Malleable Iron Pipe Fittings From China

Investigation No. 731-TA-1021 (Preliminary)

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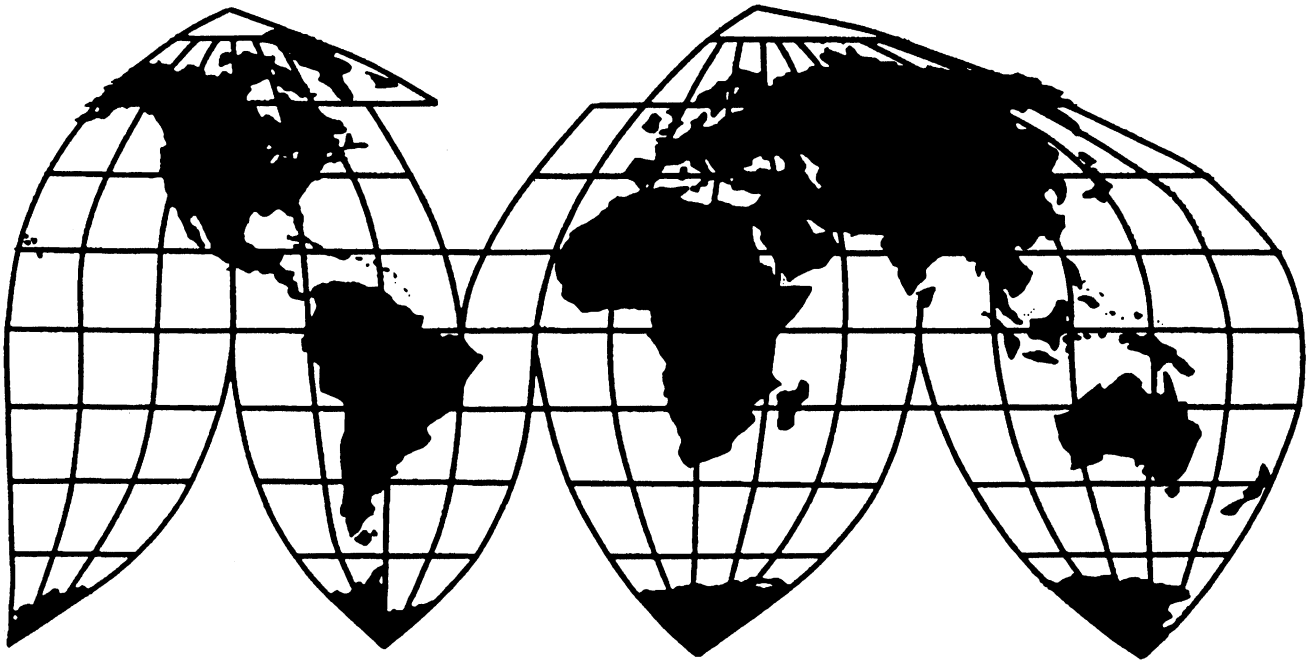
U.S. International Trade Commission



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Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1021 (Preliminary)

MALLEABLE IRON PIPE FITTINGS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is threatened with material injury, by reason of imports from China of malleable iron pipe fittings, provided for in subheading 7307.19.90 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, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On October 30, 2002, a petition was filed with the Commission and Commerce by Anvil International, Inc. of Portsmouth, NH, and Ward Manufacturing, Inc. of Blossburg, PA, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of malleable iron pipe fittings from China. Accordingly, effective October 30, 2002, the Commission instituted antidumping duty investigation No. 731-TA-1021 (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 November 6, 2002 (67 FR 67645). The conference was held in Washington, DC, on November 20, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in this investigation, we find that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of imports of malleable iron pipe fittings (MCIPF) from China that are allegedly sold in the United States at less than fair value.[1]

The petition in this investigation was filed on October 30, 2002, by domestic producers Anvil International, Inc. (Anvil) and Ward Manufacturing, Inc. (Ward). Respondent is B&K Industries, Inc. (B&K), an importer of subject merchandise.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

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

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[1] MCIPF have been the subject of prior antidumping duty investigations in the United States. In May 1986, the Commission determined that an industry in the United States was being materially injured by reason of less than fair value (LTFV) imports of MCIPF from Brazil, Korea, and Taiwan. Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986) (Original Brazil/Korea/Taiwan Determination). The Commission's determination was affirmed on appeal. Fundicao Tupy S.A. v. United States, 859 F.2d 915 (Fed. Cir. 1988) (affirming 678 F. Supp. 898 (Ct. Int'l Trade 1988)).

In June 1987, the Commission determined that an industry in the United States was being materially injured by reason of LTFV imports of MCIPF from Japan, Certain Cast-Iron Pipe Fittings from Japan, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987) (Original Japan Determination), and, two months later, that an industry in the United States was being materially injured by reason of LTFV imports of MCIPF from Thailand. Certain Cast-Iron Pipe Fittings from Thailand, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (August 1987) (Original Thailand Determination).

On January 4, 1999, the Commission instituted five-year reviews of the antidumping duty orders on MCIPF from Brazil, Japan, Korea, Thailand, and Taiwan. 64 Fed. Reg. 369 (Jan. 4, 1999). In February 2000, the Commission determined that revocation of the antidumping duty orders covering MCIPF from Brazil, Taiwan, and Thailand would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time and that revocation of the antidumping duty orders concerning MCIPF from Japan and Korea would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000) (Sunset Determination) (Commissioner Bragg dissenting with respect to Brazil and Taiwan; Commissioner Koplan dissenting with respect to Taiwan).

[2] 19 U.S.C. § 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). No party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

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

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[4] Section 771(4)(A) of the Tariff Act of 1930, as amended (the Act), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[5] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ... ."[6]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[7] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[8] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[9] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise allegedly sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[10] The Commission must base its domestic like product determination on the record in this investigation. The Commission is not bound by prior determinations, pertaining even to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[11]

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[4] 19 U.S.C. § 1677(4)(A).

[5] Id.

[6] 19 U.S.C. § 1677(10).

[7] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case' "). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

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

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

[11] See Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v.

B. Product Description

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

> certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.90.30, 7307.19.90.60 and 7307.19.90.80 of the Harmonized Tariff Schedule.[12]

Pipe fittings generally are used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing the pipe. The material from which MCIPF are made, cast iron, is a general term for alloys composed primarily of iron, carbon (greater than two percent), and silicon.[13] MCIPF are used when shock and vibration resistance is required and when fittings must withstand quick temperature changes. MCIPF are used principally in gas lines, piping systems of oil refineries, and building gas and water systems.[14]

C. Previous Commission Investigations

In previous antidumping investigations involving the subject pipe fittings, the Commission defined the domestic like product as all MCIPF other than grooved fittings.[15] In the Japan/Thailand investigation, the Commission rejected arguments that the domestic like product should be defined more broadly to include grooved and/or non-malleable pipe fittings as well as MCIPF.[16] In the Sunset Determination, the Commission found that the record demonstrated no basis to depart from the Commission's original domestic like product definitions of all MCIPF other than grooved fittings.[17]

United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[12] 67 Fed. Reg. 70579 (October 25, 2002).

[13] Confidential Staff Report, Mem. INV-Z-195 (December 9, 2002) (CR) at I-5-I-6 and Public Staff Report (PR) at I-4.

[14] CR at I-7, PR at I-4.

[15] Sunset Determination, USITC Pub. 3274 at 5; Original Thailand Determination, USITC Pub. 2004 at 4-5; Original Japan Determination, USITC Pub. 1987 at 4-5; Original Brazil/Korea/Taiwan Determination, USITC Pub. 1845 at 4.

[16] The Commission found that non-malleable cast iron pipe fittings were not interchangeable with MCIPF and were significantly different in their material composition. It similarly found that grooved fittings were not interchangeable with MCIPF and differed significantly in physical characteristics and methods of production. Original Japan Determination, USITC Pub. 1987 at 5 n.10. See Original Thailand Determination, USITC Pub. 2004 at 4-5. See also Non-Malleable Cast Iron Pipe Fittings from China, Inv. 731-TA-990 (Preliminary), USITC Pub. 3500 at 8-9 (April 2002) (defining domestic like product as non-malleable cast iron pipe fittings; noting that in investigations involving malleable fittings, the Commission has consistently declined to expand the domestic like product to include grooved fittings); Certain Cast-Iron Pipe Fittings from Brazil, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 at 4 (April 1985) (distinguishing malleable and non-malleable cast iron pipe fittings; finding two separate like products). Cf. Malleable Cast-Iron Pipe and Tube Fittings, Inv. No. TA-201-26, USITC Pub. 835 at 5 (September 1977) (domestic industry defined as facilities devoted to the production of malleable cast-iron pipe and tube fittings).

[17] Sunset Determination, USITC Pub. 3274 at 7-8.

D. Analysis

Petitioners argue that the Commission should define a single domestic like product coextensive with the scope, i.e., MCIPF other than grooved fittings.[18] Respondent concurs with the Petitioners' domestic like product definition.[19]

MCIPF share the same physical characteristics and uses, which distinguish them from non-malleable (or gray) cast iron pipe fittings (non-malleable fittings) and grooved fittings. MCIPF are available in many configurations, the most common being 90-degree elbows, tees, couplings, crosses, and unions. They are produced in both black (ungalvanized) and galvanized form. They are lighter, thinner, stronger, and less brittle than non-malleable fittings, which exhibit no elastic behavior and are comparatively weaker. Non-malleable fittings are used primarily in fire protection/sprinkler systems and to a much smaller degree in steam conveyance systems.[20] Grooved fittings, the vast majority of which are produced from ductile iron, are not threaded. Rather, a split coupling attaches to a circumferential groove near the end of each piece to be joined. A gasket inside the coupling serves as a seal for the pipe or coupling.[21]

Although MCIPF may be used in place of non-malleable fittings, the reverse is not true and, due to the higher cost of the product, the former is uneconomical.[22] Given the differences in physical characteristics and specific uses, grooved fittings are generally not interchangeable with MCIPF.[23] As demonstrated by the parties' positions, producers and importers alike do not perceive the three types of fittings as one like product, nor is there any evidence that consumers have such a perception.

MCIPF are produced using similar types of machinery and equipment in a process that is considered technologically mature. Differences that exist between domestic and imported MCIPF lie mainly in the extent of the application of automation and in ancillary operations including environmental control facilities. MCIPF are subjected to annealing and controlled cooling processes after casting that distinguish their production from the production of non-malleable fittings and ductile cast iron fittings. The annealing process, which makes MCIPF more expensive to produce per pound than both non-malleable and ductile cast iron fittings, consists of rapidly heating the casting to approximately 1,750°F, followed by a slow, controlled cooling period. Malleable grooved fittings are subject to different machining than MCIPF.[24]

The record demonstrates that domestic MCIPF are like the subject imports[25] and that, because of differences in physical characteristics, uses and production processes, the lack of interchangeability, and the perceptions of those in the trade, MCIPF are distinct from non-malleable and grooved cast iron pipe fittings. Accordingly, consistent with prior Commission determinations, we find one domestic like

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[18] Antidumping Duty Petition (Petition) at 20; Petitioners' Postconference Brief (Petitioners' Brief) at 5, A-1-A-5.

[19] Transcript of Staff Conference (November 20, 2002) (Tr.) at 98 (John Smirnow, counsel for Respondent).

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

[21] CR at I-8, PR at I-5; Tr. at 67-73 (various witnesses).

[22] CR at I-7, I-10, PR at I-4-I-5.

[23] Petitioners' Postconference Brief (Petitioners' Brief) at A-3.

[24] CR at I-6, I-8-I-10, PR at I-4-I-6.

[25] As discussed below, B&K argues that domestic MCIPF and subject imports are sold in different market segments and that significant pricing differences illustrate further the lack of competition between the two, but these arguments pertain to the degree of competition between subject imports and the domestic like product in the same market segment. B&K does not contend that the record supports a finding of two distinct domestic like products.

product consisting of all MCIPF other than grooved fittings, coextensive with the scope in this preliminary investigation.

III. DOMESTIC INDUSTRY

The domestic industry is defined as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[26] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[27] We find one domestic industry consisting of all domestic producers of the domestic like product.

IV. CONDITIONS OF COMPETITION[28]

Several conditions of competition are pertinent to our analysis in the preliminary phase of this investigation.

The U.S. market for MCIPF is mature.[29] In the Sunset Determination, we noted that we anticipated little, if any, growth over the foreseeable future.[30] Current trends continue to support that finding. Apparent U.S. consumption, in terms of quantity, declined during the period of investigation (POI) from *** short tons in 1999 to *** short tons in 2001, and from *** short tons in interim 2002 as compared to *** short tons in interim 2001.[31] By value, apparent U.S. consumption dropped from $*** million in 1999 to $*** million in 2001, and was $*** million in interim 2002 as compared to $*** million in interim 2001.[32]

The parties dispute whether substitute products have affected demand for MCIPF. B&K contends that increased competition from substitutable products such as flexible tubing has resulted in a decline in demand for MCIPF in the wholesale market.[33] Petitioners contend that substitute products have not made significant inroads.[34] We intend to explore the issue further in any final phase investigation, particularly as it relates to declines in domestic production and other indicators of the domestic industry's performance.

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[26] 19 U.S.C. § 1677(4)(A).

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

[28] Subject imports from China were above the statute's negligibility threshold, 19 U.S.C. § 1677(24)(A)(i)(I), during the relevant time period. CR, PR at Table IV-2.

