly to end users.

Price

Information with regard to prices of certain polyester staple fiber is presented in Part V of this report, *Pricing and Related Information*.

⁴¹ Conference transcript, p. 23 (Barfield). See also *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825 and 826 (Review)*, USITC Publication 3843, March 2006, p. I-14.

⁴² Conference transcript, p. 17 (Bermish).

⁴³ Conference transcript, p. 24 (Barfield).

⁴⁴ Petitioners’ postconference brief, p. 5.

⁴⁵ Conference transcript, p. 71 (Barfield).

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

CHANNELS OF DISTRIBUTION

Producers and importers primarily sell certain PSF to end users, with some sales going to distributors. Major end users consist of furniture, bedding, pillow, and automotive insulation manufacturers who use certain PSF for the filling of various products. Other end users include manufacturers of non-woven batting, which is then sold to manufacturers of sleeping bags and comforters, filtration, and roofing.¹

Geographic Markets

Producers and importers generally serve national markets. Five of six producers² reported selling to national markets or multiple regional markets. Twelve importers reported serving such markets, but two reported serving smaller regional markets. Six producers reported that at least 50 percent of their sales were to customers between 100 and 1,000 miles from their plant, with most of the remaining customers further away. However, ten importers reported that more than 50 percent of their sales were to customers less than 100 miles from their warehouse, with only two importers reporting a majority of their sales to customers between 100 and 1,000 miles from their warehouse.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

The sensitivity of the domestic supply of certain PSF to changes in price depends upon such factors as the existence of excess capacity, the levels of inventories in relation to sales, the ease of shifting facilities to the production of other products, and the existence of export markets. Based on available information, U.S. certain PSF producers are likely to respond to changes in demand with moderate-to-low changes in the quantity of shipments of U.S.-produced certain PSF to the U.S. market. The main contributing factors to the moderate degree of responsiveness of supply are the modest availability of unused capacity and the ability to produce alternate products balanced against limited alternate markets.

Producers were asked if there had been any changes in the product range or marketing of certain PSF since January 1, 2003. Three answered no, but three said yes. *** cited a decreased use of product branding in marketing certain PSF, as low-priced Chinese imports have gained market share on price alone. *** said that it had observed smaller orders and more variety. *** reported “fierce” competition from imports.

Producers were asked if they had refused any customer orders or put any customers on allocation since January 1, 2003. Five said that they had not, but *** stated that for two months beginning in September 2005, it had allocated orders due to raw material shortages resulting from the damage from hurricanes Katrina and Rita. Although *** replied that it had not refused customer orders, it reported that in the fall of 2005 (after the two aforementioned hurricanes), raw material supplies diminished. It reported that it had declared force majeure (as had most of its raw material suppliers) but had most supply

¹ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-1.

² *** firms, ***, submitted both producers’ and importers’ questionnaires. ***.

back to normal by the end of January 2006. At the conference, DAK reported that while it had imposed some raw materials surcharges in the aftermath of the hurricanes, its supply was normal again in July 2006. Wellman and Nan Ya stated that their experience had been the same.³

Industry capacity

U.S. producers' capacity utilization increased from 2003 to 2004, then decreased in 2005, and was higher in January-March 2006 than in the same period in 2005. The levels of capacity utilization (generally around *** percent but higher in January-March 2006) suggest that the industry has some ability to expand output in response to changes in price.

Alternative markets

Exports are a small portion of U.S. producers' sales. In a recent Commission case on certain PSF, one U.S. producer reported that China had a 13.4 percent duty on imports of certain PSF.⁴

Inventory levels

Inventories are a small portion of total shipments by U.S. producers; nonetheless, inventories were higher in 2004 and 2005 than they were in 2003. For January-March 2006, inventories are higher than in the comparable period in 2005.

Production alternatives

Most U.S. producers are able to shift their facilities from production of certain PSF to other products in response to changing market conditions. The machinery and equipment used in various stages of certain PSF production are also used to make other products. Additional products include polyester carpet fiber, which is typically 10-18 denier cut 6-8 inches in length; polyester staple fiber for spinning and textiles, usually less than 3 denier; and, to a lesser degree, nylon fibers and specialty fibers.⁵

Subject Imports

Based on available information, producers in China are likely to respond to changes in demand with potentially large changes in the quantity of shipments of certain PSF to the U.S. market. The main contributing factors to the high degree of responsiveness of supply are the availability of unused capacity, the continued substantial growth in new capacity, and the existence of alternate markets.

Importers were asked if there had been any changes in the product range or marketing of certain PSF since January 1, 2003. Ten replied that there had not been,⁶ and six said that there had been changes. *** reported green recycled fiber from bottles as having replaced two polymer-conjugate spiral crimp in a lot of furniture cushion applications. *** also cited new fibers, such as conjugate regen and regen polyester, as examples of certain PSF that had not been in the U.S. market before 2003. *** described high-void (yield) fiber from Asia as a new product that allows use of 20 percent less fiber than

³ Conference transcript, pp. 59-60 (McNaull, Berman, and Barfield).

⁴ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-3.

⁵ *Ibid*, p. II-4.

⁶ While answering that there had not been significant changes in the product range or marketing, *** did note that the range of certain PSF continues to broaden.

comparable products from ***. Similarly, *** indicated that there had been an increase in the availability of hollow recycled fibers from China that are not available from Korea or Taiwan nor produced in significant quantities in the United States. *** reported that furniture styling has moved to softer “feel” requirements, in turn increasing the demand for conjugate fibers. *** stated that the main marketing change is increased sales of imported product by U.S. producers.

Importers were asked if they had refused any customer orders or put any customers on allocation since January 1, 2003. Sixteen importers answered that they had not, but *** replied that it had stopped importing certain PSF from nonsubject countries in Asia after December 31, 2003.

Industry capacity

Capacity rose substantially in China over 2003-05, continued to rise in January-March 2006, and is projected to rise further in the next two years. By 2007, overall Chinese capacity is projected to be more than half of U.S. consumption in 2005. Capacity utilization rose during 2003-05 and continued to rise in January-March 2006. However, capacity increases over the same period have allowed increased shipments to export markets.

Alternative markets

The available information suggests that Chinese producers can shift shipments of certain PSF from other markets to the U.S. market. The Chinese home market is a larger market for Chinese producers of certain PSF than the U.S. market. Nonetheless, Chinese shipments to the United States rose substantially during 2004-05 even as Chinese shipments to their home market fell. In addition, there are some shipments to other countries as well.

Chinese certain PSF is subject to antidumping orders in the European Union (“EU”), with duties ranging from 4.5 to 49.7 percent (*see* part VII). One trade publication described the orders as imposing duties of 49.7 percent on “most” Chinese producers.⁷ Petitioners also characterized Chinese certain PSF production as large enough to force the shutdown of other Asian producers. Petitioners added that the U.S. and EU markets are many times larger than any other global markets.⁸

Inventory levels

Chinese producers' inventories are a small percentage of their total production, but have grown during 2003-05.

⁷ Conference transcript, pp. 8 (Rosenthal), 26 (Barfield), and 43 (Magrath), and petitioners' postconference brief, exh. 10.

⁸ *Ibid.*, pp. 63-64 (Bermish and McNaull).

U.S. Demand

Demand Characteristics

According to both producers and importers, certain PSF is used as stuffing in bedding, furniture, cushions, comforters, sleeping bags, and pillows, with some additional automotive and filtration uses. As a result, demand is related to the amount of housing-related activity in the economy. Its cost share of end products can vary widely; certain PSF can be a fairly large part of the cost of a pillow (13-50 percent), but a small part of the cost of a piece of furniture.

Cost Share

In the recent reviews, purchasers estimated the cost share of certain PSF in the various end-use products, and these are listed in table II-1. The cost shares varied widely by product. In addition, importer *** reported that certain PSF was 20 percent of the cost of a diaper, 30 percent of the cost of baby wipes, and 40 percent of the cost of industrial wipes.

Table II-1
Certain PSF: Cost share estimates of various end-use products as reported by purchasers

Product	Percent
Pillows	33-70
Furniture	4.5-64
Batting	48-80
Automotive insulation	25
Decorative pillows	15
Filtration	42-50
Roofing	21
Pet beds	30
Upholstery	17
Mattress pads	40-50
Comforters	2-5.7

Source: *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-7.

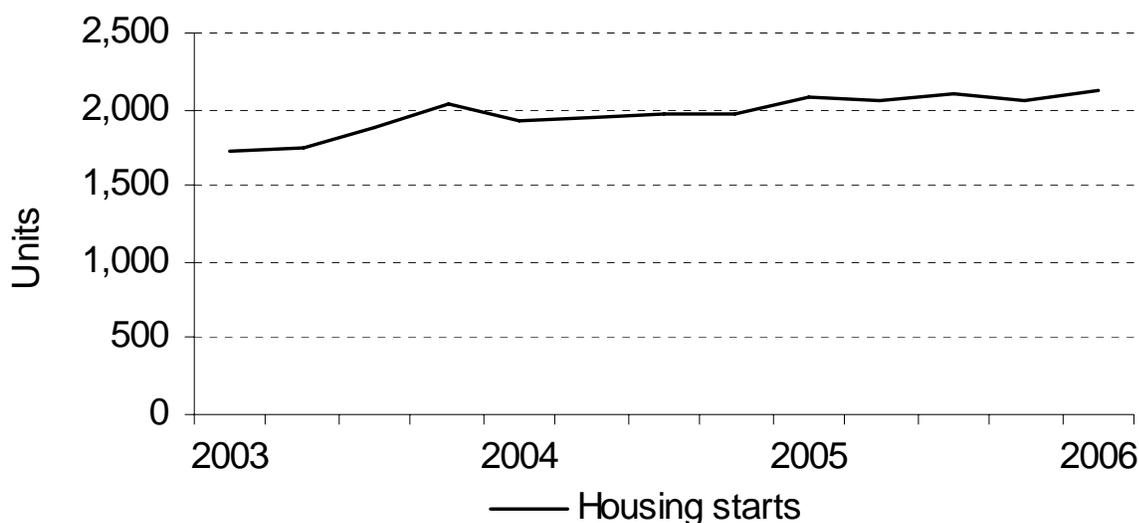
Demand Trends

Producers and importers generally saw stable or decreased demand, while importers were more likely to describe demand as increasing or stable. Housing starts, used in the certain PSF industry as an indicator of furniture and bedding demand, grew during 2003-05, but the subsequent demand for certain PSF may be somewhat restrained by imports of downstream products that incorporated certain PSF in overseas production. At the conference, DAK characterized demand as “healthy,” but stated that it had

not been able to take advantage of that demand due to imports of Chinese PSF.⁹ It continued that the first quarter of 2006 had seen a slight cooling in demand, but added that such a cooling was due to cooling in the housing market, and was a slight move down after a record year in 2005.¹⁰

Both producers and importers cited housing starts as an indicator of demand trends for certain PSF, as housing starts lead to more furniture purchases. Figure II-1 shows housing start trends since January 2003.¹¹ Housing starts have flattened somewhat since early 2005 but remain at high levels for the period examined.

Figure II-1
Quarterly averages of seasonally adjusted annual rates of housing starts, January 2003-March 2006



Source: U.S. Census Bureau data at www.census.gov/const/starts_cust.xls and staff calculations.

Producers and importers were asked how demand for certain PSF had changed since January 1, 2003. Among producers, three saw decreased demand. *** attributed the decrease to the increasing direct importation of products that use certain PSF, replacing U.S. production of these downstream products. *** also stated that its customers in the textile markets were feeling pressure from imports. Three producers saw demand as unchanged. *** saw an increase in demand due to increased housing starts, but noted that increased imports of downstream products using certain PSF had absorbed that increased demand. *** indicated that there might have been a slight increase but that demand had been relatively stable.

Among importers, ten reported increased demand. *** had used certain PSF to replace foam in some cushion applications. *** stated that higher-priced domestic certain PSF had increased interest in Chinese product. *** said that the certain PSF market had grown five to ten percent since January 1, 2003. *** attributed increased demand to lower prices. *** cited increased housing starts as driving increased demand. *** described world demand as increasing faster than U.S. demand. However, four importers saw a decrease in demand for certain PSF due to problems at downstream customers, both due

⁹ Conference transcript, p. 13 (McNaull).

¹⁰ Conference transcript, p. 58 (McNaull).

¹¹ The data used are available in app. D.

to import pressure on those customers and due to ***. Three importers saw demand as unchanged. *** elaborated that while worldwide demand had grown eight to ten percent, U.S. demand had been steady while U.S. production was down 13 percent.

Substitute Products

There are several substitutes for certain PSF, but these substitutes come with limitations on their ability to substitute in every situation due to different relative prices and different characteristics needed by end users. Few producers or importers cited substitutes as having had a large effect on certain PSF demand recently.

When asked to name any products that could substitute for certain PSF in its end uses, three producers answered that there were none, or did not answer the question. However, three others named polyurethane foam as a substitute, with two of those producers adding that down could also be used. Ten importers did not name any substitutes, but eleven did, naming acrylic fiber, textile waste, polyurethane foam, and down. *** submitted a long list of potential substitutes, including all the above as well as cotton fiber, rayon fiber, coconut fiber, the wastes associated with all those fibers, and more. It added that the practicality of substitution for each product varied by the end use and cost.

When asked what applications substitutes could be used in, *** answered that polyurethane foam is a lower-quality product used mainly in furniture filling, while down is a high-priced product used in bed pillows. It added that both products are a small percentage of the overall filling market.¹² Among importers, *** answered that shredded foam can be used as up to 15 percent of the fill in pillows and back cushions of upholstered furniture. *** named cushion filling as a substitute, but said that it was a “very poor” substitute that brought safety concerns.

Three producers and ten importers indicated that changes in the prices of substitutes had not affected the price of certain PSF. However, one producer (***) and four importers said that the price of substitutes had affected the price of certain PSF. *** said that the price of substitute products had held down the price of certain PSF. *** stated that fabric producers would switch to cotton yarns if cotton yarn were more competitively priced than polyester. *** stated that certain PSF prices move in tandem with the prices of substitutes and gave a hypothetical example in which prices of polypropylene staple fiber fell 20 percent. It said that in such a case, purchasers would switch to polypropylene for some end uses, and that the time lag for such a substitution would be “minimal.” *** indicated that increases in the prices of down had shifted some down business to polyester fiber. It added that such a switch would be quick (two-three months) for simple products such as pillows and longer (six months to one year) for more complex products such as mattresses.

SUBSTITUTABILITY ISSUES

Factors Affecting Purchasing Decisions

Certain PSF is available in different forms, including slick versus dry and hollow versus solid. Petitioners stated that such differences may result in a slight premium, and may have slightly different end uses, but that the same purchasers often purchase both (though for different end uses). Certain PSF is also available in different colors. However, petitioners said that since certain PSF is used as fill, color is

¹² *** agreed that polyurethane was a substitute for furniture and down for pillows and bedding. Importer *** had a similar answer. Producer *** answered that polyurethane and down could be used for bedding and furniture, but did not distinguish among end uses.

not an important characteristic.¹³ Petitioners added that virgin certain PSF is completely interchangeable with regen certain PSF,¹⁴ and that conjugate and mechanically crimped certain PSF are interchangeable as well.¹⁵ On the other hand, some comments from importers (reported in the next section) indicate that not all importers agree with those characterizations. In addition, in a letter attached to its questionnaire response, importer *** stated that the certain PSF that it imports from China is low-grade, and that certain PSF made from “first quality” resins should not be compared to regenerated fibers. It continued that the color of a fiber can affect the price and end uses, distinguishing colored fibers from the white certain PSF primarily used in the bedding and furniture industry.¹⁶

Information from purchasers in the recent reviews¹⁷ indicates that a variety of factors are considered important in the purchasing decision for certain PSF. While price was mentioned as being an important factor in the sale of certain PSF, factors such as quality, availability, and reliability of supply are also important considerations. In the review investigations, purchasers were asked to list the top three factors that they consider when choosing a supplier of certain PSF. Table II-2 summarizes the responses.

Table II-2
Certain PSF: Ranking of factors used in purchasing decisions as reported by U.S. purchasers

Factor	Number of firms reporting		
	Number one factor	Number two factor	Number three factor
Price	6	7	8
Quality	13	7	1
Availability	5	7	5
Other ¹	1	4	11

¹ Other factors include one instance of “qualified vendor” for number one factor; two instances of “reliability” for number two factor; one instance of “traditional supplier” for number two factor; one instance of “delivery” for number two factor; three instances of “reliability” for number three factor; two instances of “service” for number three factor; three instances of “on-time delivery” for number three factor; one instance of “traditional supplier” for number three factor; one instance of “extension of credit” for number three factor; and one instance of “technical support” for number three factor.

Source: *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-8.

