

CERTAIN PUBLIC WORKS CASTINGS FROM INDIA

**Determination of a Reasonable
Indication of Material Injury
in Investigation No. 303-TA-13
(Preliminary) Under Section 303(b)
of the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

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APRIL 1980

UNITED STATES INTERNATIONAL TRADE COMMISSION

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Bill Alberger, Vice Chairman
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UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

303-TA-13 (Preliminary)
Certain Public Works Castings from India

Notice of Institution of Preliminary Countervailing Duty
Investigation and Scheduling of Conference

Investigation instituted. Following receipt of a petition on February 19, 1980, filed by Pinkerton Foundry, Inc., Lodi, California, a domestic producer of cast gray-iron articles, the United States International Trade Commission on February 21, 1980, instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports from India of manhole covers and frames, catch basin grates and frames, and cleanout covers and frames, provided for in item 657.09 of the Tariff Schedules of the United States. This investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and, particularly, Subpart B thereof, effective January 1, 1980.

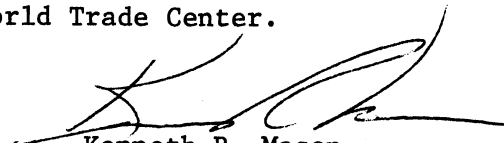
Written submissions. Any person may submit to the Commission on or before March 20, 1980, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be

clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All the written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with the investigation for 10 a.m., e.s.t., on Monday, March 17, 1980, at the U.S. International Trade Commission Building, 701 E. Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the senior investigator for the investigation, Mr. Thomas St. Maxens (202-523-0267). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the senior investigator.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission, and at the New York City office of the U.S. International Trade Commission located at 6 World Trade Center.



Kenneth R. Mason
Secretary

Issued: February 22, 1980

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20436

Investigation No. 303-TA-13 (Preliminary)

Certain Public Works Castings from India

Determination

On the basis of the record in investigation No. 303-TA-13 (Preliminary), the Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured by reason of the importation from India of manhole covers and frames, catch basin grates and frames, and clean out covers and frames, provided for in item 657.09 of the Tariff Schedules of the United States (TSUS) and accorded duty-free treatment, which are allegedly being subsidized by the Government of India.

Background

On February 19, 1980, the United States International Trade Commission and the Department of Commerce each received a petition from Pinkerton Foundry, Inc., Lodi, California, alleging that a bounty or grant is being paid with respect to certain public works castings. Accordingly, the United States International Trade Commission instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930 (19 U.S.C. 1303), as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by

reason of the importation of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by April 3, 1980.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York office, and by publishing the notice in the Federal Register of February 27, 1980 (45 F.R. 12933). A public conference was held in Washington, D.C., on March 17, 1980.

This determination is made pursuant to the provisions of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) and the provisions of section 703(a) of the Trade Agreements Act of 1979. Section 303 states that there shall be levied and paid, in addition to any duties otherwise imposed, a duty equal to the net amount of such bounty or grant. Subsection (a)(2) of that section states that countervailing duties may be imposed on duty-free merchandise only if there is an affirmative determination by the Commission of injury in accordance with the provisions of the Trade Agreements Act of 1979, except that such determination shall not be required unless a determination of injury is required by the international obligations of the United States. In this case, both the United States and India are parties to the General Agreement on Tariffs and Trade (GATT). Article VI of GATT requires that an injury test be applied before countervailing duties can be imposed. Therefore, an injury test is required in the present case, and must be applied in accordance with the provisions of Title VII of the Trade Agreements Act of 1979, particularly

section 703(a) thereof, as incorporated into the Tariff Act of 1930 by section 103 of the Trade Agreements Act of 1979.

In arriving at this preliminary determination, the Commission has given due consideration to the information provided by the administering authority, to all written submissions from interested parties, information adduced at the conference and obtained by the Commission's staff from questionnaires, documented personal interviews, and other sources, all of which have been placed on the administrative record of this preliminary investigation.

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VIEWS OF COMMISSIONERS PAULA STERN, GEORGE MOORE, AND MICHAEL CALHOUN

In this investigation the Commission is required, pursuant to section 303 and title VII of the Tariff Act of 1930, to determine whether there is reasonable indication that an industry in the United States is materially injured or is threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports from India of certain public works castings, as provided for in item 657.09 of the TSUS, allegedly subsidized by the Government of India.

Under the provisions of section 703 of the Tariff Act of 1930, the Commission must base its determination on the best information available to it at the time. Accordingly, we have determined in this case that there is a reasonable indication of material injury to the domestic industry by reason of such imports. 1/

It is clear, however, that in the event the Commission is required to make a final determination, its evaluation of conditions of trade and developments in the industry will require more complete data. Questionnaires were sent by the Commission to ten of the fifty producers in the industry, believed to constitute a significant portion of the industry. Included in the Commission survey were several producers on the west coast, where the petitioner's facilities are located. 2/ A full sampling of the industry to provide information which would be fully representative of the domestic industry would contribute to the Commission's evaluation in three important areas:

(1) data establishing production, profit, employment, capacity and other trends, revealing the impact of imports on the industry as a whole;

1/ Threat of material injury and material retardation are not at issue in this case.

2/ Report to the Commission in Investigation No. 303-TA-13 (Preliminary), (hereinafter "Report"), p. A-1.

(2) information on the direction and size of total industry sales and shipments, and their relation to the question of regional industry; and

(3) information establishing whether the majority of producers keep separate profit records for certain public works castings and what significance this factor holds for the question of definition of the regional industry.

The domestic industry

Information gathered during this preliminary investigation indicates that approximately 50 firms producing public works castings constitute the relevant domestic industry. ^{1/} The production of public works castings requires specialized machinery and labor and technology inputs, distinguishing this industry from those which produce other types of "gray" iron castings. ^{2/} A major portion of this industry's production is apparently accounted for by "certain public works castings"--manhole covers and frames; catch basin covers and frames, and cleanout covers and frames. ^{3/} The bulk of the domestic industry's production is therefore directly competitive with those imports from India which are the subject of this investigation. ^{4/}

Information available to the Commission at this time does not provide the basis for defining the industry on a regional basis. Section 771 of the Tariff Act of 1930 stipulates that regional producers may be treated as a separate industry--

(1) if these producers sell all or almost all of their production in that market; and

(2) if United States producers located outside that market do not satisfy to any substantial degree the demand in that market. In addition, special

^{1/} Report, pp. A-4.

^{2/} Transcript of the conference, pp. 33-34.

^{3/} Responses to Commission questionnaires.

^{4/} Report, p. A-5.

considerations may be given to an area in which there is a concentration of subsidized imports.