[29] Sunset Determination, USITC Pub. 3274 at 7.

[30] Sunset Determination, USITC Pub. 3274 at 7.

[31] CR, PR at Table IV-4. In this investigation, the interim periods are January through September.

[32] CR, PR at Table IV-4.

[33] B&K identifies flexible tubing, in particular, as a direct substitute that is capturing sales from MCIPF in the wholesale market. Postconference Brief of B&K Industries, Inc. (B&K Brief) at 4-5; Tr. at 79-80 (Robert Tripp, Director of Global Sourcing, B&K).

[34] Tr. at 35-36 (Tom Gleason, Vice-President of Marketing and Sales, Ward). In Ward's estimation, flexible tubing has replaced *** tons of MCIPF, approximately *** percent of U.S. consumption. Petitioners' Brief at A-10.

Price is an important factor in purchasing decisions. Subject imports appear to have closed any quality gap that may have existed with the domestic product,[35] and responding U.S. producers and importers reported that U.S.-produced and imported Chinese MCIPF are used interchangeably.[36] Both subject imports and U.S.-manufactured MCIPF meet the same industry specifications: a material specification (ASTM); a dimensional specification (ANSI); and a thread specification.[37]

Two domestic producers account for all U.S. production of finished MCIPF, Anvil and Ward.[38] In August 2001, Anvil sold its foundry in Statesboro, Georgia, at which it produced both malleable and non-malleable fittings, and consolidated production into one foundry in Columbia, Pennsylvania.[39]

Subject and non-subject imports were present in the U.S. market throughout the period. During 1999 to 2001, imports from China increased 7.9 percent in quantity, from 12,457 short tons to 13,443 short tons.[40] Subject imports increased by 45.8 percent between the interim periods, increasing to 14,147 short tons in interim 2002 from 9,704 short tons in interim 2001.[41] Subject imports accounted for between 56.6 percent and 58.7 percent of the volume of U.S. imports during 1999 to 2001. This share rose to 63.2 percent during interim 2002.[42]

Non-subject imports decreased in quantity during 1999 to 2001, from 9,552 tons in 1999 to 9,446 short tons in 2001.[43] During interim 2002, the volume of non-subject imports was 8,229 short tons, 12.3 percent greater than in interim 2001.[44] By quantity, non-subject imports accounted for between *** percent and *** percent of apparent U.S. consumption during 1999 to 2001. This share was *** percent in interim 2001 and *** percent in interim 2002.[45]

In the Sunset Determination, the Commission found the existence of "fairly distinct wholesale and retail markets for MCIPF."[46] The Commission further found that the "overwhelming proportion of U.S.-produced MCIPF are sold in the wholesale market," and that imports from China accounted for a major share of consumption in the retail market.[47] Relying in part on the Sunset Determination, B&K argues that competition between the domestic industry and subject imports is limited by the fact that the overall market consists of two segments, retail and wholesale, and that U.S. producers by choice focus on

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[35] Tr. at 30 (Thomas E. Fish, President, Anvil) ("Today the quality issues are not there. I mean, these are equal products. They are the same.")

[36] CR at II-8, PR at II-8.

[37] CR at I-10 n.24, II-9, PR at I-6 n.24, II-5-II-6.

[38] CR, PR at III-1. In 2001, Anvil accounted for *** percent of domestic production and Ward accounted for *** percent. For a discussion of the role of "jobbers" in the industry, see CR, PR at III-1 n.1; Tr. at 41-43 (Mr. Schagrin and Mr. Gleason).

[39] CR, PR at III-2, VI-1. As a result, domestic industry capacity declined from *** short tons in 2000 to *** short tons in 2001, a decline of *** percent. Domestic industry capacity declined from *** short tons in interim 2001 to *** short tons in interim 2002, a decline of *** percent. CR, PR at Tables III-2, C-1.

[40] CR, PR at Tables IV-2, C-1.

[41] CR, PR at Tables IV-2, C-1.

[42] CR, PR at Table IV-2.

[43] CR, PR at Table IV-2.

[44] CR, PR at Tables IV-2, C-1.

[45] CR, PR at Tables IV-4, C-1. In 2001, the majority (61.1 percent) of non-subject imports came from Thailand. CR at IV-3 n.4, PR at IV-1 n.4.

[46] Sunset Determination, USITC Pub. 3274 at 8.

[47] Sunset Determination, USITC Pub. 3274 at 8.

the higher-priced wholesale market, while subject imports are directed to the lower-priced retail market.[48]

Petitioners take issue with the Commission's findings respecting channels of distribution in the Sunset Determination,[49] and argue that, in any event, the record in this investigation demonstrates direct competition between U.S. product and subject imports, with each distributed in the same manner to the same customers. They contend that the record shows that, (1) subject imports compete in the wholesale market in significant volumes; (2) domestic sales in the retail market are significant; and, (3) drawing a distinction between the retail and wholesale markets is artificial because retail outlets serve the same customers as suppliers in the wholesale distribution chain (i.e., contractors).[50]

The record of U.S. producers' domestic shipments of MCIPF to distributors and retailers shows that *** sales are to distributors.[51] However, the record in this preliminary investigation is less complete regarding channels of distribution for subject imports. Some testimony indicates that the lines between the retail and wholesale markets may have blurred since the Sunset Determination in February 2000.[52] In any final phase investigation, we intend to explore further the nature and scope of the channels of distribution for MCIPF and subject imports and the degree to which the domestic industry and the subject imports participate in these different channels. We conclude under the standard applicable to this preliminary investigation[53] that the competition between domestic MCIPF and subject imports is sufficiently direct to support an affirmative threat determination, as described below.

V. REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR IMPORTS[54]

Section 771(7)(F) of the Act directs the Commission to determine whether an industry in the United States is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[55] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."[56] In making our determination, we have considered all factors that are relevant to

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[48] B&K Brief at 2-3; Tr. at 78-79 (Mr. Tripp).

[49] Tr. at 27 (Mr. Schagrin).

[50] Petitioners' Brief at 5-15.

[51] CR at II-3, PR at II-2. The record also shows that of Anvil's 10 major customers of MCIPF in 2001, *** among the major customers reported by importers of subject MCIPF from China. Of Ward's 10 major customers in 2001, *** among the major customers reported by importers of subject MCIPF from China. CR at II-3, PR at II-2.

[52] Tr. at 27-29 (various witnesses).

[53] See American Lamb Co. v. United States, 785 F.2d at 1001.

[54] With respect to present material injury, Commissioner Bragg refers to her additional views. See Additional Views of Commissioner Lynn M. Bragg.

[55] 19 U.S.C. § 1677d(b) and 1677(7)(F)(ii).

[56] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281 (Ct. Int'l Trade 1990), citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992), citing H.R. Rep. No. 98-1156 at 174 (1984).

this investigation.[57] Based on an evaluation of the entirety of the record, we determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports from China that allegedly are sold in the United States at less than fair value.

The volume and market penetration of the subject imports have increased during the period, particularly during interim 2002, indicating the likelihood of substantially increased imports in the imminent future. The volume of subject imports increased by 7.9 percent during 1999 to 2001, from 12,457 short tons in 1999 to 13,443 short tons in 2001.[58] In interim 2002, they increased 45.8 percent over the previous interim period (14,147 short tons in interim 2002 as compared to 9,704 short tons in interim 2001).[59] Subject imports gained *** percentage points of market share during 1999 to 2001, rising from *** percent of apparent U.S. consumption by quantity in 1999 to *** percent in 2001.[60] While apparent U.S. consumption by quantity increased by *** percent in interim 2002 in relation to interim 2001, subject imports' significant escalation in volume during the same period resulted in subject imports increasing their share of apparent U.S. consumption by *** percentage points.[61] Subject imports' share of apparent U.S. consumption increased from *** percent in interim 2001 to *** percent in interim 2002.[62] We find that the rate of increase in subject import volumes, both in absolute terms and as a share of apparent U.S. consumption, provides an indication that subject imports are likely to increase significantly in the imminent future.

The foreign producer data that the Commission obtained from questionnaire responses, while limited in coverage,[63] reveal significant increases in capacity and production from 1999 to 2002, with *** projected in each category in 2003.[64] Capacity for the responding producers increased *** percent during 1999 to 2001, from *** short tons in 1999 to *** short tons in 2001.[65] During interim 2002, capacity further rose to *** short tons or *** percent. Projected capacity for the complete year 2002 is *** short tons and for 2003, *** short tons.[66] In terms of production, these producers *** volume between 1999 and 2001, producing *** short tons in 1999 and *** short tons in 2001.[67] Production during interim 2002 was *** short tons compared with *** short tons in interim 2001, with projections for complete year 2002 of *** short tons and for 2003 of *** short tons.[68]

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[57] 19 U.S.C. § 1677(7)(F)(i). Factors I (regarding countervailing subsidies) and VII (involving imports of both a raw agricultural product and any product processed from such raw agricultural product) are inapplicable in this antidumping duty investigation.

[58] CR, PR at Tables IV-2, C-1.

[59] CR, PR at Tables IV-2, C-1.

[60] CR, PR at Tables IV-2, IV-4, and C-1.

[61] CR, PR at Tables IV-2, IV-4, and C-1.

[62] CR, PR at Tables IV-2, IV-4, and C-1.

[63] The responding producers estimate that together they account for *** percent of MCIPF production in China; combined they accounted for approximately *** percent of subject imports in 2001. CR, PR at VII-1 n.3.

[64] CR, PR at Table VII-1.

[65] CR, PR at Table VII-1. In comparison, the brochure for one of the producers from which the Commission did not receive a questionnaire response, Jinan Meide Casting Co., Ltd., identifies an annual capacity of 50,000 metric tons (55,115 short tons). This producer identifies itself as one of the largest producers of malleable iron pipe fittings in the world. CR, PR at VII-1 n.1

[66] CR, PR at Table VII-1.

[67] CR, PR at Table VII-1.

[68] CR, PR at Table VII-1.

U.S. importers' inventories of subject imports increased *** percent between 1999 and 2001, from *** short tons in 1999 to *** short tons in 2001.[69] During the interim periods, inventories rose *** percent, from *** short tons in interim 2001 to *** short tons in interim 2002.[70]

The record further demonstrates that China's MCIPF industry is export-oriented[71] and that the United States is *** for the industry.[72] Antidumping measures imposed by other countries may contribute to an even greater focus on the U.S. market for MCIPF exports from China.[73]

For all of these reasons, we find a likelihood of substantially increased imports of the subject merchandise into the United States for the purposes of this preliminary determination.

There were 60 quarterly price comparisons between U.S. produced and imported Chinese MCIPF. The subject imports undersold the domestic products in all 60 instances, with margins of underselling ranging from 34.2 percent to 53.4 percent.[74] Less clear are the effects of such underselling on domestic prices. In general, the pricing data collected on four specific MCIPF products showed that prices for U.S.-produced MCIPF increased by more than *** percent, while prices for subject imports showed little consistent movement up or down.[75] The average unit values (AUVs) for subject imports and the domestic like product, to the extent they afford a useful measure, similarly do not evidence clear price effects.[76] AUVs for U.S. producers' U.S. shipments increased *** percent during 1999 to 2001 and *** percent between the interim periods.[77] AUVs for U.S. imports from China increased 4.4 percent during 1999 to 2001 and declined 1 percent during the interim periods.[78] There is only limited evidence in the record of sales lost to subject imports.[79] As we noted above, we will examine further in any final phase investigation the degree to which subject imports and the domestic like product compete in different channels of distribution and the impact of prices of subject imports.[80]

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[69] CR, PR at Tables VII-2, C-1.

[70] CR, PR at Tables VII-2, C-1.

[71] See CR, PR at Table VII-1 (for the reporting producers, exports of MCIPF from China constituted between *** percent and *** percent of the total quantity of their shipments during 1999 to 2001 and *** percent during interim 2002). In fact, based on the data the Commission received, the home market share in China ***. CR and PR at Table VII-1 (home market share of MCIPF shipments *** from *** percent in interim 2001 to *** percent in interim 2002, and is projected to *** in 2003 to *** percent).

[72] See CR, PR at VII-1 (the United States constituted between *** percent and *** percent of the market for the reporting producers during 1999 to 2001, *** percent during interim 2002, and is projected to constitute *** percent in 2003).

[73] On August 18, 2000, the European Union imposed antidumping duties of 49.4 percent *ad valorem* on malleable fittings from China. "Malleable iron connections" from China are also subject to antidumping duties in Mexico as of July 1998. We note that Brazil initiated an antidumping duty investigation of malleable fittings from China on October 23, 2000, the results of which Brazil has not yet announced. CR at VII-6-VII-7, PR at VII-3.

[74] CR at V-11, PR at V-4.

[75] CR at V-4, PR at V-2; CR, PR at Tables V-1-V-4.

[76] We note further that the cost of goods sold (COGS) for the domestic industry as a ratio to sales reveal *** during the POI and a *** during the interim periods. CR, PR at Tables VI-1, C-1. This would normally indicate that prices are not being significantly suppressed in relation to costs.

[77] CR, PR at Tables III-3, C-1.

[78] CR, PR at Tables VII-1, C-1.

[79] See CR, PR at Table V-5.