In those reviews, purchasers were also asked to rank the importance of factors used in purchasing decisions.¹⁸ Their responses are presented in table II-3.

¹³ Conference transcript, pp. 47-48 (Bermish and Rosenthal).

¹⁴ Conference transcript, pp. 54-57 (Cannon, Bermish, and Barfield).

¹⁵ Conference transcript, pp. 48-49 (Bermish and Barfield).

¹⁶ In their postconference brief, Chinese producers agreed with this assessment. Chinese producers’ postconference brief, pp. 16-17.

¹⁷ *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-8.

¹⁸ *Ibid.*, p. II-9.

Table II-3**Certain PSF: Importance of factors used in purchasing decisions, as reported by U.S. purchasers**

Factor	Number of firms reporting		
	Very important	Somewhat important	Not important
Availability	25	1	0
Delivery terms	16	8	2
Delivery time	22	3	1
Discounts and rebates	9	12	4
Extension of credit	12	7	7
Price	22	4	0
Minimum qty requirements	3	10	12
Packaging	2	15	8
Product Consistency	24	2	0
Quality meets industry standards	18	5	0
Quality exceeds industry standards	9	10	6
Product range	2	14	9
Reliability of supply	25	1	0
Technical support/service	5	11	10
U.S. transportation costs	9	10	6

Source: *Certain Polyester Staple Fiber from Korea and Taiwan, Inv. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. II-9.

Lead Times

Certain PSF is generally sold out of inventory with short lead times. Three producers reported that at least 90 percent of their sales were from inventory, with *** selling 70 percent from inventory. On the other hand, 70 percent of *** sales were produced to order, as were all of *** sales. Lead times for producers' sales from inventory and produced to order ranged from two days to three weeks. Six importers reported that 60 percent or more of their sales were from inventory, and two more reported that at least 50 percent of their sales were from inventory. However, *** indicated that 95 percent of its sales were produced to order. While importers generally estimated lead times at two days to two months for sales from inventory, their sales produced to order had estimated lead times between one and three months.

Comparisons of Domestic Products and Subject Imports

Producers and importers were asked to assess how interchangeable certain PSF from the United States was with certain PSF from subject and nonsubject countries. Their responses are summarized in table II-4.

Table II-4

Certain PSF: U.S. producers' and importers' perceived degree of interchangeability of product produced in the United States and in other countries

Country comparison	Number of firms reporting							
	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	2	4	0	0	3	7	4	1
U.S. vs. nonsubject	2	2	0	0	3	9	3	1
China vs. nonsubject	2	2	0	0	3	9	3	1

Note: A = Always; F = Frequently; S = Sometimes; N = Never.

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

Producers did not offer further comments on interchangeability. Among importers, *** stated that quality is a “huge factor,” and added that it could not obtain certain PSF with consistent quality and pricing from ***. *** explained that it markets Chinese product for specific end uses, to consumers who would use a different raw material (rather than PSF) if Chinese PSF were not available. *** said that the fibers that it markets have been produced in Asia since the 1970s, and are generally considered commodity-type products with little differentiation. However, *** offered an opposite opinion, elaborating that different countries produce different certain PSF with different physical characteristics, quality levels, and colors. It continued that for fill end uses, the bounce, softness, resiliency, and durability of the certain PSF may differ. It added that different end users use different fiber-processing machines, and that compatibility with end users’ machines can vary widely from one type of certain PSF to another. It also noted that in some end-use markets, regen and virgin certain PSF do not compete and have not competed for many years.

*** described competition between U.S. and Chinese product as hinging on availability, as it said that while there is U.S. conjugate fiber, it is not available in the quantity or the ranges of qualities requested by the market. It added that conjugate regen is not available from U.S. producers. For hollow and solid certain PSF, it stated that some product is interchangeable and some not, in part due to different products not being available from each country. *** responded that its customers require 100 percent recycled products due to environmental concerns, and that not all suppliers produce such a product. *** indicated that it usually imports certain PSF that is not produced in the United States.

Producers and importers were asked to assess how often differences other than price were significant in sales of certain PSF from the United States, subject countries, or nonsubject countries. Their answers are summarized in table II-5.

Table II-5

Certain PSF: U.S. producers' and importers' perceived importance of factors other than price in sales of certain PSF produced in the United States and in other countries

Country comparison	Number of firms reporting							
	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
U.S. vs. China	0	2	2	2	6	4	5	0
U.S. vs. nonsubject	0	0	2	2	4	4	6	0
China vs. nonsubject	0	0	2	2	4	3	7	0

Note: A = Always; F = Frequently; S = Sometimes; N = Never.

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

Producers did not offer further comments on differences other than price. Among importers, *** reported that after it failed to receive consistent high quality from ***, it finally found one Chinese company with consistent quality and price. It added that it has had problems with quality, reasonable and “fair” prices, and “decent” advanced notice of price increases when dealing with ***. *** stated that *** provide certain PSF with a significant yield advantage over U.S. producers as well as some Thai and Indonesian producers. *** indicated that there are always differences besides price in the country comparisons above, and that its company strategy is to match specific products with specific customers’ needs. It continued that although unit price is a determining factor, its products are marketed based on customer demands and specifications. *** said that availability is the most important factor because recycled hollow fiber is in short supply in the United States. *** stated that there are physical properties and other quality issues that make a difference to customers.

*** responded that in conjugate virgin certain PSF, quality and product range are always significant in competition between U.S. product and Chinese product and in competition between U.S. product and nonsubject country product. However, in competition between Chinese product and nonsubject country product, price and availability are more significant since quality is generally more comparable. It continued that in regen certain PSF, quality and availability are frequently significant, and that decisions between U.S. and Chinese product and between U.S. and nonsubject country product are rarely made on the basis of price alone.

*** said that the success of a particular type of certain PSF depends on more than just price, citing performance, regular monthly availability, the ability of the producer to modify the fiber’s technical capabilities, and the producer’s available production capacity. It added that some fibers may work well on one customer’s machines while not well on another’s. *** reported that in comparing U.S. product to Chinese product, Chinese quality is higher in both yield and feel. It added that the transportation network in the United States for Chinese certain PSF is better established than for nonsubject country product. *** indicated that U.S. certain PSF is not always available, and thus imported product is necessary for its customer base.

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

Information in this part of the report is based on the questionnaire responses of eight firms that accounted for virtually all of U.S. production of certain PSF during 2005. One certain PSF producer, ***, did not provide a complete response.¹

U.S. PRODUCERS

The Commission sent producers' questionnaires to 13 firms: 7 firms identified in the petition² and 6 firms identified as possible additional producers of the subject product in a review of industry sources.³ Responses were received from *** firms. *** certified no production while eight certified production of certain PSF during the period of investigation. *** did not respond, as it *** during the review of certain PSF from Korea and Taiwan and *** went out of business during the review on certain PSF from Korea and Taiwan. Since the original investigation on certain PSF from Korea and Taiwan, the domestic industry has contracted. The entire domestic industry is now comprised of eight companies. Details regarding each responding firm's production location(s), share of 2005 production, parent company, and position on the petition are presented in table III-1.

Petitioners collectively account for *** percent of domestic production. ***, the largest domestic producer, accounted for *** percent of domestic production of certain PSF in the United States in 2005. *** accounted for *** and *** percent of domestic production in 2005, respectively. ***, which ***, is the second largest producer and accounted for *** percent of production in 2005.

¹ Questionnaire data supplied by *** were incomplete. Data were augmented with information submitted in response to the Commission's producers' questionnaires in the recent five-year reviews of certain PSF from Korea and Taiwan.

² The firms are DAK, Formed Fiber Technologies, Invista, Nan Ya, United Synthetics, US Fibers, and Wellman.

³ The firms are ***.

**Table III-1
Certain PSF: U.S. producers, positions on petition, plant locations, and shares of U.S. production in 2005**

Firm Name	Position on petition	Plant locations	Parent company	Share of reported 2005 U.S. production (percent)
DAK Americas, LLC ("DAK")	Support (petitioner)	Charlotte, NC Leland, NC Moncks Corner, SC	***% Alfa S.A. de C.V. *** (Mexico) ***% Alpek S.A. de C.V. *** (Mexico)	***
Formed Fiber Tech. ("FFT") ¹	***	Sumter, SC	***% Morgenthaler Partners (U.S.)	***
Invista S.a.r.l. ("Invista")	***	Salisbury, NC Spartanburg, SC	***% Koch Industries (U.S.)	***
Nan Ya Plastics Corp., America	Support (petitioner)	Lake City, SC	***% Nan Ya Plastics (Taiwan)	***
Palmetto Synthetics, LLC ("Palmetto")	Support	Kings Tree, SC	***% Palmetto Synthetics	***
United Synthetics, Inc. ("United Synthetics")	***	Lafayette, GA	60% Korea Synthetics Fiber, Inc. (Korea) ² *** (U.S.) ³	***
U.S. Fibers	***	Laurens, SC Trenton, SC	***% U.S. Fibers (U.S.)	***
Wellman, Inc.	Support (petitioner)	Darlington, SC Johnsonville, SC Marion, SC (closed)	***% Wellman (U.S.)	***
<p>¹ ***. ² Found at company website www.unitedsynthetics.com/aboutus.htm, retrieved on July 17, 2006. ³ ***.</p>				
Source: Compiled from data submitted in response to Commission questionnaires unless otherwise noted.				

The Commission asked domestic producers to describe any plant openings, relocations, expansions, acquisitions, consolidations, closures, and prolonged shutdowns. *** reported closing or reducing production lines of certain PSF.

*** indicated that "in November 2004 ***."⁴ DAK *** indicated that its facility located in Mexico was closed in July of 2005 to re-balance and improve capacity utilization of U.S. facilities⁵. *** indicated that its *** no longer produces certain PSF and capacity has been reduced by 33 percent at its

⁴ *** producers' questionnaire response, section II-2.

⁵ Conference transcript, p. 12 (McNaull).

.⁶ Though ***⁷, it indicated that “.”⁸ *** reported that in the second quarter of 2005 the *** plant permanently shut down *** million pounds of capacity to manufacture certain PSF. It explained that due to low margins, the equipment was “too costly to operate.”⁹

Both *** declared force majeure (an unexpected or uncontrollable event) during the period of investigation. *** in September 2005, declared force majeure at its *** plant due to raw material shortages, and reduced shipments to its customers. The force majeure lasted for about two months¹⁰. *** listed issues with raw material supplies following Hurricanes Katrina and Rita. Furthermore, *** instituted raw material surcharges due to the short-term elevated cost in raw materials.¹¹

At the staff conference Nan Ya explained that one of its highest margin products, its conjugate PSF production line, was shut down in May 2006 due to increased imports.¹² However, just recently, Nan Ya was able to resume production of conjugate PSF due to “renewed customer inquires.”¹³ Wellman also indicated that it closed production lines at its Johnsonville facility in 2005. It reduced production by “remov[ing] 80 out of . . . 240 million pounds” of capacity.¹⁴

The Commission asked domestic producers to describe the constraints that limit production capacity. Most responded that equipment design and configuration limited capacity to produce certain PSF.¹⁵ However, *** indicated that production capacity is constrained by market demand. Currently, *** due to lack of market opportunity¹⁶. *** reported that ***.¹⁷

The Commission asked producers to identify related firms that import or produce certain PSF. Nan Ya reported at the conference that its parent company recently completed the production of a polyester filament manufacturing facility in Kunshan, China.¹⁸ That facility will produce polyester filament yarn that is not related to certain PSF. Polyester filament yarn is a textile polyester product that undergoes an entirely different production process, with separate engineering and equipment design resulting in completely distinct production models.¹⁹

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data regarding U.S. producers’ capacity, production, and capacity utilization of certain PSF are presented in table III-2. No domestic producer reported involvement in toll arrangements or production of certain PSF in a Foreign Trade Zone since January 2003.

⁶ *** producers’ questionnaire response, section II-2.

⁷ ***.

⁸ *** producers’ questionnaire response, section II-2.

⁹ *** producers’ questionnaire response, section II-2.

¹⁰ *** producers’ questionnaire response, section II-2.

¹¹ *** producers’ questionnaire response, section II-2.

¹² Conference transcript, p. 23 (Barfield).

¹³ Ibid, p. 25.

¹⁴ Ibid, p. 67 (Bermish).

¹⁵ Producers’ questionnaire response, section II-4.

¹⁶ *** producers’ questionnaire response, section II-4.

¹⁷ *** producers’ questionnaire response, section II-4.

¹⁸ Conference transcript, p. 25 (Barfield).

¹⁹ Ibid, p. 62.

Table III-2
Certain PSF: U.S. capacity, production, and capacity utilization, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January - March	
	2003	2004	2005	2005	2006
Capacity (1,000 pounds)					
DAK	***	***	***	***	***
FFT	***	***	***	***	***
Invista	***	***	***	***	***
Nan Ya	***	***	***	***	***
Palmetto	***	***	***	***	***
United Synthetics	***	***	***	***	***
U.S. Fibers	***	***	***	***	***
Wellman	***	***	***	***	***
Total	***	***	926,994	244,770	220,221
Production (1,000 pounds)					
DAK	***	***	***	***	***
FFT	***	***	***	***	***
Invista	***	***	***	***	***
Nan Ya	***	***	***	***	***
Palmetto	***	***	***	***	***
United Synthetics	***	***	***	***	***
U.S. Fibers	***	***	***	***	***
Wellman	***	***	***	***	***
Total	***	***	606,822	164,195	139,111
Capacity utilization (percent)					
DAK	***	***	***	***	***
FFT	***	***	***	***	***
Invista	***	***	***	***	***
Nan Ya	***	***	***	***	***
Palmetto	***	***	***	***	***
United Synthetics	***	***	***	***	***
U.S. Fibers	***	***	***	***	***
Wellman	***	***	***	***	***
Average	***	***	65.5	67.1	63.2
¹ Not applicable, ***. Note: Data do not reconcile with the recent five-year reviews of certain PSF from Korea and Taiwan. ***. Source: Compiled from data submitted in response to Commission questionnaires.					

Reported U.S. capacity to produce certain PSF increased from 2003 to 2004 before decreasing in 2005. Overall, capacity increased *** percent between 2003 and 2005. Capacity declined in the January-March interim periods 2005 to 2006 by 10.0 percent. Production followed the same pattern, first increasing in 2004 and then decreasing in 2005. Production increased by *** percent during 2003-05, and was 15.3 percent lower in the interim period January-March 2006 than in January-March 2005. Capacity utilization was at its highest, *** percent in 2004, and its lowest, *** percent in 2003.

Respondents argue that for certain U.S. producers that produce both subject and nonsubject PSF products on the same machinery and equipment, the capacity data for certain PSF as reported by those firms are unrealistic.²⁰ Respondents question the accuracy of the capacity allocations between subject and nonsubject PSF products. Data regarding certain U.S. producers' capacity utilization for certain PSF, all other products, and all products are presented in table III-3.

Table III-3
Certain PSF: U.S. capacity utilization, 2003-05, January-March 2005, and January-March 2006

* * * * *

*** firms (accounting for approximately *** percent of total reported U.S. production of the subject product during 2005) reportedly produce other products, such as fine denier PSF, PSF for carpeting, low-melt PSF, and other PSF products (e.g., nylon), on the same machinery and equipment used to produce the subject PSF. Their product mix is reportedly determined by market demand. Data on capacity and production for all such products by U.S. manufacturers are presented in table III-4. Production of alternative products, increased over the period of investigation. During 2003-05 overall production of nonsubject PSF increased *** percent. Certain PSF accounted for about *** of total production, while PSF less than 3 denier accounted for over *** percent of production throughout the period of investigation. Collectively, PSF for carpeting, low-melt, and other PSF represented up to *** percent of production.

²⁰ Respondents' postconference brief, pp. 2-3.

Table III-4

Certain PSF: U.S. producers' capacity, production, and share of total production for all products 2003-05, January-March 2005, January-March 2006

Item	Calendar year			January - March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Annual capacity for all ¹	***	***	2,088,900	516,725	529,225
Production of certain PSF ²	***	***	***	***	***
Production of nonsubject:					
PSF of less than 3 denier ³	***	***	***	***	***
PSF for carpeting	***	***	***	***	***
Low-melt	***	***	***	***	***
Other ⁴	***	***	***	***	***
Subtotal	***	***	***	***	***
Total production	***	***	1,696,591	432,341	407,836
Share of total production (percent)					
Certain PSF products:	***	***	***	***	***
Alternative products:					
PSF of less than 3 denier ³	***	***	***	***	***
PSF for carpeting	***	***	***	***	***
Low-melt	***	***	***	***	***
Other ⁴	***	***	***	***	***
Total nonsubject products	***	***	***	***	***
Capacity utilization (percent)					
All products	***	***	81.2	83.7	77.1
Certain PSF	***	***	65.5	67.1	63.2
<p>1 *** 2 *** 3 *** PSF less than 3 denier from *** thousand pounds in the review to *** thousand pounds in this investigation. 4 ***</p> <p>Note: Differences in data when compared to corresponding tables in the Commission recent five-year reviews of certain PSF are attributable to ***.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

Data on the domestic industry's U.S. shipments and export shipments of certain PSF are presented in table III-5. Between 2003 and 2005, the quantity and value of the industry's U.S. shipments increased by *** percent and *** percent, respectively. No firm reported transfers to related firms or internal consumption during the period of investigation.