Although certain market factors, such as high freight costs and the importance of satisfying different local production specifications encourage sales on a regional basis, some producers market their products nationwide. Furthermore, sales of imports from India do not appear to be concentrated in the west coast market, as alleged by the petitioner Pinkerton Foundry, Inc., of Lodi, Calif., or in any other regional market. Only 26 percent of the value of total entries of public works castings entered at the west coast customs districts in 1978, the remainder divided between east and gulf coasts. We have, therefore, based our determination on an industry which is national in scope. 1/

Reasonable indication of material injury

In this preliminary investigation, the Commission was required to make its determination on the basis of limited data. However, these data limitations did not rule out a number of facts which the record yielded and which constitute the basis for our determination that this investigation must continue.

Estimated imports of certain public works castings from India, which directly compete with the bulk of the domestic industry's production, have risen both absolutely and as a share of domestic consumption. From 1977 to 1979, these imports increased by 273 percent on a quantity basis, while shipments of responding domestic producers rose only 6 percent. As a share of apparent consumption, imports from India increased from 2 percent in 1977 to 7 percent in 1979. Imports from India also increased their share of the total import market, accounting for 80 percent of total imports in 1979, up from 77 percent in 1977. 2/

1/ Report, pp. A-4 and A-6.

2/ Report, pp. A-5, A-14, and A-21.

The Commission's preliminary comparisons of prices for specific products indicate that imports from India have considerably undersold domestic products. Imports of a specified manhole assembly from India undersold the weighted average lowest net selling prices of domestic products by an average of 35 to 44 percent. Margins of underselling for a specified catch basin assembly range from 31 to 39 percent. 1/ Commission inquiries confirmed that in five instances, domestic producers lost sales to lower-priced imports from India. 2/

Profit-and-loss data submitted to the Commission show a significant decline in the profitability of the domestic industry. Net operating profits of those firms responding to Commission questionnaires fell from \$5.1 million in 1977 to \$3.2 million in 1979. Net profits as a share of net sales for these firms fell from 8.8 percent to 4.3 percent during the same time period. 3/

Total capacity fell in 1979, as a major producer suspended all production in February of that year. As a result, capacity utilization, which had declined by 3 percentage points in 1978 over 1977 for the responding firms, then rose by 5 percentage points in 1979. 4/

Conclusion

The record contains information showing a reasonable indication of injury to the domestic industry--particularly significant margins of underselling, confirmation of lost sales, and sliding profitability. A final decision by the Commission on the existence of material injury must depend on information which is representative of the entire industry.

1/ Report, pp. A-14 and A-17.

2/ Report, pp. A-17.

3/ Report, pp. A-12.

4/ Report, pp. A-9.

STATEMENT OF REASONS OF CHAIRMAN CATHERINE BEDELL

On the basis of the best information available in investigation No. 303-TA-13 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the importation from India of certain public works castings, provided for in item 657.09 of the Tariff Schedules of the United States, upon which subsidies are allegedly provided by the Government of India.

The following findings and conclusions, based on the record in this investigation, support my determination.

The domestic industry

Petitioner and respondents advanced differing concepts as to the scope of the relevant domestic industry alleged to have been injured by imports from India. Petitioner claims injury to domestic producers manufacturing certain public works castings, i.e., manhole covers, rings, and frames; catch-basin grates and frames; and cleanout covers and frames. ^{1/} Data developed during the course of the investigation show that production of these public works castings accounted for 73 percent of the total public works castings produced by the firms which responded to the Commission's producers' questionnaire. Further, these questionnaire respondents experienced difficulty in separating these public works castings from other public works castings for purposes of providing production, profit-and-loss, and other types of data. All public works castings are made of cast iron. In addition, the subject public works castings are produced in the same facilities as other public works castings, utilizing the same machinery and workers.

^{1/} Postconference submission of Pinkerton Foundry, Inc., p. 1.

The Indian exporters would define the relevant industry as that producing all gray-iron castings. 1/ In addition to total public works castings, such an industry would also encompass producers of pressure pipes and fittings, ductile iron castings for automotive, construction, utility, and other uses, cast-iron molds for heavy steel ingots, cast-iron soil pipes and fittings, rolls for rolling mills, and other gray-iron castings for automotive and other uses. For each of these products, special facilities, labor, and technologies are required; hence, foundries tend to specialize in one product group. Questionnaire data received by the Commission show that all public works castings constitute 91 percent of questionnaire respondents' total foundry operations. At the Commission's conference in the present case, witnesses were in general agreement that foundries producing public works castings could not switch to the production of other types of gray-iron castings without significant capital expenditures for retooling, equipment, and re-training of workers. 2/ Finally, it should be noted that the bulk of imports from India of gray-iron castings consisted of manhole assemblies. 3/

Therefore, since products referred to as public works castings are closely related, and the preliminary data involve such closely related industry operations, I consider the relevant U.S. industry to be that consisting of the productive facilities devoted to the production of all public works castings.

1/ Postconference submission on behalf of the Engineering Export Promotion Council of India, pp. 1-2

2/ Transcript of the conference, pp. 33-34

3/ See the accompanying report (hereinafter referred to as Report), p. A-5

In addition, the petitioner alleges that subsidized imports from India have caused material injury to Western U.S. producers of public works castings. Since I determine that there is a reasonable indication of material injury to the domestic industry as a whole, I do not reach the issue of whether it would be appropriate in this case to treat the Western U.S. producers as if they were a separate industry.

Reasonable indication of material injury

The Tariff Act of 1930 (sec. 703(a)) directs that the Commission "shall make a determination, based upon the best information available to it at the time of the determination" The act further specifies in section 771(7) (A), (B), and (C) that the Commission shall consider, among other factors, (i) the volume of imports of the merchandise which is the subject of this investigation, (ii) the effect of imports of that merchandise on prices in the United States for like products, and (iii) the impact of imports of such merchandise on domestic producers of like products. In light of these directives, I base my decision on the preliminary findings of fact and conclusions of law discussed below.

The estimated quantity of U.S. imports of certain public works castings rose from 35.4 million pounds in 1977 to 127.3 million pounds in 1979, or by 260 percent. 1/ On a value basis, imports rose 289 percent over the same period. 2/ Indian producers/exporters are by far the largest foreign suppliers

1/ Report, table 1, p. A-5

2/ Id.

of certain public works castings to the U.S. market. Imports from India increased from 27.2 million pounds, or 77 percent of total imports, in 1977 to 101.4 million pounds, or 80 percent of total imports, in 1979. 1/

The ratio of imports from India to apparent U.S. consumption rose from 2.0 percent in 1977 to 6.7 percent in 1979. 2/

According to price data submitted by U.S. producers and importers of certain public works castings, specified manhole assemblies supplied by U.S. importers undersold U.S.-produced manhole assemblies by 42 percent in 1978 and 36 percent in 1979; 3/ specified catch-basin assemblies offered by U.S. importers undersold the U.S. producers' product by 38 percent in 1978 and 34 percent in 1979. 4/

A recent trend in the public works castings industry has been for many U.S. foundries to import and market public works castings, especially those from India. Lowest net selling prices of castings imported from India by U.S. producers, as well as those castings produced in such producers' domestic facilities, undersold those products produced by U.S. foundries which do not import castings. 5/ This suggests that the high profit margins reaped from the sale of the cheaper imported castings allow domestic producer-importers to charge less for their domestically produced castings.