[80] Commissioner Bragg does not join the foregoing discussion of price effects. With respect to price effects by reason of subject imports, Commissioner Bragg refers to her additional views. See Additional Views of

The record indicates that the likely increased volume of subject imports will likely adversely impact the domestic industry's condition, including revenues. U.S. producers' U.S. shipments declined *** percent between 1999 and 2001 and further declined *** percent comparing the interim periods.[81] Production declined *** percent during 1999 to 2001 and further declined *** percent between the interim periods.[82] U.S. producers' share of U.S. consumption quantity declined *** percentage points between 1999 and 2001 and further declined *** percentage points between the interim periods.[83] Capacity utilization declined *** percentage points between 1999 and 2001 and further declined *** percentage points between the interim periods.[84] Operating income declined *** percent from $*** in 1999 to $*** in 2001 and declined an additional *** percent from $*** to $*** in the interim periods.[85] Unit operating income *** percent in interim 2002 as compared to interim 2001.[86] We note that profitability has declined *** from 1999 to interim 2002 due to lost market share, notwithstanding domestic price increases.[87] Capital expenditures and research and development expenses also declined from 1999 to 2001.[88]

Anvil consolidated to one foundry in August 2001.[89] The domestic industry had *** production-related workers in 1999 and *** in 2001.[90] The number dropped to *** in interim 2002.[91] The number of hours worked declined *** percent between 1999 and 2001 and *** percent in the interim periods.[92] Wages paid declined *** percent between 1999 and 2001 and *** percent in the interim periods.[93] Despite these declines in many of the performance indicators, the industry has maintained a *** operating income to sales ratio, with profitability exceeding *** percent in all periods.[94] Nevertheless,

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Commissioner Lynn M. Bragg.

[81] U.S. shipments declined from *** short tons in 1999 to *** short tons in 2001 and, further, from *** short tons in interim 2001 to *** short tons in interim 2002. CR, PR at Tables III-3, C-1.

[82] Production quantity was *** short tons in 1999 and *** short tons in 2001. Between the interim periods, production declined from *** short tons to *** short tons. CR, PR at Tables II-2, C-1. We note that some of this decline may be attributable to industry consolidation. We intend to examine this further in any final phase investigation.

[83] Between 1999 and 2001, this share dropped from *** percent to *** percent, between the interim periods from *** percent to *** percent. CR and PR at Tables IV-4, C-1.

[84] Capacity utilization declined from *** percent in 1999 to *** percent in 2001 and, in the interim periods, from *** percent to *** percent. CR, PR at Tables II-2, C-1.

[85] CR, PR at Tables VI-1, C-1.

[86] CR, PR at Tables VI-1, C-1.

[87] CR, PR at Tables VI-1, C-1.

[88] The latter declined further between the interim periods; the former increased in interim 2002 as compared to interim 2001. CR, PR at Table VI-3.

[89] Anvil combined the production of MCIPF and non-malleable fittings in this one foundry by incurring a capital investment of approximately $17 million. CR, PR at VI-1. Anvil laid off more than 400 workers when it sold the foundry in Statesboro. Tr. at 12 (Mr. Fish). We will explore further the impact of this consolidation in any final phase investigation.

[90] CR, PR at Tables III-5, C-1.

[91] CR, PR at Tables III-5, C-1.

[92] CR, PR at Tables III-5, C-1.

[93] CR, PR at Tables III-5, C-1.

[94] CR, PR at Tables VI-1, C-1.

we note that operating income has declined *** during the period as subject imports' volume increased both in absolute and relative terms. Consequently, we find that the likely increasing volume of subject imports is likely to impact adversely operating ratios.

Based on the record in the preliminary phase of this investigation, we determine that substantially increased dumped imports are imminent and that, in light of the declining performance of the domestic industry, the domestic industry will likely continue to lose significant sales volume to lower-priced subject imports resulting in a significant adverse impact on the domestic industry.

CONCLUSION

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing MCIPF is threatened with material injury by reason of subject imports from China that are allegedly sold in the United States at less than fair value.

ADDITIONAL VIEWS OF COMMISSIONER LYNN M. BRAGG

As noted, I join my colleagues in finding a reasonable indication that the domestic industry producing malleable cast iron pipe fittings ("MCIPF") is threatened with material injury by reason of subject imports from China. Notwithstanding the fact that I render a preliminary threat determination in this investigation, I believe it is also appropriate to address the question of present material injury in order to assist the parties in framing the issues for any final phase investigation.

I. Present Material Injury:

The period of investigation ("POI") covers the full years 1999-2001 as well as the nine month interim period of January-September 2002. Over the POI, from January 1999 through September 2002, prices for the domestic like product increased between *** percent and *** percent, while the average unit value of U.S. shipments by the domestic industry increased by *** percent between 1999 and interim 2002.[1] These increasing price levels did not, however, lead to increased profitability for the domestic industry, as operating income declined by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 operating income declined by *** percent.[2]

The declining trend in operating income results from the fact that price increases achieved by the domestic industry were more than offset by consistently declining U.S. shipment levels over the POI. Specifically, U.S. shipments by the domestic industry declined by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 U.S. shipments declined by *** percent; these declines occurred in the context of a *** percent decline in apparent U.S. consumption between 1999 and 2001, while between interim 2001 and interim 2002 apparent U.S. consumption increased by *** percent.[3] Overall, the domestic industry's U.S. market share declined from *** percent in 1999 to *** percent in 2001, while between interim periods the domestic industry's market share declined from *** percent in interim 2001 to *** percent in interim 2002.

In addition, production by the domestic industry declined by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 production declined by *** percent; total capacity for the domestic industry declined by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 capacity declined by *** percent; capacity utilization by the domestic industry declined from *** percent in 1999 to *** percent in 2001, while between interim periods capacity utilization declined from *** percent in interim 2001 to *** percent in interim 2002; end-of-period inventory levels for the domestic industry increased by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 inventories declined by *** percent.[4]

The declines in production and U.S. shipments by the domestic industry and the erosion of the domestic industry's market share appear attributable primarily to the increasing presence of subject imports in the U.S. market. Specifically, the volume of subject imports increased by 7.9 percent between 1999 and 2001, even as apparent U.S. consumption declined by *** percent, while between interim 2001 and interim 2002 the volume of imports surged by 45.8 percent even as apparent U.S. consumption increased by only *** percent; overall, the U.S. market share held by subject imports increased from ***

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[1] *See* Confidential Report ("CR") and Public Report ("PR") at Tables V-1 through V-4 and C-1.

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

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

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

percent in 1999 to *** percent in 2001, while between interim periods the U.S. market share of subject imports increased from *** percent in interim 2001 to *** percent in interim 2002.[5]

The record thus indicates that as the domestic industry progressively lost market share to subject imports, production was scaled back to the point where capacity utilization may now be at ***. Indeed, between interim 2001 and interim 2002, the total cost of goods sold ("COGS") for the domestic industry declined by *** percent and total SG&A expenses declined by *** percent–yet, on a per-unit basis, the decline in production and shipments for the domestic industry resulted in an increase in per-unit COGS of *** percent and an increase in per-unit SG&A of *** percent.[6] As a result, per-unit operating income *** by *** percent between interim 2001 and interim 2002, while the operating margin for the domestic industry declined from *** percent in interim 2001 to *** percent in interim 2002.[7] Accordingly, notwithstanding increasing price levels for the domestic industry over the POI, it appears that at least during interim 2002, the surging volume of uniformly lower-priced subject imports[8] caused price suppression in the U.S. market.

Based upon the foregoing, I find that the record does provide some indication of present material injury by reason of subject imports. However, I further note that between 1999 and 2001 the operating margin for the domestic industry remained roughly the same, fluctuating between *** percent and *** percent, while per-unit operating income *** by *** percent over this period.[9] On balance, for purposes of this preliminary determination, I do not make a finding of a reasonable indication of present material injury by reason of subject imports, although I find the question to be a close one.

Still, I do find that the foregoing context provides some indication of the vulnerability of the domestic industry to imminent material injury by reason of subject imports. In this regard I also note that capital expenditures by the domestic industry declined by *** percent between 1999 and 2001, while between interim 2001 and interim 2002 capital expenditures increased by *** percent. Importantly, over the POI, the depreciation/amortization expenses of the domestic industry *** capital expenditures, thus evidencing a progressive net contraction in the capital stock of the domestic industry;[10] coupled with the progressive decline in capacity utilization noted above, I find that the domestic industry currently is in a vulnerable condition.

II. Conclusion:

In sum, for purposes of this preliminary determination I do not make a finding of a reasonable indication of present material injury by reason of subject imports; however, I do find that the domestic

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[5] CR/PR at Table C-1. In comparison, the volume of nonsubject imports declined by 1.1 between 1999 and 2001, while between interim 2001 and interim 2002 the volume of nonsubject imports increased by 12.3 percent (in contrast to the 45.8 percent surge in subject import volume between interim periods). *See id.* The U.S. market share held by nonsubject imports increased from *** percent in 1999 to *** percent in 2001, while between interim periods the market share of nonsubject imports increased from *** percent in interim 2001 to *** percent in interim 2002. *See id.*

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

[7] *See id.*

[8] Subject imports undersold the domestic like product in 60 out of 60 quarterly pricing comparisons (with margins ranging from 34.2 percent to 53.4 percent), for a 100 percent incidence of underselling. The extent to which such underselling is attributable to differences between the channels of distribution for subject imports and the domestic like product remains an issue for any final phase investigation.

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

[10] *Compare* CR/PR at Table VI-1 *and* Table C-1.

industry is vulnerable to material injury and I join my colleagues in finding a reasonable indication of threat of material injury by reason of subject imports.[11]

[11] *See* Views of the Commission.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Anvil International, Inc. ("Anvil"), Portsmouth, NH, and Ward Manufacturing, Inc. ("Ward"), Blossburg, PA, on October 30, 2002, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports at less than fair value ("LTFV") of malleable iron pipe fittings ("malleable fittings")[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
October 30, 2002 . . .	Petition filed with Commerce and the Commission; institution of Commission investigation (67 FR 67645, November 6, 2002)
November 20, 2002 .	Commission's conference[3]
November 25, 2002 .	Commerce's notice of initiation (67 FR 70579, November 25, 2002)
December 13, 2002 .	Commission's vote
December 16, 2002 .	Commission determination sent to Commerce
December 23, 2002 .	Commission views sent to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms, Anvil and Ward, that accounted for all U.S. production of malleable fittings during 2001. Data presented on U.S. imports are based on official Department of Commerce ("Commerce") import statistics. The Chinese industry data are based on the questionnaire responses of two firms whose exports of the subject merchandise to the United States accounted for approximately *** percent of the volume of U.S. imports of the subject merchandise from China during 2001.

PREVIOUS AND RELATED COMMISSION INVESTIGATIONS

On April 13, 1977, the Commission instituted investigation No. TA-201-26 under section 201 of the Trade Act of 1974 concerning malleable cast iron pipe and tube fittings in response to a petition filed by the American Pipe Fittings Association ("APFA"). The Commission made a negative determination in the investigation.[4]

On January 7, 1980, Commerce made a preliminary determination that the Government of Japan was providing benefits that might constitute bounties or grants on the manufacture, production, or exportation of certain malleable cast iron pipe fittings. Accordingly, the Commission instituted

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[1] For purposes of this investigation, the products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, as covered by statistical reporting numbers 7307.19.9030, 7307.19.9060, and 7307.19.9080 of the Harmonized Tariff Schedule of the United States ("HTS"). These HTS subheadings have a normal trade relations tariff rate in 2002 of 6.2 percent *ad valorem*, applicable to imports from China.

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

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

[4] *Malleable Cast-Iron Pipe and Tube Fittings*, Inv. No. TA-201-26, USITC Pub. 835 (September 1977).

investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930. On March 20, 1980, the Commission terminated the investigation upon written request by petitioners, the APFA.

On September 18, 1984, the Cast Iron Pipe Fittings Committee ("CIPFC") filed countervailing duty petitions with the Commission and Commerce on imports from Brazil and India of certain cast-iron pipe fittings, other than for cast iron soil pipe. On October 9, 1984, following receipt of a letter from counsel for the petitioners withdrawing the petition relating to imports of the subject merchandise from India, the Commission discontinued the subsidy investigation concerning India. In the remaining investigation concerning Brazil, the Commission made final determinations that there were two domestic like products, malleable cast iron pipe fittings and non-malleable cast iron pipe fittings, other than for cast iron soil pipe, and made negative determinations concerning both malleable and non-malleable cast iron pipe fittings which were subsidized by the Government of Brazil.[5]

Effective July 31, 1985, the Commission instituted investigations Nos. 731-TA-278-281 (Preliminary) following receipt of antidumping complaints from the CIPFC on malleable cast iron pipe fittings from Brazil, Korea, and Taiwan and non-malleable cast iron pipe fittings, other than for cast iron soil pipe, from Taiwan.[6] On January 14, 1986, Commerce published notice of its preliminary determinations that malleable cast iron pipe fittings from Brazil, Korea, and Taiwan were being, or were likely to be, sold in the United States at LTFV and that non-malleable cast iron pipe fittings from Taiwan were not being, nor likely to be, sold in the United States at LTFV.[7] Accordingly, effective January 13, 1986, the Commission instituted final investigations. The Commission made affirmative determinations on imports from Brazil, Korea, and Taiwan of malleable cast iron pipe fittings, excluding "groove-lock" pipe fittings, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process. No information was presented nor arguments made during the investigations which indicated that the Commission should adopt definitions of the domestic like products different from those made in the previous subsidy investigation concerning Brazil.[8]

On August 29, 1986, antidumping petitions were filed on behalf of the CIPFC alleging that malleable cast iron pipe fittings from Japan and Thailand were being sold at LTFV. In June 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Japan, and in August 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Thailand.[9]

On January 4, 1999, the Commission instituted reviews to determine whether revocation of the antidumping duty orders on malleable cast iron pipe fittings from Brazil, Japan, Korea, Taiwan, and Thailand would likely lead to the continuation or recurrence of material injury to a domestic industry. After conducting full reviews pursuant to section 751(c)(5) of the Act, the Commission determined that revocation of the antidumping duty orders covering malleable cast iron pipe fittings from Brazil, Taiwan,

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[5] *Certain Cast-Iron Pipe Fittings from Brazil*, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 (April 1985).