Table III-5
Certain PSF: U.S. producers' shipments, by type, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
U.S. shipments ¹	***	***	552,441	154,499	114,347
Export shipments	***	***	54,484	11,592	22,369
Total	***	***	606,925	166,091	136,716
Value (\$1,000)					
U.S. shipments ¹	***	***	396,661	104,725	82,453
Export shipments	***	***	37,531	7,660	15,082
Total	***	***	434,192	112,385	97,535
Unit value (per pound)					
U.S. shipments ¹	***	***	\$0.72	\$0.68	\$0.72
Export shipments	***	***	0.69	0.66	0.67
Average	***	***	0.72	0.68	0.71
Share of shipment quantity (percent)					
U.S. shipments ¹	***	***	91.0	93.0	83.6
Export shipments	***	***	9.0	7.0	16.4
Total	***	***	100.0	100.0	100.0
<p>¹ All U.S. shipments consisted of commercial sales. No firm reported internal consumption or transfers to related firms during the period of investigation. In addition, ***.</p> <p>Note: Data do not reconcile with the recent five-year reviews of certain PSF from Korea and Taiwan. ***.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

Exports increased over the period of investigation from *** percent of total shipments during 2003 to 16.4 percent during interim period January-March 2006. Reported markets for U.S. exports are Canada, Mexico, and Europe. *** accounted for *** percent of all exports during 2005.²¹ The average unit value of exports was consistently lower than the average unit value of U.S. shipments.

Domestic shipments, as a share of total shipments, decreased during 2003-05 by *** percentage points. Virgin PSF accounted for *** percent of U.S. shipments in 2005, while regenerated accounted for *** percent, and conjugate *** percent. Shipments of virgin and conjugate increased during 2003-05 while shipments of regenerated PSF fell by *** percent.

Data on the U.S. industry's domestic shipments by product group are presented in table III-6. *** producers reported shipments of virgin PSF. *** shipped *** thousand pounds in 2005. During 2005, *** shipped *** percent more virgin PSF than the next largest domestic producer, ***. *** was the *** domestic producer to report shipments of conjugate PSF during the period of investigation. These shipments represented *** percent of its total shipments. *** reported shipments of regenerated PSF during the period of investigation. ***. Of *** total shipments, shipments of regenerated PSF represented *** percent.

²¹ Producers' questionnaire response, section II-9.

Table III-6
Certain PSF: U.S. producers' U.S. shipments, by product groups, 2003-05, January-March 2005,
and January-March 2006

Item	Calendar year			January - March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Virgin polyester staple	***	***	298,822	78,199	66,841
Conjugate polyester staple ¹	***	***	***	***	***
Regenerated polyester staple ²	***	***	***	***	***
Other polyester staple	***	***	***	***	***
Total	***	***	***	***	***
Value (\$1,000)					
Virgin polyester staple	***	***	220,039	53,657	49,743
Conjugate polyester staple ¹	***	***	***	***	***
Regenerated polyester staple ²	***	***	***	***	***
Other polyester staple	***	***	***	***	***
Total	***	***	***	***	***
Unit value (per pound)					
Virgin polyester staple	***	***	\$0.74	\$0.69	\$0.74
Conjugate polyester staple ¹	***	***	***	***	***
Regenerated polyester staple ²	***	***	***	***	***
Other polyester staple	***	***	***	***	***
Average	***	***	***	***	***
Share of total quantity (percent)					
Virgin polyester staple	***	***	***	***	***
Conjugate polyester staple ¹	***	***	***	***	***
Regenerated polyester staple ²	***	***	***	***	***
Other polyester staple	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
<p>1 ***.</p> <p>2 ***.</p> <p>Note: Data do not reconcile with the recent five-year reviews of certain PSF from Korea and Taiwan. ***.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>					

U.S. PRODUCERS' IMPORTS

Data on U.S. producers' imports of certain PSF from all sources are presented in table III-7. As shown, *** reported U.S. imports of certain PSF from nonsubject sources in order to fill out broad product lines. ***, with a ***-percent ownership interest in United Synthetics, reported imports of certain PSF from China.

Table III-7

Certain PSF: U.S. production, U.S. imports (including affiliated firms), and ratio of imports to production, 2003-05, January-March 2005, and January-March 2006

* * * * *

U.S. PRODUCERS' INVENTORIES

Data collected during this preliminary phase of this investigation for domestic producers' end-of-period inventories of certain PSF are presented in table III-8. Inventories increased by *** percent during 2003-05 and 14.3 percent during the interim periods January-March 2005 to January-March 2006. Inventories, as a share of production, remained steady between 2003 and 2004, before increasing in 2005. Inventories, as a share of U.S. shipments, grew from *** percent in 2003 to *** percent in 2005. The highest level of inventories, as a share of U.S. shipments, occurred during the interim period January-March 2006.

Table III-8

Certain PSF: U.S. producers' end-of-period inventories, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January - March	
	2003	2004	2005	2005	2006
Inventories (1,000 pounds) ¹	***	***	32,551	31,557	36,058
Ratio of inventories to production (percent)	***	***	5.4	4.8	6.5
Ratio of inventories to U.S. shipments (percent)	***	***	5.9	5.1	7.9
Ratio of inventories to total shipments (percent)	***	***	5.4	4.7	6.6
¹ ***. E-mail from ***, July 26, 2006. Source: Compiled from data submitted in response to Commission questionnaires.					

Although no domestic producer identified any related firms that import certain PSF from China into the United States or export certain PSF from China to the United States, *** reported an affiliation with *** in the reviews on certain PSF from Korea and Taiwan²². ***, in this investigation, reported imports of certain PSF from China during the period of investigation.²³ Only one firm, ***, indicated that its subsidiary, ***, produces and imports certain PSF from countries other than China into the United States or exported certain PSF from countries other than China into the United States.²⁴

The Commission asked domestic producers if they had related firms, either domestic or foreign, engaged in the production of certain PSF. *** all reported having related firms that produce certain PSF. *** indicated that its manufacturing facility in ***, ***, produced PSF during the period of investigation, ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

U.S. producers' aggregate employment data for certain PSF are presented in table III-9. The number of production and related workers ("PRWs") employed by U.S. certain PSF producers decreased by *** percent between 2003 and 2005, equaling to a decrease of *** workers. Over this period, hourly wages increased by *** percent while productivity increased by *** percent, resulting in a *** percent decrease in unit labor costs from 2003 to 2005. PRWs and hours worked declined in the interim periods by 6.4 and 3.0 percent, respectively. The most significant change during the interim periods occurred with wages. Wages paid and hourly wages in the interim periods increased by 7.7 and 11.1 percent, respectively. ***, the largest employer of certain PSF PRWs, decreased PRWs by ***.²⁵

The Commission asked domestic producers to describe their ability to use the same employees to produce other products on the same equipment and machinery used in the production of certain PSF. Four firms, including ***, indicated that they are unable to produce alternative products with the same employees on their machinery and equipment²⁶. *** indicated some ability.²⁷

²² *** producers' questionnaire response in the review investigations on certain PSF from Korea and Taiwan.

²³ *** importers' questionnaire response, section II-5.

²⁴ Producers' questionnaire response, sections I-5, I-6 and I-7.

²⁵ *** producers' questionnaire response, section II-9.

²⁶ *** producers' questionnaire responses, sections II-3 & II-5.

²⁷ *** producers' questionnaire responses, sections II-3 & II-5.

Table III-9
Certain PSF: U.S. producers' employment-related indicators, 2003-05, January-March 2005, and January-March 2006¹

Item	Calendar year			January–March	
	2003	2004	2005	2005	2006
Production and related workers (<i>PRWs</i>)	***	***	1,043	1,054	986
Hours worked by <i>PRWs</i> (<i>1,000 hours</i>)	***	***	2,382	549	532
Wages paid to <i>PRWs</i> (<i>\$1,000</i>) ²	***	***	46,146	12,294	13,240
Hourly wages	***	***	\$19.38	\$22.40	\$24.88
Productivity (<i>pounds</i> ³ <i>produced per 1,000 hours</i>)	***	***	237.3	279.0	237.8
Unit labor costs (<i>per pound</i>) ³	***	***	\$0.08	\$0.08	\$0.10

¹ *** did not provide usable *PRW* information.
² ***. E-mail from ***, July 26, 2006.
³ Productivity and unit labor costs are calculated using data from companies reporting both production and employment data. Companies not reporting employment data include ***.

Note: Data do not reconcile with the recent five-year reviews of certain PSF from Korea and Taiwan. ***. *** also reported that its *PRW* information was understated in the reviews and therefore submitted new *PRW* data in this investigation, increasing their *PRW* information by *** percent. E-mail from ***, July 20, 2006.

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

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

U.S. IMPORTERS

Importer questionnaires were sent to 35 firms believed to be importers of subject PSF, as well as to all U.S. producers. Usable questionnaire responses were received from 23 companies which in 2005 accounted for 86.3 percent of total U.S. imports of certain PSF from China (based on official Commerce statistics). Four importers certified that they did not import certain PSF. Seventeen companies reported imports of certain PSF from China during 2003-05, while five reported imports exclusively from other sources.¹ Five firms reported imports exclusively from China. The five largest responding importers of PSF from China were ***, collectively accounting for 77.9 percent of reported imports of certain PSF from China in 2005. A list of U.S. importers of certain PSF, country sources, and shares of reported 2005 imports from China and other sources is presented in table IV-1.

Table IV-1

Certain PSF: U.S. importers, source(s) of imports, U.S. headquarters, parent companies, and shares of total imports in 2005

* * * * *

Responding U.S. importers of certain PSF are concentrated in two major geographic areas: nine reported to be in the Carolinas, and six reported to be in the Mid-Atlantic region. The remaining responding importers are located through the continental United States ranging from Maine to California.

The Commission asked importers to describe any plant openings, relocations, expansions, acquisitions, consolidations, closures, and prolonged shutdowns. Of 22 importers, three indicated plant closures in their questionnaire responses: ***.² ***. *** further reported that its *** plant *** was closed to ***.³ *** indicated that its *** no longer makes PSF, reducing its capacity by *** percent.⁴ *** indicated that in 2004 its manufacturing division was closed due to cheap low-end imports of nonsubject product from China.⁵

¹ *** certified that it had imported certain PSF since January 1, 2003, but it did not report the source of its imports. *** importers' questionnaire.

² Importers' questionnaire response, section II-2.

³ *** importers' questionnaire response, section II-2.

⁴ *** importers' questionnaire response, section II-2.

⁵ *** importers' questionnaire response, section II-2. ***.

The Commission asked importers to identify related firms that import or produce certain PSF. One importer, ***, indicated that it has a related firm that imports certain PSF.⁶ In questionnaire responses, two firms, ***, identified related production facilities. *** indicated that its related firm, ***, produces certain PSF.⁷ ***, in fact, does not produce certain PSF; it produces ***.⁸ *** identified *** as a related firm.⁹

The largest importer of certain PSF in 2005 was ***. *** purchases both domestically produced certain PSF as well as imports from China, some of which are from ***. Moreover, *** accounted for ***¹⁰ percent of all imports of certain PSF, with ***¹¹ percent of their imports originating from China. As a comparison, the next largest importer in terms of imported quantity in 2005 is ***, and it imports only *** the amount *** imports. *** accounted for ***¹² percent of all imports of certain PSF, with *** percent of their aggregated imports originating from China.

U.S. IMPORTS

Imports of certain PSF from China and from all nonsubject countries for the periods 2003-05, January-March 2005, and January-March 2006 are presented in table IV-2. The total quantity of certain PSF imports from all sources increased from 2003 to 2005 by 0.9 percent. U.S. imports of certain PSF from China increased during the same period by 161.2 percent.

Nonsubject imports accounted for a decreasing portion of total U.S. imports during the period of investigation. Among the largest nonsubject import sources, imports from Korea decreased 28.5 percent during 2003-05 while imports from Thailand increased 41.4 percent over the same period.

Data on imports from China by product group are presented in table IV-3. Imports of certain PSF from China were present in all product groups, but principally in regenerated product.

⁶ *** importers' questionnaire response, section I-4.

⁷ *** importers' questionnaire response, section I-5.

⁸ ***, retrieved on July 24, 2006.

⁹ *** importers' questionnaire response, section I-5.

¹⁰ *** reported total imports compared to official Commerce statistics (Importers' questionnaire response, section II-9).

¹¹ *** reported imports from China compared to official Commerce statistics (Importers' questionnaire response, section II-9).

¹² *** reported imports compared to total imports (Importers' questionnaire response, section II-9).

Table IV-2
Certain PSF: U.S. imports, by sources, 2003-05, January-March 2005, and January-March 2006

Source	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
China	74,606	71,280	194,872	30,565	60,084
Other sources:					
Korea	258,351	209,856	184,832	40,848	48,977
Taiwan	94,793	72,376	54,139	11,206	11,054
Subtotal	353,144	282,232	238,971	52,055	60,032
Thailand	30,744	41,848	43,475	12,904	12,159
Indonesia	30,400	12,657	24,830	4,641	9,900
India	11,165	16,147	21,090	4,889	7,721
Mexico	22,074	11,854	9,702	4,315	20
All other	22,488	12,549	16,743	3,889	4,459
Subtotal, nonsubject imports	470,015	377,287	354,812	82,693	94,290
Total imports	544,620	448,568	549,684	113,258	154,373
Landed, duty paid value (\$1,000)					
China	32,465	36,211	111,617	17,424	33,267
Other sources:					
Korea	107,640	100,920	108,549	24,161	26,458
Taiwan	48,612	43,262	36,971	8,092	6,974
Subtotal	156,252	144,181	145,521	32,253	33,432
Thailand	17,027	26,694	31,598	9,522	8,268
Indonesia	15,543	6,722	15,438	2,687	6,123
India	4,570	7,654	12,205	2,832	4,551
Mexico	16,097	10,644	9,468	4,768	16
All other	13,122	8,694	16,753	3,450	4,587
Subtotal, nonsubject imports	222,610	204,588	230,982	55,511	56,979
Total imports	255,075	240,799	342,599	72,935	90,245

Table continued on next page.

Table IV-2 -- Continued
Certain PSF: U.S. imports, by sources, 2003-05, January-March 2005, and January-March 2006

Source	Calendar year			January-March	
	2003	2004	2005	2005	2006
Unit value (per pound)					
China	\$0.44	\$0.51	\$0.57	\$0.57	\$0.55
Other sources:					
Korea	0.42	0.48	0.59	0.59	0.54
Taiwan	0.51	0.60	0.68	0.72	0.63
Subtotal	0.44	0.51	0.61	0.62	0.56
Thailand	0.55	0.64	0.73	0.74	0.68
Indonesia	0.51	0.53	0.62	0.58	0.62
India	0.41	0.47	0.58	0.58	0.59
Mexico	0.73	0.90	0.98	1.11	0.82
All other	0.58	0.69	1.00	0.89	1.03
Subtotal, nonsubject imports	0.47	0.54	0.65	0.67	0.60
Total imports	0.47	0.54	0.62	0.64	0.58
Share of quantity (percent)					
China	13.7	15.9	35.5	27.0	38.9
Other sources:					
Korea	47.4	46.8	33.6	36.1	31.7
Taiwan	17.4	16.1	9.8	9.9	7.2
Subtotal	64.8	62.9	43.5	46.0	38.9
Thailand	5.6	9.3	7.9	11.4	7.9
Indonesia	5.6	2.8	4.5	4.1	6.4
India	2.0	3.6	3.8	4.3	5.0
Mexico	4.1	2.6	1.8	3.8	0.0
All other	4.1	2.8	3.0	3.4	2.9
Subtotal, nonsubject imports	86.3	84.1	64.5	73.0	61.1
Total imports	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table IV-2 -- Continued
Certain PSF: U.S. imports, by sources, 2003-05, January-March 2005, and January-March 2006

Source	Calendar Year			January-March	
	2003	2004	2005	2005	2006
Share of value (percent)					
China	12.7	15.0	32.6	23.9	36.9
Other sources:					
Korea	42.2	41.9	31.7	33.1	29.3
Taiwan	19.1	18.0	10.8	11.1	7.7
Subtotal	61.3	59.9	42.5	44.2	37.0
Thailand	6.7	11.1	9.2	13.1	9.2
Indonesia	6.1	2.8	4.5	3.7	6.8
India	1.8	3.2	3.6	3.9	5.0
Mexico	6.3	4.4	2.8	6.5	0.0
All other	5.1	3.6	4.9	4.7	5.1
Subtotal, nonsubject imports	87.3	85.0	67.4	76.1	63.1
Total imports	100.0	100.0	100.0	100.0	100.0
Note: No firm reported imports via temporary import bonds, bonded warehouses, or foreign trade zones.					
Source: Compiled from official Commerce statistics.					