U.S. producers' shipments of certain public works castings increased from 191 million pounds in 1977 to 203 million pounds in 1979, or by 6 percent. 6/ During the same period, imports of such products from India increased by 273 percent. 7/

1/ Id.

2/ Report, table 11, p. A-15

3/ Report, table 12, p. A-16

4/ Report, table 13, p. A-18

5/ Report, tables 12 and 1, pp. A-16-A-18

6/ Report, table 3, p. A-6

7/ Report, table 1, p. A-5

Although net sales of all respondents to the producers' questionnaire rose 29 percent from 1977 to 1979, net operating profit fell by 37 percent during the same period. 1/ The ratio of net operating profit to net sales decreased 51 percent during the period. 2/

One firm provided specific lost sales information to the Commission alleging that six firms purchased castings imported from India. Five of the six purchasers when contacted by the Commission, confirmed that they had purchased castings imported from India in lieu of the domestic product, and all five stated that they had done so on the basis of the lower prices of the Indian castings. 3/

Conclusion

On the basis of the information available to the Commission at this time, I believe that there is a reasonable indication of material injury to the domestic industry and, therefore, that this proceeding should continue to completion.

1/ Report, table 9, p. A-12

2/ Id.

3/ Report, p. A-17

Views of Vice Chairman Alberger

In order for the Commission to find in the affirmative in investigation No. 303-TA-13 (Preliminary), it is necessary to determine that there is a reasonable indication that an industry in the United States is materially injured, threatened with material injury, or the establishment of an industry in the United States is materially retarded, 1/ by reason of imports of certain public works castings (provided for in item 657.09 of the Tariff Schedules of the United States) which are allegedly being subsidized by the Government of India.

In this investigation, Commission staff sought and received data by questionnaires from ten producers believed to be among the largest in the United States. Aggregate shipment data from these ten companies adds to only 15 percent of total shipment data compiled by the Department of Commerce for the entire industry. If these ten firms do represent only 15 percent of shipments then the other 40 firms have 85 percent, and must necessarily be, on the average, larger than the ten surveyed.

The Commission must make determinations on "the best information available." 2/ It is disturbing to be operating with such apparently limited

1/ Since about 50 U.S. firms actively produce the product in question, material regardation of an industry in the United States is not an issue in this investigation and will not be discussed further.

2/ See, Report of the Committee on Ways and Means . . ., H. Rept. No. 96-317, (96th Cong., 1st sess.), 1979, p. 52 and Report of the Committee on Finance . . ., S. Rept. No. 96-249 (96th Cong., 1st sess.), 1979, pp. 48-49.

data on the industry. However, it is not the fault of the petitioner--no burden of coming forward should apply here. 1/ We must be certain, if this case returns for a final injury determination, 2/ that we gather more complete data on the domestic industry.

The petitioner, Pinkerton Foundry, Inc., requested that this investigation be determined on the basis of material injury to a regional (West Coast) market. 3/ Section 771(4)(C) of the Tariff Act of 1930 sets forth the requirements for consideration of a regional industry. In pertinent part, that section provides that, in appropriate circumstances, producers in a given market may be treated as if they were a separate industry if--

- (i) the producers within such market sell all or almost all of their production of the like product in question in the market, and
- (ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States,

and further that--

. . . material injury . . . may be found to exist with respect to an industry even if the domestic industry as a whole, . . . is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured . . . by reason of the subsidized or dumped imports.

Most U.S. foundries limit their shipments to a radius of approximately 200 miles primarily because of high freight costs and regional specifications for certain castings. There are, however, some foundries in the U.S. which do distribute their products nationwide. 4/ In addition, imports of public

1/See "Separate Views of Commissioners Alberger, Stern and Calhoun" (a majority of the Commission) in Certain Chains from Japan, USITC Rept. No. 1039, p. 3 and my views in Countertop Microwave Ovens from Japan, USITC Rept. No. 1033, pg. 7.

2/19 U.S.C. 1671d.

3/See, Additional Statement of Petitioner James W. Pinkerton, Jr., filed March 20, 1980.

4/Report to the Commission, p. A-4 (hereinafter "Report").

works castings are not concentrated in any given area. The subject articles enter the United States at ports located in the East, West, and Gulf Coast regions with those entering the West Coast amounting to 26 percent of the value of total entries in 1978. That suggests that a disproportionately small percentage of the imports are marketed in the West. Therefore, a determination with respect to a regional industry seems inappropriate in this preliminary investigation, and thus, I have considered all of the domestic facilities producing public works castings as the relevant industry.

The record in this investigation reveals that there is production of certain public works castings in the United States like, or similar to, those articles which are imported from India and are the subject of this investigation. However, responses to the Commission's questionnaires show that, in many cases, separate data is not kept on the specific categories of public works castings imported from India. Information supplied generally relates to all public works casting operations. The specific categories of public works castings subject to the subsidy allegations are produced in the same facilities as other public works castings, utilizing the same machinery and workers. Section 771(4)(D) provides that if sufficient data is not available on which to assess the effect of imports on the domestic production of a like product--

. . . the effect of the subsidized imports shall be assessed by the examination of the production of the narrowest group or range of products, which includes a like product, for which the necessary information can be provided.

Therefore, I have considered all public works castings to be the appropriate product group upon which to base my determination.

I support the recommendation of the Director of Operations and adopt findings 4 through 10, inclusive, of the "Supporting Statement by the Director, Office of Operations . . ." which is a part of the record and attached for reference. In addition to those findings of fact, I include the following as relevant factors which were taken into consideration in making my determination:

1. Shipments of public works castings by questionnaire respondents (respondents) increased 6 percent in quantity and 26 percent in value between 1977 and 1979. Net sales also increased during this period by 29 percent. (Report at A-6, A-11)

2. A recent trend in the public works castings industry has been for many domestic foundries to import and market such castings in the United States. Lower price was listed as the most important factor in the decision to import followed closely by the desire to develop an alternate source of supply. The importation of the cheaper, relatively standard castings allows domestic facilities to concentrate on the production of the more specialized, higher-profit items. (Report at A-17)

3. Capacity utilization of foundries producing public works castings increased for all respondents from 83.5 percent in 1977 to 85.1 percent in 1979. (Report at Table 6, p. A-9)

4. The ratio of inventories to domestic shipments of respondents declined by 31 percent during the 1977-79 period. (Report at A-10)

5. The number of production workers in the domestic public works castings operations of respondents fluctuated only slightly during the 1977-79 period, increasing from 1,188 employees in 1977 to 1,197 in 1978, and then declining to 1,179 workers in 1979. (Report at A-9)

6. No information was obtained on return on investment, cash flow, wages, the ability to raise capital or investment. 1/

Although positive trends exist in some indicators, on the whole, sufficient information exists to indicate that there is a reasonable indication of injury to the domestic industry by reason of subsidized imports from India.

