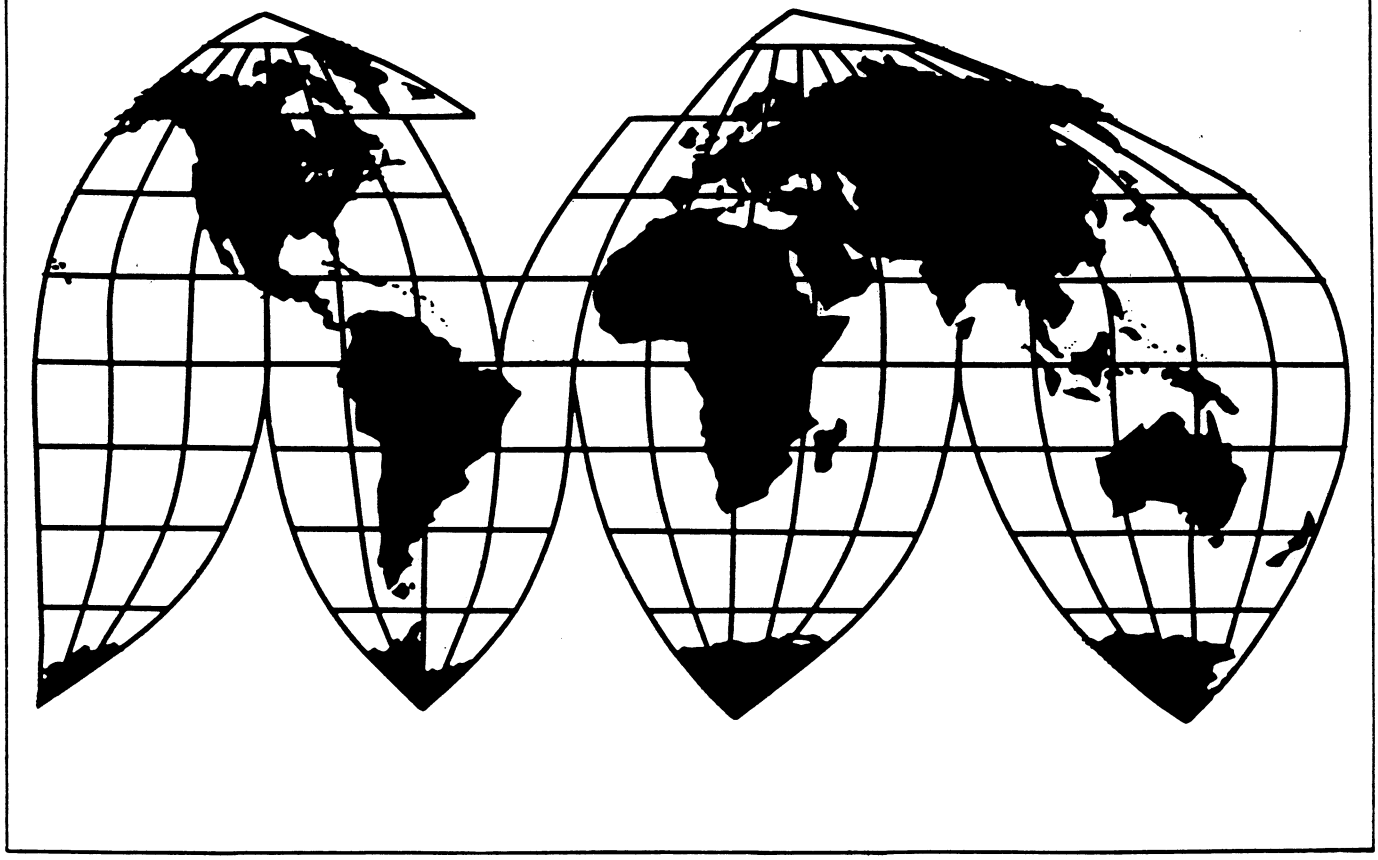
Open-End Spun Rayon Singles Yarn From Austria

Investigation No. 731-TA-751 (Preliminary)

Publication 2999 **October 1996**

U.S. International Trade Commission



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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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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-751 (Preliminary)

OPEN-END SPUN RAYON SINGLES YARN FROM AUSTRIA

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Austria of open-end spun rayon singles yarn, provided for in subheading 5510.11.00 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Commencement of Final Phase Investigation

Pursuant to section 207.18 of the Commission's rules, as amended in 61 F.R. 37818 (July 22, 1996), 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 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.

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

Background

On August 20, 1996, a petition was filed with the Commission and the Department of Commerce by the Ad Hoc Committee of Open-End Spun Rayon Yarn Producers, Gastonia, NC, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of open-end spun rayon singles yarn from Austria. Accordingly, effective August 20, 1996, the Commission instituted antidumping investigation No. 731-TA-751 (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 August 28, 1996 (61 F.R. 44344). The conference was held in Washington, DC, on September 10, 1996, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Based on the record in this preliminary phase of the investigation,[1] we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of open-end spun rayon singles yarn from Austria that allegedly are 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, by reason of the allegedly LTFV imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. DOMESTIC LIKE PRODUCT AND INDUSTRY

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the subject imports, the Commission first defines the "domestic like product" and the "industry."[4] Section 771(4)(A) of the Act defines the relevant industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[5] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[6]

Our decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and we apply the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems

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[1] Under the Commission's amended regulations that became effective August 21, 1996, the Commission now conducts a single, continuous investigation in contrast to the discrete preliminary and final investigations it conducted under its prior regulations. *See* Amendments to Rules of Practice and Procedure, 61 Fed. Reg. 37818, 37819 (July 22, 1996). Under these new rules, the preliminary portion of the Commission's injury investigation is now referred to as the Commission's "preliminary phase of the investigation." *See* 19 C.F.R. § 207.12.

[2] 19 U.S.C. § 1673b(a); *see also* American Lamb Co. v. United States, 785 F.2d 994 (Fed. Cir. 1996); Calabrian Corp. v. United States, 794 F. Supp. 377, 381 (Ct. Int'l Trade 1992).

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

[4] 19 U.S.C. § 1677(4)(A).

[5] 19 U.S.C. §1677(4)(A).

[6] 19 U.S.C. §1677(10).

[7] *See, e.g.,* Nippon Steel Corp. v. United States, Slip Op. 95-57, at 11 (Ct. Int'l Trade Apr. 3, 1995). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. *See* id. at

(continued...)

relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[9] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[10]

In its notice of initiation, Commerce defined the imported merchandise subject to investigation as open end spun singles yarn containing 85 percent or more of rayon fiber.[11] This product, which will be referred to as "OE spun rayon yarn," is an intermediate product used primarily in the construction of woven fabric for women's apparel.[12]

B. Domestic Like Product Issue in this Investigation Phase

The sole domestic like product issue in this investigation phase concerns whether the domestic like product should be limited to OE spun rayon yarn, in the same manner that the scope of investigation has been limited by Commerce, or whether it should include ring spun rayon yarn in addition to OE spun rayon yarn.[13] As their names indicate, the two yarns differ in how they are spun. In OE spun rayon yarn, yarn is formed at the "open-end," or break in the fibers, by centrifugal force.[14] By contrast, in ring spinning, yarn is formed by being wrapped around a bobbin which sits on a spinning spindle.[15]

Physical Characteristics and End Uses. OE spun and ring spun rayon yarn are similar in that they are both composed of rayon. Moreover, both spinning systems can produce yarns with the same size and fiber content, although product ranges are generally more limited for OE spun products.[16] Nevertheless, there are some differences in the physical characteristics in the yarns produced by the two spinning systems. In OE spun rayon yarn, the central fibers run basically parallel to one another, encircled by an outer shell of "wrapper" fibers that hold the yarn together and give it its strength. This results in a relatively more even, yet rougher-feeling product. Additionally, because of the lack of twist, OE spun rayon yarn is relatively less strong.[17] Ring spun rayon yarn, by contrast, has a higher twist level, resulting in a denser, stronger, and more durable product.[18]

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[7](...continued)
n.4, 18; Timken Co. v. United States, Slip Op. 96-8, at 9 (Ct. Int'l Trade Jan. 3, 1996).

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

[9] Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991).

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

[11] 61 Fed. Reg. 48472-73 (Sept. 13, 1996).

[12] Confidential Report ("CR") at I-2, Public Report ("PR") at I-1.

[13] Petitioner requests that the domestic like product be defined as OE spun rayon yarn. Respondent G. Borckenstein und Sohn AG ("Borckenstein"), an Austrian producer of subject merchandise, requests that the domestic like product include ring spun rayon yarn in addition to OE spun rayon yarn.

[14] *See* Tr. at 35 (Eyer); Petition at 10.

[15] Tr. at 36 (Eyer).

[16] CR at I-4 & n.10, PR at I-3 & n.10.

[17] Petition at 10-11; CR at I-4, PR at I-3.

[18] Petition at 13.

The physical distinctions between OE spun and ring spun rayon yarn lead to distinctions in end uses. Because of its evenness, roughness, and lower level of twist, OE spun rayon yarn is well-suited for use as a "filling" yarn -- one which runs parallel to the weaving machine -- on high-speed air jet weaving looms. It is used principally for woven fabric for women's apparel.[19]

Ring spun rayon yarn, because it is smoother and stronger, tends to be used as a "warp" yarn -- one which runs perpendicular to the loom and undergoes relatively high stress during the weaving process. The record indicates that ring spun rayon yarn has a broader set of end uses than does OE spun rayon yarn. While ring spun rayon yarn, like OE spun rayon yarn, is used to produce woven fabrics for women's apparel, ring spun rayon yarn can also be used to produce woven fabrics for men's apparel and home textiles such as upholstery fabrics.[20] Because of its higher tenacity, ring spun rayon yarn offers greater potential to add aesthetic "character" to the final fabric.[21] Ring spun rayon yarn can also be used to produce knitted fabric, which requires a relatively strong yarn.[22]

Interchangeability. Interchangeability between OE spun and ring spun rayon yarn is low because of their distinct physical characteristics.[23] Although both OE spun and ring spun rayon yarn are used to make fabrics for women's apparel, they are not ordinarily used to make the same type of fabric products. OE spun rayon yarn is used to make fabric that can be produced on high-speed machines, while ring-spun rayon yarn is used in applications where it offers specific aesthetic effects not available when weaving fabric from OE spun rayon yarn.[24]

Channels of Distribution. Channels of distribution for OE spun rayon yarn and ring spun rayon yarn are the same. Yarn that is sold on the merchant market is sold directly to the end user.[25]

Production Facilities, Processes, and Employees. The initial production steps are the same for both OE spun and ring spun rayon yarn.[26] The number and nature of subsequent production steps diverge for the two products: these entail open-end spinning for OE spun rayon yarn, and roving, ring spinning, and winding for ring spun rayon yarn.[27]

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[19] *See* Petition at 12; CR at I-4, PR at I-3.

[20] *See* Petition at 12-13; CR at I-4, PR at I-3. Weavers, however, generally do not find it cost-effective to run ring spun rayon yarn on high-speed air jet weaving looms. CR at I-4, PR at I-3.

[21] Tr. at 42 (Sullivan).

[22] CR at I-4, PR at I-3.

[23] CR at I-4, PR at I-3.

[24] Petitioner's witnesses stated that, although it would be theoretically possible to substitute ring-spun yarn for OE spun yarn for use in air jet looms, such substitution is neither economical nor practical. Tr. at 43 (Sullivan), 43-44 (Eyer). Additionally, because it has insufficient twist, OE spun rayon yarn is not interchangeable with ring spun rayon yarn in production of crepe fabric. Tr. at 65-66 (Eyer). Similarly, while ring spun rayon yarn is used to produce knitted fabrics, use of OE spun rayon yarn for such purposes generally would be commercially impractical. *See* CR at I-4, PR at I-3; Tr. at 140 (Ramaty).

[25] CR at I-7, PR at I-3.

[26] These entail: (1) blending, which involves combining bales of rayon fiber; (2) opening, which involves fluffing the fibers to separate them and insure a random and even distribution of fibers; (3) carding, which makes the fibers parallel; and (4) drawing, which draws together numerous strands of aligned fiber into a "drawing sliver." Tr. at 34-35, 37 (Eyer); CR at I-8, PR at I-6.

[27] To produce OE spun rayon yarn, the drawing sliver is fed directly into the spinning machine, twist is inserted by a spinning rotor and yarn is formed at the "open-end" or break in the fibers, and the yarn then comes off the rotor and is wound onto the cone, ready for shipment. *See* Petition at 9-10; Tr. at 35-36 (Eyer). By contrast, in ring spinning, the drawing sliver proceeds to a roving stage, which tightens its diameter. Then this product is inserted into the spinning machine, which inserts twist by physically rotating it as it sits on a rotating spindle. The yarn is then transferred to a cone, where it is wound for shipment. *See* Petition at 8-9.

The equipment for spinning OE spun rayon yarn is generally distinct from the equipment used to spin ring spun rayon yarn.[28] Some domestic producers produce other types of yarn, including ring spun rayon yarn, at their OE spun rayon yarn production facilities, although others produce open end products exclusively.[29] In those facilities where more than one type of yarn is spun, production workers who produce the OE spun rayon yarn also produce the other types of yarn.[30]

Customer and Producer Perceptions. The information in the record indicates that customers and U.S. producers perceive OE spun rayon yarn and ring spun rayon yarn to be different products. Petitioner's witness testified that, if a customer could not receive delivery of OE spun rayon yarn it ordered, it would not accept ring spun rayon yarn instead. Nor would a producer offer to substitute one type of yarn for the other.[31] The majority of responding producers and importers reported that there are no substitutes for OE spun rayon yarn.[32]

Price. Petitioners have submitted information indicating that U.S. producers' prices for ring spun rayon yarn exceed prices for OE spun rayon yarn by approximately 40 percent.[33] A witness for respondents agreed that OE spun and ring spun rayon yarn are "just not competitive" in terms of price.[34]

Conclusion. Although OE spun and ring spun rayon yarn share common channels of distribution, and, to a lesser extent, production processes, facilities, and employees, we conclude the distinctions between the two products are more fundamental than their similarities. The record indicates that OE spun rayon yarn and ring spun rayon yarn have distinct end uses by virtue of their different physical characteristics, that the products are generally not interchangeable, and that they are perceived by producers and customers as different products. There are also wide differences between prices for OE spun rayon yarn and ring spun rayon yarn. Because the differences between OE spun rayon yarn and ring spun rayon yarn are sufficiently substantial to constitute a clear dividing line, we have defined the domestic like product to be OE spun rayon yarn for purposes of this preliminary determination.

C. Domestic Industry

In making its determination, the Commission is directed to consider the effect of the subject imports on the industry, defined as "the producers as a [w]hole of a domestic like product."[35] In doing so, the Commission generally includes all domestic production, including tolling operations and captively consumed product, within the domestic industry.[36]

Two domestic producers, Burlington Madison Yarn Company ("BMYC") and *** imported subject merchandise from Austria during the period of investigation.[37] Consequently, BMYC and *** are related parties according to the provisions of the statute.[38] As such, the Commission may exclude these producers

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[28] *See* CR at II-3-4, PR at II-2; Tr. at 38 (Sullivan).

[29] Tr. at 38 (Sullivan), 38-39 (Johnson); CR at II-3-4, PR at II-2.

[30] *See* CR at I-8, PR at I-6.

[31] Tr. at 43 (Sullivan), 43-44 (Eyer).

[32] CR at II-6-7, PR at II-3.

[33] *See* Tr. at 71 (Sullivan); Petitioner's Postconference Brief, ex. 7.

[34] Tr. at 143 (Ramaty).

[35] 19 U.S.C. §1677(4)(A).

[36] *See* United States Steel Group v. United States, 873 F. Supp. 673, 682-83 (Ct. Int'l Trade 1994), *aff'd*, __ F.3d ___, Slip Op 95-1245 (Fed. Cir. Aug. 26, 1996).

[37] CR at IV-1, PR at IV-1; Tr. at 52 (Sullivan).

[38] The term "related parties" is defined at 19 U.S.C. § 1677(4)(B).

from the domestic industry if "appropriate circumstances" exist.[39] Exclusion of a related party is within the Commission's discretion based upon the facts presented in each case.[40]

The volume of OE spun yarn from Austria imported by each related party producer is extremely small in relation to that producer's domestic production.[41] This information indicates that these firms' principal interests lie in domestic production. Moreover, their imports do not appear to have skewed these producers' performance in relation to the rest of the industry.[42] [43] We consequently have determined that appropriate circumstances do not exist to exclude either related party producer from the domestic industry. Accordingly, we have defined the domestic industry for purposes of this preliminary determination to include all U.S. producers of OE spun rayon yarn.[44]

III. CONDITION OF THE DOMESTIC INDUSTRY

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

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[39] 19 U.S.C. § 1677(4)(B). The primary factors the Commission examines in deciding whether appropriate circumstances exist to exclude a related party include:

(1) the percentage of domestic production attributable to the importing producer;
(2) the reason the U.S. producer has decided to import the product subject to investigation, *i.e.* whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and
(3) the position of the related producer vis-a-vis the rest of the industry, *i.e.* whether inclusion or exclusion of the related party will skew the data for the rest of the industry.

See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered whether each company's books are kept separately from its "relations" and whether the primary interests of the related producer lie in domestic production or in importation. *See, e.g.,* Certain Carbon Steel Butt-Weld Pipe Fittings from France, India, Israel, Malaysia, the Republic of Korea, Thailand, the United Kingdom, and Venezuela, Inv. Nos. 701-TA-360-361, 731-TA-688-695 (Final), USITC Pub. 2870, at I-18 (Apr. 1995).

[40] *See* Torrington Co. v. United States, 790 F. Supp. at 1168; Empire Plow Co. v. United States, 675 F. Supp. at 1353-54 (analysis of "[b]enefits accrued from the relationship" as a major factor in deciding whether to exclude a related party held a "reasonable approach in light of the legislative history"); S. Rep. No. 249, at 83 ("where a U.S. producer is related to a foreign exporter and the foreign exporter directs his exports to the United States so as not to compete with his related U.S. producer, this should be a case where the ITC would not consider the related U.S. producer to be a part of the domestic industry").

[41] CR at IV-1 n.3, PR at IV-1 n.3.

[42] *See* Table VI-3, CR at VI-5-6, PR at VI-4; CR at VI-7, PR at VI-4.

[43] Commissioner Crawford does not join this statement.