The average unit value of imports of certain PSF from China increased 31.6 percent between 2003 and 2005. During January-March 2006, unit value slightly decreased compared to January-March 2005. The unit value of imports from nonsubject sources also followed this trend, increasing 37.5 percent during 2003-05 and decreasing by 10.4 percent during the interim periods.

China's share of total imports increased more than any other country's during 2003-05, rising from 13.7 percent in 2003 to 35.5 percent in 2005. China's share of imports also increased during the interim periods.

Table IV-3
Certain PSF: U.S. importers' U.S. shipments of imports from China, by product groups, 2003-05,
January-March 2005, and January-March 2006

Item	Calendar year			January - March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Virgin polyester staple	***	***	***	***	***
Conjugate polyester staple	***	***	***	***	***
Regenerated polyester staple	43,540	49,319	108,858	25,606	35,787
Other polyester staple	***	***	***	***	***
Total	62,456	65,446	177,965	33,326	56,123
Value (\$1,000)					
Virgin polyester staple	***	***	***	***	***
Conjugate polyester staple	***	***	***	***	***
Regenerated polyester staple	18,507	23,724	56,581	13,401	18,650
Other polyester staple	***	***	***	***	***
Total	27,706	31,953	95,896	17,907	29,710
Unit value (per pound)					
Virgin polyester staple	\$***	\$***	\$***	\$***	\$***
Conjugate polyester staple ²	***	***	***	***	***
Regenerated polyester staple	0.43	0.48	0.52	0.52	0.52
Other polyester staple	***	***	***	***	***
Average	0.44	0.49	0.54	0.54	0.53
Share of total quantity (percent)					
Virgin polyester staple	***	***	***	***	***
Conjugate polyester staple	***	***	***	***	***
Regenerated polyester staple	69.7	75.4	61.2	76.8	63.8
Other polyester staple	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
Source: Compiled from data submitted in response to Commission questionnaires.					

THE QUESTION OF NEGLIGIBLE IMPORTS

The statute (section 771(24)(A)(i) of the Act) provides that imports from a subject country corresponding to the domestic like product are negligible if such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition - in this case June 2005 through May 2006. Based on official Commerce statistics for that 12-month period, imports of certain PSF from China accounted for 39.0 percent of total U.S. imports as indicated in the tabulation below:

Source	Imports (1,000 pounds)	Share of total imports (percent)
China	239,038	39.0
Other sources	373,380	61.0
Total	612,418	100.0

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on U.S. consumption of certain PSF are presented in table IV-4. The quantity of apparent U.S. consumption increased steadily during 2003-05, by *** percent. During the interim periods, apparent consumption remained steady. The value of apparent U.S. consumption increased steadily by *** percent between 2003 and 2005. However, the value of apparent U.S. consumption declined in interim period January-March 2006 by 2.8 percent when compared to January-March 2005..

Shares of apparent U.S. consumption of certain PSF are presented in table IV-5. U.S. producers' share of apparent U.S. consumption value initially increased from 2003-04 by *** percentage points and then decreased from 2004-05 by *** percentage points. During January-March 2006 U.S. producers' share of apparent U.S. consumption decreased 15.1 percentage points when compared to January-March 2005. Imports from China gained *** percentage points of market share during 2003 to 2005, and increased by 11.0 percentage points during January-March 2006 when compared to the same period in 2005. The share of apparent U.S. consumption of imports of certain PSF from nonsubject sources decreased from 2003 to 2005, and rose during January-March 2006 compared to January-March 2005. The share of apparent U.S. consumption of imports of certain PSF from all sources decreased slightly from 2003 to 2005, and increased by 15.1 percentage points during January-March 2006 when compared to January-March 2005.

Table IV-4
Certain PSF: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption,
2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
U.S. producers' U.S. shipments	***	***	552,441	154,499	114,347
U.S. imports from:					
China	74,606	71,280	194,872	30,565	60,084
Korea	258,351	209,856	184,832	40,848	48,977
Taiwan	94,793	72,376	54,139	11,206	11,054
All other	116,870	95,055	115,841	30,638	34,258
Total imports	544,620	448,568	549,684	113,258	154,373
Apparent U.S. consumption	***	***	1,102,125	267,757	268,720
Value (\$1,000)					
U.S. producers' U.S. shipments	***	***	396,661	104,725	82,453
U.S. imports from:					
China	32,465	36,211	111,617	17,424	33,267
Korea	107,640	100,920	108,549	24,161	26,458
Taiwan	48,612	43,262	36,971	8,092	6,974
All other	66,358	60,407	85,461	23,258	23,546
Total imports	255,075	240,799	342,599	72,935	90,245
Apparent U.S. consumption	***	***	739,260	177,660	172,698
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

Table IV-5

Certain PSF: U.S. market shares, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Apparent U.S. consumption	***	***	1,102,125	267,757	268,720
Value (\$1,000)					
Apparent U.S. consumption	***	***	739,260	177,660	172,698
Share of quantity (percent)					
U.S. producers' U.S. shipments	***	***	50.1	57.7	42.6
U.S. imports from:					
China	***	***	17.7	11.4	22.4
Korea	***	***	16.8	15.3	18.2
Taiwan	***	***	4.9	4.2	4.1
Subtotal, Korea and Taiwan	***	***	21.7	19.5	22.3
All other	***	***	10.5	11.4	12.7
Subtotal, nonsubject	***	***	32.2	30.9	35.0
Total imports	***	***	49.9	42.3	57.4
Share of value (percent)					
U.S. producers' U.S. shipments	***	***	53.7	58.9	47.7
U.S. imports from:					
China	***	***	15.1	9.8	19.3
Korea	***	***	14.7	13.6	15.3
Taiwan	***	***	5.0	4.6	4.0
Subtotal, Korea and Taiwan	***	***	19.7	18.2	19.3
All other	***	***	11.6	13.1	13.6
Subtotal, nonsubject	***	***	31.3	31.3	32.9
Total imports	***	***	46.3	41.1	52.3
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

RATIO OF SUBJECT IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of subject imports to U.S. production of certain PSF is presented in table IV-6. Chinese imports as a ratio to production increased sharply from 2003 to 2005 and during the January-March interim periods. Imports from nonsubject sources as a ratio to production decreased from 2003 to 2005, and increased during January-March 2006. During January-March 2006 total U.S. imports exceeded U.S. production.¹³

Table IV-6
Certain PSF: Ratio of import quantity to U.S. production, 2003-05, January-March 2005, and January-March 2006

Source	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
U.S. production	***	***	606,822	164,195	139,111
Ratios to production (percent)					
China	***	***	32.1	18.6	43.2
Other Sources					
Korea	***	***	30.5	24.9	35.2
Taiwan	***	***	8.9	6.8	7.9
Subtotal	***	***	39.4	31.7	43.2
Thailand	***	***	7.2	7.9	8.7
Indonesia	***	***	4.1	2.8	7.1
India	***	***	3.5	3.0	5.5
Mexico	***	***	1.6	2.6	0.0
All other	***	***	2.8	2.4	3.2
Subtotal, nonsubject imports	***	***	58.5	50.4	67.8
Total imports	***	***	90.6	69.0	111.0
Source: Compiled from data submitted in response to Commission questionnaires and official Commerce statistics.					

¹³ Compare tables IV-4 and IV-6.

PART V: PRICING AND RELATED INFORMATION

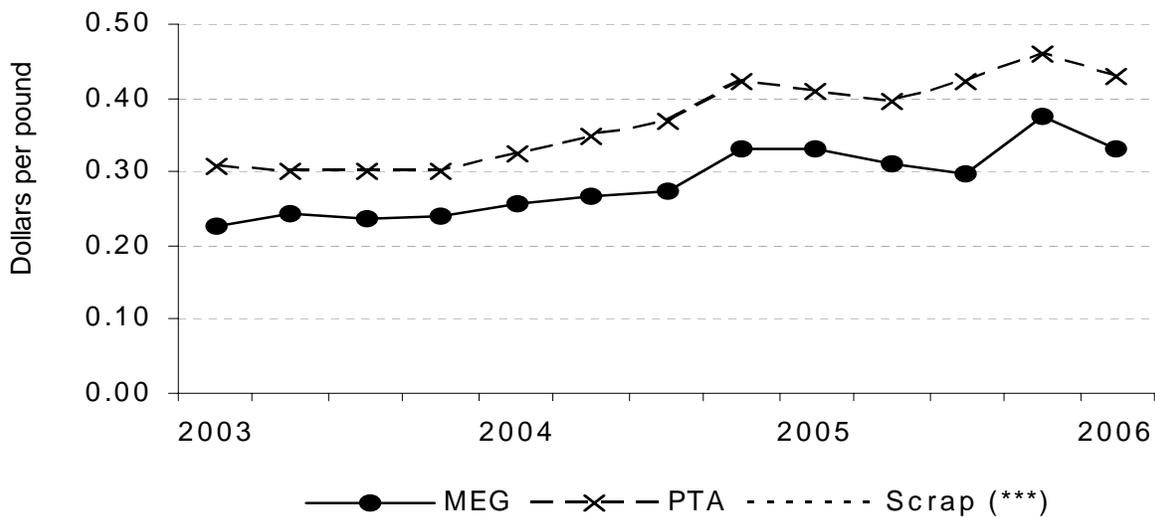
FACTORS AFFECTING PRICES

Raw Material Costs

Two raw materials, MEG and PTA, together reportedly account for over 60 percent of the cost of producing certain PSF.¹ Weighted-average purchase prices of these materials reported by U.S. producers are presented on a quarterly basis in figure V-1 below.² Prices for all raw materials have risen over the period examined and remain near their highs for the period. Nonetheless, prices for MEG and PTA do show some declines in the first quarter of 2006. DAK cited rising raw material and energy costs (in what it described as an energy-intensive business) as a significant change in the certain PSF market over the last year.³ DAK and Nan Ya expected energy and raw material prices to remain high and/or volatile.⁴

Figure V-1

Certain PSF: Weighted-average purchase prices reported by U.S. producers for mono ethylene glycol (MEG), purified terephthalic acid (PTA), and scrap, by quarters, January 2003-March 2006



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

¹ *Certain Polyester Staple Fiber from Korea and Taiwan, Invs. Nos. 731-TA-825-826 (Review)*, USITC Publication 3843, March 2006, p. V-1.

² Four U.S. producers, ***, provided data on raw material costs.

³ Conference transcript, p. 12 (McNaull).

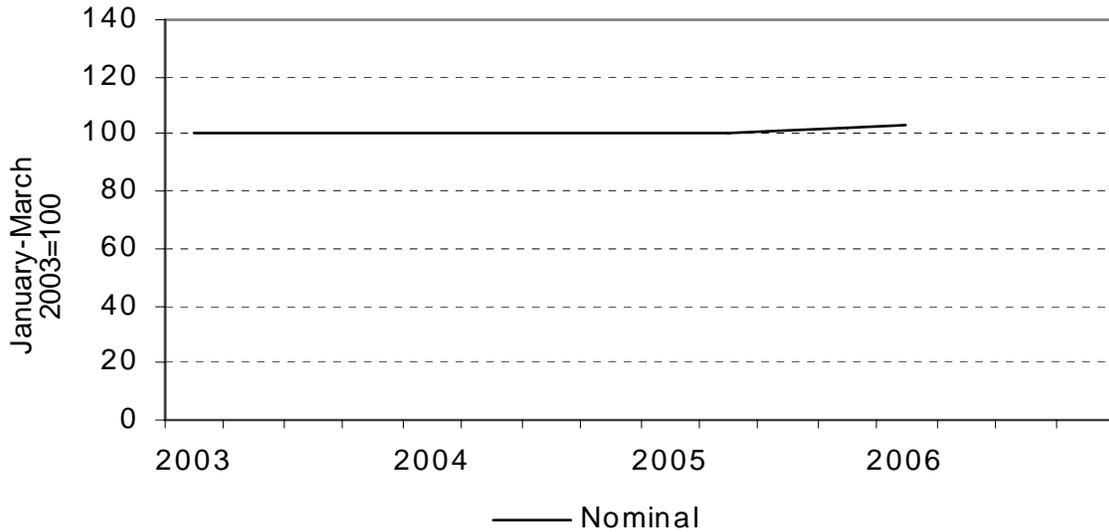
⁴ Conference transcript, pp. 57-58 (McNaull and Barfield).

Exchange Rates

Nominal exchange rate data for China are presented on a quarterly basis in figure V-2.⁵

Figure V-2

Exchange rates: Index of the nominal exchange rate between the Chinese yuan and the U.S. dollar, by quarters, January 2003-March 2006



Note- A rising trend indicates the yuan is appreciating against the dollar.

Source: International Monetary Fund, *International Financial Statistics*, July 2006 (retrieved from imfstatistics.org)

Transportation Costs to the U.S. Market

Transportation costs of imported certain PSF shipped from China were an estimated 15.1 percent of customs values for May 2005 through April 2006. 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.⁶

U.S. Inland Transportation Costs

Both producers and importers generally reported that U.S. inland transportation costs ranged from one to five percent of the total delivered cost of certain PSF. Among producers, three arranged transportation, two had purchasers arrange transportation, and one had purchasers arrange transportation 25 percent of the time while it arranged transportation 75 percent of the time. Among importers, 12 arranged transportation while two reported that the purchaser arranged transportation.

⁵ Real exchange rates are not available for China.

⁶ Following normal Commission practice, the estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for May 2005 through April 2006 and then dividing by the customs value.

PRICING PRACTICES

Pricing Methods

Certain PSF producers generally reported transaction-by-transaction negotiation (often monthly) to determine prices. Importers also reported widespread use of transaction-by-transaction negotiation. Some producers and some importers reported that prices must meet competitors' prices, with importer *** stating that market prices are set by ***. Producer *** and importers *** indicated that certain PSF is sometimes priced by adding a mark-up to the cost of materials. *** reported that while it negotiates a fixed selling price for a one year period, it has the right to renegotiate the price if the cost structure of the material changes.

Among producers, *** reported that 100 percent of their sales were spot sales⁷ while *** reported that 90 percent of its sales were spot sales and 10 percent long-term (more than a year). In addition, *** indicated that 75 percent of its sales were under short-term contracts (one year or less) and most of the rest were under long-term contracts. Among importers, three reported that at least 70 percent of their sales were under short-term contracts, and seven reported that at least 67 percent of their sales were spot sales. No importers reported any long-term contracts.

Sales Terms and Discounts

Discounts are not common in the certain PSF market. Among producers, *** did not report offering any discounts, while *** reported limited discounts to some customers based on volume and/or advance payments. Eleven importers do not have an official discount policy with two of those importers explaining that discounts are part of the negotiating process and/or rare but based on high volume. *** said that they offer discounts if customers pay promptly, and *** indicated that it gives discounts to one customer based on volume.

*** stated that it makes price quotations on a delivered basis, while *** indicated that their prices can be either f.o.b. warehouse or delivered. Two importers reported that their prices were quoted on a f.o.b. port or warehouse basis, nine importers on a delivered basis, and four importers on both f.o.b. warehouse and delivered bases.

PRICE DATA

The Commission requested U.S. producers and importers of certain PSF to provide quarterly data for the total quantity and value of certain PSF that was shipped to unrelated customers in the U.S. market. Data were requested for the period January 2003-March 2006. Four U.S. producers⁸ and 13 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' commercial shipments of certain PSF in 2005. They also account for *** percent of U.S. shipments of subject imports from China in 2005. The products for which pricing data were requested are as follows:

⁷ For producers, long-term contracts were subject to negotiation (in reality even if not in principle), and could fix either price or quantity. For both producers and importers, short-term contracts were less than 6 months, and often only one month or less. Producers generally reported that short-term contracts could be renegotiated, while importers generally reported that such contracts could not be renegotiated. Most (though not all) importers and producers saw short-term contracts fixing price and quantity with no meet-or-release provisions.

⁸ Producer *** had not submitted pricing data at the time of publication. Additionally, counsel for petitioners stated that when there are any other discrepancies between data supplied by petitioners in the recent reviews and data supplied in this investigation, the data supplied in this investigation are more accurate. See e-mail from Gina Beck for petitioners, July 25, 2006.