[6] On August 7, 1985, the Commission received a letter from counsel for the petitioner amending the petitions to exclude "groove-lock" pipe fittings.

[7] Subsequently, the petition with respect to non-malleable cast iron pipe fittings was withdrawn and the investigation terminated (51 FR 10648, March 28, 1986).

[8] *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986).

[9] The Commission rejected arguments presented in the Japan/Thailand investigations that the domestic like product should be defined to also include grooved and/or non-malleable pipe fittings. *Certain Malleable Cast-Iron Pipe Fittings from Japan*, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987) and *Certain Malleable Cast-Iron Pipe Fittings from Thailand*, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (August 1987).

and Thailand would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time and that revocation of the antidumping duty orders concerning malleable cast iron pipe fittings from Japan and Korea would be likely to lead to continuation or recurrence of material injury to an industry within the United States within a reasonably foreseeable time.[10] In each of the original investigations, the Commission defined the domestic like product as all malleable cast iron pipe fittings other than grooved.[11] In the reviews, no party argued for a different domestic like product definition. The Commission found no need to revisit its original determinations concerning domestic like product and adopted the same definition as in the original determinations.

On February 21, 2002, Anvil and Ward filed a petition with the Commission and Commerce alleging that the non-malleable iron pipe fittings industry in the United States was being materially injured and threatened by material injury by reason of imports from China.[12] On April 8, 2002, the Commission made an affirmative preliminary determination. The final phase of that investigation is currently pending.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On November 25, 2002, Commerce published a notice in the *Federal Register* of the initiation of the antidumping investigation on malleable fittings from China. The petitioners' estimated average dumping margins, as reported by Commerce, are between 34.69 percent and 148.08 percent (67 FR 70579, November 25, 2002).

THE PRODUCT

Commerce has defined the scope of this investigation as follows:

> The products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.9030, 7307.19.9060, and 7307.19.9080 of the Harmonized Tariff Schedule.

The Commission's determination regarding the appropriate domestic product that is "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability;

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[10] *Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand*, Invs. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000).

[11] *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986); *Certain Malleable Cast-Iron Pipe Fittings from Japan*, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987); and *Certain Malleable Cast-Iron Pipe Fittings from Thailand*, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (August 1987).

[12] *Non-malleable Cast Iron Pipe Fittings from China*, Inv. No. 731-TA-990 (Preliminary), USITC Pub. 3500, (April 2002). Petitioners argue that the preliminary duties put in place subsequent to the Commission's affirmative determination in the non-malleable investigation create an incentive for Chinese producers to shift production from non-malleable to malleable fittings, thereby increasing their exports of malleable fittings to the United States. Petitioners' postconference brief, p. 25.

(4) customer and producer perceptions; (5) channels of distribution; and (6) price.[13] Information on interchangeability, producer perceptions, and channels of distribution can be found in Part II. Data on the prices of malleable fittings during the period examined (January 1999-September 2002) can be found in Part V. Information regarding the physical characteristics and uses of malleable fittings as well as manufacturing facilities and production employees is set forth below.

Physical Characteristics and Uses

Pipe fittings are generally used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing the pipe. The material from which the subject fittings are made, cast iron, is a general term for alloys which are primarily composed of iron, carbon (more than two percent), and silicon.[14] Made to the American Society for Testing and Materials ("ASTM") and the American Society of Mechanical Engineers ("ASME") specifications, iron castings exhibit mechanical properties which are determined by the cooling rate during and after solidification, by chemical composition, by heat treatment, by design, and by the nature of the molding technique. During the cooling and solidification processes, carbon is segregated within the crystalline structure of the iron in the form of iron carbide or graphite, resulting in different types of cast irons with different physical properties.

There are three basic metallurgical types of cast iron pipe fittings, namely non-malleable (or gray iron) fittings, ductile fittings, and malleable fittings. These types of fittings and the cast iron from which they are made are discussed below.

Malleable iron is initially cast as white iron[15] which, after casting, is subject to a lengthy annealing process which strengthens the cast iron. The annealing process consists of rapidly heating the casting to approximately 1,750°F, followed by a slow controlled cooling period.[16] This annealing process distinguishes the product from non-malleable cast iron pipe fittings in microstructure and physical characteristics. Specifically, annealing improves the machinability, ductility, and durability of the metal by reducing its brittleness.

Malleable fittings are available in many configurations, the most common being 90-degree elbows, tees, couplings, crosses, and unions. They are produced in both black (ungalvanized) and galvanized form.[17] Malleable fittings are lighter, thinner, stronger, and less brittle than non-malleable cast iron fittings and are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. The principal uses of malleable fittings are in gas lines, piping systems of oil refineries, and building gas and water systems. In some applications, malleable fittings

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[13] Respondent B&K Industries, Inc. ("B&K") has not raised any domestic like product issues during the course of this investigation. Conference transcript, p. 98.

[14] *Iron Castings Handbook*, Charles F. Walton (Ed.) Gray and Ductile Iron Founder's Society, 1971, pp. 94 and 114.

[15] White iron (so-called because of the color of the fractured surface of the cast iron) is sometimes called chilled iron because it is produced by a rapid solidification process. During this process, carbon and iron elements remain chemically combined in colonies of iron carbide (Fe_3C), which contains 6.67 percent of carbon and is formed more readily than graphite because iron and carbon atoms are not completely separated in the structure. This results in a hard and brittle cast, which has superior abrasion resistance but is normally unmachinable. *Iron Castings Handbook*, pp. 55, 94, and 114-115.

[16] The overall cooling process takes from 18 to 21 hours to complete. Conference transcript, p. 15.

[17] Petition, pp. 4-5.

may be substituted for non-malleable fittings, but due to the higher cost of the product, such substitution is uneconomical.

Non-malleable or gray cast iron[18] is defined by the ASTM as cast iron that has fine graphite flakes which are formed during cooling. Gray iron has excellent machinability, wear resistance, and high hardness value. Yield strength, however, is not a significant property of gray iron.[19] Gray irons exhibit no elastic behavior and are comparatively weak, with a tensile strength[20] ranging from 20,000 to 58,000 psi. It is the graphite flakes that dominate the properties of this material, weakening the metallic matrix, and causing fractures under stress.

Fittings produced from non-malleable fittings are used primarily in fire protection/sprinkler systems, but are also sometimes used in the steam conveyance systems installed in buildings. The fire protection/sprinkler system market is by far the dominant use for these fittings in the United States, accounting for approximately 90 to 95 percent of shipments. The steam conveyance market represents approximately 5 percent of shipments.

Ductile iron is the latest addition to the family of cast irons, dating from 1940. It is sometimes referred to as nodular iron or spheroid iron because, as defined by the ASTM, it is a cast iron that has a very small but definite amount of magnesium added in the liquid state so as to induce the formation of graphites as spheroids or nodules which remain in the as-cast condition. The characteristics of the particular ductile fittings are derived from the metallurgical differences imparted during the production process. Ductile iron has the ductility of malleable iron and the corrosion resistance of alloy cast iron. It compares in strength and elastic properties with cast steel and can be stronger than malleable iron, with a tensile strength ranging from 60,000 to 100,000 psi.[21] Ductile iron fittings are superior to gray iron fittings in elastic properties, impact resistance, yield strength/weight,[22] and wear resistance; they are comparable to gray fittings in castability, surface hardenability, and corrosion resistance, and are inferior to gray fittings in ease of machining, vibration damping, and cost of manufacture.

Grooved fittings are specifically excluded from the scope of this investigation. Grooved fittings are produced from ductile or malleable cast iron and are a different type of fitting from threaded or flanged fittings in that a split coupling attaches to a circumferential groove near the end of each piece to be joined.[23] A gasket inside the coupling serves as a seal for the pipe and the coupling. Grooved fittings are used for the same purpose for which threaded or flanged fittings are used.

Manufacturing Facilities, Production Process, and Production Employees

Cast iron pipe fittings are manufactured using a technologically mature process. It begins with the making of molten iron in a foundry with fuel provided by foundry coke or an electric furnace. The raw materials are scrap steel, iron scrap, and other materials such as silicon carbide and carbon. The

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[18] The term "gray" is given because of the gray color of the fractured surface of the cast iron.

[19] Any time a piece of iron is pulled apart along its length by force, the iron piece in tension will be elongated. The stress (or force per unit, measured in pounds per square inch ("psi") of the cross section of the iron piece) that results in a specified limit of permanent strain (or the change per unit of length measured in percent) is called the yield strength. Yield strength is the maximum load that induces a permanent strain in a material, usually at 0.2 percent above the limit. *Iron Castings Handbook*, pp. 205 and 668.

[20] The maximum load a piece of metal will withstand prior to fracture.

[21] *Iron Castings Handbook*, pp. 205 and 248.

[22] Ductile fittings are thinner and lighter than gray fittings.

[23] The vast majority of grooved fittings are manufactured using ductile iron. Conference transcript, p. 72. Anvil does produce grooved ductile fittings. Ward does not currently produce grooved fittings. *Id.*, p. 73.

molten iron for cast iron fittings contains approximately 3.5 percent carbon, 2.5 percent silicon, and 0.5 percent manganese by weight, but may vary.

The casting process begins with the making of a pattern, which has the same external form and shape as the designed fitting. Sand casting is the predominant method used in the making of malleable fittings. Molding sand, after being mixed with a binder, is spread around the pattern in a mold, and then rammed by a machine to compact the sand. The pattern is then withdrawn, leaving a mold cavity in the sand. Solid molded sand cores are inserted to form the internal shape of the fitting. Two mold halves are put together with the core in the center. A system of gates, risers, and vents is provided in the casting cavity to ensure a smooth flow of the molten iron into the mold cavity under gravity. To form the shape of the fittings, molten iron is poured into the mold cavity. After the iron solidifies, the red-hot fittings are shaken out of the sand on a shaker table or belt and allowed to cool for four to five hours.

The specific chemical compositions and manufacturing processes of malleable, non-malleable, and ductile iron fittings differ somewhat, although all are comprised mainly of iron. Cast iron pipe fittings are available in similar configurations and all are produced using sand casting; however, the specific molds for the individual castings are reportedly not interchangeable. After casting, the production of non-malleable and ductile cast iron pipe fittings is essentially complete, except for cooling, cleaning, and, if necessary, machining, threading, or finishing. In contrast, malleable fittings are subjected to an additional process of annealing and controlled cooling after casting. This additional process makes malleable iron fittings more expensive to produce per pound than both the ductile and non-malleable ones.

The basic manufacturing processes and technologies for iron castings are well-established and are similar throughout the world.[24] Differences lie mainly in the extent of the application of automatic equipment and ancillary operations such as environmental control facilities.

In response to questions on whether they produce other products on the same machinery and equipment, and using the same production and related workers, used to produce malleable fittings, ***.[25] ***.

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[24] Although in the past customers may have perceived malleable fittings produced in China as of inferior quality, this perception appears to have dissipated. Conference transcript, p. 30; petitioners' postconference brief, p. 12. Malleable fittings are produced for the U.S. market to three separate uniform specifications: (1) ASTM for material specifications; (2) American National Standards Institute ("ANSI") and ASME for dimensional specifications; and (3) a thread specification. Both malleable fittings manufactured in the United States and those in China, which are subsequently sold in the United States, meet these standards. Conference transcript, p. 37; petitioners' postconference brief, p. 12.

[25] Anvil stated at the conference that its grooved fittings are made in the same production facility as its malleable fittings. It stated that in most cases they are not manufactured using the same equipment, but that they could be made on the same equipment. Conference transcript, p. 73; petitioners' postconference brief, p. A-4.

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

U.S. CHANNELS OF DISTRIBUTION/MARKET SEGMENTS

Anvil reported that there are several national master distributors and many regional distributors of malleable fittings. These distributors sell in turn to national or regional hardware chains, plumbing supply wholesale distributors, and industrial pipe valve and fitting wholesale distributors. Anvil, and previously Grinnel, has historically been a supplier to all of these markets. Anvil reports that it has lost most of its malleable fittings business at Home Depot. Anvil further maintains that, although it is currently a major supplier to other chains such as Ace, United and, TrueValue, it stands to lose the bulk of its malleable fittings business with these retailers if conditions with imports don't improve.[1] Ward reported that it sells malleable fittings through distributors or wholesalers on a nationwide basis. These distributors, in turn, sell to plumbers, HVAC contractors, OEM equipment manufacturers, and natural gas or water utility companies.[2] Ward maintains that it also has the ability to sell to the retail market.[3]

Petitioners maintain that the domestic industry has lost market share in the wholesale business, as the Chinese are also taking much of this business.[4] Petitioners also argue that the wholesale/retail market segmentation is largely disappearing as it relates to end-use customers, as the hardware chains increasingly go after the type of contractors to which traditionally wholesale distributors have sold.[5] Petitioners maintain that retailers such as Home Depot and Lowes have "grown" the retail market by selling more products to contractors who have traditionally bought from the wholesale market.[6] Petitioners also estimate that the share of the U.S. malleable fitting market covered by "Buy American" restrictions is less than five percent.[7]

At the conference, B&K maintained that the U.S. malleable fittings market is segmented into two separate and distinct markets–the wholesale market and the retail market.[8] B&K argues that the sales of domestic product are largely concentrated in the wholesale market, while sales of imports from China are concentrated in the retail market.[9] B&K argues that the retail market for malleable fittings has grown, while the wholesale market has declined.[10] B&K maintains that the reason for the decline in the wholesale market is increased competition with substitute products, particularly flexible tubing products.[11] B&K argues that the adverse impact of increased flexible tubing sales is largely confined to the wholesale market.[12] B&K acknowledges that subject imports are priced well below the domestic like product. However, B&K argues that the large price differentials are not evidence of underselling, but

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[1] Conference transcript, p. 19.