Conclusions of law

A. The appropriate industry against which the impact of imports of certain public works castings alleged to be subsidized by the Government of India must be assessed is the entire public works castings industry.

B. Consideration of a West Coast regional industry is not appropriate thus, the impact on the national industry must be assessed.

C. There is a reasonable indication that the public works castings industry in the United States is being injured by reason of subsidized imports of such articles from India.

1/Section 771(7)(E)(ii) states that the "presence or absence of any factor which the Commission is required to evaluate under subparagraph (C) . . . shall not necessarily give decisive guidance with respect to the determination by the Commission of material injury." (19 U.S.C. 1677)

SUPPORTING STATEMENT BY THE DIRECTOR, OFFICE OF OPERATIONS, FOR AN
AFFIRMATIVE DETERMINATION ON CERTAIN PUBLIC WORKS CASTINGS
FROM INDIA (Inv. No. 303-TA-13 (Preliminary))

1. Approximately 50 firms produce public works castings, including the "certain" (manhole covers, rings, and frames; catch basin frames and grates; and sewer cleanout frames and covers) public works castings which are the subject of this investigation, in the United States.

2. Data obtained from major producers of public works castings indicate that production of such items accounted for 91 percent of their total foundry production in 1979. Production of "certain" public works castings accounted for 73 percent of respondents' total public works castings production. Data obtained by the Commission in its questionnaire pertain in some instances to producers' certain public works castings operations, in other instances to their entire public works castings operations. Therefore, inasmuch as the preliminary data collected relate to industry operations at two different but closely related levels of coverage, I recommend a determination based on a U.S. industry consisting of the productive facilities devoted to the production of all public works castings, including the types of castings subject to this investigation.

3. Although the complainant has asserted that the investigation should be decided on a regional (west coast) market basis, sales of the subject imports are not greatly concentrated in any particular region. The subject imports entered at west coast customs districts accounted for 26 percent of total U.S. entries in 1978. Furthermore, some U.S. foundries have been found to market domestically produced public works castings on a nation-wide basis. Therefore, I recommend a determination based on a national, rather than regional industry.

4. Imports from India of the subject castings rose from 27 million pounds in 1977 to 101 million pounds in 1979, an increase of 274 percent. The unit value of imports of certain public works castings from India is approximately one-half that of the other major exporters of these products to the United States.

5. As a percentage of apparent U.S. consumption, imports from India increased from 2 percent in 1977 to 7 percent in 1979.

6. Net operating profit of respondents declined from \$5.1 million in 1977 to \$3.2 million in 1979; the ratio of net operating profit to net sales fell from 8.8 percent to 4.3 percent over the same period.

7. A major U.S. producer of certain public works castings, Comco Foundry, Commerce City, Colorado, claims it was forced to close its foundry due to import competition from India.

8. Imports of a specified manhole assembly from India offered by U.S. importers undersold the weighted average lowest net selling prices of those U.S. producers which do not import by an average of 36 percent in 1979; imports of the product offered by U.S. producers which do import undersold those which do not by 34 percent in the same year.

9. Imports of a specified catch basin assembly from India offered by U.S. importers undersold the weighted average lowest net selling price of those U.S. producers which do not import by an average 34 percent in 1979; imports of the product offered by U.S. producers which do import undersold U.S. producers-only products by 32 percent in 1979.

10. Inquiries by the Commission's staff of purchasers of certain public works castings from India revealed that five of the six firms contacted purchased the subject imports in lieu of the domestic product because of the lower price of the imports.

11. Conclusion.--On the basis of the above, I recommend an affirmative determination as to whether there is a reasonable indication of injury with respect to certain manhole covers from India which are alleged to receive bounties or grants from the Government of India.

12. The question of material retardation of the establishment of an industry in the United States is not an issue in this investigation since approximately 50 firms produce public works castings, including the types of castings which are the subject of this investigation.

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INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On February 19, 1980, the U. S. International Trade Commission and the U.S. Department of Commerce received a petition from Pinkerton Foundry, Inc., Lodi, Calif., alleging that a bounty or grant is being paid with respect to certain public works castings imported from India, entered under item 657.09 of the Tariff Schedules of the United States (TSUS), and accorded duty-free treatment. Accordingly, the Commission instituted a preliminary counter-vailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise into the United States. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by April 3, 1980. Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York office, and by publishing the notice in the Federal Register of February 27, 1980 (45 F.R. 12933). 1/ A public conference was held in Washington, D.C., on March 17, 1980.

1/ A copy of the Commission's notice of investigation and conference is presented in the appendix.

Description and Uses

The term "public works castings" as used in this investigation means cast-iron articles neither malleable nor alloyed, classifiable under item 657.09 of the TSUS. Public works castings, which are also commonly called construction castings, are used in the construction of water systems, sanitary sewers, underground electrical conduits, streets, highways, and in various other municipal, residential, and utility applications. The certain public works castings which are the subject of this investigation are manhole covers, and frames; catch basin grates and frames; and sewer cleanout covers and frames. The most important of these products are manhole covers and frames, which constituted the bulk of all public works castings exported from India to the United States in 1979.

Certain public works castings are produced by pouring molten iron into sand molds which have been chemically treated to eliminate absorbency and packed to a density of 90 pounds per square inch. The mold is allowed to cool and is then removed from the casting. The sand is "mulled" or reprocessed for further use. The Cast Metals Federation estimates that 90 percent of the castings poured each year utilize scrap iron as the raw material. Pig iron is also used to a limited extent.

Although the foundry industry is considered a capital-intensive industry, the production of public works castings is relatively labor intensive. Because each buying entity, e.g., utility company or municipality, requires products made to its own specifications, there are few standardized items. The castings industry in India is considerably more labor intensive than that in the United States; the majority of the casting operations there, especially in the finishing and handling areas, are done by hand rather than by machine.

U.S. Tariff Treatment

The public works castings which are the subject of this investigation are classified for tariff purposes under item 657.09 of the TSUS. This item is applicable to imported cast-iron articles, neither malleable nor alloyed, and as such includes a variety of merchandise commonly called public works castings, including manhole covers and frames, catch basin grates and frames, water and gas valve boxes, and other cast-iron products for municipal, residential, and utility uses. Also entered under this TSUS item are fence fittings, rail ends, counter weights, and cast-iron carts. The column 1 (most-favored-nation) rate of duty applicable to merchandise entered under this item is free. The column 2 rate (applicable to imports from certain Communist-dominated countries) is 10 percent ad valorem. These rates have been in effect since January 1, 1972. The implementation of the Geneva Protocol (1979) to the General Agreement on Tariffs and Trade does not affect the rates of duty on these items.