Product 1--Virgin polyester staple fiber.-- 5-7 denier, solid, dry

Product 2--Virgin polyester staple fiber.-- 5-7 denier, hollow, slick

Product 3--Virgin polyester staple fiber.-- 12-15 denier, solid, dry

Product 4--Virgin polyester staple fiber.-- 12-15 denier, hollow, slick

Product 5--Conjugate fiber.-- 12-15 denier, hollow, slick

Product 6--100% Regenerated polyester staple fiber.-- 5-7 denier, solid, dry

Product 7--100% Regenerated polyester staple fiber.-- 12-15 denier, solid, dry

Price Trends and Comparisons

Weighted-average prices reported by U.S. producers and importers are presented in tables V-1 through V-5 and in figures V-3 through V-12. Data for products 1 and 6 were combined as were data for products 2 and 7. Petitioners stated in their petition and again at the conference that there are no price differences or end-use differences for virgin and regenerated certain PSF.⁹ In the data as submitted in questionnaires, *** among U.S. producers provided data for products 6 and 7 while *** among U.S. importers provided data for products 1 through 4.¹⁰ In their postconference brief, respondents described virgin and regen certain PSF as different products with different prices.¹¹ Prices for all seven products separately are presented in appendix E.

Table V-6 summarizes the results of tables V-1 to V-5. Tables V-1, V-2, and V-4 show increasing quantities of Chinese certain PSF. All the tables for which data are available show price increases for both U.S. and Chinese certain PSF. For all the products for which comparisons between U.S. and Chinese product were possible, the U.S. product oversold the Chinese product more often than it undersold the Chinese product. Chinese underselling was more prevalent (on a per quarter basis) in 2005 and the first three months of 2006 than in previous years; in 2005 and the first three months of 2006, there were 17 quarterly instances of underselling by Chinese imports (and three instances of overselling) out of a total of 35 quarterly instances of underselling by Chinese imports (and 15 instances of overselling).

Table V-1

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported products 1 and 6, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table V-2

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported products 2 and 7, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

⁹ Petition, pp. 63-64 and conference transcript, pp. 54-55 (Cannon).

¹⁰ In addition, *** submitted data for products 6 and 7 but stated that the data were for a product that was black in color, low grade, and not produced in the United States. *** stated that its data were provided on a delivered basis because it could not extract f.o.b. warehouse prices.

¹¹ Respondents' producers' postconference brief, pp. 16-17.

Table V-3

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table V-4

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table V-5

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 5, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Figure V-3

Certain PSF: Weighted-average prices, as reported by U.S. producers and importers of products 1 and 6, by quarters, January 2003-March 2006

* * * * *

Figure V-4

Certain PSF: Quantities, as reported by U.S. producers and importers of products 1 and 6, by quarters, January 2003-March 2006

* * * * *

Figure V-5

Certain PSF: Weighted-average prices, as reported by U.S. producers and importers of products 2 and 7, by quarters, January 2003-March 2006

* * * * *

Figure V-6

Certain PSF: Quantities, as reported by U.S. producers and importers of products 2 and 7, by quarters, January 2003-March 2006

* * * * *

Figure V-7

Certain PSF: Weighted-average prices, as reported by U.S. producers of product 3, by quarters, January 2003-March 2006

* * * * *

Figure V-8

Certain PSF: Quantities, as reported by U.S. producers of product 3, by quarters, January 2003-March 2006

* * * * *

Figure V-9
Certain PSF: Weighted-average prices, as reported by U.S. producers and importers of product 4, by quarters, January 2003-March 2006

* * * * *

Figure V-10
Certain PSF: Quantities, as reported by U.S. producers and importers of product 4, by quarters, January 2003-March 2006

* * * * *

Figure V-11
Certain PSF: Weighted-average prices, as reported by U.S. producers and importers of product 5, by quarters, January 2003-March 2006

* * * * *

Figure V-12
Certain PSF: Quantities, as reported by U.S. producers and importers of product 5, by quarters, January 2003-March 2006

* * * * *

Table V-6
Certain PSF: Trends in pricing product data and instances of underselling/(overselling) by imports of Chinese certain PSF

Product	Percent increase in U.S. price, January-March 2003 to January-March 2006	Percent increase in Chinese price, January-March 2003 to January-March 2006	Instances of underselling/(overselling)
1 and 6	42.1	36.9	11 (2)
2 and 7	31.0	23.3	7 (6)
3	31.6	--	--
4	72.4	--	8 (3)
5	32.2	33.0	9 (4)
Total	--	--	35 (15)

Source: Tables V-1 to V-5.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of certain PSF to report any instances of lost sales and lost revenues that they experienced due to competition from imports of certain PSF from China during January 2003 through March 2006. *** reported all of the following allegations. Their *** lost sales allegations totaled \$*** and involved *** pounds of certain polyester staple fiber. No producers reported any lost revenue allegations. Staff contacted the listed purchasers and a summary of the information obtained follows in table V-7 and the text descriptions below.

Table V-7
Certain PSF: U.S. producers' lost sales allegations involving certain PSF

* * * * *

*** disagreed with the *** lost sales allegation(s) involving ***. They had “*** and evaluated their product but really didn’t get *** that” *** required. According to *** did not produce the *** that *** desired. Moreover, *** reported several problems with *** as well, stating that the quality of ***’s fiber did not meet *** that *** customers wanted. *** continued that its switch to Chinese certain PSF resulted in *** improvement of *** percent. Finally, *** said that during ***, ***. After searching for fibers domestically and internationally, *** decided to import from *** “because it offered superior quality... and ***. And finally the price was agreeable.”¹²

*** disagreed with the *** lost sales allegation(s) involving ***. *** reported that *** percent of their *** was purchased from U.S.-based *** during the time frame in question (***)¹³.

*** agreed with the *** lost sales allegation(s) brought by ***.¹⁴

*** agreed to the *** lost sale allegation(s) brought by ***, stating that prices for *** “comparable to ***” ranged from \$*** per pound ***. *** disagreed with ***. Concerning the ***, he stated that the first shipment price came to \$*** per pound. For ***, *** tried *** but it did not work. *** returned to *** at \$*** per pound final cost. Similarly, for ***, *** received *** to try but remained with the \$*** per pound product as ***.

According to ***, *** “struggled” with ***. He said that the poor quality of *** certain PSF caused *** to *** and ***’s customers to complain and/or return the goods. Furthermore, he said that ***, in addition to its alleged quality problems, also presented pricing problems, with *** trying to ***. *** added that he had “given up” on *** before ***, and had then tried *** as a *** until quality slipped as ***. Also, *** said that *** prices are ***, but the Chinese prices must be increased by ***, making the prices of *** and Chinese certain PSF closer. “The main difference is we get a consistent quality

¹² ***.

¹³ ***.

¹⁴ ***.

product from our China suppliers and in my opinion for what is worth, it is due to ***. I can't speak for *** as I have not *** but I can say *** has *** and that has to play a part in not only price but more so in consistent quality.”¹⁵

*** disagreed with *** lost sales allegation(s) involving *** brought by ***. He reported that he did not buy fibers from China. “A U.S. supplier may have quoted me the above prices, but I did not buy competing fibers from China.”¹⁶

*** disagreed with *** lost sales allegation(s) involving ***. He indicated that they did not purchase any of the product in question from China.¹⁷

¹⁵ ***.

¹⁶ ***.

¹⁷ ***.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

*** U.S. firms¹ provided usable financial data on their operations producing certain PSF. These data account for the majority of U.S. production of certain PSF in 2005. No firms reported toll production, internal consumption, or transfers to related firms within the United States.

OPERATIONS ON CERTAIN PSF

Income and loss data for U.S. producers' certain PSF operations are presented in table VI-1, and are briefly summarized here. Sales quantity increased irregularly between 2003 and 2005 but decreased between January-March 2005 and January-March 2006. Sales value increased between 2003 and 2004 as well as between 2004 and 2005 because of increased average unit values ("AUV") of sales, but declined between January-March 2005 and the same period in 2006 (the decrease in quantity sold outweighed the increase in the AUV of sales). The value and unit value of cost of goods sold ("COGS") increased between each of the yearly periods examined because of increasing raw material costs (primarily MEG and PTA, which are driven by the prices of ethylene and crude petroleum). The value of COGS declined between January-March 2005 and the same period in the following year because of lower sales quantity although the unit value of COGS increased. The combined firms' operating loss increased between 2003 and 2004 but the firms collectively recorded an operating profit in 2005. The January-March 2005 operating profit became a loss in January-March 2006. Net income before taxes was negative in each period examined; cash flow was positive only in 2005.

¹ The firms are: ***. With the exception of ***, which has a fiscal year that ends on ***, each of the remaining firms has a fiscal year that ends on ***. Differences between data reported in the trade and financial sections of the Commission's producers' questionnaire are mostly attributable to this ***.

Table VI-1
Certain PSF: Results of operations of U.S. producers, fiscal years 2003-05, January-March 2005,
and January-March 2006

Item	Fiscal year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Total net sales ¹	***	***	592,276	161,972	133,285
Value (\$1,000)					
Total net sales ¹	***	***	421,131	108,718	94,562
COGS:					
Raw materials ²	***	***	293,308	76,900	66,933
Direct labor	***	***	24,188	6,470	6,134
Other factory costs	***	***	84,094	20,779	19,082
Total COGS	***	***	401,589	104,148	92,148
Gross profit	***	***	19,542	4,570	2,414
SG&A expenses	***	***	12,885	2,910	3,679
Operating income	***	***	6,656	1,660	(1,264)
Interest expense	***	***	9,444	2,163	2,641
Other expense	***	***	10,333	3,293	2,512
Other income	***	***	3,717	42	31
Net income	***	***	(9,403)	(3,754)	(6,386)
Depreciation	***	***	11,585	3,216	2,578
Cash flow	***	***	2,182	(538)	(3,808)
Ratio to total net sales (percent)					
COGS:					
Raw materials ²	***	***	69.6	70.7	70.8
Direct labor	***	***	5.7	6.0	6.5
Other factory costs	***	***	20.0	19.1	20.2
Total COGS	***	***	95.4	95.8	97.4
Gross profit	***	***	4.6	4.2	2.6
SG&A expenses	***	***	3.1	2.7	3.9
Operating income	***	***	1.6	1.5	(1.3)
Net income	***	***	(2.2)	(3.5)	(6.8)

Table continued on next page.

Table VI-1--Continued**Certain PSF: Results of operations of U.S. producers, fiscal years 2003-05, January-March 2005, and January-March 2006**

Item	Fiscal year			January-March	
	2003	2004	2005	2005	2006
Unit value of net sales (dollars per pound)					
Total net sales	***	***	0.71	0.67	0.71
COGS:					
Raw materials ²	***	***	0.50	0.47	0.50
Direct labor	***	***	0.04	0.04	0.05
Other factory costs	***	***	0.14	0.13	0.14
Total COGS	***	***	0.68	0.64	0.69
Gross profit	***	***	0.03	0.03	0.02
SG&A expenses	***	***	0.02	0.02	0.03
Operating income	***	***	0.01	0.01	(0.01)
Net income	***	***	(0.02)	(0.02)	(0.05)
Number of firms reporting					
Operating losses	***	***	***	***	***
Data	***	***	***	***	***
¹ No firm reported transfers to related firms or internal consumption. ² Includes purchases and transfers of MEG, PTA, scrap, and resin. Note.--Because of rounding, figures may not add to the totals shown. Source: Compiled from data submitted in response to Commission questionnaires.					

Table VI-2 presents financial data on a firm-by-firm basis.

Table VI-2**Certain PSF: Results of operations of U.S. producers, by firms, fiscal years 2003-05, January-March 2005, and January-March 2006**

* * * * *

According to the data presented in table VI-2, *** producer in terms of volume and value of sales, followed by ***. Among these firms only ***. The average unit value of *** and is comparable with that of ***.

The Commission's questionnaire requested U.S. firms to report data on their raw materials and energy used in the production of certain polyester staple fiber. Data for MEG, PTA, and scrap are shown in table VI-3.

Table VI-3

Certain PSF: Average unit values of certain raw materials, by quarters, January-March 2003 to January-March 2006

Period	MEG	PTA	MEG+PTA	Scrap
<i>Average unit value (dollars per pound)</i>				
2003:				
January-March	0.23	0.31	0.29	***
April-June	0.24	0.30	0.29	***
July-September	0.24	0.30	0.28	***
October-December	0.24	0.30	0.28	***
Average	0.24	0.30	0.28	***
2004:				
January-March	0.26	0.33	0.31	***
April-June	0.27	0.35	0.33	***
July-September	0.27	0.37	0.34	***
October-December	0.33	0.42	0.40	***
Average	0.28	0.37	0.35	***
2005:				
January-March	0.33	0.41	0.39	***
April-June	0.31	0.39	0.37	***
July-September	0.30	0.42	0.39	***
October-December	0.37	0.40	0.44	***
Average	0.33	0.42	0.39	***
2006:				
January-March	0.33	0.43	0.40	***
Source: Compiled from data submitted in response to Commission questionnaires.				

*** firms provided data for MEG and PTA; these firms are ***.² Consumption of MEG accounted for approximately 27 percent and between 21 percent to 23 percent by volume and value of the combined data of MEG and PTA, respectively. ***;³ like MEG and PTA, the average unit values of scrap irregularly, but steadily, rose from *** cents per pound in January-March 2003 to *** cents per pound in January-March 2006. Last, ***, reported quarterly data in the “other” category on their purchases of *** (not shown in table VI-3); the value of such purchases rose (on a year-to-year basis, the average unit value rose from *** cents per pound in 2003 to *** cents and 2005, respectively).⁴ Overall, total raw materials of the *** are consistent with the raw materials reported in the industry’s income

² Each of the firms ***. On a firm-by-firm basis for MEG, ***. Regarding PTA, ***. Although ***. On a firm-by-firm basis for PTA, ***.

With regard to PTA, Commission staff requested ***. E-mail to staff from ***, received on July 25, 2006. Petitioner’s postconference brief refers to this request on pp. 21-22, fn. 12. Statements made in the footnote are not completely consistent with respect to generally accepted accounting principles and Commission practice, and disregard the relevant instructions to that part of the Commission’s questionnaire.

³ ***.

⁴ The firms’ reported purchases of *** reconcile on a yearly basis with their raw material costs in their income statements. ***.

statement and the small differences between purchases and consumption are accounted for by timing differences; the lag between purchase and consumption was estimated at about three to four weeks.

With regard to energy, ***, reported value data on their energy consumption and stated that energy costs are classified as part of “other factory costs” within each firm’s income statement. Energy costs of the reporting firms increased between 2003 and 2004, rising by \$*** million from \$*** million (**% percent of the combined firms’ other factory costs) to \$*** million (**% percent), and then increasing again to \$*** million (**% percent) in 2005. Between January-March 2005 and the same period in 2006 energy costs increased from \$4.0 million (24.3 percent of other factory costs) to \$4.3 million (27.8 percent). For the *** reporting firms, energy consumption represented *** cents per pound of certain PSF sold in both 2003 and 2004, rising to *** cents in 2005 and then to *** cents in January-March 2006.

VARIANCE ANALYSIS

A variance analysis for the *** U.S. producers is presented in table VI-4. The information for this variance analysis is derived from table VI-1. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume. This analysis is more effective when the product involved is a homogeneous product with no variation in product mix. Between 2003 and 2005, the favorable operating income variance of \$*** million was attributable primarily to a favorable variance on price (unit prices increased) that was greater than an unfavorable variance on net cost/expense (unit costs increased). This also was true with respect to the increase in operating income between 2004 and 2005. The drop in operating income between 2003 and 2004 of \$*** million was attributable to a favorable price variance that was less than an unfavorable variance on net cost/expense, although the favorable price variance was greater than the unfavorable net cost/expense variance between 2004 and 2005. The decrease in operating income between January-March 2005 and the same period in 2006 was attributable to a favorable price variance (higher average prices on sales) that was less than an unfavorable net cost/expense variance.

Table VI-4**Certain PSF: Variance analysis on results of operations of domestic producers, fiscal years 2003-05, January-March 2005, and January-March 2006**

Item	Fiscal years			January-March
	2003-05	2003-04	2004-05	2005-06
Value (\$1,000)				
Total net sales:				
Price variance	***	***	***	5,099
Volume variance	***	***	***	(19,255)
Total net sales variance	***	***	***	(14,156)
Cost of goods sold:				
Cost variance	***	***	***	(6,446)
Volume variance	***	***	***	18,446
Total cost of goods variance	***	***	***	12,000
Gross profit variance	***	***	***	(2,156)
SG&A expenses:				
Expense variance	***	***	***	(1,284)
Volume variance	***	***	***	515
Total SG&A variance	***	***	***	(768)
Operating income variance	***	***	***	(2,924)
Summarized as:				
Price variance	***	***	***	5,099
Net cost/expense variance	***	***	***	(7,729)
Net volume variance	***	***	***	(294)
Note.--Unfavorable variances are shown in parenthesis; all others are favorable. The data are comparable to changes in operating income as presented in table VI-1.				
Source: Compiled from data submitted in response to Commission questionnaires.				