[44] Respondent Linz Textil GmbH ("Linz"), an Austrian producer of subject merchandise, argues that petitioner lacks standing to bring a petition on behalf of this industry. *See* Linz Postconference Brief at 3-5. In its notice of initiation, however, Commerce expressly found that "the petition is supported by the domestic industry." 61 Fed. Reg. at 48472. The statute, as amended by the Uruguay Round Agreements Act (URAA), expressly states that "[a]fter the administering authority makes a determination with respect to initiating an investigation, the determination regarding industry support shall not be reconsidered." 19 U.S.C. § 1673a(c)(4)(E). Because Commerce has determined that the petition was filed on behalf of the domestic industry and the statute directs that the standing determinations Commerce makes may not be reconsidered, the Commission has no authority to entertain Linz's argument that petitioner lacks standing. "Arguments regarding industry support should not be made to either Commerce or the Commission following initiation." URAA Statement of Administrative Action (SAA), H.R. Rep. 316, 103d Cong., 2d Sess., vol. 1 at 863 (1994).

factors that bear on the state of the industry in the United States.[45] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[46]

We note certain conditions of competition pertinent to our analysis of the domestic OE spun rayon yarn industry. First, we must decide whether to apply the statutory captive production provision for purposes of this determination. The information available in the preliminary record indicates that approximately half of domestic production of OE spun rayon yarn is sold on the merchant market, with the remaining half being captively consumed by integrated producers that produce both yarn and fabric.[47] Based on this information, we find that the domestic OE spun rayon yarn industry internally consumes significant production of the domestic like product in the production of downstream articles, and also sells significant production of the domestic like product in the merchant market. Thus the threshold criteria for applying the statutory captive production provision are present. Because we determine that the third statutory criterion for the applicability of the statutory provision is not satisfied, however, we do not apply the provision for purposes of this determination.[48] Accordingly, our examination below of quantitative data concerning the domestic industry is based on available data for the entire industry. The available data, however, largely reflect information from merchant market producers.[49]

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[45] 19 U.S.C. § 1677(7)(C)(iii).

[46] 19 U.S.C. §1677(7)(C)(iii).

[47] *See* CR at III-2, PR at III-2.

[48] 19 U.S.C. § 1677(7)(C)(iv) sets forth the factors to be considered by the Commission in determining whether the captive production provision is applicable. If the threshold criteria are present, i.e., domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, then the Commission shall determine whether:

> (I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product;
>
> (II) the domestic like product is the predominant material input in the production of that downstream article; and
>
> (III) the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article . . .

19 U.S.C. § 1671(7)(C)(iv). If the Commission finds that these criteria are satisfied, it must "focus primarily on the merchant market for the domestic like product" in examining market share and the domestic industry's financial condition.

OE spun rayon yarn, whether captively consumed or sold in the merchant market, is used to produce fabric used in the production of women's apparel. *See* CR at I-7, PR at I-3; Questionnaire Response of ***. Because the vast majority of both merchant market and captively consumed OE spun rayon yarn is used to produce the same downstream articles, the third statutory factor is not satisfied. *See* Steel Concrete Reinforcing Bars from Turkey, Inv. No. 731-TA-745 (Preliminary), USITC Pub. 2955 at 15 (Apr. 1996); Foam Extruded PVC and Polystyrene Framing Stock from the United Kingdom, Inv. No. 731-TA-738 (Preliminary), USITC Pub. 2930 at 10 (Oct. 1995). We consequently need not consider the remaining two criteria.

[49] Only one integrated producer provided a full response to the Commission's questionnaire, and this producer could not provide profit-and-loss information in a meaningful format. *See* CR at III-1-2, VI-1, PR at III-1-2, VI-1.

(continued...)

Raw material costs account for the majority of the cost of goods sold for OE spun rayon yarn. These costs declined by 8.5 percent from 1993 to 1994, increased by 7.4 percent from 1994 to 1995, and were 11.2 percent higher during the first six months of 1996 ("interim 1996") than during the first six months of 1995 ("interim 1995").[50] The changes in raw material costs largely reflect changes in the price of rayon staple fiber, the predominant raw material in OE spun rayon yarn.[51]

An additional condition of competition stems from the fact that OE spun rayon yarn is used principally for women's apparel. As a consequence, demand for the product is influenced to some extent by fashion trends. A majority of responding importers and domestic producers reported no significant change in the market for OE spun rayon yarn over the last five years.[52] Petitioner's witness at the conference similarly characterized demand for OE spun rayon yarn as "fairly stable," but indicated that it is subject to "spikes" due to changes in fashion emphasis.[53] A Borckenstein witness said that, while he generally agreed with this characterization, he believes that demand has declined in recent months.[54]

In fact, apparent U.S. consumption of OE spun rayon yarn displayed considerable annual variations during the Commission's period of investigation. Measured by value, apparent consumption declined by 7.4 percent, from $95.7 million to $88.6 million, from 1993 to 1994. It then increased by 15.3 percent, to $102.1 million, in 1995. Apparent consumption of $52.2 million during interim 1996 was 2.6 percent lower than apparent consumption of $53.6 million during interim 1995.[55] The quantity data for U.S. apparent consumption, which are confidential, show the same trends:[56] declines from 1993 to 1994, increases the following year with the 1995 figure exceeding that for 1993, and lower apparent consumption in interim 1996 than in interim 1995.[57]

U.S. producers' shipments followed a similar pattern of fluctuation, although the relative magnitude of the annual changes was greater for shipments than for apparent consumption. Measured by quantity, domestic producers' U.S. shipments declined by 21.5 percent, from 32.0 million pounds to 25.1 million pounds, from 1993 to 1994, and then increased by 27.7 percent, to 32.1 million pounds in 1995. Interim 1996 shipments of 14.6 million pounds were 13.5 percent less than interim 1995 shipments of 16.9 million

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[49](...continued)
Consequently, the trade data in the Commission report predominantly reflect the operations of the merchant market producers, and the financial data in the report exclusively reflect the operations of such producers. This renders petitioner's argument that the Commission should exercise its discretion to focus on the merchant market, even if the criteria of the statutory captive production provision are not met, largely academic for purposes of the instant determination. In the final phase of the investigation, Commission staff will seek to obtain more complete data from the entire domestic industry, including integrated producers.

[50] *See* Tr. at 16-17 (Sullivan); Table VI-2, CR at VI-4, PR at VI-3.

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

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

[53] Tr. at 47 (Sullivan).

[54] Tr. at 129 (Bergman).
In the final phase of the investigation, we will examine more closely what factors cause fluctuations in demand for OE spun rayon yarn. We will also explore how far in advance OE spun rayon yarn producers are able to ascertain and plan for changes in fashion trends that could affect demand for yarn.

[55] Table IV-2, CR at IV-6, PR at IV-4.

[56] Commissioner Crawford joins her colleagues in this investigation in a discussion of the "condition of the industry" even though she does not make her determination based on industry trends. Rather she views the discussion as a factual recitation of the data collected concerning the statutory impact factors.

[57] Measured by quantity, apparent U.S. consumption declined by *** percent, from *** pounds to *** pounds, from 1993 to 1994, and then increased by *** percent, to *** pounds, in 1995. Interim 1996 apparent consumption of *** pounds was *** percent lower than interim 1995 apparent consumption of *** pounds. Table IV-2, CR at IV-6, PR at IV-4.

pounds. The value of domestic producers' U.S. shipments, however, declined from 1993 to 1995. Shipment value fell from $58.2 million in 1993 to $41.2 million in 1994, a decline of 29.2 percent. The value of shipments then rose to $53.3 million in 1995, a level 8.3 percent below the 1993 value. The value of interim 1996 U.S. shipments, $24.4 million, was 11.4 percent less than the interim 1995 figure of $27.5 million.[58]

The domestic industry's share of apparent U.S. consumption also fluctuated. Measured by value, U.S. producers' share of apparent consumption declined from 60.8 percent in 1993 to 46.5 percent in 1994, and then increased to 52.2 percent in 1995. The interim 1995 and 1996 figures were 51.3 percent and 46.7 percent, respectively. The shares measured by quantity, which are confidential, were at comparable levels and moved in roughly the same pattern.[59]

The domestic industry's production declined from 32.0 million pounds to 25.3 million pounds, a fall of 20.9 percent, from 1993 to 1994, and then rebounded to 33.0 million pounds, an increase of 30.3 percent, in 1995. Interim 1996 production of 14.7 million pounds was 17.0 percent less than interim 1995 production of 17.7 million pounds. Capacity fluctuated within a fairly narrow range. Capacity utilization declined from 55.8 percent in 1993 to 42.4 percent in 1994, and then increased to 51.3 percent in 1995. Interim 1996 capacity utilization was 39.9 percent, as compared to 45.4 percent in interim 1995.[60]

Producers report that because OE spun rayon yarn is usually made to order, they generally keep only one to two weeks' production in inventory.[61] Consequently, inventory levels were relatively low compared to U.S. shipments throughout the period of investigation. End-of-period inventories increased from 1993 to 1994, declined from 1994 to 1995, and were lower in interim 1996 than in interim 1995.[62]

The number of production and related workers (PRWs) in the domestic OE spun rayon yarn industry generally declined over the period of investigation. The number of PRWs declined by 18.7 percent, from 262 in 1993 to 213 in 1994, and then rose by 4.2 percent to 222 in 1994. There were 219 PRWs in interim 1996, which was 4.4 percent fewer than the 229 in interim 1995. Hours worked declined by 20.4 percent, from 558,000 to 444,000 from 1993 to 1994, and by an additional 1.1 percent, to 439,000, from 1994 to 1995. The 212,000 hours worked during interim 1996 were 11.7 percent below the 240,000 hours worked during interim 1995. Wages paid declined in each annual comparison and were lower in interim 1996 than in interim 1995. Hourly wages, however, increased throughout the period of investigation.[63]

The industry's sales revenues and operating income showed the same pattern of annual fluctuation as its shipment and production data, with the highest revenues and income occurring during 1993. Sales revenues declined by 37.4 percent, from $41.9 million in 1993 to $26.2 million in 1994, and then increased by 30.9 percent, to $34.4 million, in 1995. Interim 1996 sales revenues of $18.8 million were 18.7 percent below the interim 1995 revenues of $23.1 million.[64] The average unit value of sales, however, declined each year from 1993 to 1995, although interim 1996 average unit sales values slightly exceeded those of interim 1995. From 1993 to 1995, the unit value of cost of goods sold (COGS) also declined, although not by as great an amount as the decline in average unit sales value. By contrast, average COGS increased at a greater

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[58] Table III-2, CR at III-5, PR at III-5.

[59] Table IV-4, CR at IV-8, PR at IV-6. Measured by quantity, U.S. producers' share of apparent consumption was *** percent in 1993, *** percent in 1994, *** percent in 1995, *** percent during interim 1995, and *** percent during interim 1996. Id.

[60] Table III-1, CR at III-4, PR at III-3.

[61] CR at II-4, PR at II-2.

[62] End-of-period inventories rose from *** pounds in 1993 to *** pounds in 1994, an increase of *** percent, and then fell to *** pounds in 1995, a decline of *** percent. Inventory levels of *** pounds on June 30, 1996 were lower than those of *** pounds on June 30, 1995. Table III-3, CR at III-8, PR at III-6.

[63] Table III-4, CR at III-8, PR at III-7.

[64] Table VI-1, CR at VI-3, PR at VI-2.

rate than average unit sales values between the interim periods, principally because of the increase in the cost of raw materials.[65]

As a result, the domestic industry experienced generally increasing ratios of COGS to sales value during the period of investigation. This ratio increased from 86.1 percent in 1993 to 89.9 percent in 1994, and then declined slightly to 89.6 percent in 1995. The interim 1996 COGS to sales value ratio of 92.7 percent was significantly higher than the interim 1995 ratio of 85.8 percent. Selling, general, and administrative expenses, as a percentage of sales, remained relatively stable throughout the period of investigation.[66]

Reduced shipments at declining unit sales values served to reduce both operating income and operating margins from 1993 to 1994. Operating income fell from $4.0 million to $1.4 million and the operating margin declined from 9.5 percent to 5.3 percent. From 1994 to 1995, by contrast, shipments increased but unit sales values did not, while unit COGS values remained relatively stable. Although this caused an increase in operating income to $2.0 million, the operating margin increased only slightly to 5.8 percent -- well below that reported for 1993.[67]

Shipments were lower in interim 1996 than in interim 1995, and the amount by which average unit sales values increased between the interim periods was much lower than the amount by which unit COGS values rose. As a result, operating income and margins were much lower in interim 1996 than in interim 1995. Operating income was only $396,000 in interim 1996, as compared to $2.2 million in interim 1995. The operating margin was 9.7 percent in interim 1995, but merely 2.1 percent in interim 1996.[68]

Capital expenditures showed extreme annual fluctuations, rising from 1993 to 1994 and declining severely from 1994 to 1995. Such expenditures were higher in interim 1996 than in interim 1995.[69] Research and development expenditures were nominal.[70] [71]

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

In preliminary antidumping investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[72] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[73] Although the Commission may consider

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[65] Table VI-2, CR at VI-4, PR at VI-3.

[66] Table VI-1, CR at VI-3, PR at VI-2.

[67] Table VI-1, CR at VI-3, PR at VI-2.

[68] Table VI-1, CR at VI-3, PR at VI-2.

[69] Capital expenditures increased by *** percent, from *** to ***, from 1993 to 1994, and then declined by *** percent, to *** in 1995. Interim 1996 capital expenditures of *** were *** percent higher than interim 1995 capital expenditures of ***. Table C-1, CR at C-3, PR at C-3.

[70] Table VI-5, CR at VI-8, PR at VI-5.

[71] Based on the foregoing, Commissioner Newquist determines that there is a reasonable indication that the domestic OE spun rayon yarn industry is experiencing material injury.

[72] 19 U.S.C. § 1673b(a). The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant." 19 U.S.C. § 1677(7)(A).

[73] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination," but shall "identify each [such] factor . . . and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

causes of injury to the industry other than the allegedly LTFV and subsidized imports,[74] it is not to weigh causes.[75] [76] [77] [78]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic OE spun rayon yarn industry is materially injured by reason of allegedly LTFV imports from Austria.

Volume of Subject Imports. The quantity and value of subject imports increased during the latter portions of the period of investigation, particularly in the interim period comparison.[79] Measured by value, subject imports declined slightly from $22.3 million in 1993 to $22.0 million in 1994, but increased to $28.9 million in 1995. The value of subject imports during interim 1996, $19.0 million, was appreciably higher than the $12.8 million figure for interim 1995. Measured by quantity, subject imports followed similar

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[74] Alternative causes may include the following:

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

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

[75] *See, e.g.,* Gerald Metals, Inc. v. United States, Slip Op. 96-142 at 12 (Ct. Int'l Trade, Aug. 21, 1996); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1101 (Ct. Int'l Trade 1988).

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

[77] For a detailed description of Commissioner Crawford's analytical framework, *see* Polyvinyl Alcohol from China, Japan, and Taiwan, Inv. Nos. 731-TA-726, 727, and 729 (Final), USITC Pub. 2960 at 25-26 (May 1996). Both the Court of International Trade and the United States Court of Appeals for the Federal Circuit have held that the "statutory language fits very well" with Commissioner Crawford's mode of analysis, expressly holding that her mode of analysis comports with the statutory requirements for reaching a determination of material injury by reason of the subject imports. United States Steel Group v. United States, __ F.3d ___, Slip Op. 95-1245 at 21 (Fed. Cir. Aug. 29, 1996), *aff'g* 873 F. Supp. 673, 694-95 (Ct. Int'l Trade 1994). Commissioner Crawford notes that the statute requires that the Commission determine whether a domestic industry is "materially injured by reason of" the allegedly LTFV imports. She finds that the clear meaning of the statute is to require a determination of whether the domestic industry is materially injured by reason of LTFV imports, not by reason of the LTFV imports among other things. Many, if not most, domestic industries are subject to injury from more than one economic factor. Of these factors, there may be more than one that independently are causing material injury to the domestic industry. It is assumed in the legislative history that the "ITC will consider information which indicates that harm is caused by factors other than less-than-fair-value imports." S. Rep. No. 249, 96th Cong., 1st Sess. 75 (1979). However, the legislative history makes it clear that the Commission is not to weigh or prioritize the factors that are independently causing material injury. Id. at 74; H.R. Rep. No. 317, 96th Cong., 1st Sess. 46-47 (1979). The Commission is not to determine if the LTFV imports are "the principal, a substantial or a significant cause of material injury." S. Rep. No. 96-249 at 74 (1979). Rather, it is to determine whether any injury "by reason of" the LTFV imports is material. That is, the Commission must determine if the subject imports are causing material injury to the domestic industry. "When determining the effect of imports on the domestic industry, the Commission must consider all relevant factors that can demonstrate if unfairly traded imports are materially injuring the domestic industry." S. Rep. No. 71, 100th Cong., 1st Sess. 116 (1987) (emphasis added).

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

[79] Commissioner Watson notes that he uses caution in examining interim period data. *See* Foam Extruded PVC and Polystyrene Framing Stock from the United Kingdom, Inv. No. 731-TA-738 (Preliminary), USITC Pub. 2930 at 22 n.13 (Oct. 1995).

trends.[80] They declined from *** pounds in 1993 to *** pounds in 1994. In 1995, subject import quantity increased to *** pounds, a figure above that for 1993. Interim 1996 subject import quantity was *** pounds, compared to *** pounds in interim 1995.[81]

The market share of subject imports rose during the period of investigation. Measured by value, subject import market penetration increased from 23.3 percent in 1993 to 24.8 percent in 1994 and to 28.3 percent in 1995. Subject import market penetration measured by value was 36.3 percent in interim 1996, which was considerably higher than the 23.9 percent penetration in interim 1995.[82] The subject import market penetration data measured by quantity, which are confidential, show generally comparable levels and trends.[83]

In light of these market penetration levels, and the substantial increases in the quantity, value, and market share of subject imports during the latter portions of the period of investigation, we determine that both the volume of subject imports and the increase in that volume are significant.

Price Effects of Subject Imports. Prices for the domestic like product declined over the period of investigation. For each of the four domestically-produced OE spun rayon yarn products for which pricing data were collected, prices were lower at the conclusion of the period of investigation in the second quarter of 1996 than they were at the beginning of the period of investigation in the first quarter of 1993. For the most part, the declines were concentrated in 1993, with prices stabilizing over the latter portion of the period of investigation.[84]

As previously stated, the domestic industry's raw material costs were increasing during the latter portion of the period of investigation. Additionally, the latter portion of the period of investigation was characterized by significant and increasing volumes of subject imports. Prices for the subject imports generally either fluctuated within a narrow range or declined slightly during the portions of 1995 and 1996 for which data were collected.[85] Because of the nature of sales of OE spun rayon yarn, much of the pricing data collected makes analysis of overselling or underselling problematic.[86] We do observe, however, that data for the one product where pricing information at the same level of trade was obtained from both domestic

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[80] As noted previously, Commissioner Crawford does not rely on changes in industry performance on a year-to-year basis (i.e. trends) in her determination of material injury by reason of allegedly dumped imports.