[2] *Id.*, pp. 16-17 and 21.

[3] *Id.*, p. 29.

[4] *Id.*, pp. 27-29 and 111-112.

[5] *Id.*, pp. 28-29 and 30-33.

[6] *Id.*, p. 33.

[7] *Id.*, p. 51.

[8] *Id.*, pp. 79 and 83.

[9] *Id.*, pp. 79 and 83.

[10] *Id.*, pp. 79, 83, and 86.

[11] *Id.*, pp. 80 and 86.

[12] *Id.*, p. 80.

evidence of the segmentation of the retail and wholesale markets.[13] B&K concedes that some of the imports from China are entering the wholesale market, and the retail market has in some measure drawn sales away from the wholesale market. However, B&K contends that the overwhelming majority of imports from China are sold to the retail market, and the overwhelming majority of growth in the retail market is not related to the wholesale market.[14]

Information on U.S. producers' U.S. shipments of malleable fittings to distributors and retailers, based on data submitted in response to Commission questionnaires and submitted in petitioners' postconference brief (exhibit 3), is presented in the following tabulation (in *$1,000*):[15] [16]

* * * * * * *

With regard to the customer overlap of the domestically-produced malleable fittings and the imported malleable fittings from China, of Anvil's 10 major customers of malleable fittings in 2001 as reported in its questionnaire response, *** were among the major customers reported by importers from China. Of Ward's 10 major customers in 2001, *** the major customers reported by importers from China.[17]

Captive Consumption

***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic supply

Based on available information, U.S. producers are likely to respond to changes in malleable fittings' price with large changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by *** levels of alternative export markets. However, *** levels of excess capacity, *** levels of inventories, and the ability to switch between production of malleable fittings and production of other products suggest greater supply responsiveness.

Industry capacity

U.S. producers' capacity to produce malleable fittings fell by *** short tons in 2001, and fell *** short tons in interim 2001 to *** short tons in interim 2002. U.S. production of malleable fittings fell by *** short tons in 1999 to *** short tons in 2002, and fell by *** short tons in interim 2001 to *** short tons in interim 2002. Likewise, U.S. producers' capacity utilization fell from *** percent in 1999 to *** percent in 2001, and fell from *** percent in interim 2001 to *** percent in interim 2002.

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[13] *Id.*, p. 85.

[14] *Id.*, pp. 90-91.

[15] ***.

[16] The Commission requested U.S. producers and importers of Chinese malleable fittings to report sales to end users and distributors. ***.

[17] App. D.

Export markets

U.S. producers' export shipments of malleable fittings accounted for *** share of total shipments. The percentage of U.S. producers' export shipments of malleable fittings relative to their total shipments fell from *** percent in 1999 to *** percent in 2001, and *** in interim 2001 and 2002.

Inventories

U.S. producers' inventories of malleable fittings were substantial during the period examined. The ratio of such inventories to total shipments increased from *** percent in 1999 to *** percent in 2001. However, the ratio of inventories to total shipments fell from *** percent in interim 2001 to *** percent in interim 2002.

Production alternatives

Anvil reported ***. Ward reported ***.

Chinese Imports

Chinese producers are likely to respond to changes in price with moderate changes in the quantity of malleable fittings shipped to the U.S. market. The main reasons for Chinese producers' supply responsiveness are the existence of substantial alternate markets from which Chinese producers could shift sales, and the levels of inventories. Chinese producers' *** levels of excess capacity and inability to shift between production of malleable fittings and other products are constraints on Chinese producers' supply response.

Industry capacity

Reporting Chinese producers' capacity to produce malleable fittings increased by *** percent from *** short tons in 1999 to *** short tons in 2001, and increased by *** percent from *** in interim 2001 to *** in interim 2002. Chinese production of malleable fittings increased by *** percent from *** short tons in 1999 to *** short tons in 2001, and increased by *** percent from *** short tons in interim 2001 to *** short tons in interim 2002. Chinese malleable fittings capacity utilization increased from *** percent in 1999 to *** percent in 2001, but decreased from *** percent in interim 2001 to *** percent in interim 2002.

Alternative markets

Reporting Chinese producers' home market shipments relative to their total shipments increased from *** percent in 1999 to *** percent in 2001, but fell from *** percent in interim 2001 to *** percent in interim 2002. Chinese producers' exports of malleable fittings to countries other than the United States relative to their total shipments increased from *** percent in 1999 to *** percent in 2001, and increased from *** percent in interim 2001 to *** percent in interim 2002.

Inventories

Reporting Chinese producers held *** but decreasing levels of malleable fittings inventories relative to their total shipments during the period examined. The ratio of Chinese producers' inventories

to their total shipments fell from *** percent in 1999 to *** percent in 2000, then increased to *** percent in 2001. The ratio of Chinese producers' inventories to their total shipments fell from *** percent in interim 2002 to *** percent in interim 2002.

Production alternatives

***.

U.S. Demand

Demand Characteristics

The U.S. demand for malleable fittings depends on the demand for the systems that require malleable fittings. Malleable fittings are principally used in gas lines, water lines, piping systems of oil refineries, and gas and water systems of buildings. The demand for systems that use malleable fittings tends to follow the demand for new house construction and remodeling, the commercial building market, and construction of oil refineries.

In their questionnaire responses, U.S. producers reported that demand for malleable fittings in the U.S. residential construction market has been *** whereas demand in the commercial and industrial sectors has been ***. Overall, U.S. producers reported that demand for malleable fittings has been ***. Four importers reported that demand for malleable fittings has decreased, three reported that demand has been flat, and two reported that demand has increased. Those importers that reported declining demand typically cited substitution of other products as the main reason. Those importers that reported increasing demand cited strong demand for new housing construction and remodeling as the main factors. Based on Commission questionnaire responses and official import statistics, apparent U.S. consumption of malleable fittings fell by *** percent from *** short tons in 1999 to *** short tons in 2002, but increased by *** percent from *** short tons in interim 2001 to *** short tons in interim 2002.

At the conference, petitioners maintained that demand for malleable fittings in the residential market has been very strong, and has offset some of the decline in the non-residential market. Petitioners claim that, overall, demand for malleable fittings has grown over the period examined.[18] B&K maintains that the market for malleable fittings is a mature market, whereas the market for flexible tubing, a substitute product, is expected to continue to grow.[19]

Substitute Products

U.S. producers reported that products such as *** can be substituted for malleable fittings. Eight importers reported that there are no substitutes for malleable fittings, while six importers reported that other products can be substituted for malleable fittings. Those importers that reported substitute products cited products such as Ward's flexible tubing and fittings made of copper, brass, ductile iron, cast iron, bronze, stainless steel, and PVC.[20]

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[18] Conference transcript, p. 35.

[19] *Id.*, p. 80.

[20] *Id.*, pp. 80 and 84.

At the conference, petitioners maintained that the growth in demand has outstripped any inroads made by alternative products because they think that these inroads have been very small.[21] B&K argues that wholesale market sales have declined as a result of increasing competition with substitute products, in particular flexible tubing.[22]

Cost Share

Most U.S. producers and importers were unable to estimate the share of the total cost of building piping systems accounted for by the cost of malleable fittings. Given the relatively large cost of piping systems for projects such as oil refineries or commercial or residential construction, it is likely that the cost share of malleable fittings is relatively small.

At the conference, petitioners reported that less than three percent of the cost of installing a natural gas line is accounted for by the cost of the malleable fittings. The largest cost component is the steel pipe itself, because only a few directional changes are made that would require malleable fittings.[23]

SUBSTITUTABILITY ISSUES

Comparisons of Domestic Products and Subject and Nonsubject Imports

U.S. producers reported that U.S.-produced and imported Chinese malleable fittings are used interchangeably. U.S. producers also reported that there are no significant differences in product characteristics or sales conditions between U.S.-produced and imported Chinese malleable fittings.[24]

All 14 responding importers reported that U.S.-produced and imported Chinese malleable fittings are used interchangeably. However, one importer, ***, qualified its statement, noting that it is their belief that some customers will only purchase U.S.-produced malleable fittings due to the perception of better quality. Another importer, ***, maintained that many customers do not buy imported malleable fittings. Seven of 12 responding importers reported that there are significant differences between U.S.-produced and imported Chinese malleable fittings. *** reported that U.S.-produced products have better quality and availability. *** maintained that it sells a larger product line than its competitors. *** also cites other sales conditions such as the brand name of its fitting, 100-percent fill rates, and 48-hour shipping. *** also maintained that its sales of imported Chinese malleable fittings are concentrated in the retail segment of the market, whereas sales of the domestic product are concentrated in the wholesale segment of the market. *** reported that they believe that the U.S.-produced malleable fittings have a slightly thicker wall. *** cited "Buy American" requirements for purchases such as those for government projects, utilities, and union job sites. *** cited availability as a differentiating factor. *** maintained that it has faster delivery and production times, and more flexible freight terms.

U.S. producers reported lead times of approximately 2 days. Importers' reported lead times varied widely from 1 to 120 days.

At the conference, petitioners maintained that all malleable fittings for the U.S. market are made to the same ASTM specifications and threaded to the same ANSI specifications regardless of where they

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[21] *Id.*, p. 35. Petitioners provided data that indicate that the amount of domestic consumption of malleable fittings replaced by flexible tubing may be ***. Petitioners' postconference brief, p. A-10.

[22] Conference transcript, pp. 79-80.

[23] *Id.*, p. 36.

[24] *Id.*, pp. 48-49.

are produced.[25] The malleable fittings that are sold in the United States must meet three types of specifications: a material specification (ASTM), a dimensional specification (ANSI), and a thread specification (ANSI).[26] Michael McInerney, representing the purchaser Thomas Somerville Co., reported that it purchases both U.S.-produced and imported Chinese malleable fittings, and that the imported Chinese malleable fittings meet the same ASTM specifications as domestic malleable fittings, and thus are completely interchangeable.[27] Petitioners also maintain that, although customers used to have liability concerns when buying imported Chinese malleable fittings, they no longer have these concerns because large importers such as B&K stand by their product.[28] Additionally, petitioners stated that Chinese producers' product lines almost mirror domestic producers' product lines, with domestic producers offering slightly broader product lines.[29] Furthermore, petitioners maintain that they also offer multiple plumbing product lines, similar to B&K.[30] For these reasons, petitioners argue that malleable fittings are commodity products that are sold on the basis of price.[31] However, petitioners did acknowledge that the equipment Chinese producers use to manufacture malleable fittings can range from the automatic molding equipment that domestic producers use to basic floor molding which was used in the United States in the early 20th century.[32]

At the conference, B&K maintained that malleable fittings are not commodity products.[33] B&K argues that brand name recognition is an important differentiating factor.[34] B&K cites the name change from Grinnell to Anvil as an important change in the conditions of competition. B&K maintains that the Grinnell name was long regarded in the industry as being associated with high quality products, and purchasers were willing to pay a premium for products with the Grinnell name.[35] B&K also argues that the purchase of the importer B&K by Mueller improved the brand name recognition of B&K's products.[36] Furthermore, B&K maintains that its ability to offer its customers a broad line of plumbing products beyond that which the domestic industry is able to offer is a significant differentiating factor.[37] With regard to its malleable fittings product line, B&K reported that its fittings are generally of diameter 4 inches or less, as opposed to domestic malleable fittings that can be in diameters of up to 12 inches.[38] B&K acknowledges that its imported Chinese malleable fittings meet ASTM and ASME standards and are considered to be of equal quality as the U.S. product. However, B&K maintains that there is a large

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[25] *Id.*, pp. 19 and 30.

[26] *Id.*, p. 37.

[27] *Id.*, p. 25.

[28] *Id.*, pp. 31 and 92.

[29] *Id.*, pp. 48 and 77.

[30] *Id.*, p. 115.

[31] *Id.*, pp. 54-57.

[32] *Id.*, pp. 59-60.

[33] *Id.*, p. 82.

[34] *Id.*, pp. 82 and 91.

[35] *Id.*, p. 81.

[36] *Id.*, p. 81 and 91.

[37] *Id.*, p. 82.

[38] *Id.*, p. 103.

volume of lower-quality imports entering the market.[39] B&K reports that there are definitely differences in the quality of Chinese malleable fittings depending on the manufacturer.[40]

U.S. producers reported that U.S.-produced and imported nonsubject malleable fittings are used interchangeably. U.S. producers also reported that there are no significant differences in product characteristics or sales conditions between U.S.-produced and imported nonsubject malleable fittings. Thirteen of 14 responding importers reported that U.S.-produced and imported nonsubject malleable fittings are used interchangeably. Eight of 11 responding importers reported that there are no significant differences in product characteristics or sales conditions between U.S.-produced and imported nonsubject malleable fittings. Those importers that reported differences cited factors such as availability differences and "Buy American" requirements.

