CERTAIN STEEL WIRE NAILS FROM CANADA

Determination of No Injury in Investigation No. AA1921-189 Under the Antidumping Act, 1921, as Amended, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

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GEORGE M. MOORE, AND CATHERINE BEDELL

In order for the Commission to find in the affirmative in an investigation under the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), it is necessary to find that an industry in the United States is being or is likely to be injured, or is prevented from being established, 1/ and the injury or likelihood thereof must be by reason of imports at less than fair value (LTFV).

Determination

On the basis of the information obtained in this investigation, we determine that an industry in the United States is not being and is not likely to be injured by reason of the importation of certain steel wire nails from Canada which the Secretary of the Treasury has determined are being, or are likely to be, sold at LTFV.

The imported article and the domestic industry

The steel wire nails subject to this investigation are those of one-piece construction, 1 inch or more in length, and 0.065 inch or more in diameter. Also included are brads, spikes, staples, and tacks meeting these descriptive requirements. About 50 U.S. firms make steel wire nails in plants located primarily in the North Central and Northeastern States. There are two general types of firms involved -- large integrated companies that make steel rod, draw it into wire, and then make nails from the wire, and smaller non-integrated firms (also called converters or fabricators) that make nails from purchased steel rod or wire.

1/ Prevention of establishment of an industry is not an issue in this investigation and will not be discussed further.

LTFV sales

The Treasury Department investigation on certain steel wire nails from Canada covered sales made during the period July 1, 1977 through December 1, 1977. The investigation was limited to four manufacturers which together accounted for more than 78 percent of all Canadian-made steel wire nails sold for export to the United States. They are Sivaco Wire & Nail Co. (Sivaco), the Steel Company of Canada, Ltd. (Stelco), Titan Steel and Wire Co., Ltd. (Titan), and Tree Island Steel Co., Ltd. (Tree Island). Treasury considered the LTFV margins found for Stelco and Tree Island (1.5 percent and 0.9 percent, respectively) to be minimal in relation to the total volume of exports and therefore excluded those companies from its determination. Weighted average margins found for Sivaco and Titan were 5.3 percent and 2.5 percent, respectively. Of these two companies, Sivaco is by far the larger, with U.S. sales of $9.5 million during the period of Treasury's investigation compared with sales of about $140,000 by Titan.

The question of injury or likelihood thereof by reason of LTFV sales

U.S. consumption -- The U.S. steel wire nail market is highly sensitive to fluctuations in the overall domestic economy and thus, apparent consumption of nails dropped sharply in the recession year, 1975. Since then, consumption has risen rapidly to 741,000 short tons in 1977 (an annual growth rate of about 23 percent), and in July-September 1978, apparent consumption was about 6 percent more than that for January-September 1977. According to industry representatives, substitute products such as structural glue are not expected to displace nails in the market in the near future and technological

developments such as automatic nailing guns (which greatly increase carpenter productivity) will further strengthen demand for nails.

U.S. production and utilization of productive facilities -- Production of steel wire nails increased each year during 1975-77 and rose in January-September 1978 compared with January-September 1977. In addition, capacity utilization (based on a 5-day-a-week operating level) also increased each year from 72 percent in 1975 to 76 percent in 1977, and rose further to 78 percent in January-September 1978. Several new firms started production during 1975-78, and many existing firms expanded their operations. Sales of nail-producing machinery are also increasing.

Inventories -- U.S. producers maintained a relatively constant 1 to 2 month supply of inventory throughout the periods examined, although inventories were typically higher at the end of December when the construction market is slow than at the end of September when that market is still strong. The decline in the ratio of end-of-period inventories to shipments from 13.7 percent in 1976 to 12.5 percent in 1977 is evidence that large amounts of inventory are not accumulating.

Profitability -- While there is evidence of a decrease in gross profit margins during 1975-77, the total gross profits of the integrated and non-integrated producers surveyed rose. The current and prospective return on investment has been adequate for Sivaco to build new production facilities in the Northeast and Virginia, where complainants argue that the impact of LTFV sales was greatest. During the same period, there is evidence of a substantial increase in the number of nail-producing machines purchased.

Employment -- The number of production and related workers employed in the nail operations of the firms surveyed rose from 1,330 in 1975 to 1,600 in 1977, and stood at 1,610 in January-September 1978. Output per man-hour worked declined during 1975-77 because of certain startup inefficiencies experienced by the new firms, but productivity rose from 160 pounds per man-hour in 1977, to 166 pounds per man-hour in January-September 1978, as the operations of these firms normalized.