[81] Table IV-2, CR at IV-6, PR at IV-4.

[82] Table IV-4, CR at IV-8, PR at IV-6.

[83] Measured by quantity, subject import market penetration was *** percent in 1993, *** percent in 1994, *** percent in 1995, *** percent in interim 1995, and *** percent in interim 1996. Table IV-4, CR at IV-8, PR at IV-6.

[84] Tables V-1 to V-4, CR at V-10-13, PR at V-5. The pricing data are corroborated by the domestic industry's average unit sales value data, which show a substantial decline in average unit sales values from 1993 to 1994, a nominal decline from 1994 to 1995, and a slight increase during the interim period comparison. Table VI-2, CR at VI-4, PR at VI-3.

[85] *See* Tables V-1 to V-3, CR at V-10-12, PR at V-5.

[86] Much of the pricing data for the subject imports reflect direct sales of OE spun rayon yarn from Borckenstein to Beavertown Mills, Inc. ("Beavertown"), a U.S. importer that internally consumes the yarn it purchases. At the conference, Beavertown claimed it was the sole U.S. importer of OE spun rayon yarn produced by Borckenstein. Tr. at 89 (Bergman). Petitioner argued that the Beavertown purchases from Borckenstein should be ignored because they were not arm's length transactions. *See* Petitioner's Postconference Brief at 9-10. Although we have not disregarded these purchases for purposes of evaluating pricing trends, we find them to be less useful for the purpose of evaluating the incidence and frequency of overselling and underselling than prices charged by importers that, in contrast to Beavertown, sell their product to end users. In the final phase of the investigation, we intend to investigate further the nature of the relationship between Beavertown and Borckenstein and the manner in which these firms negotiate prices for OE spun rayon yarn.

producers and importers for each of the last six quarters of the period of investigation (encompassing January 1995 to June 1996), show predominant underselling by the subject imports during this period.[87] [88]

Despite some claims by respondents that Austrian OE spun rayon yarn is superior in quality to the domestic like product, the record in the preliminary phase of this investigation indicates that the domestic like product and the subject imports are relatively fungible products.[89] [90] Indeed, the current record contains reports from purchasers who stated that price was an important consideration in purchasing decisions and that subject imports compete with the domestic like product on the basis of price.[91] Domestic industry officials testified similarly.[92] [93]

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[87] Table V-5, CR at V-14, PR at V-5. Throughout the entire period of investigation, there was mixed overselling and underselling for the products for which data were obtained. Id.

[88] Commissioner Crawford rarely gives much weight to evidence of underselling since it usually reflects some combination of differences in quality, other nonprice factors, or fluctuations in the market during the period in which price comparisons were sought.

[89] *See* CR at II-8, PR at II-4.

[90] Commissioner Crawford and Commissioner Watson recognize that there are some quality differences between domestic OE spun rayon yarn, subject imports and nonsubject imports. Therefore, they do not concur in characterizations of fungibility, a term that indicates that products are identical or nearly identical. Rather, they recognize, more accurately, that the three sources are fairly good substitutes for each other.

[91] *See* CR at V-17-21, PR at V-6-7. One purchaser, ***, reported that prices would be higher if there were no import competition. Another purchaser, ***, reported that price is a very important factor in its purchasing decisions because it competes against firms using imported yarn; it further reported that although it does not purchase much imported yarn, the imported yarn it does purchase is bought because of price. A third purchaser, ***, reported that in most instances the price of imported yarn is lower than the price of domestic yarn, and a fourth, ***, reported purchasing subject imports in lieu of the domestic like product at least in part because the price of the imports was lower. *See* id. Following our usual practice, we will issue purchaser questionnaires in the final phase of the investigation to provide further information concerning factors pertinent to purchasing decisions.

[92] *See* Tr. at 16 (Sullivan).

[93] Commissioner Crawford does not concur with her colleagues' conclusion that subject imports are having significant price effects and thus, does not join the remainder of this discussion. To evaluate the effects of the dumping on domestic prices, Commissioner Crawford compares domestic prices that existed when the imports were dumped with what domestic prices would have been if the imports had been fairly traded. In most cases, if the subject imports had not been traded unfairly, their prices in the U.S. market would have increased. In this investigation, the alleged dumping margins for subject imports from Austria are quite large (60.1 to 65 percent), so that subject imports likely would have been priced significantly higher had they been fairly traded. Subject imports and domestic OE spun rayon yarn are fairly good substitutes, and thus some of the demand for subject imports likely would have shifted to domestic OE spun rayon yarn had subject imports been fairly traded. However, nonsubject imports and subject imports also are fairly good substitutes, and thus some of the demand for subject imports likely would have shifted to nonsubject imports as well. Since subject imports held a market share of *** percent by quantity in 1995, the shift in demand away from subject imports likely would have been substantial, and it is likely that the domestic industry would have captured a significant share of it. The elasticity of demand indicates that domestic suppliers likely would have not been able to increase prices in response to this significant shift in demand. Moreover, any attempt by the domestic industry to increase its prices in response to the shift in demand would have been unsuccessful. There are a significant number of OE spun rayon yarn suppliers in the U.S. market that compete directly with each other. The domestic industry has available production capacity, and some inventories and exports with which domestic producers would have competed among themselves for sales, had demand shifted away from subject imports. Furthermore, suppliers of the significant volume of nonsubject imports, which accounted for *** percent of consumption in 1995, also would have competed for sales, and thus provided additional price discipline. In these circumstances, any effort by a domestic supplier to raise its prices would have been beaten back by its competitors. Therefore, significant effects on domestic prices cannot be attributed to the unfair pricing of subject imports. Consequently, Commissioner Crawford finds that subject imports are not having significant effects on prices for domestic OE spun rayon yarn.

In light of their relative fungibility with the domestic like product, their stable to declining prices, and the evidence that they compete with the domestic like product on the basis of price, we find that the large and increasing volume of allegedly LTFV subject imports that entered the United States during the latter portion of the period of investigation served to depress or suppress prices for the domestic like product.[94] This is evidenced by the fact that prices for the domestic like product remained relatively stable over the latter portion of the period of investigation, notwithstanding that overall demand for OE spun rayon yarn increased during 1995 and that the costs of raw materials used to produce OE spun rayon yarn increased during the latter portion of 1995 and were higher in interim 1996 than in interim 1995. Accordingly, for purposes of this preliminary determination, we conclude that the subject imports have depressed or suppressed prices for the domestic like product to a significant degree.

Impact of Subject Imports.[95] [96] [97] The domestic industry has incurred negative financial effects by reason of the subject imports. As stated above, the presence of significant and increasing volumes of allegedly LTFV imports during the latter portion of the period of investigation prevented the domestic

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[94] Commissioner Nuzum further notes that the alleged dumping margins are in the range of 60 to 65 percent, and far exceed the margins by which the subject imports undersold the domestically produced product. Given the fungibility of this product, and the importance of price in purchase decisions, this magnitude of dumping likely contributed, in her view, to the ability of the subject imports to suppress prices in the U.S. market.

[95] As part of its consideration of the impact of imports, the statute as amended by the Uruguay Round Agreements Act (URAA) specifies that the Commission is to consider "the magnitude of the margin of dumping." 19 U.S.C. § 1677(7)(C)(iii)(V). The URAA Statement of Administrative Action (SAA) indicates that the amendment "does not alter the requirement in current law that none of the factors which the Commission considers is necessarily dispositive in the Commission's material injury analysis." SAA at 850. New section 771(35)(C), 19 U.S.C. § 1677(35)(C), defines the "margin of dumping" to be used by the Commission in a preliminary determination as the margin or margins published by Commerce in its notice of initiation. The estimated dumping margins identified by Commerce in its notice of initiation of this investigation range from 60.10 percent to 65.00 percent. 61 Fed. Reg. at 48473.

[96] Commissioner Newquist notes that, in his analytical framework, "evaluation of the magnitude of the margin of dumping" is not generally helpful in answering the questions posed by the statute: whether the domestic industry is materially injured; and, if so, whether such material injury is by reason of the subject imports.

[97] As previously stated, Commissioner Crawford does not evaluate impact based on trends in statutory impact factors. In her analysis of material injury by reason of allegedly dumped imports, Commissioner Crawford evaluates the impact of subject imports on the domestic industry by comparing the state of the industry when the imports were dumped with what the state of the industry would have been had the imports been fairly traded. In assessing the impact of the subject imports on the domestic industry, she considers, among other relevant factors, output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development and other relevant factors as required by 19 U.S.C. § 1677(7)(C)(iii). These factors together either encompass or reflect the volume and price effects of the allegedly dumped imports, and so she gauges the impact of the dumping through those effects. In this regard, the impact on the domestic industry's prices, sales and overall revenues is critical, because the impact on the other industry indicators (e.g., employment, wages, etc.) is derived from this impact. As noted above, the domestic industry would not have been able to increase its prices significantly if subject imports had been sold at fairly traded prices. Therefore, any impact of the allegedly dumped imports on the domestic industry would have been on the domestic industry's output and sales. Had subject imports not been dumped, competition from the significant volume of nonsubject imports would have prevented the domestic industry from capturing the entire demand satisfied by subject imports. Nonetheless, domestic producers dominate the U.S. market and thus, the increase in demand for domestic OE spun rayon yarn likely would have been significant. Domestic suppliers could have increased their production and sales to satisfy the significant increase in demand. Accordingly, the domestic industry likely would have captured enough of the demand for subject imports that its output and sales, and therefore its revenues, would have increased significantly had subject imports not been dumped. Consequently, the domestic industry likely would have been materially better off if the subject imports had been fairly traded. Therefore, Commissioner Crawford determines that there is a reasonable indication that the domestic industry producing OE spun rayon yarn is materially injured by reason of allegedly LTFV imports of OE spun rayon yarn from Austria.

industry from raising prices during a period of rising demand and/or increasing raw material costs. Thus, in 1995, while the dollar value of the domestic industry's operating income did increase because of larger sales volume, the corresponding operating income margin rose only very slightly from the 1994 level, and was well below the level of 1993.[98] In the interim period comparison, the domestic industry had to confront the added difficulties of declining market demand and significantly increased unit COGS values due to raw material price increases, at the same time that substantially increasing volumes of allegedly LTFV imports continued to enter the United States. The result was that both the dollar amount of operating income and profit margins fell dramatically.[99] During the most recent interim period, the domestic industry also experienced significant declines in market share, shipments, and capacity utilization.[100] [101]

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that the domestic open-end spun rayon singles yarn industry is materially injured by reason of allegedly LTFV imports from Austria.

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[98] Table VI-1, CR at VI-3, PR at VI-2.

[99] Table VI-1, CR at VI-3, PR at VI-2.

[100] Tables III-1 and 2, CR at III-4-5, PR at III-3, III-5; Table IV-4, CR at IV-8, PR at IV-6.

[101] Because we have made a determination of reasonable indication of material injury by reason of subject imports, it is not necessary for us to address the question of reasonable indication of threat of material injury by reason of subject imports. Nevertheless, for the benefit of the parties to this investigation, we provide our observations concerning certain submissions on this issue.

Respondents' principal argument on the question of threat was that there could be no likelihood of substantially increased imports in light of a joint venture between Beavertown and Borckenstein that will produce OE spun rayon exclusively for Beavertown's consumption at a facility being constructed in South Carolina. A Borckenstein witness at the conference testified that: (1) production of OE spun rayon yarn in Loris, S.C. will begin in January 1997; (2) the South Carolina facility will use the equipment that Borckenstein currently uses to produce OE spun rayon yarn in Austria; and (3) Beavertown intends to stop importing Borckenstein-produced OE spun rayon yarn from Austria in commercially significant quantities by July 1997. Tr. at 101-02 (Bergman); *see also* Borckenstein Postconference Brief at 19.

Commission staff requested at the conference that Borckenstein submit in its postconference brief documentation for its witness' testimony concerning the Borckenstein/Beavertown joint venture. Tr. at 126. Although Borckenstein did submit in its postconference brief various pieces of correspondence generated by either Borckenstein or various affiliates of Beavertown, this correspondence did not fully corroborate the conference testimony. Specifically, the correspondence failed to: (1) indicate that production at the South Carolina facility would be OE spun *rayon* yarn, as opposed to other types of OE spun yarns; (2) specify what Borckenstein production equipment would be moved to South Carolina; or (3) provide any basis for the assertion that imports of Borckenstein-produced OE spun rayon yarn from Austria would effectively cease in July 1997. To the contrary, one piece of correspondence from Beavertown's parent company to Borckenstein ***. Borckenstein Postconference Brief, ex. F.

We request that in the final phase of the investigation, Borckenstein provide the Commission with any documents it might have detailing its joint venture with Beavertown and/or any affiliated firm and with its production plans for the South Carolina facility.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by the Ad Hoc Committee of Open-End Spun Rayon Yarn Producers, Gastonia, NC,[1] 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 open-end spun rayon singles yarn[2] from Austria. Information relating to the background of the investigation is provided below.[3]

Date	*Action*
August 20, 1996	Petition filed with Commerce and the Commission;[4] institution of Commission investigation (61 F.R. 44344, August 28, 1996)
September 9, 1996 ...	Commerce's notice of initiation (61 F.R. 48472, September 13, 1996)
September 10, 1996 ..	Commission's conference[5]
October 4, 1996	Commission's vote; Commission determination to Commerce

SUMMARY DATA

A summary of the data collected in the investigation is presented in appendix C. Except as noted, U.S. industry data are based on questionnaire responses of seven firms. U.S. imports are based on both questionnaire responses and official statistics of the U.S. Department of Commerce.

THE PRODUCT

The imported product subject to this investigation is open-end spun rayon singles yarn, which includes singles yarn containing 85 percent or more rayon staple fiber that is produced on the open-end spinning system.[6] Spun rayon yarn is made by two main methods: ring spinning and open-end spinning.[7] Open-end spun rayon singles yarn is an intermediate product used primarily in the construction of woven fabric for women's apparel. This yarn is produced for sale to customers involved in the downstream

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[1] Firms comprising the membership of the Ad Hoc Committee of Open-End Spun Rayon Yarn Producers include Burlington Madison Yarn Company (BMYC), Greensboro, NC; Carolina Mills, Inc., Maiden, NC; National Spinning Company, Washington, NC; and Uniblend Spinners, Inc., Union, SC.

[2] For purposes of this investigation, open-end spun rayon singles yarn is all open-end spun rayon singles yarn, except plied yarn, comprised of 85 percent or more by weight of rayon staple fiber. Open-end spun rayon singles yarn is provided for in subheading 5510.11.00 of the Harmonized Tariff Schedule of the United States (HTS) with a most-favored-nation tariff rate of 10.6 percent *ad valorem*, applicable to imports from Austria.

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

[4] Based on a comparison of normal value and the United States price, the petition alleged LTFV margins ranging from 60.1 percent to 65.0 percent. The estimated dumping margins identified by Commerce in its notice of initiation also range from 60.1 percent to 65.0 percent.

[5] A list of witnesses appearing at the conference is presented in app. B.

[6] Singles yarn is the most basic yarn, i.e., a single continuous strand of fibers. In contrast, plied yarns and corded yarns involve two or more singles yarns twisted together. These yarns are provided for in a separate HTS subheading and are excluded from the scope of this investigation. No parties have argued that plied or corded yarns be included in the "domestic like product" and they are not discussed further in this report.

[7] Other yarn-forming methods include air-jet spinning, friction spinning, wrap spinning, and twistless spinning, in which the fibers are held together by an adhesive.

production of textile fabric, as well as used internally in the production of such fabric. Spun rayon singles yarn produced on the ring-spinning system or any other spinning system is not subject to this investigation.

Open-end spun rayon singles yarn is provided for under HTS subheading 5510.11.00, which includes all singles spun yarn containing 85 percent or more by weight of artificial staple fiber, no matter what spinning method is used. It is believed that rayon staple yarn accounts for essentially all of the U.S. imports entering under this subheading. This section presents information on both imported and domestically produced open-end spun rayon singles yarn, as well as information related to the Commission's "domestic like product" determination.[8]

Physical Characteristics and Uses

Open-end spun rayon singles yarn is made up of rayon staple fibers that are twisted together to form a continuous strand of fiber suitable for weaving or otherwise intertwining to form a textile fabric. Rayon is a cellulosic or "artificial" manmade fiber produced from regenerated wood pulp.[9] The subject yarn is available in a range of sizes and twists per inch. Yarn size is indicated by a yarn number or count, which is based on the weight in pounds of one 840-yard hank of yarn. For example, if 24 hanks are required to weigh one pound, the yarn is called a 24s yarn. Thus, the higher the yarn number the smaller the yarn diameter. Twist is measured by the number of turns per inch of yarn. Typically, the more twist applied to the yarn the stronger it will be, up to a certain point. Although the subject yarn may occasionally include a blend of rayon with another manmade fiber, such as polyester or nylon, or a natural fiber, such as cotton or wool, it is almost exclusively 100-percent rayon.

Open-end spun rayon singles yarn is an intermediate product used primarily in the construction of woven fabric for women's apparel. More specifically, the yarn is used primarily as the filling (widthwise) yarn in fabric produced on high-speed air-jet weaving looms. Because of its hairy surface, open-end yarn runs well on high-speed air-jet weaving looms, which use air to project the yarn from side to side in the fabric-forming process. In most cases, open-end spun rayon singles yarn is woven with another type of yarn in the warp (lengthwise) direction. Acetate filament yarn is frequently woven with a spun rayon yarn to produce printed fabrics that are currently popular in women's dresses, blouses, slacks, and skirts.

Interchangeability

The extent to which different types of yarn are interchangeable is limited by the emphasis placed on the look, feel, and performance required in the downstream fabric and by the requirements of the downstream weaving equipment. Because the physical properties of a yarn impart specific appearance and performance characteristics in the downstream fabric, yarn purchasers specify certain requirements, such as yarn size, twist per inch, fiber content, and method of spinning. Any variance in the required yarn properties can greatly affect the overall appearance and performance of a downstream garment. Weaving looms also require that yarns have certain physical properties in order to run at optimal efficiency. Changes in yarn properties generally require equipment adjustments or retooling.