At the conference, petitioners maintained that imported nonsubject malleable fittings play a lesser role in the U.S. malleable fittings market as imports from China are playing a much greater role.[41] Alternatively, B&K argues that imported nonsubject malleable fittings play an increasingly important role in the U.S. malleable fittings market, and partly explain any loss of market share by the domestic industry.[42]

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[39] *Id.*, p. 93.

[40] *Id.*, pp. 97-100 and 104.

[41] *Id.*, pp. 49-50.

[42] *Id.*, p. 84.

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

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

U.S. PRODUCERS

The Commission sent producers' questionnaires to all four firms identified as U.S. producers of malleable fittings in the petition.[1] The Commission received questionnaire data from Anvil and Ward, which account for all U.S. production of finished malleable fittings. Table III-1 presents the list of U.S. producers, with each company's production location(s), share of U.S. production in 2001, and position on the petition.

Table III-1
Malleable fittings: U.S. producers, positions on the petition, shares of U.S. production in 2001, and U.S. production locations

Firm	Production locations	Shares of production (*percent*)	Positions on the petition
Anvil[1]	Columbia, PA	***	Petitioner
Ward[2]	Blossburg, PA	***	Petitioner

[1] Anvil is a wholly-owned subsidiary of Mueller Co. of Decatur, IL. The predecessor of Anvil was Supply Sales Co., which was formerly known as Grinnell Supply & Manufacturing.
[2] Ward is a wholly-owned subsidiary of Hitachi Metals America of Purchase, NY, which in turn is owned by Hitachi Metals, Ltd. of Tokyo, Japan.

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

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. Total U.S. capacity decreased from 1999 to 2001 by *** percent. Capacity remained unchanged from 1999 to 2000, then decreased by *** percent in 2001. Total U.S. production of malleable fittings

[1] The petition identified Anvil and Ward as the U.S. producers. The petition also identified two "jobbers": (1) Buck Co., Inc. and (2) Lancaster Malleable Casting Co. ("Lancaster"). Jobbers produce an unfinished, unthreaded fitting that is then sold to petitioners to be finished and sold. Buck Co. and Lancaster did not provide questionnaire data to the Commission. Petitioners reported that these unfinished fittings that were sold to them from these "jobbers" are included in petitioners' questionnaire data and accounted for less than one percent of U.S. production. Conference transcript, p. 38. ***. Petitioners also provided a letter from Lancaster to its customers that stated that Lancaster will cease production on or before March 20, 2003 due to "an unprecedented drop in demand" resulting from "overall economic decline . . . in basic industries such as steel and metalworking" and "the exodus of casting production to foreign soil–especially to the Republic of China." Petition, exh. 1.

decreased by *** percent from 1999 to 2001 and exhibited its largest annual decrease of *** percent from 2000 to 2001. Capacity utilization decreased by *** percentage points from 1999 to 2000 and then decreased by *** percentage points from 2000 to 2001. *** reported that their capacity was constrained by their ***.

*** reported that they *** iron pipe fittings using the same manufacturing equipment and workers.

In August 2001, Anvil sold its Statesboro, GA foundry and consolidated its malleable and non-malleable fittings production facilities into one foundry in Columbia, PA.[2] *** report any plant openings, closures, or other changes in the character of their operations since January 1, 1999.[3]

*** reported any involvement in toll agreements or production of malleable fittings in foreign trade zones.

Table III-2
Malleable fittings: U.S. producers' capacity, production, and capacity utilization, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

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

As detailed in table III-3, the volume of U.S. producers' U.S. shipments fell by *** percent from 1999 to 2001. The value of their U.S. shipments also decreased, by *** percent, during the same time period. Transfers to related firms and internal shipments ***. *** reported export shipments, which were made to *** and accounted for *** percent of its total volume of 2001 shipments.

Table III-3
Malleable fittings: U.S. producers' shipments, by type, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

U.S. PRODUCERS' IMPORTS AND PURCHASES

*** directly imported or purchased imports of malleable fittings during the period examined.[4] ***.

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[2] The combination of facilities required capital investment of approximately $17 million. Conference transcript, p. 12.

[3] The petition also stated that the U.S. industry is faced with increasing environmental costs due to more stringent Environmental Protection Agency ("EPA") regulations going into effect in the near future. These new regulations will require the U.S. industry to invest millions of dollars to build new dry baghouses to capture and clean foundry emissions. For example, Ward must install a $6.9 million emission control system. Petition, p. 26; petitioners' postconference brief, p. 22.

[4] Although Ward is a related company to Hitachi Metals, Ltd., a Japanese producer of malleable fittings, it reported that ***.

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of malleable fittings for the period examined are presented in table III-4.

Table III-4
Malleable fittings: U.S. producers' end-of-period inventories, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of malleable fittings, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in this investigation are presented in table III-5. In August 2001, Anvil sold its Statesboro, GA foundry and consolidated its malleable and non-malleable fittings production facilities into one foundry in Columbia, PA. This consolidation of production facilities resulted in Anvil reducing its workforce by over *** workers, and it has reduced its workforce further since 2001.[5] Ward laid off *** workers in April 2001, *** workers in January 2002, and an additional *** workers on October 4, 2002.[6]

Table III-5
Malleable fittings: Average number of production and related workers producing malleable fittings, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

[5] Petitioners' postconference brief, p. 21. The questionnaire data submitted by Anvil and Ward show a decrease of employment in the industry of *** percent from 1999 to 2001.

[6] *Id.*

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 38 firms believed to be importers of malleable fittings from the China, as well as to four U.S. producing firms.[1] Questionnaire responses were received from 14 companies.[2] U.S. import data presented herein consist of official import statistics as compiled by the Department of Commerce.[3] Table IV-1 lists all responding U.S. importers and their quantity of imports, by source, in 2001.

Questionnaire respondents were located in Arkansas, California (2), Florida, Illinois (4), New Jersey (2), New York (2), Pennsylvania, and Texas. All 14 firms reported imports of malleable fittings from China during the period examined and five firms, ***, reported imports of malleable fittings from Thailand. *** U.S. importers entered the subject product into or withdrew it from foreign trade zones or bonded warehouses.

Table IV-1
Malleable fittings: Reported U.S. imports, by importer and by source of imports, 2001

* * * * * * *

U.S. IMPORTS

Table IV-2 shows that the volume of U.S. imports of malleable fittings from China increased by 7.9 percent from 1999 to 2001. The volume of U.S. imports from China remained relatively stable from 2000 to 2001, although during the interim periods it increased by 45.8 percent. The trend was similar for the value of U.S. imports from China. The quantity of imports from nonsubject countries decreased by 1.1 percent from 1999 to 2001.[4] The volume of imports from nonsubject countries increased by 4.6 percent from 1999 to 2000, but then decreased by 5.4 percent in 2001, before again increasing during the interim periods by 12.3 percent. The value of imports from nonsubject countries decreased by 11.8 percent from 1999 to 2001 and decreased throughout the period examined until, during the interim periods, the value of such imports increased by 70.3 percent.

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[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by the U.S. Customs Service, may have imported malleable fittings since 1999.

[2] In addition to the 14 responses, the Commission received responses from *** indicating that they did not import malleable fittings during the period examined.

[3] Both petitioners and the respondent stated that the official import statistics compiled by Commerce are an accurate measure of the volume and value of U.S. imports of malleable fittings from China and nonsubject countries. Conference transcript, pp. 39 and 89.

[4] In 2001, the majority of imports from nonsubject countries came from Thailand, which accounted for 25.2 percent of total imports of malleable fittings and 61.1 percent of imports from nonsubject countries. Also, imports from Canada accounted for 7.9 percent of total imports in 2001 and 19.1 percent of imports from nonsubject countries.

Table IV-2
Malleable fittings: U.S. imports, by source, 1999-2001, January-September 2001, and January-September 2002

Source	Calendar year			January-September	
	1999	2000	2001	2001	2002
			Quantity (*short tons*)		
China	12,457	13,492	13,443	9,704	14,147
All others	9,552	9,988	9,446	7,329	8,229
Total	22,009	23,480	22,889	17,033	22,376
			Value (*$1,000*)		
China	18,105	21,029	20,395	14,811	21,371
All others	25,233	24,636	22,253	16,939	28,844
Total	43,338	45,665	42,649	31,750	50,215
			Unit value (*per short ton*)		
China	$1,453	$1,559	$1,517	$1,526	$1,511
All others	2,642	2,466	2,356	2,311	3,505
Average	1,969	1,945	1,863	1,864	2,244
			Share of quantity (*percent*)		
China	56.6	57.5	58.7	57.0	63.2
All others	43.4	42.5	41.3	43.0	36.8
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	41.8	46.1	47.8	46.6	42.6
All others	58.2	53.9	52.2	53.4	57.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Commerce statistics.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of malleable fittings[5] are based on U.S. producers' shipments as reported in the Commission's questionnaires and imports as recorded by the Department of Commerce. Data on apparent U.S. consumption are presented in table IV-3.

Table IV-3
Malleable fittings: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 1999-2001, January-September 2001, and January-September 2002

Item	Calendar year			January-September	
	1999	2000	2001	2001	2002
			Quantity (*short tons*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	12,457	13,492	13,443	9,704	14,147
All others	9,552	9,988	9,446	7,329	8,229
Total imports	22,009	23,480	22,889	17,033	22,376
Apparent U.S. consumption	***	***	***	***	***
			Value (*$1,000*)		
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	18,105	21,029	20,395	14,811	21,371
All others	25,233	24,636	22,253	16,939	28,844
Total imports	43,338	45,665	42,649	31,750	50,215
Apparent U.S. consumption	***	***	***	***	***

Note.--Because of rounding, figures may not add to the totals shown.

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

[5] Respondent B&K argues that the decline in demand in the wholesale malleable fittings market is a result of increased competition from substitute products in the construction industry, in particular flexible tubing products. Respondent points out that Ward is a producer of flexible tubing products and that its sales of these products have grown at a rate of 30-45 percent annually. It also contends that the retail market has expanded during the period examined due to the expansion of large retailers such as Home Depot. B&K postconference brief, pp. 3-5.

Petitioners respond by stating that Ward is one of three producers of flexible tubing and its production was approximately *** feet in 2002. Ward estimated that the flexible tube industry has probably replaced *** tons or approximately *** percent of domestic consumption of malleable fittings. Petitioners' postconference brief, p. A-10.

U.S. MARKET SHARES

Data on market shares in the U.S. market for malleable fittings are presented in table IV-4.

Table IV-4
Malleable fittings: Apparent U.S. consumption and market shares, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

U.S. producers reported that raw material costs to produce malleable fittings accounted for *** percent of the cost of goods sold in 1999, *** percent in 2000, *** percent in 2001, and *** percent in the first three quarters of 2002.

Transportation Costs to the U.S. Market

Transportation costs for malleable fittings from China to the United States (excluding U.S. inland costs) are estimated to be approximately 6.8 percent of the customs value of malleable fittings. These estimates are derived from January 1999-September 2002 official import data and represent the transportation and other charges on imports on a c.i.f. basis, as compared with customs value.

U.S. Inland Transportation Costs

Inland transportation costs generally account for a significant share of the delivered price of malleable fittings. U.S. producers reported that transportation costs accounted for between *** and *** percent of the total delivered cost of malleable fittings. Importers estimated that U.S. inland transportation costs for their shipments of subject imports from China accounted for 9.8 percent.

U.S. producers tend to ship malleable fittings longer inland distances than do importers. U.S. producers reported that *** percent of their shipments are for distances within 100 miles of their production facilities, *** percent are for distances between 101 and 1,000 miles, and *** percent are for distances greater than 1,000 miles. Subject importers reported that 35.7 percent of their shipments are for distances less than 100 miles from their U.S. storage facility or port of entry, 39.1 percent are for distances between 101 and 1,000 miles, and 25.3 percent are for distances greater than 1,000 miles.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Chinese yuan relative to the U.S. dollar remained essentially unchanged during the period examined because the Chinese yuan has been pegged to the U.S. dollar since January 1, 1994. Real exchange rates cannot be calculated due to the unavailability of the relevant Chinese producer price information.

PRICING PRACTICES

***.

Importers reported that prices are determined through transaction-by-transaction negotiations, discounts from set price lists, and a mark-up above the landed cost. Discounts from price lists are generally based on the quantity of the order, and some importers also offer annual volume rebates. Most importers quote prices on a delivered basis, and sales terms typically range from 3/4 to 2 percent 10 net 30 days. Neither the U.S. producers nor the 14 responding importers reported sales of malleable fittings over the internet.

Contracts

*** reported that *** of their malleable fittings sales are made on a spot basis. Subject importers reported that 21.4 percent of their sales are on a contract basis and 78.6 percent are on a spot basis. Most subject importers reported that contracts are typically one year in duration, and are renegotiated at the end of the year. Contracts generally fix price only. Three of four responding importers reported that contracts usually do not have meet-or-release provisions. Standard minimum quantity requirements varied from 18 short tons per order to three container loads per year, and only one importer reported a premium for sub-minimum shipments (6 percent).

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly quantity and f.o.b. value data for sales during the period January 1999 through September 2002. Product specifications for which pricing data were requested are as follows:

Product 1.–½ inch malleable, black, threaded, standard pressure (150 psi) 90-degree elbows ("Ls").