Imports and market share -- Imports from companies subject to the LTFV determination accounted for less than 15 percent of total imports in 1977, and less than 10 percent of apparent U.S. consumption. From 1975-77, such imports increased their market share by less than 1 percentage point and lost share in January-September 1978 compared with the corresponding period in 1977. Other imports increased their share of the market more rapidly during 1975-78 than did Canadian companies subject to the LTFV finding.

Lost sales -- Domestic producers submitted numerous allegations of sales lost to LTFV imports. Of the 25 purchasers contacted by the Commission, only one indicated that price had been the primary reason for shifting its source of supply to a Canadian firm subject to Treasury's LTFV sales determination. The remaining purchasers selected suppliers based on other factors, such as service or availability of a more complete product line. The changes in market share mentioned above do not indicate that any substantial sales have been lost to Canadian producers subject to the LTFV determination.

Prices -- After declining in 1975, prices for nails have generally risen, particularly during the first 3 quarters of 1978. The strong demand for nails plus the establishment of trigger prices in 1978, 1/ virtually

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1/ Trigger prices were increased on October 1, 1978, and again on January 1, 1979.

insure that prices will stabilize or continue to increase, thus generating increasing profits for the U.S. industry. In addition, assurances have been given by Stelco and Tree Island that they will not sell nails in the United States at LTFV in the future, and such assurances have been offered by Sivaco. During 1976, 1977 and January-September 1978, Sivaco generally undersold U.S. producers by 10 to 15 percent, while their LTFV margin was 5.3 percent. We also found no evidence of either price suppression or price depression by reason of LTFV sales.

Summary -- With consumption increasing, U.S.production and capacity utilization increasing since the recession of 1975, employment increasing, inventories steady and turning slightly downward, and profits only slightly down, there is little indication of injury to the domestic industry. Whatever injury may be occurring, however, is not by reason of LTFV sales from Canada. Other imports are increasing more rapidly than LTFV imports from Canada. Lost sales evidence does not support a causal connection, and price information further supports the assertion that any injury is not by reason of LTFV sales. In view of the increasing trends noted above with respect to U.S. producers' production, capacity utilization, and employment, the stable or decreasing trend of imports from companies subject to the LTFV determination, generally increasing domestic and imported prices for nails, and the fact that price assurances have been given by two Canadian producers and offered by Sivaco, we also find no indication of a likelihood of injury to the U.S. industry.

Conclusion

It is clear from the above considerations that the U.S. industry producing steel wire nails in the United States is not being and is not likely to be injured by reason of the importation of such nails from Canada found by Treasury to be, or likely to be, sold in the United States at LTFV. Therefore, we find in the negative.

STATEMENT OF REASONS FOR THE NEGATIVE DETERMINATION
OF COMMISSIONER PAULA STERN

Having considered all of the information before me in this investigation, I have determined, pursuant to Section 201 of the Antidumping Act of 1921, as amended, that an industry in the United States is not being or likely to be injured, or prevented from being established, by reason of the importation into the United States from Canada of certain steel wire nails at less than fair value.

The Domestic Industry

The subject of this investigation is steel wire nails, consisting of steel wire brads, nails, spikes, staples and tacks of one piece construction, one inch or more in length and 0.065 inch or more in diameter, as provided for in TSUS item 646.26.

These items are produced domestically by over fifty companies, but the seven petitioners all come from the small group of eight integrated steel producing firms which account for three-fourths of domestic nail shipments. The integrated firms manufacture steel wire rod, draw the wire rod into wire, and then produce nails from the wire. They generally derive greater profits from products other than nails and they concentrate their nail production on lower-priced high-volume items. Most use nail producing machines that were installed nearly fifty years ago, and the Commission heard testimony that some of these firms consider nail production a means of consuming excess or rejected material from their other steel operations.

Numerous smaller nonintegrated firms purchase either steel wire rod or drawn wire to make the remaining one-fourth of domestic nail shipments. These firms concentrate on producing higher-priced specialty nails. Included among these firms are the only U.S. producers of collated nails (nails

driven by means of nail guns at rates of up to 150 per minute), a new and fast growing segment of the nail industry, which according to testimony has tripled in volume in the last five years and presently accounts for fifteen percent of the domestic nail market. The nonintegrated firms generally consider nail making more essential to their operations and have made substantial investments in new equipment to enhance production capability. Included in this latter group of smaller firms are New York Wire Mills, Inc. and Virginia Wire and Fabric Company, both owned by Ivaco Industries, Ltd., which also owns Sivaco Wire and Nail Co., the largest Canadian exporter of nails found to be exporting to the United States at less than fair value.