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

[9] Rayon fiber is initially formed by extruding a chemical solution through the tiny holes of a spinneret. The resulting continuous filament fiber is then cut into short lengths (1 to 3 inches) to form staple fiber that can be spun into yarn. Rayon filament yarn may be produced from a single continuous filament or two or more filaments twisted together.

Interchangeability between rayon singles yarn spun on the open-end system and the ring spinningsystem is low despite the fact that both spinning systems can produce yarns with the same size, number of twists per inch, and fiber content, within a certain range.[10] For the most part, the physical properties inherent to the two different spinning processes determine the end use for the yarn. The subject yarn, made by the open-end spinning method, is generally weaker and more elastic than that produced on the ring-spun system. As a result, open-end yarn is generally too weak to be used as a warp yarn, which undergoes relatively high stress during the weaving process. Ring-spun yarn, in contrast, is frequently used as a warp yarn and can also be used in knitted fabric, which also requires a relatively strong yarn. As shown in figures I-1 and I-2, the open-end system produces a "hairier" yarn with more fiber ends protruding from the yarn surface. The hairiness of the open-end yarn allows it to obtain optimal efficiency on high-speed air-jet weaving looms, while the smoother ring-spun yarn must run at a much lower speed on such looms, making such production uneconomical. Ring-spun yarn is also available in a wider range of sizes, twists per inch, and fiber blends than open-end yarn. As a result, the end uses for open-end spun rayon singles yarn are primarily limited to woven fabric for women's apparel, whereas end uses for ring-spun rayon yarn include woven and knit fabrics for men's and women's apparel and for home textiles, such as upholstery.

Open-end spun rayon singles yarn is essentially a commodity product. Given the wide availability of technology, machinery, and raw fiber, the domestic and imported products are highly interchangeable. In general, both domestic and foreign products are offered in comparable size, twist, strength, and quality ranges. Yarn quality is typically measured by uniformity and strength.

Channels of Distribution

Integrated producers of open-end spun rayon yarn consume their production of open-end spun rayon yarn internally for use in the production of fabric. The fabric so produced is either consumed internally by those same integrated firms in the production of apparel or sold outside the firm to unrelated apparel manufacturers. As a result, open-end spun rayon yarn produced by integrated firms generally does not enter the normal channels of trade. However, open-end spun rayon yarn produced by nonintegrated producers and open-end spun rayon yarn imported from Austria compete for sales at the same customer level, namely direct sales to the end-use customer. As is the case with integrated producers, some importers also produce the downstream product in which the yarn is used and therefore import open-end spun rayon yarn from Austria for their own internal use. These channels of distribution are essentially the same for ring-spun rayon yarn.

Customer and Producer Perceptions

Perceived quality differences exist among customers and producers between domestically produced open-end spun rayon singles yarn and that product which is imported from Austria. Respondents allege significant quality differences that distinguish the Austrian product from the domestic product. Domestic open-end spun rayon singles yarn is alleged to be of inferior quality when measured in terms of breakage and in terms of aesthetic qualities.[11] The domestic product is also perceived by some as an inferior product because of the conditions under which it is produced. In multiple fiber mills, fibers from one yarn, acrylic or polyester, for example, could become mixed with rayon fiber, resulting in inferior yarn.[12] Importers also mentioned the quality of the Austrian product as a significant nonprice factor affecting their purchasing

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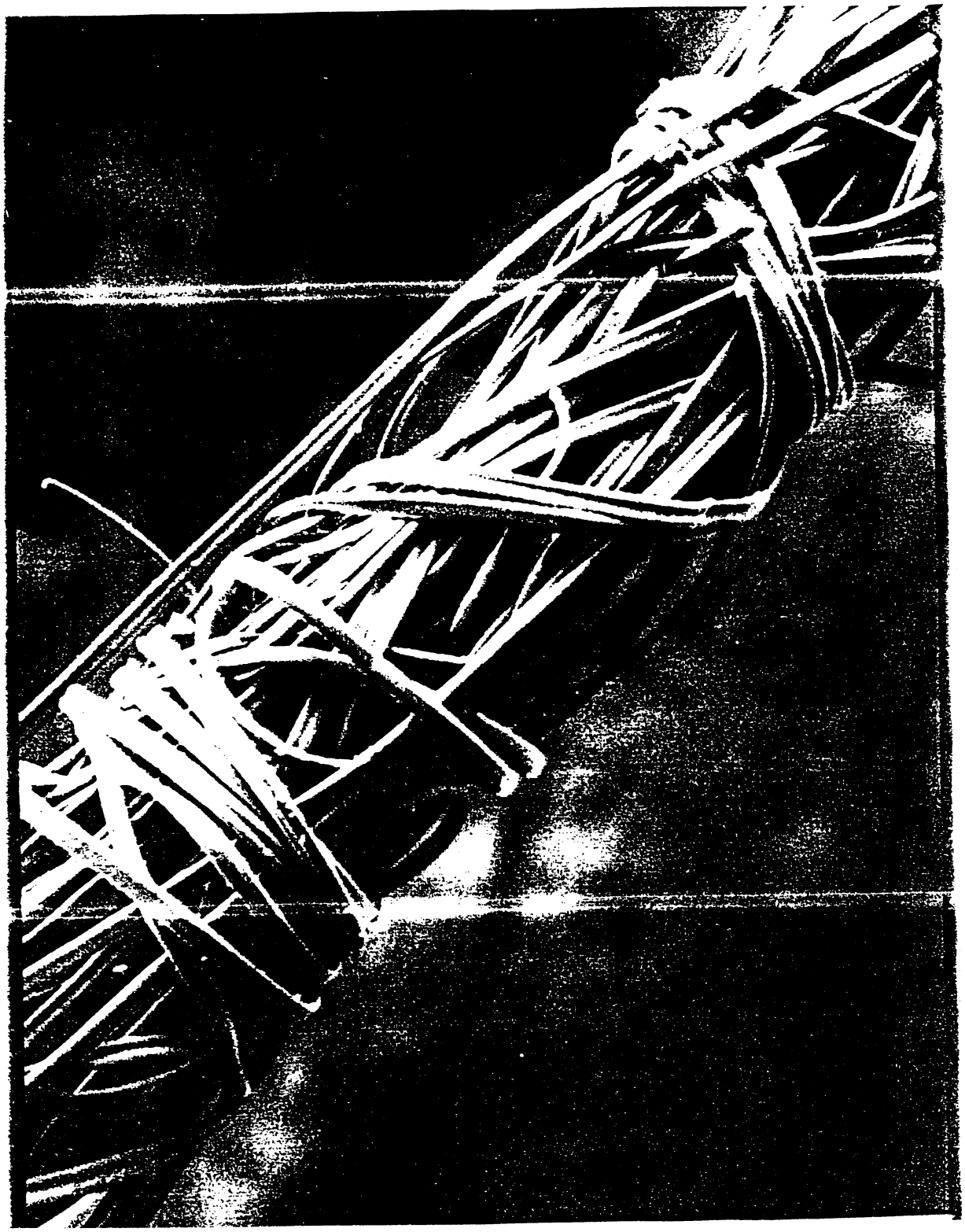
[10] In comparison to ring-spun yarn, the range of yarn sizes, twists per inch, and fiber blends are generally more limited for open-end products.

[11] Postconference brief of respondent G. Borckenstein und Sohn AG, p. 14.

[12] Postconference brief of respondent Linz Textil GmbH, pp. 24 and 25; see also importers' questionnaire response of ***, p. 20.

Figure I-1
Open-end spun rayon singles yarn



Source: Burlington Madison Yarn Company.

Figure I-2
Ring-spun rayon singles yarn

Source: Burlington Madison Yarn Company.

decision. Counter to these arguments, the petitioner asserts that domestically produced open-end spun rayon singles yarn is comparable in every respect with the product imported from Austria. Petitioner's assertion of comparable quality is based on yarn test trials comparing product produced by BMYC with that produced by the Austrian producers G. Borckenstein und Sohn AG and Linz Textil GmbH. According to petitioner, the data from the test trials revealed that there were no significant quality differences between the products and that, in certain test categories, the data slightly favored the domestic product.[13]

Use of Common Manufacturing Facilities and Production Employees

The manufacturing process for open-end spun rayon singles yarn occurs in four stages: (1) opening, (2) carding, (3) drawing, and (4) spinning. In the opening stage of the process, rayon staple fibers are opened or fluffed to separate the individual fibers and ensure a random and even distribution of fibers. Opened fibers then progress to the carding phase of the process. The carding process aligns the fibers by running them between a toothed drum and stationary wires, paralleling the fibers. The paralleled fibers come off the carding machine in the shape of a web and are drafted down into a sliver, a continuous section of aligned fiber. Numerous strands of sliver are drawn together in the drawing phase, which merges them into fewer strands of "drawing sliver." In the final or spinning stage of the process, the drawing sliver is fed into a machine to prepare for the combing roll, which opens the fiber up and feeds it to the transfer channel and into the spinning rotor. Twist is inserted and yarn is formed at the open-end or break in the fibers.

In response to the Commission's questionnaire, four U.S. producing firms noted that they do not produce other products on the same machinery and equipment used to produce open-end spun rayon singles yarn. Two of the four firms also noted that such other use would not be possible without substantial or extensive equipment modification. Two firms indicated that they produce cotton and various other yarns on the same machinery and equipment used to produce open-end spun rayon singles yarn. One firm noted in its response that it converts its machinery and equipment to produce other products when demand for open-end spun rayon singles yarn drops. All firms reported that production-and-related workers used to produce open-end spun rayon singles yarn are also used to produce other products, such as ring-spun rayon yarn, for example, within the mills wherein open-end spun rayon singles yarn is produced.

Price

Based on responses to the Commission's questionnaires, the average unit value of U.S. producers' domestic shipments of open-end spun rayon singles yarn fluctuated during the period in which information was requested between a high of $1.92 per pound in 1993 and a low of $1.67 per pound in the interim January-June 1995 period. The price difference between open-end spun rayon singles yarn and ring-spun rayon singles yarn is significant, as ring-spun rayon singles yarn typically is sold at a price 30 percent to 40 percent higher than the price for which open-end spun rayon singles yarn is sold.[14] This price differential reflects the differing perceptions of the two products in the marketplace.[15]

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[13] Petitioner's postconference brief, exhibit 3.

[14] Conference transcript, p. 42.

[15] Petitioner's postconference brief, p. 12.

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

DISTINCTIVE INDUSTRY CHARACTERISTICS

Open-end spun rayon singles yarn is mainly used as a filler yarn and is particularly well suited for use on air-jet looms because of its relatively hairy structure and even thickness. It is produced in different thicknesses and is most frequently used in mechanical crepe, blitz, and bengalin fabrics by U.S. fabric/clothing producers. These fabrics are typically used to make women's clothes in the United States, Mexico, and the Caribbean. Clothing made in Mexico from U.S. fabric made of Austrian yarn does not fall under the NAFTA rules for domestic production and therefore faces a tariff if reimported from Mexico. U.S. imports of these fabrics are covered by quotas, although imports from some countries, including Austria, are not subject to quotas.

BUSINESS CYCLES

Eight of 10 responding importers and domestic producers reported no significant change in the market for open-end spun rayon singles yarn over the last 5 years. ***, a domestic producer, reported that the market had changed because importers were more active now than 5 years ago. ***, an importer, reported that demand for relatively high-quality yarn has increased in the past 5 years with the increased use of higher-speed looms in fabric production. At the conference, the petitioner reported that demand overall was reasonably stable and, though there might be yearly fluctuations in demand, the industry was not based on this. Respondents reported that the prices of blitz fabric and of *** have fallen over the period of investigation. Initially this was because new producers were entering the market, but recently there has also been a reduction in demand that has reduced the profitability of these fabrics.[1] Petitioner reports that the falling price of the fabric may reflect the low price of imported yarn, which has reduced the cost of production.[2]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Of the 10 known domestic producers of open-end spun rayon yarn, 6 producers sell in the open market and 4 produce yarn for their own use in the production of fabric.[3] The latter group accounts for an unknown share of domestic production and the only responding producer for internal use, ***, accounted for approximately *** of all domestic production reported in the questionnaires during the period of investigation. ***.

Capacity in the U.S. industry

Four domestic producers that sell in the open market reported capacity utilization data.[4] They ran at *** percent capacity utilization in 1993, *** percent in 1994, ***percent in 1995, and *** percent in the first

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[1] Conference transcript, p. 128.
[2] Conference transcript, pp. 156-157.
[3] ***.
[4] *** reported capacity utilization in their questionnaires.

half of 1996.[5] ***. Petitioner reports that ideally production runs 6 days per week, 24 hours a day.[6]

Some production capacity could be added in about 3 months by using additional spinning machines in existing floor space, but more time is required and capital costs are high if a new facility is needed.[7] One importer, Beavertown, reported that it is planning to move existing capacity from Austria to the United States for captive production.

In their questionnaire responses, some importers reported that they had difficulty purchasing yarn from domestic producers when needed. One, ***, reported that the Austrian yarn was always available in 3 to 4 weeks while with U.S. spinners there can be quite long lead times or they may not accept an order. Another, ***, reported it had asked a domestic producer, ***. ***.

Production alternatives

Equipment used to produce open-end spun rayon singles yarn can be used to produce other types of singles yarn. One firm, ***, reported in its questionnaire that it produced cotton yarn on the same machinery it used to produce open-end spun rayon singles yarn.[8] Another, ***, reported that because of reduced demand for rayon yarn it had converted lines to producing other, unspecified, products. A third, ***.

At the conference, the petitioner reported that the majority of open-end rayon singles yarn is spun in plants which only process rayon. In their questionnaires, however, five of the six responding domestic producers reported that they ***.[9] In addition, some of the equipment used to produce open-end rayon singles yarn could also be used to produce ring-spun rayon yarn. The equipment used in blending, carding, and drawing is basically the same for both processes. To use this equipment for ring-spun yarn plants, however, would require additional equipment for drawing-finishing, roving, ring-spinning, and winding.

Inventory levels

Since yarn is usually made to order, producers keep only one to two weeks of production in inventory. Inventories, therefore, do not provide producers much flexibility to increase sales if prices or orders increase.

Export markets

Three producers -- *** -- reported exporting yarn.[10] ***.[11] The CEO of Lenzing, a worldwide producer of rayon fiber, reports demand is low worldwide for rayon due to a stagnant European economy and a shift in demand to more casual attire in North America.[12]

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[5] *** did not provide capacity figures because its equipment was not specifically dedicated to the production of rayon yarn. *** did not report capacity figures for 1993 or 1994.

[6] ***.

[7] ***.

[8] The petitioner reported that the equipment designed to produce open-end spun rayon singles yarn would require major modifications to be used to produce open-end spun cotton singles yarn because of differences in the fiber and health concerns related to cotton.

[9] These firms were ***.

[10] ***.

[11] Staff's plant tour at the BMYC Ranlo facility.

[12] "Lyocel is Rayon Extension, Not Replacement: Lenzing," S. Gray Maycumber, Daily News Record (a men's clothing daily), Aug. 15, 1996, p. 9.

Subject Imports: Export Markets and Capacity Utilization

Between 1993 and 1995, Austrian producers increased their capacity by *** percent. Capacity utilization also increased from *** percent to *** percent over the period of investigation. Beavertown, a major importer, reported that it plans to import some of the machinery now used in Austria to the United States to produce yarn for internal consumption. This will reduce Austrian capacity by *** percent by 1997. Most Austrian open-end spun rayon singles yarn is sold in the European Union, but ***.

Five of the responding nine importers reported purchasing the subject merchandise from Austria; these five importers accounted for *** percent of the imports from Austria reported by Linz and Borckenstein during the period of investigation. ***. One domestic producer, ***, also imported subject yarn from Austria.

U.S. Demand

Demand for rayon yarn is derived from demand for rayon fabrics, which are used mainly as a fashion fabric in women's clothing. The petitioner reports that demand for rayon yarn is relatively stable and does not change much over any business cycle. Apparent U.S. consumption rose irregularly by 7 percent from 1993 through 1995.

There are at least three major types of fabric made with open-end singles rayon yarn: blitz, mechanical crepe, and bengalin. The price of blitz fell by 31 percent during the period of investigation (figure II-1). ***.[13] The lower fabric prices and increased competition among the weaving mills may have allowed the amount of yarn consumed to grow. During the same period ***. One importer, Beavertown, reported at the conference that it had stopped making bengalin fabrics because the price had fallen so low. ***.[14]

Figure II-1
Price of blitz *** made with open-end spun rayon singles yarn, in cents per yard

* * * * * * *

Substitute Products

Six out of nine responding producers and importers reported that there are no substitutes for open-end spun rayon singles yarn. One producer, ***, reported that ring-spun yarn was a substitute in very limited instances. One importer, ***, reported that in fabric, ring-spun rayon singles yarn and, in some cases, high-twist rayon yarn[15] are substitutes for open-end spun rayon singles yarn. Another importer, ***, reported that, in theory, other spun yarns could be substituted. In addition, one producer, ***, reported that changes in women's apparel have led to the substitution of fabrics made with high-twist yarn for those made using open-end spun rayon singles yarn.

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[13] ***.

[14] Staff discussions with Mr. von Conrad, Sept. 18, 1996.

[15] High-twist yarn is a type of ring-spun yarn in which a larger than normal number of twists are put into the yarn during the spinning process. This requires more machine time and gives the fabric in which it is used a different texture. Open-end spun yarn cannot be made into high-twist yarn because it is spun differently.

Cost Share

Open-end spun rayon singles yarn is usually used as a fill yarn with an acetate filament warp to manufacture fabric. The relative cost of the yarn depends on its weight, the warp construction, and the pick levels of the fabric.[16] *** reported that the cost of open-end spun rayon singles yarn ***.[17] *** reported that, on average, the cost of open-end spun rayon singles yarn was *** percent of the cost of ***.[18]

Competition Between Domestic Product and Subject Imports

Petitioner reports that open-end spun rayon singles yarn is a relatively homogenous product and that differences between such yarns are mainly in terms of "cotton count."[19] The respondents report that one of the advantages of the Austrian yarn is that the only yarn the Austrians produce is rayon yarn. This concentration on rayon reduces impurities in the yarn and allows the producers to adjust the equipment to significantly increase efficiency. Four of five responding importers[20] reported that Austrian open-end spun rayon singles yarn is superior to that produced domestically and the two cannot be used interchangeably.[21] For example, ***, and that domestic spinners run acrylic or polyester on adjacent equipment, resulting in inferior yarn. *** reported that Austrians use the best machines and, therefore, their yarn gives better results in weaving and finishing than U.S.-produced yarn. At the conference, Beavertown reported that it could sell more of its mechanical crepe fabric because it uses better quality Austrian yarn and its fabric has characteristics the purchasers prefer. Quality differences, however, are not so great that purchasers reported that they were unable to use the domestic yarn. One purchaser reported that some domestic producers may provide yarn of quality similar to imports.[22] The substitutability between domestically produced and Austrian yarn may therefore depend on the particular domestic producer compared.