Product 2.–½ inch malleable, black, threaded, standard pressure (150 psi) "T" pipe fittings.

Product 3.–½ inch malleable, black, threaded, standard pressure (150 psi) unions.

Product 4.–½ inch malleable, galvanized, threaded, standard pressure (150 psi) 90-degree elbows ("Ls").

Both U.S. producers and nine importers of Chinese malleable fittings provided usable pricing data. Pricing data reported by U.S. producers accounted for *** percent of their U.S. commercial shipments of malleable fittings during January 1999-September 2002. Pricing data reported by the Chinese importers accounted for 12.2 percent of U.S. commercial shipments of Chinese malleable fittings during January 1999-September 2002, as reported by firms completing the Commission's questionnaires.

Price Trends

Weighted-average f.o.b. prices and margins of underselling/overselling for U.S.-produced and imported Chinese malleable fittings are shown in tables V-1 through V-4 and figures V-1 through V-4. In general, prices for U.S.-produced malleable fittings increased, while prices for imported Chinese malleable fittings showed little consistent movement up or down during the period. Prices for U.S.-produced product 1 increased by *** percent ***, then fell by *** percent during the rest of the period. Over the entire period, prices for product 1 increased by *** percent. Prices for imported Chinese product 1 fluctuated between $*** per ton and $*** per ton during the period. Prices were *** percent lower at the end of the period than they were at the beginning. Prices for U.S.-produced product 2 increased by *** percent ***, before falling by *** percent during the rest of the period. Over the entire period, prices for product 2 increased by *** percent. Prices for imported Chinese product 2 fluctuated between $*** per ton and $*** per ton during the period. Prices were *** percent higher at the end of the period than they were at the beginning. Prices for U.S.-produced product 3 increased by *** percent ***, before falling by *** percent during the rest of the period. Over the entire period, prices for product

3 increased by *** percent. Prices for imported Chinese product 3 fluctuated between $*** per ton and $*** per ton during the period. Prices were *** percent lower at the end of the period than they were at the beginning. Prices for U.S.-produced product 4 increased by *** percent ***, before falling by *** percent during the rest of the period. Prices for imported Chinese product 4 fluctuated between $*** per ton and $*** per ton during the period. Prices at the beginning and end of the period were nearly identical.

Table V-1
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese product 1 and margins of underselling/(overselling), by quarter, January 1999-September 2002

* * * * * * *

Table V-2
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese product 2 and margins of underselling/(overselling), by quarter, January 1999-September 2002

* * * * * * *

Table V-3
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese product 3 and margins of underselling/(overselling), by quarter, January 1999-September 2002

* * * * * * *

Table V-4
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported Chinese product 4 and margins of underselling/(overselling), by quarter, January 1999-September 2002

* * * * * * *

Figure V-1
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 1, January 1999-September 2002

* * * * * * *

Figure V-2
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 2, January 1999-September 2002

* * * * * * *

Figure V-3
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 3, January 1999-September 2002

* * * * * * *

Figure V-4
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 4, January 1999-September 2002

* * * * * * *

Price Comparisons

There were 60 quarterly price comparisons between U.S.-produced and imported Chinese malleable fittings. Chinese imports undersold domestic products in all 60 instances and margins of underselling ranged from 34.2 percent to 53.4 percent.

There were 15 quarterly price comparisons between U.S.-produced and imported Chinese product 1. Imported Chinese product 1 was priced below domestic product 1 in all 15 quarters and margins of underselling ranged from *** percent to *** percent. There were 15 quarterly price comparisons between U.S.-produced and imported Chinese product 2. Imported Chinese product 2 was priced below domestic product 2 in all 15 quarters and margins of underselling ranged from *** percent to *** percent. There were 15 quarterly price comparisons between U.S.-produced and imported Chinese product 3. Imported Chinese product 3 was priced below domestic product 3 in all 15 quarters and margins of underselling ranged from *** percent to *** percent. There were 15 quarterly price comparisons between U.S.-produced and imported Chinese product 4. Imported Chinese product 4 was priced below domestic product 4 in all 15 quarters and margins of underselling ranged from *** percent to *** percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of malleable pipe fittings to report any instances of lost sales or revenues they experienced due to competition from imports of malleable pipe fittings from China since 1999. Neither producer provided specific instances of lost sales. However, both provided yearly or multi-year volumes of sales lost to particular customers. ***.[1] No lost revenue allegations were reported by either firm. A summary of the information obtained from *** and from purchasers is shown in table V-5.

Table V-5
Malleable fittings: U.S. producers' lost sales allegations

* * * * * * *

Two purchasers added additional comments. ***. ***.

[1] ***.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Two producers[1] of malleable fittings, accounting for 100 percent of known U.S. production of finished malleable fittings in 2001, provided requested financial data. Anvil had two foundries: one in Columbia, PA, which was built before World War II, and another in Statesboro, GA, which was established in 1973. The Columbia foundry's main product line was malleable fittings while the Statesboro foundry's main product line was non-malleable fittings. Anvil sold its Statesboro foundry in August 2001. It combined the production of malleable fittings and non-malleable fittings in the Columbia foundry by incurring a capital investment of about $17 million.[2]

OPERATIONS ON MALLEABLE FITTINGS

Income-and-loss data for the U.S. producers on malleable fittings operations are presented in table VI-1; selected financial data, by firm, are presented in table VI-2. The operating income margin declined from *** percent of total net sales in 1999 to *** percent in 2000, and then increased to *** percent in 2001. The operating income margin decreased from *** percent in January-September 2001 to *** percent in January-September 2002.

From 1999 to 2001, the volume of total net sales declined by *** percent; on a per-short-ton basis, the average selling price increased *** than the rise in the average cost of goods sold ("COGS"), resulting in *** gross profit. The selling, general, and administrative ("SG&A") expenses in absolute dollars declined *** resulting in *** operating income in 2000. From January-September 2001 to January-September 2002, the volume of total net sales dropped by *** percent; on a per-short-ton basis, the average selling price increased by *** percent while the average COGS rose by *** percent, resulting in ***.

With respect to an increase in SG&A expenses in 2000 despite lower volume and value of net sales, Anvil stated that ***.[3]

With respect to an increase in the unit COGS in January-September 2002, Anvil indicated that ***.

Ward explained that ***.[4]

Table VI-1
Result of operations of U.S. producers in the production of malleable fittings, fiscal years 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

[1] U.S. producers' fiscal year ends are ***.

[2] Conference transcript, p. 12.

[3] *** letter dated November 21, 2002.

[4] Telephone conversation with ***.

Table VI-2
Result of operations of U.S. producers in the production of malleable fittings, by firms, fiscal years 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

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

The responding firms' data on capital expenditures, R&D expenses, and the value of their property, plant, and equipment for their malleable fittings operations are shown in table VI-3.

Table VI-3
Capital expenditures, research and development expenses, and value of assets of U.S. producers of malleable fittings, fiscal years 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

CAPITAL AND INVESTMENT

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

Actual negative effects:

Anvil.–***.

Ward.–***.

Anticipated negative effects:

Anvil.–***.

Ward.–***.

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 CHINA

Table VII-1 presents data for reported production and shipments of malleable fittings for China. The Commission requested data from three firms believed to produce the subject fittings, which were listed in the petition.[1] The Commission received questionnaire responses from two producers of malleable fittings in China, Tangshan T.F.F. Malleable Iron Co., Ltd. ("Tangshan")[2] and Pannext Fittings Corp. ("Pannext").[3]

Tangshan reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China. It also estimated that its 2001 exports to the United States accounted for *** percent of all exports from China of malleable fittings. It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 1999 to 2001, Tangshan's share of total shipments being exported to the United States *** by *** percentage points as its share of total shipments being exported to other world markets[4] *** by *** percentage points.[5] During this period its home market sales of malleable fittings decreased by *** short tons. Tangshan's capacity remained constant throughout the period examined and is projected to *** in 2003 by approximately *** percent.[6] Its production increased steadily throughout 1999-2001 and is projected to *** in 2003 by *** percent. *** are Tangshan's largest U.S. importers of malleable fittings.[7]

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[1] The Commission requested data from: (1) Jinan Meide Casting Co., Ltd. ("Jinan"); (2) National Steel Products Co., Ltd. ("National"); and (3) Shandong Flying Casting & Forging Co., Ltd. ("Shandong"). In its sales literature, Jinan lists a production capacity of 50,000 metric tons and claims to be "one of the largest manufacturers of malleable iron pipe fittings in China, Asia, and even in the world." *See* petition, exh. 21. The Commission did not receive questionnaire data from Jinan or Shandong.

[2] Tangshan was related to National, which ceased operations in March 1999.

[3] The exact number of foundries in China was not provided to the Commission nor is the number publicly available; however, in the recent non-malleable fittings investigation conference it was estimated that "our ballpark estimate at the present time is probably in the range of 50 foundries in China" and "certainly many of the Chinese foundries similar to Anvil and Ward could switch between malleable cast iron fittings and non-malleable cast iron fittings." Petitioners' postconference brief, p. 25 n.22. Tangshan and Pannext estimate that together they account for *** percent of total malleable fittings production in China and approximately *** percent of the total U.S. imports of the subject merchandise during 2001. ***.

[4] Tangshan reported that its other export markets are ***.

[5] Tangshan projected that this trend ***.

[6] Tangshan stated in a textual response in the questionnaire that ***. Tangshan questionnaire response, e-mailed revision to p. 5.

[7] Tangshan reported that ***.

Pannext reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China.[8] It also estimated that its 2001 exports to the United States accounted for *** percent of all exports from China of malleable fittings. It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 1999 to 2001, Pannext's share of total shipments being exported to the United States *** by *** percentage points as its share of total shipments being exported to other world markets[9] *** by *** percentage points.[10] During this period its home market sales of malleable fittings increased by *** short tons, an increase of *** percent. Pannext's capacity increased throughout the period examined, *** from 1999 to 2001, and is projected to *** in 2003 by *** percent. Its production increased throughout 1999-2001, again ***, and is projected to *** in 2003 by *** percent. *** are Pannext's largest U.S. importers of malleable fittings.

Table VII-1
Malleable fittings: China's reported production capacity, production, shipments, and inventories, 1999-2001, January-September 2001, January-September 2002, and projections for 2002 and 2003

* * * * * * *

U.S. IMPORTERS' INVENTORIES

Reported inventories held by U.S. importers of subject merchandise from China are shown in table VII-2.

Table VII-2
Malleable fittings: U.S. importers' end-of-period inventories of imports, by source, 1999-2001, January-September 2001, and January-September 2002

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO SEPTEMBER 30, 2002

The Commission requested importers to indicate whether they imported or arranged for the importation of malleable fittings from China after September 30, 2002. Twelve of the 14 responding importers reported that they had imported malleable fittings from China subsequent to September 30, 2002. The tabulation below shows the importer and the quantity of malleable fittings imported subsequent to September 30, 2002.

* * * * * * *

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[8] Pannext reported production levels that resulted in capacity utilization rates ***. Its reported capacity utilization rate for 2001 is *** percent. Petitioner argues that these data are not credible. Petitioners' postconference brief, pp. 24-25.

[9] Pannext reported that its other export markets are ***.

[10] Pannext reported that this trend ***.

DUMPING IN THIRD-COUNTRY MARKETS

On August 18, 2000, the European Union ("EU") imposed antidumping duties of 49.4 percent *ad valorem* on malleable fittings from China.[11] "Malleable iron connections" from China are also subject to an antidumping order in Mexico.[12] Finally, on October 23, 2001, Brazil initiated an antidumping investigation on malleable fittings from China.[13] Petitioners argue that these recent antidumping and countervailing duty actions taken by the EU, Mexico, and Brazil have created the incentive for the Chinese producers to ship sharply increased volumes of malleable fittings to the U.S. market.[14]

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[11] *See* petition, exh. 41. Provisional duties were imposed in February 2000.

[12] *Id.*

[13] *Id.*; at present, the government of Brazil has not announced a determination in its investigation.

[14] Petitioners' postconference brief, p. 26.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1021 (Preliminary)]

Malleable Iron Pipe Fittings from China

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of

preliminary phase antidumping investigation No. 731–TA–1021 (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 China of malleable iron pipe fittings,[1] provided for in subheading 7307.19.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by December 16, 2002. The Commission's views are due at Commerce within five business days thereafter, or by December 23, 2002. For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: October 30, 2002.

FOR FURTHER INFORMATION CONTACT: Christopher Cassise (202–708–5408), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public*.

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on October 30, 2002, by Anvil International, Inc., Portsmouth, NH, and Ward Manufacturing, Inc., Blossburg, PA.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven 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 parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on November 20, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Christopher Cassise (202–708–5408) not later than November 15, 2002, 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 November 25, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

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

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

By order of the Commission.

Issued: November 1, 2002.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 02–28221 Filed 11–5–02; 8:45 am]

BILLING CODE 7020–02–P

[1] For purposes of this investigation, "malleable iron pipe fittings" consists of malleable iron pipe and tube fittings, other than grooved fittings.

DEPARTMENT OF COMMERCE

International Trade Administration

A-570-881

Notice of Initiation of Antidumping Duty Investigation: Certain Malleable Iron Pipe Fittings From the People's Republic of China

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

EFFECTIVE DATE: November 25, 2002.

FOR FURTHER INFORMATION CONTACT: Anya Naschak or Helen Kramer at (202) 482-6375 or (202) 482-0405, respectively; Antidumping and Countervailing Duty Enforcement Group III, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230.