Imports

Imports from all sources have steadily risen as a share of total U.S. consumption, from approximately 42% in 1975, to just under 50% in 1976, and over 53% in 1977. Data on consumption for 1975-1977 is from the Department of Commerce. The only available consumption data for the first nine months of 1978 is from the American Iron and Steel Institute, and is not comparable to Commerce data. For each full year during the period of investigation, 1975-1977, exports from four countries -- Japan, Korea, Canada and Poland -- have accounted for at least 85% of total U.S. imports. In the first three quarters of 1978, 80% of total imports came from these four countries.

Imports from Canada declined from a peak of 24% of total imports in 1975 (Canada's largest share of total imports for any year from 1968 to

present) to 18% in 1976 and 19% in 1977, and were 17% of total imports in the first three quarters of 1978. The Department of Treasury determined that during the period of its investigation, July 1-December 31, 1977, two Canadian firms, Sivaco Wire and Nail Co. (Sivaco) and Titan Steel and Wire Co. (Titan) had exported nails to the United States at less than fair value margins of 5.3% and 2.5%, respectively. Sivaco's exports to the United States during the period of Treasury's investigation totalled $9.5 million, while Titan's totalled only $140,000. Exports by the other Canadian nail producers either were not investigated by Treasury or were found to have been at de minimus less than fair value margins. Based upon information received by the Commission from Canadian producers for the period since 1975, the ratio of exports to the United States by Canadian producers included in Treasury's determination to those excluded have risen only slightly since 1975. As a share of total U.S. imports, Canadian exports at less than fair value have declined since 1975, while as a share of U.S. consumption these exports increased less than one percentage point.

Injury

Section 201 of the Antidumping Act, as amended, does not set forth standards for determining whether an industry is being or is likely to be injured by reason of less than fair value imports. As a result, the Commission has traditionally exercised considerable discretion in making its determinations based upon the particular facts in each case.

Section 201 of the Act does require the Commission find that two conditions have been satisfied before an affirmative determination can be made. First, the Commission must determine that an industry is being or

is likely to be injured. This determination is based upon certain economic indicators -- consumption, production, capacity changes and utilization, shipments, inventory levels, employment and profits. Second, the Commission must determine that the injury is "by reason of" the less than fair value imports. This second determination is based upon an analysis of such factors as market penetration by less than fair value imports, documented lost sales of domestic manufacturers to less than fair value imports, a price depression of the impacted competitive products or price suppression. As for likelihood of injury, foreign capacity to produce for export is also considered. If the Commission finds that either condition has not been met, its determination must be negative, and it need not consider factors relevant to determining the other condition.

In the present inquiry, I found, based upon my consideration of the relevant indicators described above, that the steel wire nail industry is not being injured or threatened with injury. Commission data indicates that domestic shipments of these nails have been increasing, that unsold inventories have been stable, and that U.S. production, capacity utilization, the manhours utilized in this industry, and the workforce are all up. Having found no injury to exist, there is no need to consider the factors relevant to the second condition, dealing with causation of injury. Thus, I will limit my discussion to those economic indicators relevant to the question of injury.

Domestic consumption, production and capacity utilization of steel wire nails increased for each year during the period of 1975 through 1977 and during the first three quarters of 1978. Consumption rose rapidly from

a recession low of 493,778 short tons in 1975 to 670,606 short tons in 1976, and 741,286 short tons in 1977. American Iron and Steel Institute data indicates a further substantial increase in the first nine months of 1978. Responses to Commission questionnaires reveal that production increases have been flatter, rising at an annual rate of 3.5% from 1975 to 1977 and 5.9% in the first nine months of 1978. However, integrated producers provided most of the responses to the questionnaire and, therefore, the aggregated data reflects the rather stagnant position of integrated producers. In contrast, data from other sources reflects substantial increases in shipments during the period, which is apparently accounted for by the growth of the nonintegrated producers.

Questionnaire responses also indicated that capacity utilization increases have been rather flat, from 72% in 1975 to 75% in 1976, 76% in 1977, and 78% for the first nine months of 1978. (Capacity utilization figures are based on a typical three-shift, five-day work-week.) Again, however, the disproportionate impact of integrated producers' responses on the questionnaire should be noted. Thus, for example, Virginia Wire and Fabric Co., an affiliate of Sivaco, testified that both it and New York Wire Mills, another Sivaco affiliate, have been operating at three shifts a day, five days a week, and have been unable to satisfy their customers' demands. Moreover, one large nail distributor submitted material to the Commission indicating that it unsuccessfully tried to purchase nails from three of the seven complainants, another distributor indicated that without Sivaco it would be out of business, and five other domestic purchasers of Canadian nails informed the Commission that domestic nail manufacturers are currently

unable to meet increased domestic demand resulting from the trigger pricing system.