Competition Between Domestic Product, Subject Imports, and Nonsubject Imports

Domestic producers report that nonsubject imports are interchangeable with domestic and Austrian open-end spun rayon singles yarn. In recent years, the petitioner alleges that low-priced Austrian imports have pushed Belgian and German products out of the U.S. market. The petitioner reports that little open-end spun rayon singles yarn is currently imported from countries other than Austria.

The importers disagree with each other on the interchangeability of nonsubject yarn with domestically produced and Austrian yarn. Two report that U.S.-produced and nonsubject yarns are not interchangeable and two report they are interchangeable. One of the latter, ***, reported that, in general, European yarns have exhibited superior manufacturing performance but domestic suppliers have almost caught up. One of the former, ***, reported that U.S. yarn is of better quality than all but the Austrian yarn, which is the best in the world. Imports from Germany and Belgium may be more interchangeable with Austrian yarn than with U.S.-produced yarn because the methods of distribution are more similar, with many importers importing for their own use.

At the conference, Beavertown reported that Austrian yarn was superior to that from either Belgium or Germany and this is why it had stopped purchasing yarn from Belgium and Germany and purchased

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[16] Pick levels refer to the number of fill threads in a piece of fabric of a given length.

[17] ***.

[18] ***.

[19] The cotton count is the traditional method of measuring the thickness of a yarn.

[20] ***.

[21] Both the domestic producers and the importers have provided laboratory analyses of the characteristics of their yarns which support their claims.

[22] ***.

exclusively from Austria. Beavertown reported that much of the reduction in imports from Belgium and Germany and much of the increase in exports from Austria in recent years was because of its decision to purchase solely from Austria.[23]

[23] ***.

PART III: CONDITION OF THE U.S. INDUSTRY

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in parts IV and V. Information on the other factors specified is presented in this section and/or part VI and (except as noted) is based on the questionnaire responses of seven firms that accounted for an estimated *** percent of U.S. production of open-end spun rayon singles yarn in 1995.[1]

U.S. PRODUCERS

The Commission sent questionnaires to the firms comprising the Ad Hoc Committee of Open-End Spun Rayon Singles Yarn, as well as to 12 other firms identified by petitioner as being domestic producers of open-end spun rayon singles yarn. The petitioning firms and two of the 12 other firms are identified in the petition as producing only for sales to the merchant market. The other 10 firms are identified as being integrated producers, captively consuming all or nearly all of their production of the subject merchandise in the production of a downstream product, in this case fabric. A total of nine firms, three of which were integrated producers, responded to the Commission's questionnaire.[2] Of the nine that responded, two integrated firms indicated that they did not produce open-end spun rayon singles yarn during the period for which information was requested.[3] The names of the remaining seven firms, the locations of each firm's production facility, each firm's share of reported total production of open-end spun rayon singles yarn in 1995, and each firm's position with respect to the petition are shown in the tabulation that follows.

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[1] A summary of the data on open-end spun rayon singles yarn is presented in appendix tables C-1 (total market) and C-2 (open market). A summary of data on open-end and ring-spun rayon singles yarn is presented in table C-3, and separate data on ring-spun rayon singles yarn is presented in table C-4.

[2] Firms that did not respond to the Commission's questionnaire include Burlington House, New York, NY; Collins & Aikman Corp., Charlotte, NC; Delta Woodside Industries, Inc., Greenville, SC; Doran Textiles, Shelby, NC; Milliken & Company, Spartanburg, SC; and Stonecutter Mills Corp., Spindale, NC. Burlington House, an affiliated firm of petitioner BMYC, does not produce yarn. ***.

[3] The two firms that reported no production of open-end spun rayon singles yarn during the period for which information was requested included Mastercraft, Spindale, NC, and Valdese Weavers, Inc., Valdese, NC. These two firms weave yarn into fabric and have no spinning operations.

Firm	Location of production facility	Share (percent) of reported total production of open-end spun rayon singles yarn in 1995[1]	Position on the petition
Burlington Madison Yarn Company (BMYC)	Gastonia, NC	***	Petitioner
Carolina Mills, Inc. (Carolina Mills)	Maiden, NC	***	Petitioner
Grover Industries, Inc. (Grover)	Grover, NC	***	***
JPS Converter & Industrial (JPS)	Greenville, NC, and Stanley, NC	***	***
Mount Vernon Mills (Mount Vernon)	Alto, GA	***	***
National Spinning Co., Inc. (National Spinning)	Washington, NC	***	Petitioner
Uniblend Spinners, Inc. (Uniblend)	Conway, SC, and Union, SC	***	Petitioner

[1] Three firms that did not respond to the Commission's questionnaire did provide the Commission with estimates of their 1995 production of open-end spun rayon singles yarn. When such estimates by these firms (Collins & Aikman Corp., Milliken & Co., and Stonecutter Mills Corp.) are added to the total of production as reported by the firms shown in the tabulation, the percentages shown would change as follows: BMYC, *** percent; Carolina Mills, *** percent; Grover, *** percent; JPS, *** percent; Mount Vernon, *** percent; National Spinning, *** percent; and Uniblend, *** percent. Shares are *** percent for Collins & Aikman, *** percent for Milliken, and *** percent for Stonecutter.

For the most part, U.S. producers of open-end spun rayon singles yarn tend to be firms that are independently owned and have a single location in which they produce open-end spun rayon singles yarn. As shown in the tabulation, the bulk of U.S. production is concentrated in two states, North and South Carolina. Nearly all U.S. producers produce other products in the same facility in which open-end spun rayon singles yarn is produced. These other products include ring-spun rayon singles yarn, open-end spun acrylic singles yarn, and cotton yarns.

U.S. PRODUCTION CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

The information presented in this section of the report is based on the questionnaire responses of seven firms, six of which produce open-end spun rayon singles yarn for sale to the merchant market and one of which produces the same for its own internal use.

In the Commission's questionnaire, firms were asked to report any changes in the character of their operations (e.g., plant openings, expansions, consolidations, closures, prolonged shutdowns, etc.) that related

to their production of open-end spun rayon singles yarn. Three firms reported such changes in their operations. For all three firms, such changes involved the expansion of production capability through the acquisition of additional spinning equipment.[4]

As shown in table III-1, U.S. producers experienced a moderate increase (6.4 percent) in open-end spun rayon singles yarn capacity between 1993 and 1994, a slight decrease between 1994 and 1995, and a more substantial decrease (4.1 percent) between the interim periods (Jan.-June 1995 and Jan.-June 1996). Production, on the other hand, fluctuated widely between 1993 and 1995, declining by 20.9 percent from 1993 to 1994 and rising by 30.3 percent between 1994 and 1995.[5] Between the interim periods, production fell by 17.0 percent, dropping from 17.7 million pounds in interim 1995 to 14.7 million pounds in interim 1996. U.S. producers' capacity utilization fluctuated similarly, dropping from 55.8 percent in 1993 to 42.4 percent in 1994, increasing to 51.3 percent in 1995, and declining from 45.4 percent in interim 1995 to 39.9 percent in interim 1996.

Table III-1
Open-end spun rayon singles yarn: U.S. producers' production capacity, production, and capacity utilization, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
Capacity[1] (*1,000* pounds)	50,721	53,955	53,287	32,656	31,330
Production (*1,000* pounds)	32,018	25,337	33,016	17,701	14,687
Capacity utilization (*percent*)	55.8	42.4	51.3	45.4	39.9

[1] *** supplied information on its open-end spun rayon singles yarn capacity for interim 1995 and interim 1996 only. *** stated in its questionnaire response that "***" and, therefore, did not supply any information on its open-end spun rayon singles yarn production capability.

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

[4] *** reported that, between ***, it invested more than $*** in new equipment and machinery to improve the quality of its product and to lower its costs. *** also reported the acquisition of additional open-end spinning frames during the period covered by the questionnaire. However, it noted that "***." Based on staff conversations with ***, ***, while very little open-end spun rayon singles yarn was run on the additional machinery, which was purchased used, the machinery was used to produce other products of his firm's establishment. *** reported investments in new spinning machinery of $*** in *** and $*** in ***, but noted that ***.

[5] Two firms, ***, reported uninterrupted increases in their production between 1993 and 1995, and one firm, ***, reported a steady decrease over the same period.

U.S. SHIPMENTS

Data on U.S. producers' shipments of open-end spun rayon singles yarn are shown in table III-2. The quantity and value of U.S. producers' total shipments of open-end spun rayon singles yarn fell precipitously from 1993 to 1994, declining by 21 percent and 29 percent, respectively, and increased just as significantly from 1994 to 1995, rising by 33 percent and 34 percent, respectively. Overall, such shipments increased irregularly from *** pounds, valued at $*** in 1993 to *** pounds, valued at $*** in 1995. Between the interim periods, the quantity and value of such shipments fell by 17.1 percent and 15.1 percent, respectively. U.S. producers' commercial or merchant-market shipments, all of which were reported as being made directly to end-user customers, generally declined and increased similarly over the same period, falling by 0.6 percent by quantity and 11.0 percent by value overall from 1993 to 1995 and dropping by 16.1 percent by quantity and 13.2 percent by value from the interim 1995 period to the interim 1996 period. JPS' intercompany transfers of internally consumed open-end spun rayon singles yarn ***.

Three firms reported exports of open-end spun rayon singles yarn during the period for which information was requested. However, nearly all of such exports were accounted for by one firm, ***, which exported the subject merchandise principally to ***. Relative to U.S. producers' total open-end spun rayon singles yarn shipments, exports *** from *** percent of total shipments in 1993 to *** percent of the total in 1995 and *** from *** percent of the total in the interim 1995 period to about *** percent in the interim 1996 period.

U.S. PRODUCERS' PURCHASES

As reported in Commission questionnaires, one firm, ***, reported having purchased open-end spun rayon singles yarn during the period for which information was requested. In its response, *** indicated that, between 1993 and 1995, ***.

U.S. PRODUCERS' INVENTORIES

Responding in part to a 21-percent drop in total shipments in 1994, U.S. producers' end-of-period inventories of open-end spun rayon singles yarn rose by nearly *** percent from 1993 to 1994, increasing from *** pounds to *** pounds (table III-3). With the increase in 1995 shipments came a ***-percent reduction in U.S. producers' end-of-period inventories, as such inventories dropped to *** pounds. This pattern, however, did not continue into the interim 1996 period, as U.S. producers experienced both a reduction in the quantity of their total shipments and a drop in the volume of their inventories between the interim 1995 period and the interim 1996 period. The ratio of U.S. producers' end-of-period inventories to production and the ratio of such inventories to U.S. shipments varied only slightly in all periods, falling unevenly from *** percent in 1993 to about *** percent in 1995 and dropping from about *** percent in the interim 1995 period to *** percent in the interim 1996 period.

Table III-2
Open-end spun rayon singles yarn: U.S. producers' shipments, by types, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (*1,000 pounds*)				
Commercial shipments	***	***	***	***	***
Internal consumption/intercompany transfers	***	***	***	***	***
Subtotal	31,961	25,099	32,051	16,888	14,611
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Value (*1,000 dollars*)				
Commercial shipments	***	***	***	***	***
Internal consumption/intercompany transfers	***	***	***	***	***
Subtotal	58,168	41,190	53,348	27,496	24,353
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
	Unit value (*dollars per pound*)				
Commercial shipments	***	***	***	***	***
Internal consumption/intercompany transfers	***	***	***	***	***
Subtotal	1.82	1.64	1.66	1.66	1.67
Export shipments	***	***	***	***	***
Total	***	***	***	***	***

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

Table III-3
Open-end spun rayon singles yarn: U.S. producers' end-of-period inventories, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
End-of-period inventories (*1,000* pounds)	***	***	***	***	***
Ratio to production (*percent*)	***	***	***	***	***
Ratio to U.S. shipments (*percent*)	***	***	***	***	***

Note.--Ratios in the interim periods are based on annualized data.

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

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The open-end spun rayon singles yarn industry has been characterized by the petitioner and respondents in this investigation as one which is very capital intensive, utilizing highly automated machinery and equipment, and requiring the use of relatively few production-and-related workers (PRWs). PRWs employed in the production of open-end spun rayon singles yarn are also used to produce other products within the firms' establishments. None of the seven firms that supplied information in the Commission's questionnaire reported experiencing any closures or prolonged shutdowns because of strikes, equipment failures, or for other reasons during the period for which the Commission requested information.

Employment data for the U.S. industry producing open-end spun rayon singles yarn are presented in table III-4. The data are based on the questionnaire responses of BMYC, Carolina Mills, Grover, JPS, Mount Vernon, and National Spinning. The number of PRWs producing open-end spun rayon singles yarn employed by these firms fell by 15.3 percent between 1993 and 1995 and declined by 4.4 percent between the interim periods. The number of hours worked and the wages paid to such PRWs fell by 21.3 percent and 18.1 percent, respectively, from 1993 to 1995 and dropped by 11.7 percent and 10.2 percent, respectively, from the interim 1995 period to the interim 1996 period. Despite these falling employment trends, productivity by those same PRWs rose steadily from 1993 to 1995, increasing from 50.8 pounds per worker hour in 1993 to 62.2 pounds per worker hour in 1995. Productivity dipped slightly between the interim periods, falling to 59.0 pounds per worker hour in the interim 1996 period. Hourly wages paid to PRWs rose in all periods, increasing overall by 4.1 percent from 1993 to 1995 and rising by 1.6 percent between the interim periods. U.S. producers' unit labor costs held steady at 18 cents per pound in 1993 and 1994, dipped to 15 cents per pound in 1995, and increased to 16 cents per pound in the interim 1996 period.

Table III-4
Average number of PRWs producing open-end spun rayon singles yarn, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
PRWs (number)	262	213	222	229	219
Hours worked (*1,000*)	558	444	439	240	212
Wages paid ($*1,000*)	5,075	4,159	4,155	2,230	2,002
Hourly wages	$9.09	$9.37	$9.46	$9.29	$9.44
Productivity (pounds per hour)	50.8	51.5	62.2	61.8	59.0
Unit labor costs (per pound)	$0.18	$0.18	$0.15	$0.15	$0.16

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

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

U.S. IMPORTERS

The Commission sent importers' questionnaires to 27 firms believed to be importing spun yarn as identified under HTS subheading 5510.11.00. Responses were received from 10 firms, 7 of which supplied usable information.[1] Two indicated in their response that they did not import the subject merchandise from any source during the period for which the Commission requested information, and one firm, ***, supplied limited information in its response.[2] Three U.S. producers also supplied information on their imports of spun yarn. *** reported imports of open-end and ring-spun rayon singles yarn from Austria, *** reported imports of open-end spun rayon singles yarn from Austria, and *** reported imports of open-end spun rayon singles yarn from Belgium.[3]

Based on information supplied in Commission questionnaires, two firms accounted for the bulk of U.S. imports of open-end spun rayon singles yarn from Austria: Beavertown Mills, Inc. (Beavertown)[4] and ***. Beavertown alleges to be the sole U.S. importer of open-end spun rayon singles yarn from Austria produced by G. Borckenstein und Sohn AG.[5] A wholly owned subsidiary of Titan Textiles, Beavertown internally consumes all of the Austrian-produced open-end spun rayon singles yarn it imports for use in the production of a "blitz" type fabric that is used in women's apparel. ***, on the other hand, imports Austrian open-end spun rayon singles yarn for sale to end-use customers located principally in the States of ***. ***'s questionnaire response showed that it imported Austrian yarn produced by Linz Textil GmbH.

Because official statistics of the Department of Commerce include imports of yarn outside of the scope of this investigation, the quantity of U.S. imports from Austria presented in this section of the report is based on exports to the United States as reported in the foreign producer questionnaire responses of G. Borckenstein und Sohn AG and Linz Textil GmbH, which are believed to be more reliable.[6] Because the questionnaire did not request information on the value of Austrian producers' exports to the United States, the value of U.S. imports from Austria as well as the quantity and value of U.S. imports from all other sources are based on official statistics of the Department of Commerce. For the reason previously mentioned, however, these data, including unit values, are somewhat overstated.

The quantity and value of U.S. imports of open-end spun rayon singles yarn from Austria increased unevenly between 1993 and 1995 and also increased between the interim periods (table IV-1). After falling by *** percent in quantity and by 1.5 percent by value from 1993 to 1994, the quantity of such imports

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[1] In the Commission's foreign producers' questionnaire, G. Borckenstein und Sohn AG and Linz Textil GmbH were asked to provide the names and addresses of the five largest U.S. importers of their open-end spun rayon singles yarn in 1995. U.S. importers listed by Linz Textil GmbH included ***. Beavertown Mills, Inc. was the only firm listed by G. Borckenstein und Sohn AG. Importers' questionnaire responses were received from all these firms.

[2] ***.

[3] Both *** and *** reported imports of Austrian-produced open-end spun rayon singles yarn only in 1995 and the two interim periods. Combined, such imports totaled *** pounds, valued at $*** in 1995 and *** pounds, valued at $*** in the interim 1996 period. As a share of production, ***'s imports in 1995 and in the interim 1996 period represented about *** percent of its production in those periods. ***'s imports in the same two periods represented *** percent and *** percent , respectively, of its production.

[4] Effective Aug. 1, 1996, Beavertown merged with New River Industries, Inc. The name of the surviving firm is NRB Industries, Inc.

[5] Conference transcript., p. 89. Nevertheless, ***.

[6] Petitioner estimates the residual portion of the quantity of U.S. imports from Austria based on official statistics to be about 20 percent. (Petition, exhibit 11.) Respondents place the number closer to 10 percent.