Nature and Extent of the Bounties or Grants Being Paid or Bestowed

The petition filed by Pinkerton Foundry, Inc., alleges that the Govern^{A-2}ment of India bestows bounties or grants on the production of all iron castings, including certain public works castings.

The specific subsidies alleged by the petitioner to have been paid by the Government of India to manufacturers and/or exporters of certain public works castings are as follows:

1. Cash grant program on exports under the Government's "Export Cash Assistance Program."
2. Tax credit against business and income taxes based on export values.
3. Tax deductions at 150 percent on expenses for overseas export promotion.
4. Remission of customs duties and excise taxes on machinery used for export production.
5. Subsidized export insurance and export credit available to Indian exporters.
6. Favorable import licenses and foreign exchange treatment.
7. Special incentives granted to manufacturers within free trade zones, including income tax holidays, financing at preferred rates, and cash subsidies by state and national governments.
8. Subsidized inland transportation and subsidized ocean freight.
9. Tax deductions for capital investment reserves for selected industries and new industrial ventures.
10. Government underwriting of foreign trade shows.

According to information provided orally by a deputy secretary of India's Ministry of Commerce to an official of the American Embassy in New Delhi, at least some of the petitioner's subsidy allegations are correct. An Embassy cable to Washington, dated February 7, 1980, summarized the above discussion as follows:

Indian manufacturers and exporters of iron castings (galvanized and ungalvanized), including manhole covers and frames, are entitled to a cash subsidy on exports to the United States at the rate of 12 and one-half percent of the f.o.b. value of exports. In addition, Indian firms are eligible for: (a) import replenishment licenses for imports of raw material, components, and machinery at the rate of 10 percent of the f.o.b. value of the exports; and (b) a duty drawback at the rate of 73 RS rupees per ton if ungalvanized and RS 421 per ton if galvanized.

The Department of Commerce is conducting an investigation concurrent with the Commission's investigation to determine the nature and extent of the subsidies granted by India, if any, to its producers/exporters of certain public works castings. Commerce published a notice of continuance of its investigation in this matter in the Federal Register on March 14, 1980 (45 F.R. 18521).

Domestic Producers and Channels of Distribution

According to the Cast Metals Federation, the metals-casting industry in the United States is composed of approximately 4,200 individual foundries employing some 375,000 people. Of these, approximately 50 foundries specialize in the production of public works castings.

Producing facilities are located throughout the United States, and almost all public-works-casting foundries market their products within 200 miles of their producing facilities. There are two reasons for this highly localized market structure: first, freight costs are very high on these bulky and heavy items, and second, specifications of manhole assemblies and other public works castings may vary among different geographical regions and political jurisdictions. One large U.S. firm, which is an exception to the rule of supplying only a regional market, is Neenah Foundry Co., Neenah, Wis. This firm manufactures public works castings in its Wisconsin facilities and markets them nationwide through its own distributors. In 1979, Neenah accounted for *** percent of the shipments of certain public works castings reported to the Commission by questionnaire respondents.

The trend among several public works casting foundries in the past few years has been to supplement their domestic production with imports, primarily from India. The general practice of these foundries has been to import the standardized, lower profit items in order to be able to concentrate production on the more specialized, higher profit public works castings in their domestic facilities.

Consideration of Material Injury or Likelihood Thereof

U.S. imports

Data on imports of certain public works castings are not separately reported in the official statistics of the U.S. Department of Commerce. Such imports are included in the data reported for all articles entered under TSUS 657.09. In order to estimate imports of certain public works castings, the Commission staff analyzed unit values for all import shipments under this TSUS item and unit values of public works castings derived from a 1-percent sample of customs documents. This analysis was cross-referenced with import specialists in the U.S. Customs Service at the ports where large quantities of articles classified under TSUS item 657.09 are entered. The estimated

quantity and value of U.S. imports of certain public works castings are shown in table 1 below.

Table 1.--Certain public works castings: Estimated U.S. imports for consumption, by principal sources, 1977-79

Source	1977	1978	1979
Quantity (1,000 pounds)			
India-----	27,164	66,024	101,423
Canada-----	2,090	3,894	2,521
Taiwan-----	610	3,028	10,423
Mexico-----	4,926	10,978	11,520
All other-----	568	926	1,385
Total-----	35,358	84,850	127,272
Value (1,000 dollars)			
India-----	2,576	6,449	11,116
Canada-----	402	757	571
Taiwan-----	116	579	1,972
Mexico-----	934	1,924	2,433
All other-----	252	411	535
Total-----	4,280	10,120	16,627
Unit value (cents per pound)			
India-----	9.48	9.77	10.96
Canada-----	19.23	19.44	22.65
Taiwan-----	19.00	19.12	18.92
Mexico-----	18.96	17.53	21.12
All other-----	44.37	44.38	38.60
Total-----	12.10	11.93	13.06

The estimated quantity of U.S. imports of certain public works castings rose from 35.4 million pounds in 1977 to 127.3 million pounds in 1979, or by 260 percent. On a value basis, imports rose 289 percent over the same period. India was the predominant supplier throughout the period, increasing its share of all imports, on a quantity basis, from 77 percent in 1977 to 80 percent in 1979. Analysis of import data also reveals that imports of these products from India had significantly lower unit values than imports from other foreign sources. The bulk of imports from India were manhole covers and frames, and rings, while imports from other countries showed a greater diversity of products.

As indicated in table 2, the share of all imports entering the United States at west coast ports decreased from 41.1 percent in 1977 to 34.1 percent in 1978. The share of imports from India entering the United States at west coast ports decreased from 33.3 percent in 1977 to 26.1 percent in 1978.

Table 2.--Certain public works castings: Estimated U.S. imports for consumption, by principal sources, 1977-79--

(In thousands of dollars)

Source	1977		1978	
	Customs districts	Other customs districts	Customs districts	Other customs districts
	India-----	856	1,720	1,678
Canada-----	<u>1/</u>	402	<u>1/</u>	757
Taiwan-----	22	94	171	408
Mexico-----	828	106	1,519	405
All other-----	56	196	86	325
Total-----	1,762	2,518	3,454	6,666

1/ Less than \$500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. producers' shipments and exports

According to data obtained from 10 producers, accounting for at least 15 percent of total U.S. shipments, the quantity of U.S. producers' shipments of certain public works castings increased by 6 percent during 1977-79. The value of producers' shipments, however, exhibited a stronger growth during this 3-year period, rising by 26 percent. U.S. producers' shipments of certain public works castings during 1977-79 are shown in table 3.