SUPPLEMENTARY INFORMATION:

Initiation of Investigation

The Applicable Statute and Regulations: Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930, as amended (the Act), by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations are references to the provisions codified at 19 CFR Part 351 (2002).

The Petition

On October 30, 2002, the Department received a petition filed in proper form by Anvil International, Inc., and Ward Manufacturing Inc. (collectively, the petitioners). The Department received information supplementing the petition on November 7, 2002, November 12, 2002, and November 15, 2002.

In accordance with section 732(b) of the Act, the petitioners allege that imports of malleable iron pipe fittings (malleable pipe fittings) from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or are threatening to materially injure, an industry in the United States.

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

Scope of Investigation

For purposes of this investigation, the products covered are shipments of certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.90.30, 7307.19.90.60 and 7307.19.90.80 of the Harmonized Tariff Schedule. HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of this proceeding is dispositive.

Determination of Industry Support for the Petition

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The United States International Trade Commission (ITC), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding domestic like product (*see* section 771(10) of the Act), they do so for different purposes and pursuant to their separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law. *See Algoma Steel Corp. Ltd., v. United States*, 688 F. Supp. 639, 642-44 (CIT 1988); *High Information Content Flat Panel Displays and Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition*, 56 FR 32376, 32380-81 (July 16, 1991).

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

In this petition, the petitioners do not offer a definition of domestic like product distinct from the scope of these investigations. Thus, based on our analysis of the information presented to the Department by the petitioners, and the information obtained and received independently by the Department, we have determined that there is a single domestic like product, which is defined in the Scope of Investigation section above, and have analyzed industry support in terms of this domestic like product.

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act states that the administering authority shall determine that a petition has been filed by or on behalf of the industry if: (1) the domestic producers or workers who support the petition account for at least 25 percent of the total production of the domestic like

product; and (2) the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition.

Information contained in the petition demonstrates that the domestic producers or workers who support the petition account for over 50 percent of total production of the domestic like product. *See* Petition for Imposition of Antidumping Duties: Malleable Iron Pipe Fittings from the People's Republic of China (Pipe Fittings Petition), dated October 30, 2002, at pages 2–3 and Exhibits 1 and 2. *See also* Amendment to the Petition dated November 15, 2002, at Exhibit 1. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like product, as required by section 732(c)(4)(A)(i). *See* Import Administration AD Investigation Checklist, dated November 19, 2002 (Initiation Checklist) (public version on file in the Central Records Unit of the Department of Commerce, 1401 Constitution Ave., NW, Room B-099).

Furthermore, because the Department received no opposition to the petition, the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petition. *See* Initiation Checklist. Thus, the requirements of section 732(c)(4)(A)(ii) are met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act.

Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value upon which the Department has based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to U.S. price and factors of production (FOP) are detailed in the Initiation Checklist.

The anticipated period of investigation (POI) for the PRC, a non-market economy (NME) country, is April 1, 2002, through September 30, 2002. Regarding an investigation involving a NME country, the Department presumes, based on the extent of central government control in a NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. *See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC*, 59 FR 22585 (May 2, 1994). In the course of the investigation of malleable pipe fittings from the PRC, all parties will have the opportunity to provide relevant information related to the issue of the PRC's status and the granting of separate rates to individual exporters.

Export Price

The petitioners identified the following seven companies as producers and/or exporters of malleable pipe fittings from the PRC: Jinan Meide Casting Co., Ltd., National Steel Products Co., Ltd., Shandong Flying Casting & Forging Co., Ltd., Dalian Zhong Sheng Metal Products Co., Ltd., Hebei Great Wall Import & Export Corporation, Tianjin Foreign Trade Group, and Xiamen Jia Da Quan Valves & Fittings Co., Ltd. To calculate export price (EP), petitioners used publicly available price quotes for Chinese products from a U.S. distributer. From these price quotes, petitioners deducted a 10 percent rebate from the listed warehouse price, 5 percent of the net price for commission to the importer/wholesale distributor's sales representative, and 20 percent of the net price as the importer/distributor's mark-up to arrive at the importer price. Petitioners reasonably based these deductions on affidavits by a senior Anvil International official attesting that this price structure is representative of prices charged throughout the United States. *See* Initiation Checklist. We will further examine the nature of these deductions during the investigation.

Petitioners further deducted U.S. customs duty of 6.2 percent to arrive at a price net of customs duty. Petitioners calculated net U.S. price by deducting ocean freight and foreign inland freight from the price net of customs duty. *See* Exhibits 22 and 24 of the Petition. Petitioners estimated ocean freight by subtracting the average unit free alongside ship (FAS) value of subject imports from the average unit cost, insurance and freight (CIF) value using the Bureau of the Census IM145 import statistics. *See* Initiation Checklist.

Normal Value

The petitioners assert that the PRC is a NME country and that no determination to the contrary has yet been made by the Department. In all of its previous investigations, the Department has treated the PRC as a NME. *See, e.g., Notice of Final Determination Sales at Less Than Fair Value: Certain Folding Gift Boxes from the People's Republic of China*, 66 FR 58115 (November 20, 2001), and *Notice of Final Determination of Sales at Less Than Fair Value: Folding Metal Tables and Chairs from the People's Republic of China*, 67 FR 20090 (April 29, 2002). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Because the PRC's status as a NME remains in effect, pursuant to section 771(18)(C)(i) of the Act, the petitioners determined the dumping margin using a FOP analysis.

For normal value (NV), the petitioners based the FOP, with the exception of labor, as defined by section 773(c)(3) of the Act, on the quantities of inputs of one U.S. malleable pipe fittings producer, Ward Manufacturing, Inc. The petitioners based the FOP for labor, as defined by section 773(c)(3) of the Act, on the quantities of inputs from the public ranged data of labor hours in the production of non-malleable pipe fittings,[1] reduced by 10 percent. The petitioners assert that information regarding the Chinese producers' consumption rates is not reasonably available, and have therefore assumed, for purposes of the petition, that producers in the PRC use the same inputs in the same quantities as the petitioners use. Based on the information provided by the petitioners, we believe that the petitioners' FOP methodology represents information reasonably available to the petitioners and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioners assert that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) a market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to the PRC in terms of per capita gross national income (GNI). The Department's regulations state that it will place primary emphasis on per capita GNI in determining whether a given market economy is at a level of economic development comparable to the NME country (*see* 19 CFR 351.408(b)). In recent antidumping cases involving the PRC, the Department identified a group of countries at a level of economic development comparable to the PRC based primarily on per capita GNI. This

[1] Submitted as a Section D Questionnaire Response by Jinan Meide Casting Company in the investigation of Non-Malleable Cast Iron Pipe Fittings from China, A-570-875 (June 17, 2002)

group includes India, Indonesia, Sri Lanka, the Philippines, and Pakistan. With the exception of India, none of these countries is a significant producer of malleable pipe fittings. The petitioners assert that India is the most appropriate surrogate. Based on the information provided by the petitioners, we believe that the petitioners' use of India as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, petitioners valued FOP, where possible, on reasonably available, public surrogate data from India. Materials were valued based on Indian import values, as published by *Monthly Statistics of the Foreign Trade of India (Indian Import Statistics)*. Petitioners applied an inflation adjustment factor using the Indian Wholesale Price Index for September 2002. Petitioners divided the index for the period available by the index derived from the period in which the input price was located, and multiplied the input price by the resulting ratio. Petitioners calculated the surrogate value of steel scrap using the mill heavy average prices reported by the Indian newspaper, *The Economic Times*, which yields more contemporaneous publicly available prices. *See* Initiation Checklist.

Labor was valued using the Department's regression-based wage rate for the PRC, in accordance with 19 CFR 351.408(c)(3). *See* Initiation Checklist.

Electricity was valued using Indian electricity prices for industrial consumers taken from the second quarter 2002 issue of *Energy Prices and Taxes* published by the OECD's International Energy Agency. The electricity prices for industry for India are reported in U.S. dollars and for the year of 2000. In order to arrive at September 2002 prices, petitioners multiplied the computed amount by a U.S. inflation factor because it was denominated in U.S. dollars. *See* Initiation Checklist.

Petitioners derived the surrogate value for natural gas from a price in India found in the 1999 financial report of EOG Resources Inc., expressed in U.S. dollars per MCF. To inflate the price to September 2002 levels, petitioners multiplied the amount by a U.S. inflation factor because it was denominated in U.S. dollars. *See* Initiation Checklist.

For overhead, selling, depreciation, and general and administrative (SG&A) expenses, petitioners calculated the financial ratios based on the Indian financial data used in the Preliminary Determination of Non-Malleable Cast Iron Pipe Fittings from the People's Republic of China. *See* Memo to Holly A. Kuga dated September 19, 2002. Based on the information provided by the petitioners, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiating this investigation. *See* Initiation Checklist.

Based upon the comparison of EP to NV, the estimated dumping margins are between 34.69 and 148.08 percent. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determination, we will re-examine the information and may revise the margin calculation, if appropriate.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of malleable pipe fittings from the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of imports of the subject merchandise sold at less than NV. The volume of imports from the PRC, using the latest available data, exceeded the statutory threshold of seven percent for a negligibility exclusion. *See* section 771(24)(A)(ii) of the Act. The petitioners contend that the industry's injured condition is evidenced in the declining trends in profitability, shipments, production, capacity utilization, employment, decreased U.S. market share, and increasing Chinese imports. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, domestic consumption, and domestic production information. We have assessed the allegations and supporting evidence regarding material injury and causation, and have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See* Initiation Checklist.

Initiation of the Antidumping Investigation

Based on our examination of the petition on malleable pipe fittings, and the petitioners' response to our supplemental questionnaires clarifying the petition, and additional independent data, we find that the petition meets the requirements of section 732 of the Act. *See* Initiation Checklist. Therefore, we are initiating the antidumping duty investigation to determine whether imports of malleable pipe fittings from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

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

International Trade Commission Notification

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

Preliminary Determination by the ITC

The ITC will determine, no later than December 16, 2002 whether there is a reasonable indication that imports of malleable pipe fittings from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

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

Dated: November 19, 2002.

Bernard T. Carreau,

Acting Assistant Secretary for Import Administration.

[FR Doc. 02-29914 Filed 11-22-02; 8:45 am]

BILLING CODE 3510-DS-S

APPENDIX B

LIST OF CONFERENCE WITNESSES

CALENDAR OF PUBLIC CONFERENCE

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

Subject:	Malleable Iron Pipe Fittings From China
Inv. No.:	731-TA-1021 (Preliminary)
Date and Time:	November 20, 2002 - 9:30 a.m.

The conference was held in connection with this investigation in Courtroom B, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Schagrin Associates
Washington, DC
on behalf of

Anvil International, Inc.
Ward Manufacturing, Inc.

Thomas E. Fish, President, Anvil International, Inc.
Bob Kim, Vice President of Manufacturing, Anvil International, Inc.
John E. Martin, Vice President, National Accounts, Anvil International, Inc.
William E. Strouss, Vice President-Finance, Anvil International, Inc.
Tom Gleason, Vice President of Marketing and Sales, Ward Manufacturing, Inc.
Michael McInerney, Chairman and Chief Executive Officer, Thos. Somerville Co.
Charles Kafenshtok, President, Kast Marketing

Roger B. Schagrin)–OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Katten Muchin Zavis Rosenman
Chicago, IL
on behalf of

B&K Industries, Inc.

Robert Tripp, Director of Global Sourcing, B&K Industries, Inc.

Kathleen M. Murphy)–OF COUNSEL
John P. Smirnow)

APPENDIX C

SUMMARY DATA

Table C-1
Malleable fittings: Summary data concerning the U.S. market, 1999-2001, January-September 2001, and January-September 2002

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

Item	Reported data			January-September		Period changes			
	1999	2000	2001	2001	2002	1999-2001	1999-2000	2000-2001	Jan.-Sept. 2001-2002
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	12,457	13,492	13,443	9,704	14,147	7.9	8.3	-0.4	45.8
Value	18,105	21,029	20,395	14,811	21,371	12.7	16.1	-3.0	44.3
Unit value	$1,453.35	$1,558.66	$1,517.20	$1,526.27	$1,510.67	4.4	7.2	-2.7	-1.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	9,552	9,988	9,446	7,329	8,229	-1.1	4.6	-5.4	12.3
Value	25,233	24,636	22,253	16,939	28,844	-11.8	-2.4	-9.7	70.3
Unit value	$2,641.76	$2,466.47	$2,355.89	$2,311.12	$3,505.08	-10.8	-6.6	-4.5	51.7
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	22,009	23,480	22,889	17,033	22,376	4.0	6.7	-2.5	31.4
Value	43,338	45,665	42,649	31,750	50,215	-1.6	5.4	-6.6	58.2
Unit value	$1,969.10	$1,944.84	$1,863.32	$1,863.98	$2,244.16	-5.4	-1.2	-4.2	20.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

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

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

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

APPENDIX D

CUSTOMER OVERLAP

The top 10 customers of Anvil, Ward, and each of the responding importers of Chinese malleable fittings are presented below. Those firms that are customers of both the U.S. producers and the responding importers are shown in bold.

ANVIL'S TOP 10 CUSTOMERS

* * * * * * *

WARD'S TOP 10 CUSTOMERS

* * * * * * *

RESPONDING CHINESE IMPORTERS' TOP 10 CUSTOMERS

* * * * * * *