Table IV-1
Open-end spun rayon singles yarn: U.S. imports, by sources, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (*1,000 pounds*)				
Austria[1]	***	***	***	***	***
All others[2]	7,442	12,100	9,211	6,079	4,013
Total	***	***	***	***	***
	Value (*1,000 dollars*)				
Austria[2]	22,316	21,977	28,932	12,816	18,953
All others[2]	15,227	25,438	19,849	13,272	8,882
Total	37,543	47,415	48,781	26,089	27,835
	Unit value (*dollars per pound*)				
Austria	***	***	***	***	***
All others	2.05	2.10	2.15	2.18	2.21
Average	***	***	***	***	***
	Share of total quantity (*percent*)				
Austria	***	***	***	***	***
All others	***	***	***	***	***
Average	100.0	100.0	100.0	100.0	100.0
	Share of total value (*percent*)				
Austria	59.4	46.4	59.3	49.1	68.1
All others	40.6	53.6	40.7	50.9	31.9
Average	100.0	100.0	100.0	100.0	100.0

[1] Based on Austrian exports to the United States. On the basis of official statistics, the quantity of merchandise imported into the United States from Austria under HTS subheading 5510.11.00 totaled 13.3 million pounds in 1993, 13.2 million pounds in 1994, 16.3 million pounds in 1995, 7.2 million pounds in the interim 1995 period, and 10.5 million pounds in the interim 1996 period. When the quantity of ring-spun rayon yarn exported to the United States as reported by G. Borckenstein un Sohn AG and Linz Textil GmbH is added to the data shown in the table, Austria's total exports of spun yarn to the United States would then total *** pounds in 1993, *** pounds in 1994, *** pounds in 1995, and *** pounds and *** pounds in the interim 1995 and 1996 periods, respectively.

[2] Based on official statistics.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and from official statistics of the Department of Commerce.

increased by *** percent from 1994 to 1995, rising from *** pounds to *** pounds, and rose in value by 31.6 percent, increasing from $22.0 million in 1994 to $28.9 million in 1995. Between the interim periods, such imports increased from *** pounds, valued at $12.8 million in the interim 1995 period to *** pounds, valued at $19.0 million in the interim 1996 period. While somewhat overstated, the unit value of such imports from Austria rose uninterruptedly over the period for which information was requested, increasing from $*** per pound in 1993 to $*** per pound in 1995 and increasing from $*** per pound in the interim 1995 period to $*** per pound in the interim 1996 period. As a share of the quantity and value of total imports, U.S. imports from Austria declined from *** percent and 59.4 percent, respectively, in 1993 to *** percent and 46.4 percent, respectively, in 1994 and then increased to *** percent and 59.3 percent, respectively, in 1995. Between the interim periods, the shares increased by 17 and 19 percentage points, respectively.

Based on official statistics, Belgium, Canada, Finland, France, Germany, and Thailand accounted for the bulk of U.S. imports of spun yarns (open-end and other) from sources other than Austria. The quantity and value of U.S. imports from all other sources combined rose unevenly by 23.8 percent and 30.4 percent, respectively, from 1993 to 1995 and fell by 34.0 percent and 33.1 percent, respectively, from the interim 1995 period to the interim 1996 period. As a share of the quantity and value of total U.S. imports, imports from all other sources combined rose from *** percent and 40.6 percent, respectively, in 1993 to *** percent and 53.6 percent, respectively, in 1994 and then fell to *** percent and 40.7 percent, respectively, in 1995. Such shares declined from *** percent and 50.9 percent, respectively, in the interim 1995 period to *** percent and 31.9 percent, respectively, in the interim 1996 period.

U.S. IMPORTERS' CURRENT ORDERS

In the Commission's questionnaire, U.S. importers were requested to report the quantity of any Austrian open-end spun rayon singles yarn orders scheduled for delivery after June 30, 1996. *** indicated that it had scheduled delivery of the subject merchandise from Austria at the rate of *** pounds per month during the *** of 1996. *** reported orders totaling *** pounds scheduled for delivery during *** 1996.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of open-end spun rayon singles yarn are presented in tables IV-2 and IV-3. Apparent U.S. consumption for the total market (including captive consumption) for open-end spun rayon singles yarn dipped by *** percent based on quantity and by 7.4 percent based on value from 1993 to 1994, rose by *** percent and 15.3 percent, respectively, from 1994 to 1995, and fell by *** percent and 2.6 percent, respectively, between the interim periods (table IV-2). In absolute terms, apparent U.S. consumption increased irregularly from *** pounds, valued at $95.7 million in 1993 to *** pounds, valued at $102.1 million in 1995. Between the interim periods, such consumption fell from *** pounds, valued at $53.6 million in the interim 1995 period to *** pounds, valued at $52.2 million in the interim 1996 period. Apparent U.S. open-market consumption of open-end spun rayon singles yarn also rose irregularly during 1993-95, increasing from *** pounds, valued at $*** in 1993 to *** pounds, valued at $*** in 1995, and then fell from *** pounds, valued at $*** in the interim 1995 period to *** pounds, valued at $*** in the interim 1996 period (table IV-3).

U.S. MARKET SHARES

Data on U.S. market shares are shown in tables IV-4 and IV-5. With respect to the total market, the market share held by U.S. producers fluctuated downward, in terms of both quantity and value, between 1993

Table IV-2
Open-end spun rayon singles yarn: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption for the total market, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (*1,000 pounds*)				
U.S. producers' shipments	31,961	25,099	32,051	16,888	14,611
U.S. imports from:					
Austria	***	***	***	***	***
All others	7,442	12,100	9,211	6,079	4,013
Total	***	***	***	***	***
Total market apparent U.S. consumption	***	***	***	***	***
	Value (*1,000 dollars*)				
U.S. producers' shipments	58,168	41,190	53,348	27,496	24,353
U.S. imports from:					
Austria	22,316	21,977	28,932	12,816	18,953
All others	15,227	25,438	19,849	13,272	8,882
Total	37,543	47,415	48,781	26,089	27,835
Total market apparent U.S. consumption	95,711	88,605	102,129	53,585	52,188

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

and 1995 and decreased further between the interim periods.[7] U.S. producers' share of the quantity of total market apparent consumption fell by nearly *** percentage points from 1993 to 1994, dropping from *** percent to *** percent, and increased by about *** percentage points from 1994 to 1995, rising to *** percent(table IV-4). Between the interim periods, U.S. producers' share of the market declined from *** percent in the interim 1995 period to *** percent in the interim 1996 period. The value of U.S. producers' share of the total market followed similar trends, fluctuating between a high of 60.8 percent in 1993 and a low of 46.5 percent in 1994 and falling by 4.6 percentage points between the interim periods.

U.S. imports as a share of total market apparent U.S. consumption rose unevenly from *** percent of the quantity and 39.2 percent of the value of such apparent consumption in 1993 to *** percent of the quantity and 47.8 percent of the value in 1995. Such shares also increased between the interim periods, rising from *** percent and 48.7 percent, respectively, in the interim 1995 period to *** percent and 53.3 percent, respectively, in the interim 1996 period. Based on quantity, the market share held by U.S. imports from Austria rose from about *** percent in 1993 and 1994 to *** percent in 1995 and increased from *** percent in the interim 1995 period to *** percent in the interim 1996 period. Market share based on value increased by 5 percentage points between 1993 and 1995 and rose by 12 percentage points between the interim periods.

[7] Because of the limited response to the Commission's questionnaire from integrated producers, U.S. producers' market shares may be somewhat understated.

Table IV-3
Open-end spun rayon singles yarn: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. open-market consumption, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (*1,000 pounds*)				
U.S. producers' open market shipments	***	***	***	***	***
U.S. imports from:					
Austria	***	***	***	***	***
All others	7,442	12,100	9,211	6,079	4,013
Total	***	***	***	***	***
Apparent U.S. open market consumption	***	***	***	***	***
	Value (*1,000 dollars*)				
U.S. producers' open market shipments	***	***	***	***	***
U.S. imports from:					
Austria	22,316	21,977	28,932	12,816	18,953
All others	15,227	25,438	19,849	13,272	8,882
Total	37,543	47,415	48,781	26,089	27,835
Apparent U.S. open market consumption	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

In terms of apparent U.S. open-market consumption, U.S. producers' domestic shipments fell unevenly from *** percent and *** percent of the quantity and value of such apparent consumption, respectively, in 1993 to *** percent and *** percent of the quantity and value, respectively, in 1995 (table IV-5). Between the interim periods, such shares fell by *** percentage points. Based on quantity, U.S. imports from Austria as a share of the market increased unevenly by about *** percentage points from 1993 to 1995, rising from *** percent in 1993 to *** percent in 1995, and rose from *** percent in the interim 1995 period to *** percent in the interim 1996 period. As a share of the value of apparent open-market consumption, U.S. imports from Austria rose uninterruptedly from *** percent in 1993 to *** percent in 1995 and increased from *** percent in the interim 1995 period to *** percent in the interim 1996 period. Total U.S. imports as a share of the market fluctuated upward by *** percentage points based on quantity and by *** percentage points based on value from 1993 to 1995 and increased between the interim periods by *** percentage points.

Table IV-4
Open-end spun rayon singles yarn: Total market apparent U.S. consumption and market shares, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (*1,000 pounds*)				
Total market apparent U.S. consumption	***	***	***	***	***
	Value (*1,000 dollars*)				
Total market apparent U.S. consumption	95,711	88,605	102,129	53,585	52,188
	Share of apparent consumption quantity (*percent*)				
U.S. producers' shipments	***	***	***	***	***
U.S. imports from:					
Austria	***	***	***	***	***
All others	***	***	***	***	***
Total	***	***	***	***	***
	Share of apparent consumption value (*percent*)				
U.S. producers' shipments	60.8	46.5	52.2	51.3	46.7
U.S. imports from:					
Austria	23.3	24.8	28.3	23.9	36.3
All others	15.9	28.7	19.4	24.8	17.0
Total	39.2	53.5	47.8	48.7	53.3

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Table IV-5
Open-end spun rayon singles yarn: Apparent U.S. open-market consumption and market shares, 1993-95, Jan.-June 1995, and Jan.-June 1996

* * * * * * *

PART V: PRICING AND RELATED DATA

FACTORS AFFECTING PRICING

Raw Material Costs

The primary input into the production of open-end spun rayon singles yarn is rayon fiber. Prices of rayon fiber as reported by the U.S. Department of Agriculture, the prices at which ***, and the average price *** paid for rayon fiber are shown in figure V-1.

Figure V-1
Prices of rayon staple reported by the USDA, ***

* * * * * * *

Domestic producers report that the cost of rayon fiber accounts for approximately 50 to 60 percent of the cost of producing the yarn, depending on the thickness of the yarn.[1] The Austrian producer Linz reported that rayon fiber costs ***.

Transportation Costs to the U.S. Market

Transportation costs to the U.S. market were estimated to account for approximately 5 percent of the cost of the yarn (excluding U.S. inland freight).[2]

Exchange Rates

Quarterly exchange rate data reported by the International Monetary Fund for Austria during the period January 1993-June 1996 are shown in figure V-2.

Tariff Rates

Open-end spun rayon singles yarn is provided for in subheading 5510.11.00 of the HTS with a most-favored-nation tariff rate of 10.6 percent ad valorem, which is applicable to imports from Austria. This heading also includes ring-spun rayon singles yarn and high-twist ring-spun yarn, both of which are more expensive than open-end spun yarn.

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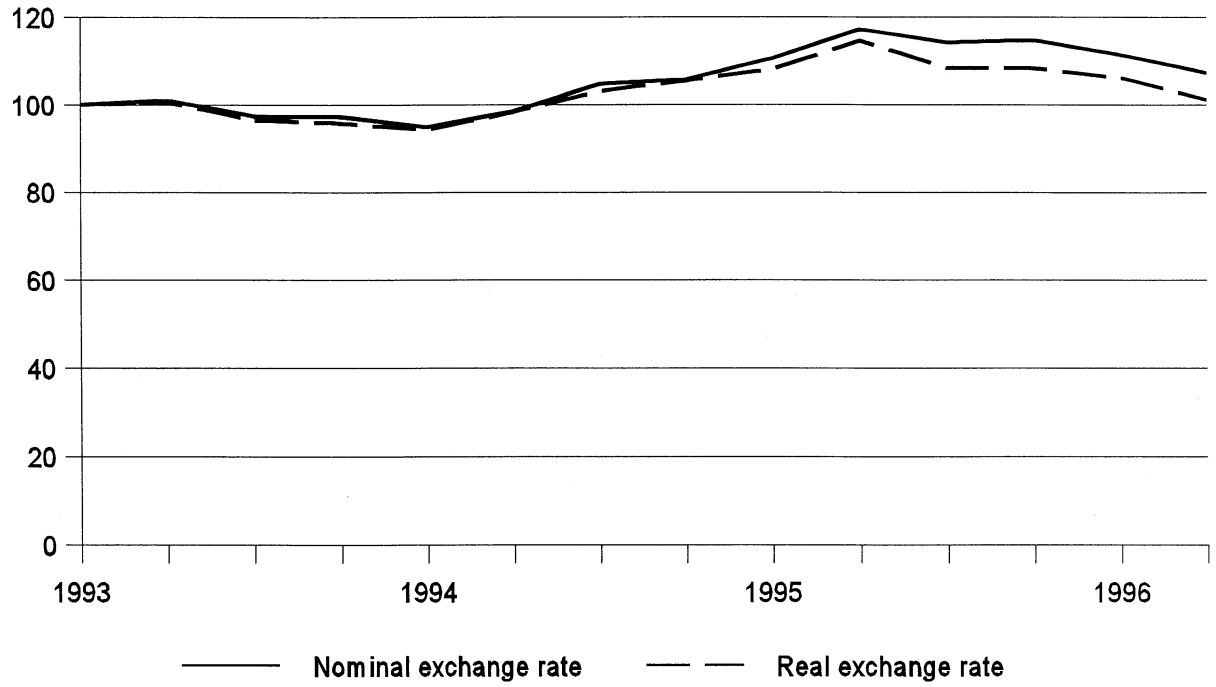
[1] Thinner yarn requires more equipment time and labor to turn a pound of fiber into a pound of yarn; therefore, its cost per pound is higher. There is very little wastage in turning rayon fiber into open-end spun singles rayon yarn. ***.

[2] The costs of transporting open-end spun rayon singles yarn from Austria to the United States include both the cost of shipping within Europe and the cost of shipping from Europe to the United States. ***.

Figure V-2
Exchange rates: Indexes of the nominal and real exchange rates between the United States dollar and the Austrian schilling, by quarters, Jan. 1993-June 1996



Note.--The indexed real exchange rate represents the nominal exchange rate adjusted for relative movements in producer price indexes for the United States and Austria. Producer prices in the United States increased 8 percent between January 1993 and June 1996 compared with a 2-percent increase in Austria during the same period. Producer price indexes--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the *International Financial Statistics*.

Source: International Monetary Fund, *International Financial Statistics*, July 1996.

PRICING PRACTICES

Open-end spun rayon singles yarn is produced in a number of different thicknesses, referred to by their cotton-count number. The first number refers to the thickness of the yarn; the higher this number the thinner the yarn. The second number refers to the number of plies. Singles yarn has only one ply, and the petitioner reports that open-end spun yarn cannot be used to make yarn with more than one ply. Since yarn is sold by weight, and the amount of fiber used for a given weight of yarn is the same, the cost increases with the cotton count as more equipment time and labor is used to produce a finer yarn of the same weight.

The petitioner reports that open-end spun rayon singles yarn is normally sold through a process where the purchaser requests a price bid for yarn of a certain cotton count. Purchasers may be "customary customers," in which case they usually purchase from a manufacturer; if another manufacturer offers yarn at a lower price, they may contact their normal manufacturers and ask for their normal provider to match the lower price. The petitioner alleges that small differences in price of between 1 and 5 cents per pound may cause purchasers to change manufacturers. They also report that different yarns may give different dyeing and finishing characteristics to the fabric and, therefore, converters who dye the fabric may request that a

specific type of yarn be used to match other fabric. This will reduce the weavers' flexibility to shift between yarn manufacturers if a firm is producing a single order which is to be finished together.

PRICES

Producers and importers were requested to report prices separately for different cotton counts. Products for which pricing data were requested are listed below:

Product 1: Open-end spun rayon singles yarn, with a cotton count of 12/1 Ne.[3]
Product 2: Open-end spun rayon singles yarn, with a cotton count of 20/1 Ne.
Product 3: Open-end spun rayon singles yarn, with a cotton count of 24/1 Ne.
Product 4: Open-end spun rayon singles yarn, with a cotton count of other than 12/1 Ne, 20/1 Ne, or 24/1 Ne. (The most common cotton count reported was 8/1; this count was used for product 4.)

Sales of products 1 and 2 accounted for 72.4 percent of the yarn for which price data were reported. Sales of products 3 and 4 accounted for the remaining 27.6 percent of the yarn for which price data were reported (figure V-3). Firms that imported for their own use were asked to report the CIF, landed, duty-paid price. Weighted-average prices for U.S. sales of U.S.-produced and imported Austrian yarn, and for Austrian yarn imported directly by end users are shown in figures V-4 through V-7, and in tables V-1 through V-4; margins of under/overselling are shown in table V-5.

Price data reported by importers that resold the yarn and importers that imported it for their own use show different price/cost patterns. For the importers that imported yarn for their own use, the margin of underselling declined over much of the period of investigation. Importers that resold the yarn had prices above those of domestic producers initially, then some instances of underselling later in the period.

In 1993, the price of the Austrian yarn imported directly by end users was below that of domestic yarn for all four cotton counts for which price data were available. The largest difference was for product 2, for which the price of imports was *** cents below that of the U.S.-produced yarn in the first quarter of 1993.[4] By the beginning of 1994, the price of all four weights of domestic yarn had fallen below their initial levels in 1993. At the same time, the prices of the four types of yarn imported by end users were closer to prices of domestic yarn, although still *** cents below domestic prices in three of the four product categories. By the beginning of 1995, yarn imported by end users oversold U.S.-produced yarn, with the prices of the four types of yarn imported by end users being between *** cents above the price of domestic yarn in all weights of yarn.[5] In 1996, imported product 2 was the only type priced below the domestic yarn. In the first quarter of 1996 the price of these imports was *** cents below the price of domestic products; in the second quarter it was *** cents below the domestic price.