Table 3.--Certain public works castings: U.S. producers' shipments, 1977-79

Period	Quantity	Value	Unit value
	<u>1,000 pounds</u>	<u>1,000 dollars</u>	<u>Cents per pound</u>
1977-----	191,460	47,606	24.9
1978-----	202,159	51,375	25.4
1979-----	202,950	58,373	28.8

Source: Compiled from data submitted by 10 major producers, accounting for at least 15 percent of U.S. industry shipments, in response to questionnaires of the U.S. International Trade Commission.

U.S. producers' shipments in the west coast marketing area 1/ displayed a different trend, increasing slightly from 1977 to 1978, but then declining 28 percent in 1979 (in terms of quantity) from the 1978 level, as shown in table 4. Shipments of certain public works castings by west coast producers declined as a share of total shipments from 14 percent in 1977 to 10 percent in 1979.

Table 4.--Certain public works castings: U.S. producers' domestic shipments in the West coast marketing area and total 1977-79

Item	1977	1978	1979
West coast shipments 1,000 pounds--	27,603	28,541	20,452
Total shipments-----do-----	191,460	202,159	202,950
Ratio of west coast shipments to total percent--	14.4	14.1	10.1

Source: Compiled from data submitted by 10 major producers, in response to questionnaires of the U.S. International Trade Commission.

Domestic shipments by those foundries which do not import the types of public works castings for which data were collected are compared with the total industry profile in table 5. Such "producer only" foundry shipments increased by 17 percent from 1977 to 1978, to 52 percent of total domestic shipments, but then fell by 3.9 percent in 1979 to just below 50 percent of total shipments.

1/ Of the 10 producers who responded to Commission questionnaires in the instant case, 4 are located in the west coast marketing area and 2 others reported sales in that area. The west coast marketing area was defined for the purposes of this investigation to include the following States: Washington, Oregon, California, Nevada, Idaho, Montana, Arizona, Utah, Wyoming, Colorado, New Mexico, Hawaii, and Alaska.

Table 5.--Certain public works castings: U.S. producers' domestic shipments, by types of operation, 1977-79

Item	1977	1978	1979
Producer-only shipments 1,000 pounds--	89,297	104,627	100,509
Producer-importer ship ments 1,000 pounds--	102,163	97,532	102,441
Total-----do-----	191,460	202,159	202,950
Ratio of producer-only shipments total percent--	46.6	51.8	49.5

Source: Compiled from data submitted by 10 major producers, in response to questionnaires of the U.S. International Trade Commission.

Only one respondent reported exports of certain public works castings during the 1977-79 period. These exports amounted to less than 1 percent of the firm's total shipments for that period. At the public conference in the instant case, spokesmen for the domestic industry stated that they believed exports of certain public works castings to be negligible, claiming that high freight costs coupled with the relatively high unit value of U.S. castings severely limited the development of an export market. ^{1/}

Capacity utilization

As part of its consideration of injury to the domestic industry, the Commission asked U.S. producers of certain public works castings to report their annual capacities to produce these articles in their domestic facilities. Capacity was defined as the maximum sustainable production of one 8-hour shift a day, 260 days a year. Ten foundries provided the Commission with useable data on capacity utilization, as given in table 6.

Utilization of all respondents' capacities decreased somewhat from 1977 to 1978, and then rebounded to 85 percent in 1979. This high level of capacity utilization for all respondents contrasts to the experience of those foundries located in the west coast marketing area, which experienced a 22.4 percent drop in capacity utilization from 1977 to 1979. It is evident from table 6 that the decline in west coast respondents' capacity utilization is chiefly attributable to the decline in their production of certain public works castings, which increased slightly from 1977 to 1978 before decreasing by 28.7 percent from 1978 to 1979. Data on west coast respondents' production is influenced by inclusion of data from Comco Foundry, which suspended all production in February 1979.

^{1/} Transcript of the conference, pp. 29-30.

Table 6.--Certain public works castings: U.S. production, capacity and capacity utilization for west coast and all respondents, 1977-79

Item and Year	Production	Capacity	Capacity utilization
	1,000 pounds	1,000 pounds	Percent
West coast respondents:			
1977-----	25,530	33,408	76.4
1978-----	26,140	38,194	68.4
1979-----	18,194	30,678	59.3
All respondents:			
1977-----	198,502	237,755	83.5
1978-----	201,906	250,441	80.6
1979-----	210,231	247,125	85.1

Source: Compiled from data submitted by 10 major producers, in response to questionnaires of the U.S. International Trade Commission.

Employment and hours worked

Employment data were collected from 9 major U.S. producers of certain public works castings. As shown in table 7, the average number of production and related workers engaged in the manufacture of such castings fluctuated within a narrow range during 1977-79. The number of hours worked by such employees declined from 2.45 million in 1977 to 2.38 million in 1978, ^{1/} but then increased to 2.53 million in 1979. The average number of hours worked per week per worker followed a similar pattern, declining from 41.3 hours in 1977 to 39.8 hours in 1978, and then increasing to 43.0 hours in 1979.

^{1/} The 1978 decline in man-hours worked was primarily attributable to ***.

Table 7.--Average number of production and related workers producing public works castings and man-hours worked by such workers for west coast and all respondents, 1977-79

Item	1977	1978	1979
West coast respondents:			
Average number of production and related workers-----	286	288	236
Man-hours worked by production and related workers-----	455,000	479,000	363,000
Average weekly hours per worker---	31.9	33.3	30.8
All respondents:			
Average number of production and related workers-----	1,188	1,197	1,179
Man-hours worked by production and related workers-----	2,452,000	2,381,000	2,533,000
Average weekly hours per worker---	41.3	39.8	43.0

Source: Compiled from data submitted by 9 major producers in response to questionnaires of the U.S. International Trade Commission.

In contrast, employment data for west coast foundries reflect sharp drops in the number of production and related workers and the number of hours worked between 1978 and 1979, largely because of layoffs at Comco Foundry. Furthermore, the average number of hours worked per week ranged from 30.8 to 33.3 during 1977-79, approximately 10 hours below the national average.

Inventories

The Commission received useable inventory data from 9 domestic producers of certain public works castings. As shown in table 8, data compiled from all respondents reveal a noticeable decline in the ratio of inventories to shipments, which dropped from 29.8 percent in 1977 to 20.9 percent in 1979, or by 31 percent.

Table 8.--Certain public works castings: U.S. producers' end-of-year inventories and shipments for West coast and all respondents 1977-79

Item and year	Producers' inventories	Producers shipments	Ratio of inventories to shipments
	<u>1,000</u> <u>pounds</u>	<u>1,000</u> <u>pounds</u>	<u>Percent</u>
West coast respondents:			
1977-----	***	***	14.3
1978-----	***	***	14.4
1979-----	***	***	14.2
All respondents:			
1977-----	46,438	156,226	29.7
1978-----	38,479	169,552	22.7
1979-----	36,454	174,862	20.9

Source: Compiled from data submitted by 9 major producers in response to questionnaires of the U.S. International Trade Commission.