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' data on capital expenditures and its research and development ("R&D") expenses used in the production of certain PSF are shown in table VI-5.

Table VI-5**Certain PSF: Value of capital expenditures and R&D expenses, 2003-05, January-March 2005, and January-March 2006**

* * * * *

ASSETS AND RETURN ON INVESTMENT

The Commission's questionnaire requested data on assets used in production, warehousing, and sale of certain PSF to compute return on investment ("ROI") for 2002 to 2005 (table VI-6). The data for *** during 2003-05 are from table VI-1, while the 2002 data for assets and operating loss are from the review investigations adjusted for ***. Operating income was divided by total assets, resulting in the return on assets.

Table VI-6
Certain PSF: U.S. producers' value of assets used in production, warehousing, and sale, and return on investment, 2002-05

Item	Fiscal year			
	2002 ¹	2003	2004	2005
<i>Value (1,000 dollars)</i>				
Current assets:				
Cash and equivalent	***	***	***	791
Accounts receivable, net	***	***	***	43,000
Inventories	***	***	***	40,849
All other current assets	***	***	***	15,085
Subtotal current assets	***	***	***	99,724
Noncurrent assets:				
Original cost of property, plant, and equipment ²	***	***	***	145,054
Accumulated depreciation ²	***	***	***	53,752
Book value of property, plant, and equipment	***	***	***	91,301
Other noncurrent assets	***	***	***	11,751
Subtotal noncurrent assets	***	***	***	103,052
Total assets	***	***	***	202,777
Operating income or (loss)	***	***	***	6,656
<i>Ratio (percent)</i>				
Return on investment	***	***	***	3.3
¹ Unless provided by the firm, asset and income data are from the review investigations. ² *** did not provide data for the original cost of property, plant, and equipment or for accumulated depreciation. Note—Certain firms submitted data on their assets that differed in 2003 and 2004 from that provided in the review investigations; operating loss differs in 2002, 2003, and 2004 from that shown in the review investigations because of ***. Source: Compiled from data submitted in response to Commission questionnaires.				

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of certain PSF from China on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown in appendix F.

PART VII: THREAT CONSIDERATIONS

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors¹--

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product

¹ Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that “The Commission shall consider [these factors] . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition.”

shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

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

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).²

Subsidies are not relevant to this investigation; 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 CHINA

Petitioners estimate that there are more than 150 manufacturers of PSF in China, most of which are regionally concentrated in the southeastern coastal provinces of Jiangsu and Zhejiang.³ These manufacturers range in size from small and medium enterprises to large national and global conglomerates⁴ with individual production capacities estimated to represent up to *** percent of China's national total.⁵ While ownership is significantly represented by private parties, state-owned enterprises

² Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

³ Petitioners identified 158 Chinese producers of PSF in the petition. Petition, general exh. 2, pp. 4-8.

⁴ Korean producer Huvis Corporation and Taiwanese producer Far Eastern Textiles, Ltd. both started Chinese production of PSF in September 2004 and March 2005, respectively. Petitioners' postconference brief, exh. 8.

⁵ The *** is estimated to have had the largest production capacity in 2004, with *** tons, which represented *** percent of the entire Chinese market ***. Paraxylene & Derivatives, World Supply & Demand Report 2005/06, PCI Xylenes & Polyesters Ltd., November 2005, pp. 403-407.

Counsel for foreign respondent firms Cixi Jiangnan Chemical Fiber Co., Ltd., Jiaxing Fuda Chemical Fiber Co., Ltd., Ningbo Dafa Chemical Fiber Co., Ltd., and Xiamen Xianglu Chemical Fiber Co., Ltd. (hereinafter referred to as "respondents") contend that the "majority of the companies listed...focus on the production of 1.5D fiber, which is used in textiles and non subject PSF." As a result, production capacities are overstated and the "Commission should not rely on {these} capacity figures reported by Petitioners." Respondents' postconference brief, pp. 12 and 15. Petitioners concede that while the figures cover "PSF beyond the scope of this case, they are the only available surrogate for data on certain PSF." Petitioners also assert that "PCI is a well-known and respected source of data on the PSF and related industries." Petitioners' postconference brief, p. 27.

also maintain a considerable presence in the industry.⁶ For 2005, China's estimated PSF production, imports, and export statistics are presented in the following tabulation:

Item	Quantity (1,000 pounds)
Production	10,699,695
Imports	781,098
Exports	462,530
Production plus imports ¹	11,480,793
Production plus imports minus exports ²	11,018,263
<p>¹ The figure for production plus imports is shown to represent increased resources of PSF.</p> <p>² This figure is shown to represent increased resources of PSF, net of exports, that can be used as an estimate of domestic demand.</p> <p>Source: Respondents' postconference brief, exh. 1, p. 1.</p>	

China's PSF industry has experienced rapid growth in its export markets over the past few years. During 2003-05, China expanded its presence within the global PSF⁷ market as its share of worldwide PSF exports increased in quantity by 4.7 percentage points to 9.2 percent.⁸ Over the same period, China's quantity of PSF exports to the United States increased by 279.3 percent to 206.8 million pounds, more than doubling the U.S. share of China's total PSF exports.⁹

Petitioners argue that "China's PSF capacity far exceeds home market demand, and capacity will continue to significantly exceed demand in coming years."¹⁰ Counsel for respondents counters that although capacity for certain PSF "may have increased in China, China uses 42 percent of the world's polyester fiber."¹¹ Furthermore, counsel for respondents argues that "China's projected production increases will, in large part, supply the strong domestic demand."¹²

⁶ Two state-owned enterprises, PetroChina Company Limited and China Petroleum & Chemical Corporation, both own subsidiaries that operate in the PSF industry. PetroChina Company Limited's production capacity estimates for 2004 represented *** and China Petroleum & Chemical Corporation's represented *** of China's total capacity (5,158,000 tons). Paraxylene & Derivatives, World Supply & Demand Report 2005/06, PCI Xylenes & Polyesters Ltd., November 2005, pp. 403-407 (presented in the petition, exh. General 2).

⁷ Defined as "synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters," in HTS heading 5503.20. GTIS Global Trade Atlas Database, accessed July 20, 2006.

⁸ Ibid.

⁹ China's proportion of U.S. PSF exports to its worldwide PSF exports by quantity increased from 21.8 percent in 2003 to 46.1 percent in 2005. Ibid.

¹⁰ Petitioners' postconference brief, p. 30. Petitioners supplied industry sources that indicate a recent trend of overcapacity in the Chinese polyester industry, however these sources also estimate domestic Chinese demand for PSF to grow, as much as 16 percent in 2005. Petitioners' postconference brief, exhs. 10, 13, and 19.

¹¹ It is important to note that "...world's polyester fiber" includes both subject and nonsubject PSF as well as polyester filament yarn. Respondents' postconference brief, exh. 1, p. 1.

¹² The Chinese PSF industry analysis supplied by respondents in their postconference brief indicates that in fact, "the production capacity of polyester has increased too much, but not enough demand has increased" leading "some small polyester factories...to be eliminated, and some big factories {to} face loss{es}" (Respondents' postconference (continued...))

**CHINESE PRODUCERS' CAPACITY, PRODUCTION,
SHIPMENTS, AND INVENTORIES**

The Commission sent foreign producer/exporter questionnaires to 60 firms identified in the petition as producers or exporters of certain PSF in China, for which contact information was publicly available. Twelve firms provided responses to the Commission's questionnaires. The names of the foreign firms along with shares of production and exports to the United States (by quantity) are presented in table VII-1. For 2005, these foreign firms are estimated to have represented 13.1 percent of domestic production in China.¹³

Table VII-1
Certain PSF: Manufacturers/exporters in China, and shares of reported production and exports to the United States, 2005

* * * * *

Capacity, production, inventories, and shipment data submitted by these 12 firms are presented in table VII-2.¹⁴ During 2003-05, reported capacity to produce certain PSF in China increased by 51.9 percent, while production increased by 101.4 percent. Production in January-March 2006 was 100.8 million pounds compared to 73.0 million pounds in January-March 2005. Capacity utilization rates increased between 2003 and 2005, by 18.6 percentage points, and were 13.7 percentage points higher in January-March 2006 than in January-March 2005.

¹² (...continued)

brief, exh. 1, p. 5). Counsel for respondents cite a variety of public sources that document and project strong growth in the Chinese housing, furniture, and consumer goods markets which are argued to drive demand for certain PSF. Respondents' postconference brief, pp. 17-18 and exhs., 2-5.

¹³ Foreign producers' questionnaire response, section II-10-3.

¹⁴ *** reported that it was established in 2004, therefore no capacity and production data were reported for 2003. ***'s foreign producer questionnaire response, section I-2. *** reported that it established its factory in 2004 and began production of certain PSF in October 2004, therefore no capacity and production data were reported for 2003. Foreign respondent firms *** and *** began production of certain PSF in 2005, therefore no capacity and production data were reported for 2003 and 2004. *** foreign producer questionnaire responses, section II-5.

Table VII-2
Certain PSF: China's capacity, production, inventories, and shipments, 2003-05, January-March 2005, January-March 2006, and projections for 2006 and 2007

Item	Actual experience					Projections ¹	
	2003	2004	2005	January-March		2006	2007
				2005	2006		
Quantity (1,000 pounds)							
Capacity ²	316,608	370,069	480,792	107,278	123,397	534,294	624,294
Production ³	179,936	245,190	362,394	72,982	100,785	455,929	519,029
End-of-period inventories	3,607	9,766	18,782	12,618	19,973	16,410	15,061
Shipments:							
Internal consumption/transfers	***	***	***	***	***	***	***
Home-market shipments	146,096	172,359	190,385	42,812	47,576	265,116	331,318
Exports to:							
United States ⁴	***	***	131,061	21,445	38,573	150,010	140,984
All other export markets ⁵	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	178,072	239,417	353,378	70,131	96,344	458,523	520,078
Ratios and shares (percent)							
Capacity utilization	56.8	66.3	75.4	68.0	81.7	85.3	83.1
Inventories/production	2.0	4.0	5.2	4.3	5.0	3.6	2.9
Inventories/total shipments	2.0	4.1	5.3	4.5	5.2	3.6	2.9
Share of total shipments:							
Internal consumption/transfers	***	***	***	***	***	***	***
Home-market shipments	82.0	72.0	53.9	61.0	49.4	57.8	63.7
Exports to:							
United States	***	***	37.1	30.6	40.0	32.7	27.1
All other export markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***

Footnotes on next page.

Table VII-2--Continued

Certain PSF: China's capacity, production, inventories, and shipments, 2003-05, January-March 2005, January-March 2006, and projections for 2006 and 2007

Continuation.

¹ Foreign respondent firms reported projections data based on previous sales history and expectations of domestic and export market growth. Specifically, *** reported that they expected exports to the United States to be consistent with the previous year. *** reported that it expects "demand in US markets to rise steadily," while *** noted an expected increase in foreign market sales and demand. However, *** emphasized an expected increase in Chinese domestic demand. Notably, *** reported that "{a}lthough demand in the US market is expected to rise steadily, demand in China is expanding rapidly for our {c}ertain PSF. The planned added capacity will be needed almost entirely to meet this rapid increase in local demand." (Foreign producers' questionnaire response, section II-9).

² *** reported its production capacity based on *** hours per week and *** weeks per year which is substantially lower than responses received from other foreign respondent firms. (***'s foreign producers' questionnaire response, section II-10-A).

³ Reported domestic production share totaled to 13.1 percent in 2005.

⁴ Reported U.S. export share totaled to 35.8 percent in 2005.

⁵ Chinese producers identified Asia, Australia, Bulgaria, Canada, Indonesia, the Middle East, Pakistan, Russia, South Africa, South America, South East Asia, Turkey, the U.K., and Ukraine as their principal other export markets.

Note.—*** did not report reliable data regarding its capacity, production, inventories, and shipments of certain PSF; as a result, its data are not included in this table.

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

Total exports accounted for *** percent of responding Chinese producers' total shipments in 2005, compared to *** percent in 2003. These producers' home-market shipments are projected to increase by 39.3 percent from 2005-06 and 25.0 percent from 2006-07. Exports to the United States accounted for the greatest share of responding producers' total shipments throughout the period examined, but are projected to decrease by 4.4 percentage points to 32.7 percent of shipments in 2006, and decline another 5.6 percentage points to 27.1 percent of shipments in 2007. Counsel for respondents asserts that although there has been a recent expansion of certain PSF imports from China into the United States, "Chinese imports have generally replaced imports from Korea and Taiwan and have not materially injured the domestic industry."¹⁵

The Commission asked producers in China whether they or any related firms have the capability to produce, or plans to produce certain PSF in the United States or other countries; all producers responded "No."¹⁶ In addition, all foreign producers stated that they had no plans to add, expand, curtail, or shut down capacity and/or production.¹⁷ Furthermore, eight foreign producers stated that their production capacities are restricted by the capital limitations of their production lines, while three companies, ***, also cited insufficient electric power as constraints.¹⁸ *** cited raw material supply and market disruptions as potential limitations.¹⁹ In response to the Commission's question of foreign producers to report any imports or plans to import certain polyester staple fiber into the United States, all

¹⁵ Respondents' postconference brief, p. 13.

¹⁶ Foreign producers' questionnaire response, section I-4.

¹⁷ Foreign producers' questionnaire response, section II-1.

¹⁸ *** foreign producers' questionnaire responses, section II-5.

¹⁹ *** foreign producers' questionnaire response, section II-5.

responded “No.”²⁰ Additionally, no foreign producers reported any inventories of certain PSF in the United States since 2003.²¹

The Commission requested that foreign producers provide details on the composition of their shipments of certain PSF to the United States. The data collected on exports of subject PSF to the United States by product type are presented in table VII-3. Chinese producers primarily reported exports of regenerated polyester staple fiber to the United States during the period examined. Exports of regenerated polyester staple fiber rose by 422.6 percent over the 2003-05 period. Foreign producers’ exports of virgin, conjugate, and other PSF were marginal in comparison, representing no more than 1.7 percent of total exports to the United States by foreign firms over the 2003-05 period.

Table VII-3
Certain PSF: China’s export shipments to the United States, by types, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Virgin polyester staple fiber ¹	***	***	***	***	***
Conjugate polyester staple fiber ²	***	***	***	***	***
Regenerated polyester staple fiber ³	***	***	130,461	21,195	38,423
Other polyester staple fiber ⁴	***	***	***	***	***
Total exports	25,404	48,306	131,061	21,445	38,573
Ratio and shares (percent)					
Virgin polyester staple fiber ¹	***	***	***	***	***
Conjugate polyester staple fiber ²	***	***	***	***	***
Regenerated polyester staple fiber ³	***	***	99.5	98.8	99.6
Other polyester staple fiber ⁴	***	***	***	***	0.0
Total exports	100.0	100.0	100.0	100.0	100.0
<p>¹ “Virgin polyester staple fiber,” as used here, is single component, single crimp PSF that does not contain regenerated fibers. Virgin fibers are made directly from raw materials and are characterized by the purity of the whiteness of the fibers.</p> <p>² “Conjugate polyester staple fiber,” as used here, is spiral/double crimp PSF made from two types of fiber (also known as bi-component fiber).</p> <p>³ “Regenerated polyester staple fiber,” as used here, does not contain any virgin fibers. It is made from recycled PET stock. Blended virgin and regenerated fiber products do not fall within this definition.</p> <p>⁴ “Other polyester staple fiber,” as used here, can include virgin, blended virgin, regenerated, or other fiber products that do not fall within the available categories.</p>					
Source: Compiled from data submitted in response to Commission questionnaires.					

²⁰ Foreign producers’ questionnaire responses, section I-5.

²¹ Foreign producers’ questionnaire responses, section II-6.