Inventory levels, while fluctuating seasonally, have remained relatively stable on a year-to-year basis. End-of-year inventories had 47, 50 and 46-days supply for 1975, 1976 and 1977, respectively, and inventories at the end of September of 1977 and 1978 had a 40-days supply. Based upon testimony at the hearing, these inventory levels appear to be appropriate for an efficiently operated industry.

Employment trends in the domestic industry, also based on questionnaire responses, have generally been on the upswing, increasing from 1330 production and related workers in 1975 to 1443 in 1976 and 1600 in 1977, and 1610 employed during the first nine months of 1978. Total manhours worked by these employees showed a similar upward trend. The recent entry into the domestic industry by two Sivaco affiliates is a substantial factor in pushing employment figures up. While adjustment assistance petitions have been certified by the Department of Labor for firms involved in production of steel wire nails, the petitions included employees producing a variety of products and only a very small number of employees were in nail production.

Of the various indices examined, only one -- profits -- suggested the possibility of injury. However, before analyzing this factor, it is important to note that profit and loss data for an integrated firm in any industry does not always reflect an accurate picture due to the relatively common practice of transfer-pricing. This practice permits an integrated firm to arbitrarily value intra-firm transfers of goods so as to achieve a desired level of profitability for any particular segment of the firm in question.

Responses to Commission questionnaires by five integrated producers showed gross profits of to $9.4 million, $9.9 million and $9.3 million for 1975, 1976 and 1977, respectively; they also show a decline in the first nine months of 1978 over the corresponding 1977 period. (Gross profits rather than net profits were developed because the integrated producers did not routinely allocate overhead expenses by products.) In addition, the ratio of gross profits to net sales declined throughout the period, primarily because integrated producers' unit value of shipments have risen at a slower rate than their unit cost of goods sold. However, data from the two nonintegrated firms surveyed -- Virginia Wire and Fabric Co. and New York Mills (established in 1976 and 1977, respectively) -- showed that both had gross profits in their first full year of operation. Furthermore, sharp increases in nail prices in the first nine months of 1978 will probably ease any cost-price squeeze which might have affected the integrated producers. In short, a slight decline in profit levels for the integrated producers, without any other indication of injury, is insufficient to demonstrate injury for the domestic industry as a whole.

Another factor indicating an absence of injury in the steel wire nails industry is the impressive expansion of nail producing facilities in the United States. In addition to Virginia Wire and Fabric Co. and New York Wire Mills, mentioned above, two more plants began operations in 1977 and 1978, and three more are scheduled to open in 1979. Sivaco testified that the seven new facilities combined represent $15 million in capital equipment and 80,000 tons of new capacity, and will employ 450 new workers in all aspects of the nail producing industry.

During the hearing and in post-hearing briefs, complainants also raised, but did not press, the issue of regional injury, suggesting that the region east of the Great Lakes has been the principal destination for less than fair value Canadian exports. The Commission has authority to determine whether injury to regional producers constitutes injury to an industry, and it appears that the industry in this proceeding might be viewed appropriately in regional terms because transportation costs are high relative to the value of the product and most sales are made to customers located within 500 miles of production facilities. However, a review of questionnaire responses indicates that trends for the region east of the Great Lakes do not differ from the national trends discussed above.

Finally, based upon my review of the relevant economic indicators discussed above, particularly the data indicating increasing U.S. consumption and stable levels of less than fair value imports from Canada, I also find the existing domestic industry is not likely to be injured. In this regard, it is relevant that the two Canadian producers found by Treasury to have exported the subject nails at less than fair value -- Titan and Sivaco -- argued that they had not intended to export their nails at less than fair value and that Treasury's findings had resulted from Treasury's using a method, which differed from the method used by the two companies, for calculating relative Canadian-U.S. prices. Both indicated that they had changed their method of pricing to correct this technical problem and pledged to prevent its reoccurrence. Complainant's suggestion that there may be an impending decline in the domestic construction industry, which is the largest consumer of nails, should naturally be of concern to the nail producing industry. However, if, indeed, there is an economic downturn

and the industry is injured, changing economic conditions and not imports from Canada at less than fair value would have to be considered the reason for any resulting likelihood of injury. The nail producing industry has been faring well in the past few years as generally good economic conditions, generally high levels of overall import penetration, and even cases of less than fair value import competition have all co-existed. In sum, there has been no injury "by reason of" imports at less than fair value or any other reason. Furthermore, less than fair value imports could not be held responsible for future injury to the nail producing industry in the event there is a decline in U.S. building construction.