In contrast, the ratio of inventories to shipments for west coast respondents remained stable throughout the period at about 14 percent, despite the *** percent decline in west coast respondents' shipments from 1978 to 1979. The lower ratios for west coast respondents are in large part attributable to the exclusion of data submitted by ***, which maintains a high inventory ***. The marked decreases in west coast respondents' inventories and shipments are chiefly attributable to ***.

Profit-and-loss experience

The Commission received useable profit-and-loss data from 9 firms representing at least 15 percent to total industry shipments of certain public works castings in 1977. Net sales of the respondents rose from \$59 million in 1977 to \$76 million in 1979, or by 29 percent. However, net operating profit decreased by 37 percent over the same period. The ratio of net operating profit to net sales declined markedly from 1977 to 1978 and slightly from 1978 to 1979. The profit-and-loss experience of producers of certain public works castings, in the west coast marketing area and all producers is summarized in table 9.

Net sales of west coast respondents, in contrast to those of the industry as a whole, declined by 12 percent from 1977 to 1979. These respondents suffered a net operating loss in 1978, and were prevented from another net operating loss in 1979 only by a change in the accounting practices of one of the respondents (see footnote 3, table 9.).

The profit-and-loss experience of those producers of certain public works castings which also import such castings is compared with that of producers which do not import in table 10. Whereas both producers' and producer-

importers' net sales rose and the ratio of net operating profit to net sales fell for both groups during 1977-79, the financial performance of producer-importers lagged behind that of producers which do not import. Net operating profit of producer-only foundries decreased 15 percent from 1977 to 1979, compared with a 93 percent decrease in the net operating profit of producer-importer foundries. Again, strikes and changes in accounting practices influence data of some producers (see footnotes, table 10).

Table 9.—Profit-and-loss experience of U.S. producers of certain public works castings in the West coast marketing area and total, 1977-79

Item	1977	1978	1979
West coast respondents:			
Net sales-----1,000 dollars--:	9,581	9,305	8,386
Cost of goods sold-----do-----:	7,849	8,170	7,087
Gross profit-----do-----:	1,732	<u>1/</u> 1,134	<u>1/</u> 1,300
General, selling, and administrative expenses-----1,000 dollars--:	1,465	1,446	1,206
Net operating profit-----do-----:	267	(312)	<u>2/</u> 94
Ratio of net operating profit or (loss) to net sales-----percent-----:	2.8	(3.4)	<u>2/</u> 1.1
Number of firms reporting net operating losses-----:	1	2	<u>2/</u> 1
All respondents:			
Net sales-----1,000 dollars--:	59,182	66,003	76,189
Cost of goods sold-----do-----:	44,762	52,784	61,268
Gross profit-----do-----:	14,420	<u>1/</u> 13,216	14,921
General, selling, and administrative expenses-----1,000 dollars--:	9,207	10,185	11,701
Net operating profit-----do-----:	5,123	<u>3/</u> 3,031	<u>3/</u> 3,220
Ratio of net operating profit to net sales-----percent-----:	8.8	<u>3/</u> 4.6	<u>2/</u> 4.3
Number of firms reporting net operating losses-----:	1	<u>3/</u> 3	<u>2/</u> 2
<u>1/</u> Because of rounding, figures may not add to the totals shown.			
<u>2/</u> *	*	*	*
<u>3/</u> *	*	*	*

Source: Compiled from data submitted by 9 major producers in response to questionnaires of the U.S. International Trade Commission.

Table 10.—Profit-and-loss experience of U.S. producers and producer-importers of certain public works castings, 1977-79

Item	1977	1978	1979		
Producers:					
Net sales-----1,000 dollars--	***	***	***		
Cost of goods sold-----do-----	***	***	***		
Gross profit-----do-----	***	1/	***		
General, selling, and administrative expenses-----1,000 dollars--	***	***	***		
Net operating profit-----do-----	***	***	***		
Ratio of net operating profit to net sales-----percent-----	9.3	6.5	6.0		
Number of firms reporting net operating losses-----	1	1	1		
Producer-importers:					
Net sales-----1,000 dollars--	***	***	***		
Cost of goods sold-----do-----	***	***	***		
Gross profit-----do-----	***	1/	***		
General, selling, and administrative expenses-----1,000 dollars--	***	***	***		
Net operating profit-----do-----	***	2/	3/		
Ratio of net operating profit to net sales-----percent-----	7.8	2/	0.3	3/	0.4
Number of firms reporting net operating losses-----	0	2/	2	3/	1

1/ Because of rounding, figures may not add to the totals shown.

2/ * * * * *

3/ * * * * *

Source: Compiled from data submitted by 9 major producers in response to questionnaires of the U.S. International Trade Commission.

Consideration of the Causal Relationship Between Imports From India and the Alleged Material Injury or Threat Thereof

Market penetration of imports from India

According to data derived from U.S. Department of Commerce statistics, the Commission's questionnaire data accounted for at least 15 percent of the estimated total value of industry shipments in 1977. Therefore, questionnaire data on producers' shipments were expanded to develop estimated industry-wide shipments in 1978 and 1979 too. These data and those on estimated imports show that imports from India as a share of apparent consumption increased from 2.0 percent in 1977 to 6.7 percent in 1979, or by 235 percent (table 11).

Prices

Lowest net selling prices of two selected public works casting products were analyzed by the Commission. The amount of underselling or overselling by these products from India was examined in relation to the weighted average lowest net selling prices of domestic producers which do not import such castings and those which do. The reason for this distinction is that firms that both produce and import a certain type of casting generally market the product at a uniform price.

Manhole assemblies, consisting of manhole frames, covers, and rings, account for the bulk of public works castings imported from India. In 1978, manhole assemblies imported from India and sold by U.S. foundries undersold U.S. producer-only products by an average of 31 percent (table 12). This margin of underselling increased to 34 percent in 1979. Prices for the specified manhole assembly from India offered by importers which do not produce castings domestically were lower than those offered by producer-importers in all quarters in 1978 and 1979. Indian manhole assemblies marketed by such importers undersold U.S. producer-only products by an average of 42 percent in 1978 and 36 percent in 1979.

Significant margins of underselling were also found for the specified three-piece catch basins imported from India. Such imports offered by U.S. producer-importers undersold the U.S. producer-only product by an average of

Table 11.--Certain public works castings: Estimated U.S. producers' shipments, imports, and apparent consumption, 1977-79

Year	U.S. producers' shipments	Imports	Apparent consumption	Imports from India	Ratio of imports to apparent consumption	Ratio of imports from India to apparent consumption
1977	1,311,370	35,358	1,346,728	27,164	2.6	2.0
1978	1,384,651	84,850	1,469,501	66,024	5.8	4.5
1979	1,390,068	127,272	1,517,340	101,423	8.4	6.7

1/ Data on reports are not available, but they are believed to be negligible.