Day-to-day competition between U.S.-produced yarn and imported yarn sold as yarn is greater than competition between U.S.-produced yarn and yarn imported by a firm for its own use. Unfortunately, the Commission received much less price data for imports of yarn for resale than it did for sales of domestic yarn or yarn imported for use by the importer. Importers did not report sales prices for product 4. Prices were

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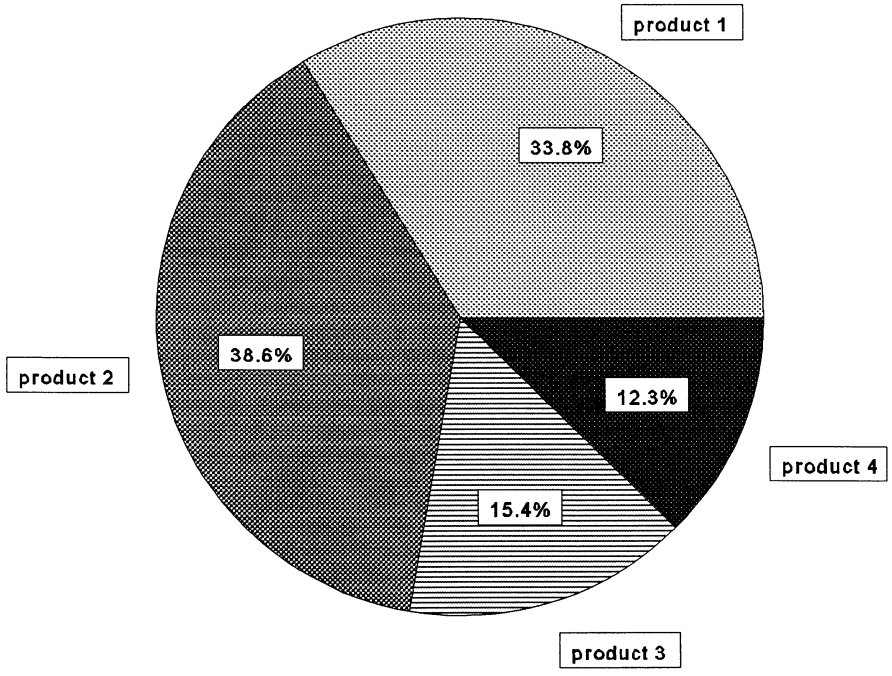
[3] In the United States cotton counts are measured in terms of Numbers English, written Ne; this measures the number of 840-yard hanks required to make up a pound of yarn. In many other countries Numbers Metric is used.

[4] ***.

[5] Price data were not available for imported product 4 in the first quarter of 1995; in the second quarter of 1995 the price of imported product 4 was *** cents above the price of domestic product 4.

Figure V-3
Shares of reported U.S. producer and importer price data accounted for by products 1-4[1]



[1] Totals do not add up to 100 percent because of rounding.

Source: Compiled from data supplied in response to U.S. International Trade Commission questionnaires.

Figure V-4
Prices of open-end spun rayon singles yarn, product 1

* * * * * * *

Figure V-5
Prices of open-end spun rayon singles yarn, product 2

* * * * * * *

Figure V-6
Prices of open-end spun rayon singles yarn, product 3

* * * * * * *

Figure V-7
Prices of open-end spun rayon singles yarn, product 4

* * * * * * *

Table V-1
Open-end spun rayon singles yarn--product 1: Average f.o.b. prices as reported by U.S. producers and importer-sellers, landed CIF prices for importer-end users, and quantities, by quarters, Jan. 1993- June 1996

* * * * * * *

Table V-2
Open-end spun rayon singles yarn--product 2: Average f.o.b. prices as reported by U.S. producers and importer-sellers, landed CIF prices for importer-end users, and quantities, by quarters, Jan. 1993- June 1996

* * * * * * *

Table V-3
Open-end spun rayon singles yarn--product 3: Average f.o.b. prices as reported by U.S. producers and importer-sellers, landed CIF prices for importer-end users, and quantities, by quarters, Jan. 1993- June 1996

* * * * * * *

Table V-4
Open-end spun rayon singles yarn--product 4: Average f.o.b. prices as reported by U.S. producers and importer-sellers, landed CIF prices for importer-end users, and quantities, by quarters, Jan. 1993- June 1996

* * * * * * *

Table V-5
Open-end spun rayon singles yarn: Percentage margins of under/(over)selling by importers who are end users and by importers who resell yarn

* * * * * * *

available for only two quarters for product 1 sold by importers,[6] and these prices were *** cents below the prices of domestic yarn. Sales prices for imported product 3 were higher than prices for U.S.-produced product 3 in 7 of the 8 quarters for which data were available. In one quarter imported product 3 sold at *** cents below the price of U.S.-produced product 3. Price data for sales of imported product 2 were available throughout the period of investigation. The sales price of imported product 2 was above the price of domestic product 2 between the beginning of 1993 and the middle of 1994, as the prices of both fell. By the first quarter of 1995, the sales price of imported product 2 was *** cents below the price of U.S.-produced product 2, and sales prices of this imported product remained below prices of U.S.-produced product 2 until the second quarter of 1996. In the first quarter of 1996, the sales price of product 2 imports fell while the domestic price rose, creating a ***-cent difference in price. In the second quarter of 1996 these prices converged, with imports selling at *** cents above the price of domestic product 2.

The reported import price data must be viewed with caution. The sales price data for imported yarn is spotty for most products, and the price data for yarn imported by end users is mainly from ***.

LOST REVENUE AND LOST SALES

Lost Revenue

In their questionnaires, *** provided specific allegations of lost revenues due to competition from Austrian yarn (table V-6).[7] The total lost revenue these firms allege is $***. ***.

Table V-6
Open-end spun rayon singles yarn: Lost revenue allegations reported by the petitioner

* * * * * * *

*** alleged *** instances of lost revenue on sales to ***. ***, the purchaser for ***, reported that he did not use the lower price of imports to reduce the price offered by ***. He said that he may have told them less expensive domestic yarns were available, but *** only purchased *** from ***, and this was because the customers specified it. He reported that in most instances the price of the imported yarn is lower than the price of domestic yarn; however, this did not affect ***'s purchases of domestic yarn.

*** states that there were two reasons *** purchased Austrian yarn: the customers specified this yarn or the domestic sources were sold out. Other than that, *** purchased domestic yarn. *** reported that some domestic producers were sold out this year. They could provide *** the yarn it normally purchased; however, they were unable to provide additional yarn. In one instance, *** attempted to purchase from *** but they did not have any yarn available.[8]

*** alleged *** of lost revenue on a sale to ***.[9] *** could not respond to the specific allegations; however, the purchasing agent reported that he believed that prices would be higher if there were no import competition.

*** alleged *** cases of lost revenue on sales to ***. *** of *** was unable to respond to specific purchases but he reported that price is a very important factor in their purchases. Getting the best price is necessary because *** competes against firms using imported yarn. *** does not purchase much imported

---

[6] ***.

[7] *** alleged lost revenue but did not provide details in their questionnaires. *** reported that analysis of the pricing pressure it was under indicates reduced prices.

[8] Commission staff discussions with *** and *** of ***, Sept. 18, 1996.

[9] Staff discussions with *** of ***, Sept. 18, 1996.

yarn (less than *** percent); the imported yarn they do purchase is bought because of price.

Lost Sales

Specific allegations of lost sales were reported by one producer, ***, in its questionnaire response (table V-7).[10] The value of these alleged lost sales was $***.[11]

Table V-7
Open-end spun rayon singles yarn: Lost sales allegations of ***

* * * * * * *

*** was cited by *** in *** lost sales allegations. *** of *** did not have any information about the *** sale. For the *** sale, he reported that *** had purchased *** pounds of yarn from *** sometime between *** and *** at a price slightly below $*** per pound. A number of factors influenced this purchase. First, the price of the import was lower. *** was charging $***, and a savings of even *** cents per pound adds up for such a large purchase. However, price was not the only factor. *** purchased some material from *** during the same period for $*** per pound. *** is willing to pay a premium for *** yarn because it is of better quality than that of ***. ***'s yarn has better running ability in the looms (comparable to imports). The people running the looms prefer *** yarn to *** yarn.

Yarn quality was important. *** rarely has had problems with the *** yarn they purchase from ***. In contrast, *** frequently has problems with the run-ability of domestic yarn.[12] There are fewer stops of the loom with the Austrian product because there is less breakage. There is also the question of the appearance of the fabric. *** never rejected a sample of weaving using Linz *** yarn, but they did have to reject some samples using domestic *** yarn. Domestic yarn is returned more frequently than Linz yarn.

*** would prefer to use domestic yarn if it was of comparable quality. Domestic yarn has quicker delivery times, which allows for quicker changes. It is important to keep some domestic sources.

*** also reported that *** offered 120-day terms in this sale. *** had no records available that showed the terms offered.

*** was cited by *** in *** lost sales allegations. *** of *** was not able to respond to specific lost sales allegations. *** reported that domestic manufacturers would not know if *** decided to purchase imported yarn. *** suggested that domestic suppliers may think that purchasers are buying imported yarn instead of domestic yarn, when, in fact, total U.S. purchases of yarn have declined.

*** reported that there has been a decline in the use of this rayon fabric in the last 3 years. If the mills did not use cheaper yarn they would be weaving and selling less. If the price of the yarn rises, mills may not continue weaving fabrics that use rayon yarn. *** alleges that, while the price of the fabric has been declining, the price of acetate and overhead costs have been rising. He thought that the price of rayon fabric has declined because the market for the fabric had changed in the last few years. A few years ago rayon/acetate was a new fabric. It provided a new natural fabric look and, as a result, it could get a price premium. This is no longer true, so costs are paramount.

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[10] *** alleged lost sales but did not provide details in its questionnaire. It reported that analysis of its sales indicates lost sales. *** listed *** firms which it alleged did not want it to solicit business because they were satisfied with the imported product, including ***. It did not provide information on the amount of lost sales, the price, or the date of contact. *** reported lost sales to *** purchasers: *** with which it alleged lost sales of $***; *** with which it alleged lost sales of $***; *** with which it alleged lost sales of $***; and *** for which it did not provide the amount lost. *** did not report the price or the quantity involved in these lost sales.

[11] *** alleged combined lost sales total $***.

[12] *** of *** did not specify if this was true for all domestic producers or only some.

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

BACKGROUND

Six U.S. producers[1] provided financial data on their operations on open-end spun rayon singles yarn. These data represent *** percent of reported U.S. production of open-end spun rayon singles yarn in January-June 1996. Uniblend supplied data from March 21, 1994, when it started its production as a separate entity under a leveraged buyout. Before that date, Uniblend was a division of United Merchant, which did not supply data for 1993 and 1994. Mount Vernon also did not provide data for 1993 and 1994. Hence, only interim data of these two firms for 1995 and 1996 are used for comparative purposes.

JPS consumed all of its production of open-end spun rayon singles yarn in the production of downstream products. The company could not value its internal transfers at fair market value but provided an explanation in a letter[2] as shown below:

* * * * * * *

JPS ***. Therefore, its data are not included in the aggregate data shown in the tables but are presented in a separate tabulation.

OPERATIONS ON OPEN-END SPUN RAYON SINGLES YARN

Income-and-loss data for the U.S. producers on their open-end spun rayon singles yarn operations are presented in table VI-1 and figure VI-1, data on a per-pound basis are shown in table VI-2. Selected financial data, by firms, are presented in table VI-3. The operating income margins declined from 9.5 percent in 1993 to 5.3 percent in 1994 and increased slightly to 5.8 percent in 1995. Such margins fell from 9.7 percent in January-June 1995 to 2.1 percent in January-June 1996. SG&A expenses per pound remained almost the same during the period of investigation. Average selling price per pound dropped faster than the decline in the average cost of goods sold per pound during 1993-95, while average selling price per pound rose slower than the increase in the average cost of goods sold per pound from interim 1995 to interim 1996, resulting in declining gross profit and operating income during the period of investigation. Average raw materials cost per pound dropped by 11 percent from 1993 to 1994, increased by 7 percent from 1994 to 1995, and then rose by 11 percent from January-June 1995 to January-June 1996.

The variance analysis for six U.S. producers of open-end spun rayon singles yarn is presented in table VI-4. The information for this variance analysis is derived from table VI-1. Export sales were minor and there were no intercompany transfers. 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. Most of the producers mentioned that their product mix did not change significantly during the period of investigation. The analysis shows that the decline of $2.0 million in operating income from 1993 to 1995 is attributable to the following (amounts in thousands of dollars):

Decreased prices	-4,459
Decreased costs and expenses	2,757
Changes in sales volume	-295
Total	-1,997

[1] U.S. producers and their fiscal year ends are BMYC (Sept. 30), Carolina Mills (Sept. 30), Grover (Sept. 30), National (Dec. 31), Mount Vernon (May 31), and Uniblend (Mar. 31).

[2] A letter dated Sept. 17, 1996, written by Mr. Greg Thompson, Controller of JPS.

Table VI-1
Income-and-loss experience of U.S. producers on their open-end spun rayon singles yarn operations, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
	Quantity (1,000 pounds)				
Net sales:					
Trade	21,784	15,285	20,179	13,740	10,908
Intercompany	0	0	0	0	0
Total sales	21,784	15,285	20,179	13,740	10,908
	Value ($1,000)				
Net sales:					
Trade	41,908	26,245	34,361	23,149	18,819
Intercompany	0	0	0	0	0
Total sales	41,908	26,245	34,361	23,149	18,819
Cost of goods sold:					
Raw materials	23,111	14,434	20,383	13,416	11,844
Direct labor	5,594	3,205	4,143	2,479	1,997
Other factory costs	7,382	5,945	6,267	3,964	3,601
Total cost of goods sold	36,087	23,584	30,793	19,859	17,442
Gross profit or (loss)	5,821	2,661	3,568	3,290	1,377
Selling, general and administrative (SG&A) expenses	1,823	1,261	1,567	1,049	981
Operating income or (loss)	3,998	1,400	2,001	2,241	396
Interest expense	283	149	177	293	199
Other expense	12	0	2	49	57
Other income	0	10	0	3	0
Net income or (loss)	3,703	1,261	1,822	1,902	140
Depreciation/amortization	1,394	1,097	1,300	882	810
Cash flow	5,097	2,358	3,122	2,784	950
	Ratio to value (percent)				
Cost of goods sold	86.1	89.9	89.6	85.8	92.7
Gross profit or (loss)	13.9	10.1	10.4	14.2	7.3
SG&A expenses	4.4	4.8	4.6	4.5	5.2
Operating income or (loss)	9.5	5.3	5.8	9.7	2.1
Net income or (loss)	8.8	4.8	5.3	8.2	0.7
	Number of firms reporting				
Operating losses	***	***	***	***	***
Net losses	***	***	***	***	***
Data	4	4	4	6	6

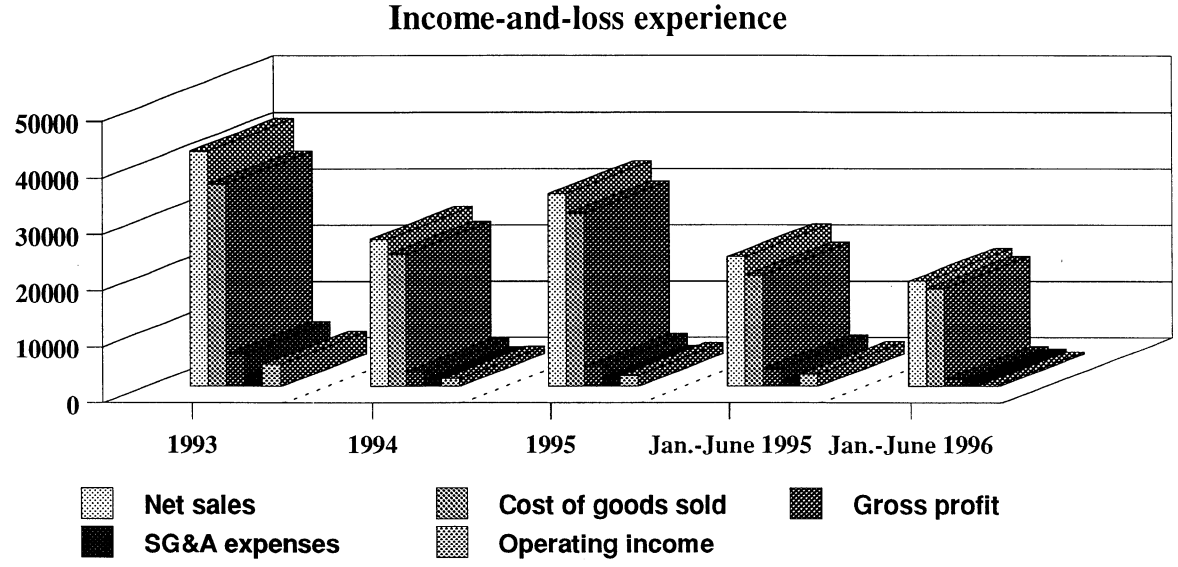
Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table VI-2
Income-and-loss experience (per pound) of U.S. producers on their open-end spun rayon singles yarn operations, 1993-95, Jan.-June 1995, and Jan.-June 1996

Item	1993	1994	1995	Jan.-June-- 1995	1996
Net sales	$1.92	$1.72	$1.70	$1.68	$1.73
Cost of goods sold:					
Raw materials	1.06	0.94	1.01	0.98	1.09
Direct labor	0.26	0.21	0.21	0.18	0.18
Other factrory costs	0.34	0.39	0.31	0.29	0.33
Total cost of goods sold	1.66	1.54	1.53	1.45	1.60
Gross profit or (loss)	0.27	0.17	0.18	0.24	0.13
SG&A expenses	0.08	0.08	0.08	0.08	0.09
Operating income or (loss)	0.18	0.09	0.10	0.16	0.04

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

Figure VI-1
Open-end spun rayon singles yarn: U.S. producers' net sales, cost of goods sold, gross profit, SG&A expenses, and operating income, 1993-95, Jan.-June 1995, and Jan.-June 1996



Source: Table VI-1.

Table VI-3
Income-and-loss experience of U.S. producers on their open-end spun rayon singles yarn operations, by firms, 1993-95, Jan-June 1995, and Jan.-June 1996

* * * * * * *

Table VI-4
Variance analysis for open-end spun rayon singles yarn operations, 1993-95, 1993-94, 1994-95, and Jan.-June 1995-96

($1,000)

Item	1993-95	1993-94	1994-95	Jan.-June-- 1995-96
Total net sales:				
Price variance	(4,459)	(3,160)	(287)	441
Volume variance	(3,088)	(12,503)	8,403	(4,771)
Total net sales variance	(7,547)	(15,663)	8,116	(4,330)
Cost of sales:				
Cost variance	2,635	1,737	342	(1,676)
Volume variance	2,659	10,766	(7,551)	4,093
Total cost of sales variance	5,294	12,503	(7,209)	2,417
Gross profit variance	(2,253)	(3,160)	907	(1,913)
SG&A expenses:				
Expense variance	122	18	98	(148)
Volume variance	134	544	(404)	216
Total SG&A variance	256	562	(306)	68
Operating income variance	(1,997)	(2,598)	601	(1,845)

Note: Unfavorable variances are shown in parentheses; all others are favorable. The data are comparable to changes in net sales, cost of sales, gross profit, SG&A expenses, and operating income as presented in table VI-1.