The Commission asked foreign producers what percentage of their certain PSF sales in 2005 was conducted over the internet, as well as the share of certain PSF sales to total sales. Foreign producers' responses are presented in table VII-4. Additionally, petitioner DAK asserts, in describing foreign producers' sales techniques, that the "worldwide web certainly is providing a lot of access at publicly listed very low pricing and capacity" of foreign producers.²²

Table VII-4
Certain PSF: Chinese manufacturers/exporters shares of total sales, 2005

Foreign producer/exporter	Share of total sales (percent)	
	Internet sales of certain PSF	Sales of certain PSF
Cixi Jiangnan	(¹)	***
Cixi Santai	***	***
Cixi Waysun	***	***
Hangzhou Best	(¹)	***
Hangzhou Huachuang	(¹)	***
Jiaxing Fuda	(¹)	***
Nantong Luolai	(¹)	***
Nanyang Textile	(¹)	***
Ningbo Dafa]2	***	***
Tianjin Textile	(¹)	***
Zhaoqing Tifo	(¹)	***
Zhejiang Waysun	***	***

¹ These firms reported that they did not sell certain PSF over the internet in 2005.
² *** reported that its firm sold products through industry marketplace websites such as www.alibaba.com and www.made-in-china.com. Additionally, its Middle Eastern and Russian export markets are mainly served by internet sales.

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

U.S. IMPORTERS' INVENTORIES

Table VII-5 presents U.S. importers' inventories of imports of certain PSF, as reported by firms responding to the Commission's importers' questionnaire. Inventories of imports from China increased by 479.7 percent from 2003 to 2005. Relative to import quantity, inventories of certain PSF from China were 30.0 percent in 2005, increasing by 16.0 percentage points since 2003. The ratio of imports from China to U.S. shipments of imports was highest in 2005 at 40.6 percent, an increase of 25.6 percentage points since 2003. However, between the interim periods, January-March 2005 and January-March 2006, the ratio of imports from China to U.S. shipments of imports declined from 33.8 percent to 25.8 percent.

²² Conference transcript, p. 72 (Lane).

Table VII-5
Certain PSF: U.S. importers' end-of-period inventories of imports, 2003-05, January-March 2005,
and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Imports from China:					
Inventories (1,000 pounds)	8,716	19,745	50,524	30,953	52,765
Ratio to imports (percent)	14.0	30.0	30.0	22.9	23.6
Ratio to U.S. shipments of imports (percent)	15.0	38.9	40.6	33.8	25.8
Imports from all other sources:					
Inventories (1,000 pounds)	73,339	62,696	67,742	61,076	65,359
Ratio to imports (percent)	22.8	19.7	21.3	20.3	18.8
Ratio to U.S. shipments of imports (percent)	24.8	19.7	22.0	18.3	18.6
Imports from all sources:					
Inventories (1,000 pounds)	82,055	82,441	118,266	92,028	118,124
Ratio to imports (percent)	21.4	21.5	24.3	21.1	20.7
Ratio to U.S. shipments of imports (percent)	23.2	22.4	27.4	21.7	21.3
Note.—Ratios are based on data from firms that provided both inventory data and import and/or shipment data.					
Source: Compiled from data submitted in response to Commission questionnaires.					

PRODUCT SHIFTING AND DUMPING IN THIRD-COUNTRY MARKETS

The Commission asked producers in China to report production of other products using the same production and related workers employed to produce certain PSF. Of the 12 Chinese firms that responded to the Commission's questionnaire, ***, reported that they produce other products using the same production and related workers employed to produce certain PSF.²³

The Commission asked foreign producers to report capacity for all PSF products as well as production of subject and other PSF products. The reported data are presented in table VII-6. From 2003-05, the production of subject products increased by 101.4 percent, while the production of nonsubject products increased by 65.5 percent over the same period. For the interim periods January-March 2005 to January-March 2006, production of subject products increased from 73.0 million pounds to 100.8 million pounds, while the production of nonsubject products increased from 19.2 million pounds to 24.5 million pounds.

²³ *** foreign producers' questionnaire responses, section II-4.

Table VII-6
Certain PSF: Chinese producers' capacity, production, and capacity utilization for certain PSF and alternative products, by products, 2003-05, January-March 2005, and January-March 2006

Item	Calendar year			January-March	
	2003	2004	2005	2005	2006
Quantity (1,000 pounds)					
Annual capacity for all products	352,727	434,485	568,339	132,255	149,816
Production of certain PSF	179,936	245,190	362,394	72,982	100,785
Production of alternative products:					
PSF of less than 3 denier ¹	***	***	45,987	5,437	11,024
PSF for carpeting ²	***	***	***	***	***
Low-melt PSF ³	***	***	***	***	***
Other ⁴	***	***	***	***	***
Subtotal	65,479	88,756	108,397	19,203	24,540
Total production	245,415	333,946	470,791	92,185	125,325
Share of total production (percent)					
Production of certain PSF	73.3	73.4	77.0	79.2	80.4
Production of alternative products:					
PSF of less than 3 denier ¹	***	***	9.8	5.9	8.8
PSF for carpeting ²	***	***	***	***	***
Low-melt PSF ³	***	***	***	***	***
Other ⁴	***	***	***	***	***
Total nonsubject products	26.7	26.6	23.0	20.8	19.6
Capacity utilization (percent)					
All products	69.6	76.9	82.8	69.7	83.7
Certain PSF	56.8	66.3	75.4	68.0	81.7
¹ Merchandise of less than 3.3 decitex (less than 3 denier). ² Merchandise of 10 to 18 denier that are cut to lengths of 6 to 8 inches. ³ Bi-component fiber with an outer sheath that melts at a significantly lower temperature than its inner core. ⁴ Virgin, blended virgin, regenerated, or other fiber products that do not fall within the available categories.					
Note.—*** did not report reliable data regarding its capacity, production, inventories, and shipments of certain PSF; as a result, its data are not included in this table.					
Source: Compiled from data submitted in response to Commission questionnaires.					

Currently, certain PSF from China is subject to antidumping duty orders from other WTO-member countries. On March 10, 2005, the EU imposed definitive antidumping duty orders on imports of synthetic staple fibres of polyesters, not carded, combed or otherwise processed for spinning, from China.²⁴ Duties from China were established at rates ranging from 4.9 to 49.7 percent.²⁵ Furthermore, petitioners cite an industry analysis that reports “some Chinese producers said they hoped to target the US market” since the EU recently lifted antidumping duty orders on certain PSF from Taiwan.²⁶

U.S. IMPORTS AFTER MARCH 31, 2006

The Commission asked U.S. importers to report their imports of certain PSF from China that were imported or arranged for import after March 31, 2006. Of the 23 firms that provided data in response to the Commission’s questionnaire, 15 reported imports after March 31, 2006. The aggregated quantity of these 15 importers’ reported imports are presented in the following tabulation:

Period	Quantity (1,000 pounds)
2006: January-March	***
April-June	44,191
July-September	29,504
October-December (or beyond)	***
Total	97,234

²⁴ The EU dumping duty orders concern products classifiable within HTS subheading 5503.20.00. (Official Journal of the European Union, Council Regulation (EC) No. 428/2005 of 10 March 2005, as presented in petitioners’ postconference brief, exh. 14.)

²⁵ Specific duty rates were set for four companies: Cixi Jiangnan Chemical Fiber Co. Ltd. (26.3 percent); Deqing An Shun Pettechs Fibre Industry Co. Ltd. (18.6 percent); Far Eastern Industries (Shanghai) Ltd. (4.9 percent); and Hangzhou An Shun Pettechs Fibre Industry Co. Ltd. (18.6 percent). All other companies are subject to a 49.7 percent rate of duty. *Ibid.*, p. 32.

²⁶ Petitioners’ postconference brief, exh. 10.

APPENDIX A
***FEDERAL REGISTER* NOTICES**

materially retarded, by reason of imports from China of certain polyester staple fiber¹, provided for in subheading 5503.20.00 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 August 7, 2006. The Commission's views are due at Commerce within five business days thereafter, or by August 14, 2006.

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).

Dates: *Effective Date*: June 23, 2006.

FOR FURTHER INFORMATION CONTACT: Jeremy Wise (202-205-3190), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-1104
(Preliminary)]

Certain Polyester Staple Fiber From China

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-1104 (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

¹ The merchandise subject to this proceeding is synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyester, measuring 3.3 decitex (3 denier) or more. This merchandise is cut to lengths varying from one inch (25 mm) to five inches (127 mm). The subject merchandise may be coated, usually with a silicon or other finish, or not coated. PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.

The following products are excluded from the scope: (1) PSF of less than 3.3 decitex (less than 3 denier) currently imported under HTS statistical reporting number 5503.20.0025, known to the industry as PSF for spinning and generally used in woven and knit applications to produce textile and apparel products; (2) PSF of 10 to 18 denier that are cut to lengths of 6 to 8 inches and that are generally used in the manufacture of carpeting; and (3) low-melt PSF, defined as bi-component fiber with an outer, non-polyester sheath that melts at a significantly lower temperature than its inner polyester core (HTS 5503.20.0015).

Certain PSF is imported under statistical reporting numbers 5503.20.0045 and 5503.20.0065 of the Harmonized Tariff Schedule of the United States.

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted in response to a petition filed on June 23, 2006, by DAK Americas, LLC, Charlotte, NC; Nan Ya Plastics Corporation, America, Lake City, SC; and Wellman, Inc., Shrewsbury, NJ.

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

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this 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 **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference. The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on July 14, 2006, at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC. Parties wishing to participate in the conference should contact Jeremy Wise (202-205-3190) not later than July 7, 2006, 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.

Written submissions. As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before July 19, 2006, 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 §§ 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, except to the extent permitted by § 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II (C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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

By order of the Commission.
Issued: June 23, 2006.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 06-5811 Filed 6-28-06; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF COMMERCE**International Trade Administration**

[A-570-905]

**Initiation of Antidumping Duty
Investigation: Certain Polyester Staple
Fiber from the People's Republic of
China**

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

EFFECTIVE DATE: July 20, 2006.

FOR FURTHER INFORMATION CONTACT: Alex Villanueva, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-3208.

SUPPLEMENTARY INFORMATION:**Initiation of Investigation****The Petition**

On June 23, 2006, the Department of Commerce ("Department") received a petition on imports of certain polyester staple fiber (PSF) from the People's Republic of China ("PRC") filed in proper form by Dak Americas LLC., Nan Ya Plastics Corporation America, and Wellman, Inc. ("Petitioners"). The period of investigation ("POI") is October 1, 2005, through March 31, 2006.

In accordance with section 732(b) of the Tariff Act of 1930, as amended ("the Act"), Petitioners alleged that imports of certain polyester staple fiber from the PRC 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 and threaten to injure an industry in the United States. The Department issued supplemental questions to Petitioners on June 28, 2006, and Petitioners filed their response on July 3, 2006.

Scope of Investigation

The merchandise subject to this proceeding is synthetic staple fibers, not carded, combed or otherwise processed for spinning, of polyesters measuring 3.3 decitex (3 denier, inclusive) or more in diameter. This merchandise is cut to lengths varying from one inch (25 mm) to five inches (127 mm). The subject merchandise may be coated, usually with a silicon or other finish, or not coated. PSF is generally used as stuffing in sleeping bags, mattresses, ski jackets, comforters, cushions, pillows, and furniture.

The following products are excluded from the scope: (1) PSF of less than 3.3 decitex (less than 3 denier) currently classifiable in the Harmonized Tariff Schedule of the United States ("HTSUS") at subheading 5503.20.0025 and known to the industry as PSF for spinning and generally used in woven and knit applications to produce textile and apparel products; (2) PSF of 10 to 18 denier that are cut to lengths of 6 to 8 inches and that are generally used in the manufacture of carpeting; and (3) low-melt PSF defined as a bi-component fiber with an outer, non-polyester sheath that melts at a significantly lower temperature than its inner polyester core (classified at HTSUS 5503.20.0015).

Certain PSF is classifiable under the HTSUS subheadings 5503.20.0045 and 5503.20.0065. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under the orders is dispositive.

Comments on Scope of Investigation

During our review of the petition, we discussed the scope with Petitioners to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this initiation notice. Comments should be addressed to Import Administration's Central Records Unit in Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230 - Attention: Alex Villanueva, Room 4003. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments

and consult with interested 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 by an interested party described in subparagraph (C), (D), (E), (F) or (G), or on behalf of the domestic industry. In order to determine whether a petition has been filed by or on behalf of the industry, the Department, pursuant to section 732(c)(4)(A) of the Act, determines whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) 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. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the "industry" as the producers as a whole of a domestic like product. Thus, to determine whether a 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 a 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 law. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644

(1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the 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 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).

With regard to the domestic like product, the Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that certain polyester staple fiber constitutes a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, see the *Antidumping Investigation Initiation Checklist: Certain Polyester Staple Fiber from the People's Republic of China ("PRC")*, Industry Support at Attachment I (*Initiation Checklist*), on file in the Central Records Unit, Room B-099 of the main Department of Commerce building.

Our review of the data provided in the petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support representing at least 25 percent of the total production of the domestic like product, and 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, requiring no further action by the Department pursuant to section 732(c)(4)(D) of the Act. Therefore, the domestic producers (or workers) who support the petition account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, the domestic producers who support the petition account for 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. Thus, the requirements of section 732(c)(4)(A)(ii) of the Act also are met. Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See *Initiation Checklist* at Attachment I (Industry Support).

The Department finds that Petitioners filed the petition on behalf of the domestic industry because they are an interested party as defined in sections 771(9)(E) and (F) of the Act and they have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department initiate. *See Initiation Checklist* at Attachment I (Industry Support).

Export Price

Petitioners relied on two U.S. prices for certain polyester staple fiber manufactured in the PRC and offered for sale in the United States. The prices quoted were for a specific grade and quality of PSF falling within the scope of this petition, for delivery to the U.S. customer within the POI. Petitioners deducted from the prices the costs associated with exporting and delivering the product, including U.S. inland freight, ocean freight and insurance charges, U.S. duty, port and wharfage fees, foreign inland freight costs, and foreign brokerage and handling. Petitioners also calculated a margin based on the weighted average unit value data for the POI of imports from the PRC under HTSUS numbers 5503.20.0045 and 5503.20.0065. Petitioners deducted charges and expenses associated with exporting and delivering the product to the customer in the United States from the CIF price, which included ocean freight and insurance charges, foreign inland freight costs, and foreign brokerage and handling.

Normal Value

Petitioners stated that the PRC is a non-market economy ("NME") and no determination to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is a NME. *See Notice of Final Determination of Sales at Less Than Fair Value: Magnesium Metal from the People's Republic of China*, 70 FR 9037 (February 24, 2005), *Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China*, 70 FR 7475 (February 14, 2005), and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the People's Republic of China*, 69 FR 70997 (December 8, 2004). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and remains in effect

for purposes of the initiation of this investigation. Accordingly, the normal value ("NV") of the product is appropriately based on factors of production valued in a surrogate market economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioners selected India as the surrogate country. Petitioners argued that, pursuant to section 773(c)(4) of the Act, India is an appropriate surrogate because it is a market-economy country that is at a comparable level of economic development to the PRC and is a significant producer and exporter of polyester staple fiber. Based on the information provided by Petitioners, we believe that its use of India as a surrogate country is appropriate for purposes of initiating this investigation. After the initiation of the investigation, we will solicit comments regarding surrogate country selection. Also, pursuant to 19 CFR 351.301(c)(3)(i), interested parties will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination. Petitioners provided three dumping margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Petitioners calculated normal values based on consumption rates for producing polyester staple fiber experienced by U.S. producers. In accordance with section 773(c)(4) of the Act, Petitioners valued factors of production, where possible, on reasonably available, public surrogate country data. To value certain factors of production, Petitioners used official Indian government import statistics, excluding those values from countries previously determined by the Department to be NME countries and excluding imports into India from Indonesia, the Republic of Korea and Thailand, because the Department has previously excluded prices from these countries because they maintain broadly-available, non-industry specific export subsidies. *See Automotive Replacement Glass Windshields From the People's Republic of China: Final Results of Administrative Review*, 69 FR 61790 (October 21, 2004), and accompanying Issues and Decision Memorandum at Comment 5.

For inputs valued in Indian rupees and not contemporaneous with the POI,

Petitioners used information from the wholesale price indices ("WPI") in India as published by the Reserve Bank of India (RBI) for input prices during the period preceding the POI. In addition, Petitioners made currency conversions, where necessary, based on the average rupee/U.S. dollar exchange rate for the POI, as reported on the Department's website.

For the normal value calculations, Petitioners derived the figures for factory overhead, selling, general and administrative expenses ("SG&A"), and profit from the financial ratios of an Indian producer of certain PSF, Reliance Industries Limited.

Fair Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of certain polyester staple fiber from the PRC are being, or are likely to be, sold in the United States at less than fair value. Based upon comparisons of export price to the NV, calculated in accordance with section 773(c) of the Act, the estimated calculated dumping margins for certain polyester staple fiber from the PRC range from 87.43 percent to 108.98 percent.

Allegations and Evidence of Material Injury and Causation

Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. Petitioners contend that the industry's injured condition is illustrated by the decline in customer base, market share, domestic shipments, prices and financial performance. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See Initiation Checklist* at Attachment II (Injury).