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

Table 12.--Manhole assemblies: 1/ Weighted average lowest net selling prices of U.S. producers, U.S.-producer-importers for their domestic product and their product imported from India, U.S. importers for their product imported from India, and the average margin of underselling by imports from India, by quarters, 1978 and 1979

Period	U.S. producer-importers' price for--		U.S. importers' price for im-		Margin of underselling		Percent
	U.S. producers' prices	Domestic product	U.S. importers' price for im-	U.S. importers' price for im-	by producer-importers' im-	by underselling product	
	Cents per pound						
1978:							
Jan.-Mar	27.57	21.98	19.19	16.39	30		41
Apr.-June	27.81	22.30	19.77	16.39	29		41
July-Sept	27.94	22.62	19.59	16.39	30		41
Oct.-Dec	29.08	22.62	19.59	16.39	33		44
1979:							
Jan.-Mar	29.53	22.74	19.31	18.93	35		36
Apr.-June	30.22	22.90	20.42	19.52	32		35
July-Sept	30.80	22.90	20.42	19.71	34		36
Oct.-Dec	31.56	23.03	20.61	20.03	35		37

1/ Of cast iron, no-rock traffic type, approximately 270 pounds, approximately 31-1/2 inches at base, 26-1/4 inches surface diameter, 1-3/8 inches thick at center, frame approximately 32 inches, 4-1/2 inches high, 24 inches clear opening. Cover 25 inches diameter, 1-1/8 inches thick at center.

34 percent in 1978 and 32 percent in 1979 (table 13). As for manhole assemblies, prices for catch-basins offered by importers which do not produce castings domestically were somewhat lower than those offered by producer-importers. These importers' products undersold U.S. producer-only products by an average of 38 percent in 1978 and 34 percent in 1979.

The decrease in the margin of underselling by both types of imports from 1978 to 1979 is most likely attributable to rising shipping costs for imported castings. At the Commission's conference in the present case, importers' representatives claimed that rising costs associated with both overseas and inland shipping of these bulky items have led to significant increases in the prices of castings imported from India in 1980. 1/

Lost sales

Domestic producers of certain public works castings were requested to supply evidence of sales lost to imports of these products from India. One firm furnished specific information; another firm furnished a list of public works castings suppliers in its marketing area which it had reason to believe were buying Indian products. Finally, the U.S. foundries which were recipients of Commission questionnaires were queried as to whether they purchased castings from India in the period 1977-79, and, if so, why they had made such purchases in lieu of producing such castings in their own domestic facilities.

Six firms alleged to have purchased castings from India by the firm providing specific lost sales information were contacted by the Commission. Five of the six purchasers confirmed that they had purchased castings imported from India in lieu of the domestic product, and all five stated that they had done so solely because the prices of the imported castings were lower. The other purchaser was not certain that it had purchased imported castings, stating that it bought castings from distributors and did not know their origin.

The five foundries which imported castings from India in lieu of producing the products in their domestic facilities listed the lower price of the imported article as the most important factor in their decisions, followed closely by the desire to develop an alternative source. The Commission's staff was advised that it is often more profitable for U.S. foundries to import the cheaper, relatively standardized types of public works castings such as manhole assemblies, and concentrate domestic facilities on the production of more specialized, higher profit castings.

At the Commission's conference in the present case, representatives of respondents produced copies of two letters sent by the petitioner to two customers advising them that if they purchased imported castings, a 100-percent "surcharge" would be added on castings purchased by them from the petitioner. The Commission staff verified the authenticity of these letters. Both firms no longer purchase castings from the petitioner.

1/ Transcript of the conference, p. 91 ff.

Table 13.--Catch basin assemblies: 1/ Weighted average lowest net selling prices of U.S. producers, U.S. producer-importers for their domestic product and their product imported from India, U.S. importers for their product imported from India, and the average margin of underselling by imports from India, by quarters, 1978 and 1979

Period	U.S. producers' prices	U.S. producer-importers' price for---		U.S. importers' price for im-ported product	Margin of underselling : by producer-importers' im-ported product		Percent
		Domestic product	Imported product		underselling	by importer's product	
1978:							
Jan.-Mar	29.92	23.60	20.59	18.80	31		37
Apr.-June	29.92	23.60	20.59	18.80	31		37
July-Sept	30.16	23.60	19.46	18.80	35		38
Oct.-Dec	30.74	23.60	19.46	18.80	37		39
1979:							
Jan.-Mar	31.00	25.36	20.19	19.83	35		36
Apr.-June	30.53	25.36	20.68	20.04	32		34
July-Sept	29.83	25.36	20.68	19.44	31		35
Oct.-Dec	29.83	25.36	21.18	20.61	29		31

1/ 3-piece catch basin of cast iron, grate size 17 inches X 25 inches, 8 inches high side inlet unit, approximately 285 pounds.

APPENDIX

**U.S. INTERNATIONAL TRADE COMMISSION'S NOTICE OF INVESTIGATION
AND CONFERENCE CONCERNING INVESTIGATION No. 303-TA-13**

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UNITED STATES
INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436

303-TA-13 (Preliminary)
Certain Public Works Castings from India

Notice of Institution of Preliminary Countervailing Duty
Investigation and Scheduling of Conference

Investigation instituted. Following receipt of a petition on February 19, 1980, filed by Pinkerton Foundry, Inc., Lodi, California, a domestic producer of cast gray-iron articles, the United States International Trade Commission on February 21, 1980, instituted a preliminary countervailing duty investigation under section 303 of the Tariff Act of 1930, as amended by section 103(b) of the Trade Agreements Act of 1979, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of allegedly subsidized imports from India of manhole covers and frames, catch basin grates and frames, and cleanout covers and frames, provided for in item 657.09 of the Tariff Schedules of the United States. This investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and, particularly, Subpart B thereof, effective January 1, 1980.

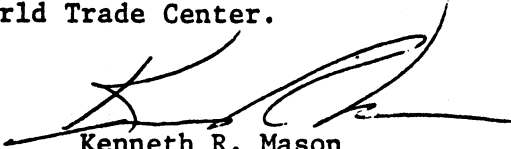
Written submissions. Any person may submit to the Commission on or before March 20, 1980, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be

clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All the written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with the investigation for 10 a.m., e.s.t., on Monday, March 17, 1980, at the U.S. International Trade Commission Building, 701 E. Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the senior investigator for the investigation, Mr. Thomas St. Maxens (202-523-0267). It is anticipated that parties in support of the petition for countervailing duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the senior investigator.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission, and at the New York City office of the U.S. International Trade Commission located at 6 World Trade Center.



Kenneth R. Mason
Secretary

Issued: February 22, 1980

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