JPS, an integrated producer, reported company transfers at cost, which are shown in the following tabulation (in thousands of dollars):

* * * * * * *

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

The responding firms' data on the value of their property, plant, and equipment, capital expenditures, and research and development (R&D) expenses are shown in table VI-5. Four noncaptive firms--***--reported their fixed assets and capital expenditures for open-end spun rayon singles yarn. Only *** reported R&D expenses; the other three firms had no such expenses.

JPS, a major captive producer, reported its fixed assets and capital expenditures, which are shown in the following tabulation (in thousands of dollars):

* * * * * * *

Table VI-5
Value of assets, capital expenditures, and research and development expenses of noncaptive U.S. producers of open-end spun rayon singles yarn, 1993-95, Jan-June 1995, and Jan.-June 1996

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of open-end spun rayon singles yarn from Austria 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 D.

PART VII: THREAT CONSIDERATIONS

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

THE INDUSTRY IN AUSTRIA

This section of the report is based on information supplied by the two firms in Austria that are known to account for the vast majority of production of open-end spun rayon singles yarn in that country, G. Borckenstein und Sohn AG (Borckenstein) and Linz Textil GmbH (Linz). By their own estimates, Borckenstein and Linz calculate that their combined production of open-end spun rayon singles yarn accounts for *** percent of all open-end spun rayon singles yarn produced in Austria in 1995.[1] They also estimate that their combined exports to the United States of the same in 1995 accounted for *** percent of all such exports from Austria in that year.

Combined data for Borckenstein and Linz on their open-end spun rayon singles yarn operations in Austria, as reported in Commission questionnaires, are presented in table VII-1. The combined capacity utilization rate for both firms fluctuated between *** percent and *** percent throughout the period for which information was requested.[2] While capacity increased by nearly *** percent between 1993 and 1995, production increased at an even faster pace over the same period, rising from*** pounds to *** pounds, an increase of *** percent. These upward trends continued into the interim 1996 period, with capacity increasing by *** percent over the interim 1995 period and production rising by *** percent. Aggregate capacity and production are projected to drop somewhat in 1997, in part because of Borckenstein's alleged intention to dismantle its open-end spun rayon singles yarn equipment and transfer that equipment to the United States.[3]

Borckenstein's and Linz's combined shipments of open-end spun rayon singles yarn increased by *** percent from 1993 to 1995, rose by *** percent in the interim 1996 period over the interim 1995 period, and are projected to decrease by *** percent from 1996 to 1997. As a share of total shipments, home market shipments fell from *** percent in 1993 to *** percent in 1996 and increased to *** percent in the interim 1996 period, up from *** percent in the interim 1995 period. Exports to the United States as a share of total exports fell unevenly from *** percent in 1993 to *** percent in 1995 and then increased to *** percent of the total in the interim 1996 period compared with *** percent in the interim 1995 period.

---

[1] Counsel for respondent Linz identified two other possible firms in Austria that may be producing rayon yarns of some sort. However, information concerning the types of products produced and the markets served by those products are not available. One is believed to produce special ring-spun yarns. The two firms were identified as Friestadtl GmbH Co. KG and Spinnerei Feldkirch.

[2] Borckenstein and Linz reported capacity on the basis of operating *** hours per week, *** weeks and *** weeks per year, respectively.

[3] In its questionnaire response, Borckenstein stated "***." The newly established facility, Loris Manufacturing, reportedly will be located in Loris, SC.

Table VII-1
Open-end spun rayon singles yarn: Production capacity, production, shipments, and inventories for Borckenstein and Linz combined, 1993-95, Jan.-June 1995, Jan.-June 1996, and projections for 1996 and 1997

* * * * * * *

U.S. INVENTORIES OF PRODUCT FROM AUSTRIA

Data on U.S. importers' end-of-period inventories of open-end spun rayon singles yarn are shown in table VII-2. Between 1993 and 1995, U.S. importers' end-of-period inventories declined unevenly by 25.4 percent, falling from *** pounds in 1993 to *** pounds in 1995. Such inventories, however, increased in the interim 1996 period over the interim 1995 period by 41.5 percent. The ratios of inventories to imports and to U.S. shipments fell from *** percent and *** percent, respectively, in 1993 to *** percent in 1995 and increased from *** percent and *** percent, respectively, in the interim 1995 period to *** percent and *** percent, respectively, in the interim 1996 period.

Table VII-2
Open-end spun rayon singles yarn: U.S. importers' end-of-period inventories of imports from Austria, 1993-95, Jan.-June 1995, and Jan.-June 1996

* * * * * * *

APPENDIX A

FEDERAL REGISTER NOTICES

[Investigation No. 731–TA–751 (Preliminary)]

Open-End Spun Rayon Singles Yarn From Austria

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase antidumping investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–751 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Austria of open-end spun rayon singles yarn, provided for in subheading 5510.11.00 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 October 4, 1996. The Commission's views are due at the Department of Commerce within five business days thereafter, or by October 11.

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), as amended in 61 FR 37818 (July 22, 1996).

EFFECTIVE DATE: August 20, 1996.

FOR FURTHER INFORMATION CONTACT: Tim Timberlake (202–205–3188), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (http://www.usitc.gov or ftp://ftp.usitc.gov).

SUPPLEMENTARY INFORMATION

Background.—This investigation is being instituted in response to a petition filed on August 20, 1996, by the Ad-Hoc Committee of Open-End Spun Rayon Yarn Producers, Gastonia, North Carolina. The Committee includes Burlington Madison Yarn Company, Greensboro, NC; Carolina Mills, Inc., Maiden, NC; National Spinning Company, Washington, NC; and Uniblend Spinners, Inc., Union, SC.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven 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 section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested 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 September 10, 1996, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Tim Timberlake (202–205–3188) not later than September 6 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 sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before September 13, 1996, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules.

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

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

Issued: August 22, 1996.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 96–21973 Filed 8–27–96; 8:45 am]

BILLING CODE 7020–02–P

[A–433–807]

Initiation of Antidumping Duty Investigation: Open-End Spun Rayon Singles Yarn From Austria

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

EFFECTIVE DATE: September 13, 1996.

FOR FURTHER INFORMATION CONTACT: Dana Mermelstein at (202) 482–0984 or Richard Herring at (202) 482–4149, Office of CVD/AD Enforcement VI, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

INITIATION OF INVESTIGATION:

The Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930 (the Act) by the Uruguay Round Agreements Act (URAA).

The Petition

On August 20, 1996, the Department of Commerce (the Department) received a petition, filed in proper form by the Ad-Hoc Committee of Open-End Spun Rayon Yarn Producers (petitioner), a committee composed of four companies that produce open-end spun rayon singles yarn. An amendment to the petition was filed on September 4, 1996.

In accordance with section 732(b) of the Act, petitioner alleges that imports of open-end spun rayon singles yarn from Austria are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

Petitioner is an interested party, as defined under section 771(9)(F) of the Act, and therefore, may file a petition for the imposition of antidumping duties.

Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that petitions be filed on behalf of the domestic industry. In this regard, section 732(c)(4)(A) of the Act requires that the Department determine, prior to initiation of an investigation, that a minimum percentage of the domestic industry supports an antidumping petition. A petition meets the minimum requirements if the domestic producers or workers who support the petition account for: (1) At least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Our review of the production data provided in the petition and other production information obtained by the Department indicates that the petitioners and supporters of the petition account for more than 50 percent of the total production of the domestic like product, thus meeting the standard of section 732(c)(4)(A) of the Act. The Department received no expressions of opposition to the petition from any domestic producers or workers. Accordingly, the Department determines that the petition is supported by the domestic industry.

Scope of the Investigation

The product covered by this investigation is open-end spun singles yarn containing 85 percent or more of

rayon staple fiber. Such yarn is classified under subheading 5510.11.0000 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheading is provided for convenience and for Customs purposes, our written description of the scope of this investigation is dispositive.

Export Price and Normal Value

Petitioner based export price on actual U.S. market invoices from Linz Textile, an Austrian exporter of the subject merchandise. The invoice prices are c.i.f., and thus petitioner made deductions for foreign inland freight, ocean freight, U.S. freight, insurance, import fees, customs duties, and handling charges.

With regard to normal value, petitioner stated that it was unable to obtain Austrian market prices and was unable to obtain conclusive information, such as an invoice, to document third country prices. Consequently, petitioner based normal value on constructed value (CV).

CV includes the cost of manufacturing (COM), interest expense, and profit. Petitioner calculated COM based on data in Linz's 1995 financial statement and on petitioner's knowledge of the costs and inputs applicable to the production of the subject merchandise. Specifically, the cost of materials was based on the average Customs Value of rayon staple fiber shipped from Austria to the United States in 1995, which the petitioner claims is indicative of Austrian prices. Petitioner's knowledge of the fiber-to-yarn yield factor was also used. Labor costs were calculated from a combination of data in Linz's 1995 financial statement and petitioner's knowledge of the production labor hours required to produce one pound of rayon yarn. The overhead costs were calculated from data in Linz's 1995 financial statement. For the interest and profit expense calculations, petitioner relied on data in Linz's 1995 financial statement. Although petitioner did not include an amount for general and administrative expenses in its calculation of CV, we note that the overhead calculation provided by petitioner may include such expenses.

Based on comparisons of export price to normal value, the estimated dumping margins range from 60.10 percent to 65.00 percent.

Fair Value Comparisons

Petitioner has supplied information reasonably available to it in support of its allegation that open-end spun rayon singles yarn from Austria is being, or is likely to be, sold at less than fair value. If it becomes necessary at a later date to consider the petition as a source of facts available under section 776 of the Act, we may further review the margin calculation in the petition.

Initiation of Investigation

We have examined the petition on open-end spun rayon singles yarn from Austria and have found that it meets the requirements of section 732 of the Act: the requirements concerning allegations of material injury or threat of material injury to the domestic producers of a domestic like product by reason of the subject imports allegedly sold at less than fair value; the requirement concerning the provision of information reasonably available to petitioner supporting the allegation; and, the requirement concerning industry support for the petition. Therefore, we are initiating an antidumping duty investigation to determine whether imports of open-end spun rayon singles yarn from Austria are being, or are likely to be, sold in the United States at less than fair value. Unless extended, we will make our preliminary determination by January 27, 1997.

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 Austria. We will attempt to provide a copy of the public version of the petition to each exporter of open-end spun rayon singles yarn named in the petition.

International Trade Commission Notification

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

Preliminary Determinations by the ITC

The ITC will determine by October 4, 1996, whether there is a reasonable indication that imports of open-end spun rayon singles yarn from Austria are causing material injury, or threaten to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, the investigation will proceed according to statutory and regulatory time limits.

Dated: September 9, 1996.

Robert S. LaRussa,

Acting Assistant Secretary for Import Administration.

[FR Doc. 96-23527 Filed 9-12-96; 8:45 am]

BILLING CODE 3510-DS-P

APPENDIX B

CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF THE PUBLIC CONFERENCE

Investigation No. 731-TA-751 (Preliminary)

Open-End Spun Rayon Singles Yarn from Austria

Those listed below appeared as witnessses at the United States International Trade Commission's conference held in connection with the subject investigation at 9:30 a.m. on September 10, 1996, in the main hearing room of the USITC Building, 500 E Street, SW, Washington, DC.

In support of the imposition of antidumping duties

Economic Consulting Services, Inc.--Economic consultant
Washington, DC
on behalf of

The Ad Hoc Committee of Open-End Spun Rayon Singles Yarn

Dan Sullivan, president, Burlington Madison Yarn Company
Kim Eyer, plant manager, Burlington Madison Yarn Company
Lewis M. Johnson, director of public affairs, American Yarn Spinners Association

Mark W. Love)
John Fry)--CONSULTANTS
Daniel J. Cannistra)

In opposition to the imposition of antidumping duties

Barnes, Richardson & Colburn--Counsel
Washington, DC
on behalf of

Linz Textile GMBH

Dan Ramaty, president, Swinnerton International Corporation

In opposition to the imposition of antidumping duties--Continued

Gunter von Conrad)
)--OF COUNSEL
Matthew T. McGrath)

Fulbright & Jaworski LLP.--Counsel
Washington, DC
on behalf of

G. Borckenstein und Sohn A.G.

David Bergman, president, Ti-Tex International

Craig T. Redinger)
)--OF COUNSEL
Matthew M. Nolan)

APPENDIX C

SUMMARY DATA

Table C-1
Open-end spun rayon singles yarn: Summary data concerning the total U.S. market, 1993-95, Jan.-June 1995, and Jan.-June 1996

(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			
				Jan.-June					Jan.-June
	1993	1994	1995	1995	1996	1993-95	1993-94	1994-95	1995-96
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
Austria	***	***	***	***	***	***	***	***	***
Other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	95,711	88,605	102,129	53,585	52,188	6.7	-7.4	15.3	-2.6
Producers' share (1)	60.8	46.5	52.2	51.3	46.7	-8.5	-14.3	5.7	-4.6
Importers' share (1):									
Austria	23.3	24.8	28.3	23.9	36.3	5.0	1.5	3.5	12.4
Other sources	15.9	28.7	19.4	24.8	17.0	3.5	12.8	-9.3	-7.7
Total imports	39.2	53.5	47.8	48.7	53.3	8.5	14.3	-5.7	4.6
U.S. imports from--									
Austria:									
Quantity	***	***	***	***	***	***	***	***	***
Value	22,316	21,977	28,932	12,816	18,953	29.6	-1.5	31.6	47.9
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Other sources:									
Quantity	7,442	12,100	9,211	6,079	4,013	23.8	62.6	-23.9	-34.0
Value	15,227	25,438	19,849	13,272	8,882	30.4	67.1	-22.0	-33.1
Unit value	$2.05	$2.10	$2.15	$2.18	$2.21	5.3	2.7	2.5	1.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	37,543	47,415	48,781	26,089	27,835	29.9	26.3	2.9	6.7
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	50,721	53,955	53,287	32,656	31,330	5.1	6.4	-1.2	-4.1
Production quantity	32,018	25,337	33,016	17,701	14,687	3.1	-20.9	30.3	-17.0
Capacity utilization (1)	55.8	42.4	51.3	45.4	39.9	-4.6	-13.5	8.9	-5.5
U.S. shipments:									
Quantity	31,961	25,099	32,051	16,888	14,611	0.3	-21.5	27.7	-13.5
Value	58,168	41,190	53,348	27,496	24,353	-8.3	-29.2	29.5	-11.4
Unit value	$1.82	$1.64	$1.66	$1.63	$1.67	-8.5	-9.8	1.4	2.4
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	262	213	222	229	219	-15.3	-18.7	4.2	-4.4
Hours worked (1,000s)	558	444	439	240	212	-21.3	-20.4	-1.1	-11.7
Wages paid ($1,000s)	5,075	4,159	4,155	2,230	2,002	-18.1	-18.0	-0.1	-10.2
Hourly wages	$9.09	$9.37	$9.46	$9.29	$9.44	4.1	3.0	1.0	1.6
Productivity (pounds per hour)	50.8	51.5	62.2	61.8	59.0	22.6	1.4	20.8	-4.6
Unit labor costs	$0.18	$0.18	$0.15	$0.15	$0.16	-15.1	1.5	-16.4	6.5
Net sales: (4)									
Quantity	21,784	15,285	20,179	13,740	10,908	-7.4	-29.8	32.0	-20.6
Value	41,908	26,245	34,361	23,149	18,819	-18.0	-37.4	30.9	-18.7
Unit value	$1.92	$1.72	$1.70	$1.68	$1.73	-11.5	-10.7	-0.8	2.4
Cost of goods sold (COGS)	36,087	23,584	30,793	19,859	17,442	-14.7	-34.6	30.6	-12.2
Gross profit or (loss)	5,821	2,661	3,568	3,290	1,377	-38.7	-54.3	34.1	-58.1
SG&A expenses	1,823	1,261	1,567	1,049	981	-14.0	-30.8	24.3	-6.5
Operating income or (loss)	3,998	1,400	2,001	2,241	396	-49.9	-65.0	42.9	-82.3
Capital expenditures	7,354	8,461	332	260	974	-95.5	15.1	-96.1	274.6
Unit COGS	$1.66	$1.54	$1.53	$1.45	$1.60	-7.9	-6.9	-1.1	10.6
Unit SG&A expenses	$0.08	$0.08	$0.08	$0.08	$0.09	-7.2	-1.4	-5.9	17.8
Unit operating income or (loss)	$0.18	$0.09	$0.10	$0.16	$0.04	-46.0	-50.1	8.3	-77.7
COGS/sales (1)	86.1	89.9	89.6	85.8	92.7	3.5	3.8	-0.2	6.9
Operating income or (loss)/ sales (1)	9.5	5.3	5.8	9.7	2.1	-3.7	-4.2	0.5	-7.6

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Not applicable.
(3) Increase greater than 1,000 percent.
(4) Financial data exclude internal consumption, except capital expenditures.

Note.--Quantity of U.S. imports from Austria is based on exports to the United States as reported by Borckenstein and Linz; value of imports from Austria and reported imports (quantity and value) from all other sources based on official statistics.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission and official statistics of the U.S. Department of Commerce.

Table C-2
Open-end spun rayon singles yarn: Summary data concerning the U.S. open market, 1993-1995, Jan.-June 1995, and Jan.-June 1996

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Table C-3
Total (open-end and ring) spun rayon singles yarn: Summary data concerning the total U.S. market, 1993-95, Jan.-June 1995, and Jan.-June 1996

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Table C-4
Ring-spun rayon singles yarn: Summary data concerning U.S. producers, 1993-95, Jan.-June 1995, and Jan.-June 1996

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APPENDIX D

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

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of open-end spun rayon singles yarn from Austria on their return on investment or their growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or their scale of capital investments undertaken as a result of such imports. The responses are as follows:

Actual Negative Effects

Burlington Madison Yarn Company

***.

Carolina Mills, Inc.

***.

Grover Industries, Inc.

***.

JPS Converter and Industrial

***.

Mount Vernon Mills

***.

National Spinning Co., Inc.

***.

Uniblend Spinners, Inc.

***.

Anticipated Negative Effects

Burlington Madison Yarn Company

***.

Carolina Mills, Inc.

***.

Grover Industries, Inc.

***.

JPS Converter and Industrial

***.

Mount Vernon Mills

***.

National Spinning Co., Inc.

***.

Uniblend Spinners, Inc.

***.