Separate Rates and Quantity and Value Questionnaire

The Department recently modified the process by which exporters and producers may obtain separate-rate status in NME investigations. *See Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (Separate Rates and Combination Rates Bulletin)*, (April 5, 2005), available on the Department's

Website at <http://ia.ita.doc.gov>. The process requires the submission of a separate-rate status application. Based on our experience in processing the separate rates applications in the antidumping duty investigations of *Certain Artist Canvas from the People's Republic of China and Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea*, we have modified the application for this investigation to make it more administrable and easier for applicants to complete. See *Initiation of Antidumping Duty Investigations: Certain Lined Paper Products from India, Indonesia, and the People's Republic of China*, 70 FR 58374, 58379 (October 6, 2005), *Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005) and *Initiation of Antidumping Duty Investigations: Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea*, 70 FR 35625, 35629 (June 21, 2005). The specific requirements for submitting the separate-rates application in this investigation are outlined in detail in the application itself, which will be available on the Department's Website at <http://ia.ita.doc.gov/ia-highlights-and-news.html> on the date of publication of this initiation notice in the **Federal Register**. The separate rates application is due no later than September 19, 2006.

NME Respondent Selection and Quantity and Value Questionnaire

For NME investigations, it is the Department's practice to request quantity and value information from all known exporters identified in the petition. In addition, the Department typically requests the assistance of the NME government in transmitting the Department's quantity and value questionnaire to all companies who manufacture and export subject merchandise to the United States, as well as to manufacturers who produce the subject merchandise for companies who were engaged in exporting subject merchandise to the United States during the period of investigation. The quantity and value data received from NME exporters is used as the basis to select the mandatory respondents. Although many NME exporters respond to the quantity and value information request, at times some exporters may not have received the quantity and value questionnaire or may not have received it in time to respond by the specified deadline.

The Department requires that the respondents submit a response to both the quantity and value questionnaire and the separate-rates application by the respective deadlines in order to receive consideration for separate-rate status. This procedure will be applied to this and all future investigations. See *Certain Artist Canvas from the People's Republic of China*, 70 FR at 21999, *Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea*, 70 FR at 35629, *Initiation of Antidumping Duty Investigation: Certain Activated Carbon from the People's Republic of China*, 71 FR 16757, 16760 (April 4, 2006). Appendix I of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters no later than August 18, 2006. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the IA Website: <http://ia.ita.doc.gov/ia-highlights-and-news.html>. The Department will send the quantity and value questionnaire to those exporters identified in Exhibit General-4 of the petition and the NME government.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The *Separate Rates and Combination Rates Bulletin*, states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of "combination rates" because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during

the period of investigation. *Separate Rates and Combination Rates Bulletin*, at page 6.

Initiation of Antidumping Investigation

Based upon our examination of the petition on certain polyester staple fiber from the PRC, we find that this petition meets the requirements of section 732 of the Act. Therefore, we are initiating an antidumping duty investigation to determine whether imports of certain polyester staple fiber from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless postponed, we will make our preliminary determinations no later than 140 days after the date of these initiations.

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 government of the PRC.

International Trade Commission Notification

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

Preliminary Determination by the ITC

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of this initiation, whether there is a reasonable indication that imports of certain polyester staple fiber from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. See section 733(a)(2)(A)(i) of the Act. 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 issued and published pursuant to section 777(i) of the Act.

Dated: July 13, 2006.

David M. Spooner,
Assistant Secretary for Import
Administration.

APPENDIX I

Where it is not practicable to examine all known producers/exporters of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930 (as amended) permits us to investigate (1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or (2) exporters and producers accounting for the largest volume and value of the subject merchandise that can reasonably be examined.

In the chart below, please provide the total quantity and total value of all your sales of merchandise covered by the

scope of this investigation (see scope section of this notice), produced in the PRC, and exported/shipped to the

United States during the period October 1, 2005, through March 31, 2006.

Market	Total Quantity	Terms of Sale	Total Value
United States. . 1. Export Price Sales. 2.. a. Exporter name. b. Address. c. Contact. d. Phone No.. e. Fax No.. 3. Constructed Export Price Sales. 4. Further Manufactured. Total Sales.			

Total Quantity:

- Please report quantity on a metric ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

- Please report all sales on the same terms (e.g., free on board).

Total Value:

- All sales values should be reported in U.S. dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

- Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated person occurs before importation into the United States.
- Please include any sales exported by your company directly to the United States.
- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please *do not* include any sales of merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

Generally, a U.S. sales is classified as a constructed export price sale when the first sale to an unaffiliated person occurs after importation. However, if the first sale to the unaffiliated person is made by a person in the United States affiliated with the foreign exporter,

constructed export price applies even if the sale occurs prior to importation.

- Please include any sales exported by your company directly to the United States.
- Please include any sales exported by your company to a third-country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please *do not* include any sales of merchandise manufactured in Hong Kong in your figures.

Further Manufactured:

- Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.

[FR Doc. E6-11547 Filed 7-19-06; 8:45 am]

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APPENDIX B
CONFERENCE CALENDAR

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Certain Polyester Staple Fiber from China
Inv. No.: 731-TA-1104 (Preliminary)
Date and Time: July 14, 2006 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, SW, Washington, D.C.

OPENING REMARKS:

Petitioners (**Paul Rosenthal**, Kelley Drye Collier Shannon)
Respondents (**Ned Marshak**, Grunfeld, Desiderio,
Lebowitz, Silverman & Klestadt LLP)

In Support of the Imposition of Antidumping Duties:

Kelley Drye Collier Shannon
Washington, D.C.
on behalf of

DAK Americas LLC, Nan Ya Plastics Corp. America, and Wellman Inc.

Jon McNaull, Fibers Business Director,
DAK Americas LLC

Scott Barfield, Sr. Account Manager,
Nan Ya Plastics Corp.

Michael Bermish, Director, Investor Relations,
Wellman Inc.

**In Support of the Imposition of
Antidumping Duties (continued):**

Patrick Magrath, Director,
Georgetown Economics Services

Gina Beck, Economist,
Georgetown Economics Services

Paul C. Rosenthal)
Kathleen W. Cannon) – OF COUNSEL
David C. Smith, Jr.)

**In Opposition to the Imposition of
Antidumping Duties:**

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, D.C.
on behalf of

Cixi Jiangnan Chemical Fiber Co., Ltd; Jiaxing Fuda Chemical Fiber Co., Ltd.; Ningbo Dafa
Chemical Co., Ltd; and Xiamen Xianglu Chemical Fiber Co., Ltd.

Ned H. Marshak, Esq.) – OF COUNSEL
Paul Figueroa Esq.

REBUTTAL/CLOSING REMARKS:

Petitioners (**Paul Rosenthal**, Kelley Drye Collier Shannon)
Respondents (**Ned Marshak**, Grunfeld, Desiderio,
Lebowitz, Silverman & Klestadt LLP)

APPENDIX C
SUMMARY DATA

Table C-1
Polyester staple fiber: Summary data concerning the U.S. market, 2003-05, January-March 2005, and January-March 2006

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

Item	Reported data					Period changes			
	2003	2004	2005	January-March		2003-05	2003-04	2004-05	Jan.-Mar. 2005-06
				2005	2006				
U.S. consumption quantity:									
Amount	***	***	1,102,125	267,757	268,720	***	***	***	0.4
Producers' share (1)	***	***	50.1	57.7	42.6	***	***	***	-15.1
Importers' share (1):									
China	***	***	17.7	11.4	22.4	***	***	***	10.9
Korea	***	***	16.8	15.3	18.2	***	***	***	3.0
Taiwan	***	***	4.9	4.2	4.1	***	***	***	-0.1
All other sources	***	***	10.5	11.4	12.7	***	***	***	1.3
Total imports	***	***	49.9	42.3	57.4	***	***	***	15.1
U.S. consumption value:									
Amount	***	***	739,260	177,660	172,698	***	***	***	-2.8
Producers' share (1)	***	***	53.7	58.9	47.7	***	***	***	-11.2
Importers' share (1):									
China	***	***	15.1	9.8	19.3	***	***	***	9.5
Korea	***	***	14.7	13.6	15.3	***	***	***	1.7
Taiwan	***	***	5.0	4.6	4.0	***	***	***	-0.5
All other sources	***	***	11.6	13.1	13.6	***	***	***	0.5
Total imports	***	***	46.3	41.1	52.3	***	***	***	11.2
U.S. imports from:									
China:									
Quantity	74,606	71,280	194,872	30,565	60,084	161.2	-4.5	173.4	96.6
Value	32,465	36,211	111,617	17,424	33,267	243.8	11.5	208.2	90.9
Unit value	\$0.44	\$0.51	\$0.57	\$0.57	\$0.55	31.6	16.7	12.7	-2.9
Ending inventory quantity	8,716	19,745	50,524	30,953	52,765	479.7	126.5	155.9	70.5
Korea:									
Quantity	258,351	209,856	184,832	40,848	48,977	-28.5	-18.8	-11.9	19.9
Value	107,640	100,920	108,549	24,161	26,458	0.8	-6.2	7.6	9.5
Unit value	\$0.42	\$0.48	\$0.59	\$0.59	\$0.54	41.0	15.4	22.1	-8.7
Taiwan:									
Quantity	94,793	72,376	54,139	11,206	11,054	-42.9	-23.6	-25.2	-1.4
Value	48,612	43,262	36,971	8,092	6,974	-23.9	-11.0	-14.5	-13.8
Unit value	\$0.51	\$0.60	\$0.68	\$0.72	\$0.63	33.2	16.6	14.2	-12.6
All other sources:									
Quantity	116,870	95,055	115,841	30,638	34,258	-0.9	-18.7	21.9	11.8
Value	66,358	60,407	85,461	23,258	23,546	28.8	-9.0	41.5	1.2
Unit value	\$0.57	\$0.64	\$0.74	\$0.76	\$0.69	29.9	11.9	16.1	-9.5
Ending inventory quantity (2)	73,339	62,696	67,742	61,076	65,359	-7.6	-14.5	8.0	7.0
All sources:									
Quantity	544,620	448,568	549,684	113,258	154,373	0.9	-17.6	22.5	36.3
Value	255,075	240,799	342,599	72,935	90,245	34.3	-5.6	42.3	23.7
Unit value	\$0.47	\$0.54	\$0.62	\$0.64	\$0.58	33.1	14.6	16.1	-9.2
Ending inventory quantity	82,055	82,441	118,266	92,029	118,124	44.1	0.5	43.5	28.4
U.S. producers:									
Production quantity	***	***	606,822	164,195	139,111	***	***	***	-15.3
Average capacity quantity (3)	***	***	926,879	244,723	220,215	***	***	***	-10.0
Capacity utilization (1)	***	***	65.5	67.1	63.2	***	***	***	-3.9
Average capacity quantity (4)	***	***	758,586	205,733	166,724	***	***	***	-19.0
Capacity utilization (1)	***	***	80.0	79.8	83.4	***	***	***	3.6
U.S. shipments:									
Quantity	***	***	552,441	154,499	114,347	***	***	***	-26.0
Value	***	***	396,661	104,725	82,453	***	***	***	-21.3
Unit value	***	***	\$0.72	\$0.68	\$0.72	***	***	***	6.4
Export shipments:									
Quantity	***	***	54,484	11,592	22,369	***	***	***	93.0
Value	***	***	37,531	7,660	15,082	***	***	***	96.9
Unit value	***	***	\$0.69	\$0.66	\$0.67	***	***	***	2.0
Ending inventory quantity	***	***	32,551	31,557	36,058	***	***	***	14.3
Inventories/total shipments (1)	***	***	5.4	4.7	6.6	***	***	***	1.8
Production workers	***	***	1,043	1,054	986	***	***	***	-6.4
Hours worked (1,000s)	***	***	2,382	549	532	***	***	***	-3.0
Wages paid (\$1,000s)	***	***	46,146	12,294	13,240	***	***	***	7.7
Hourly wages	***	***	\$19.38	\$22.40	\$24.88	***	***	***	11.1
Productivity (pounds per hour)	***	***	237.3	279.0	237.8	***	***	***	-14.8
Unit labor costs	***	***	\$0.08	\$0.08	\$0.10	***	***	***	30.3
Net sales:									
Quantity	***	***	592,276	161,972	133,285	***	***	***	-17.7
Value	***	***	421,131	108,718	94,562	***	***	***	-13.0
Unit value	***	***	\$0.71	\$0.67	\$0.71	***	***	***	5.7
Cost of goods sold (COGS)	***	***	401,589	104,148	92,148	***	***	***	-11.5
Gross profit or (loss)	***	***	19,542	4,570	2,414	***	***	***	-47.2
SG&A expenses	***	***	12,885	2,910	3,679	***	***	***	26.4
Operating income or (loss)	***	***	6,656	1,660	(1,264)	***	***	***	(5)
Capital expenditures	***	***	1,166	154	216	***	***	***	40.3
Unit COGS	***	***	\$0.68	\$0.64	\$0.69	***	***	***	7.5
Unit SG&A expenses	***	***	\$0.02	\$0.02	\$0.03	***	***	***	53.6
Unit operating income or (loss)	***	***	\$0.01	\$0.01	(\$0.01)	***	***	***	(5)
COGS/sales (1)	***	***	95.4	95.8	97.4	***	***	***	1.7
Operating income or (loss)/ sales (1)	***	***	1.6	1.5	(1.3)	***	***	***	-2.9

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

(2) Includes inventories of imports from Korea and Taiwan.

(3) Original capacity (as reported in Commission questionnaires).

(4) Revised capacity (reflecting adjustments by staff).

(5) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

APPENDIX D
HOUSING STARTS

Table D-1
New privately owned housing units started, quarterly averages of annual rates, January 2003-
March 2006

Quarter	Seasonally adjusted housing starts (<i>thousands of units</i>)
Jan-Mar 2003	1,736.0
Apr-Jun 2003	1,753.7
Jul-Sep 2003	1,889.7
Oct-Dec 2003	2,035.7
Jan-Mar 2004	1,918.3
Apr-Jun 2004	1,937.3
Jul-Sep 2004	1,977.0
Oct-Dec 2004	1,965.3
Jan-Mar 2005	2,068.7
Apr-Jun 2005	2,063.7
Jul-Sep 2005	2,101.0
Oct-Dec 2005	2,059.7
Jan-Mar 2006	2,123.0

Source: Compiled from official statistics of the U.S. Census Bureau and staff calculations.

APPENDIX E
ALTERNATIVE PRESENTATION OF PRICING DATA

Table E-1

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-2

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-3

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-4

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 4, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-5

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 5, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-6

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 6, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

Table E-7

Certain PSF: Weighted-average f.o.b. prices and quantities of domestic and imported product 7, and margins of underselling/(overselling), by quarters, January 2003-March 2006

* * * * *

APPENDIX F

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

Responses of U.S. producers to the following question: Since January 1, 2003 has your firm experienced any actual negative effects on its return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of certain polyester staple fiber from China?

“No.

“Yes. Potentially accelerated the closure of the *** production.”

“Yes. Reduction in the size of capital investments.”

“Yes. The cancellation, postponement, or rejection of expansion projects. Strategic plans for 2006 included the *** of a *** production line *** , based upon the demand for certain PSF and *** defined in 2005 reviews of strategic planning processes. Domestic shipments of certain PSF are off by ***% due to increases in imports from China which have resulted in the suspension of these *** plans.”

“Yes. The cancellation or rejection of expansion projects; denial or rejection of investment proposal(s); reduction in the size of capital investments; ***; and ***.”

“Yes. Denial or rejection of ***.”

Company responses to the following question: Does your firm anticipate any negative impact of imports of certain polyester staple fiber from China?

“Yes. Cannot grow against imports.”

“No.”

“Yes. Capacity consolidation and product portfolio rationalization at *** plant over the 3-year period 2006-2008 would have to be accelerated, with an immediate negative impact in cash flow, profitability, and working capital at the organization.”

“Yes. *** anticipates significant negative impact and significant increases in imports from China. The low prices combined with the increased import volumes would cause *** market share in this category of products to decline along with U.S. shipments, revenues generated and profitability. Given the current declining state of the textiles business in the United States, alternative markets are not available which would yield a longer term response of partial or complete shutdown of production capacity and termination of employment for those employees supporting such capacity. This in turn would be compounded by significant financial deterioration for the company as a whole.”

“Yes. The price of imported certain polyester staple fiber from China will decline while sales for these fiber imports will increase, putting severe price pressure on domestically manufactured certain polyester staple fiber and resulting in volume losses. If imports of Chinese certain polyester staple fiber are not constrained, *** would likely be forced to completely shut down *** that make certain polyester staple fiber if, as expected, these *** becomes cash negative (that is, *** use more cash than *** generate).

“Yes. In order to compete against cheaper import fiber, we have to lower our selling price, resulting in loss of revenue, and loss of sales.”