SUMMARY

Investigation No. AA1921-189 was instituted on November 15, 1978, by the United States International Trade Commission following the receipt of advice from the Department of the Treasury that certain steel wire nails from Canada, except those produced by Tree Island Steel Co., Ltd., and the Steel Co. of Canada, Ltd., are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

The steel wire nails subject to this investigation are those of one-piece construction, 1 inch or more in length, and 0.065 inch or more in diameter. Also included are brads, spikes, staples, and tacks meeting these descriptive requirements. About 50 U.S. firms make steel wire nails in plants located primarily in the North Central and Northeastern States. There are two general types of firms involved--large integrated companies that make steel rod, draw it into wire, and then make nails from the wire, and smaller, nonintegrated firms (also called converters or fabricators) that make nails from purchased steel rod or wire. The eight known integrated firms accounted for about three-fourths of total shipments in 1977. Of the approximately five Canadian producers not excluded from Treasury's LTFV determination, Sivaco Wire & Nail Co. is by far the largest, with total sales of steel wire nails to the United States of $9.5 million during the period of Treasury's investigation (July 1-December 31, 1977). Titan Steel & Wire Co., Ltd., the only other company included in Treasury's investigation, had U.S. sales valued at $139,724 during the same period. The weighted average LTFV margin found on sales by Sivaco was 5.3 percent, and that found on sales by Titan was 2.5 percent.

Apparent U.S. consumption of steel wire nails increased from 494,000 short tons in 1975 to 671,000 short tons in 1976, and 741,000 short tons in 1977. Corresponding import-to-consumption ratios for imports from Canada from companies subject to Treasury's LTFV determination were * * * percent in 1975, * * * percent in 1976, and * * * percent in 1977 (see table on p. A-2). In 1977, Japan was the largest source of imports (accounting for 36 percent of the total), followed by the Republic of Korea (22 percent), Canada (19 percent), and Poland (9 percent); as a share of U.S. consumption, imports from Japan represented about 19 percent, the Republic of Korea, 12 percent, Canada, 10 percent, and Poland, 5 percent.

Steel wire nails: U.S. imports for consumption as a share of apparent U.S. consumption, 1975-77, January-September 1977, and January-September 1978

(In percent)

Period	Imports from Canada		Imports from all sources
	Total	From companies subject to Treasury's LTFV determination	
1975	9.9	1/ ***	42.0
1976	8.9	1/ ***	49.9
1977	10.1	1/ ***	53.5
January-September--			
1977	2/ 10.6	1/ 2/ ***	2/ 59.8
1978	2/ 10.7	1/ 2/ ***	2/ 62.2

1/ Compiled from data submitted by the Steel Co. of Canada, Ltd., and Tree Island Steel Co., Ltd., and from official statistics of the U.S. Department of Commerce.

2/ Based on American Iron and Steel Institute data; not comparable with 1975-77 data.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

U.S. producers' shipments of steel wire nails increased from 297,000 short tons in 1975 to 350,000 short tons in 1976, and 358,000 short tons in 1977. U.S. producers exported about 4 percent of their total shipments each year during 1975-77, primarily to Canada.

A summary of data relevant to the U.S. steel wire nail market is presented in the table on the following page.

Steel wire nails: U.S. producers' shipments, U.S. imports for consumption, and apparent U.S. consumption, 1975-77, January-September 1977, and January-September 1978

(In thousands of short tons)

Period	U.S. producers' shipments (including exports)	U.S. imports for consumption			Apparent U.S. consumption 1/
		Total	From Canada		
			Total	From companies subject to Treasury's LTFV determination	
1975	297	207	49	2/ ***	494
1976	350	335	60	2/ ***	671
1977	358	397	75	2/ ***	741
Jan.-Sept.--					
1977	3/ 219	311	55	2/ ***	3/ 519
1978	3/ 219	343	59	2/ ***	3/ 552

1/ U.S. producers' shipments, less exports, plus imports for consumption.

2/ Compiled from data submitted by the Steel Co. of Canada, Ltd., and Tree Island Steel Co., Ltd., and from official statistics of the U.S. Department of Commerce.

3/ Compiled from American Iron and Steel Institute data and not comparable with 1975-77 data. Exports for January-September 1978 estimated to be 11,000 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

On the basis of responses to questionnaires sent to a sample of U.S. producers of steel wire nails, production, capacity utilization, and employment increased during 1975-77, while profitability declined irregularly (see table on the following page).

Steel wire nails: U.S. producers' production, capacity utilization, employment, and profitability, 1975-77, January-September 1977, and January-September 1978

Period	Production	Capacity utilization (5-day basis)	Production and related workers	Ratio of gross profit to net sales	
				5 integrated producers 1/	2 non-integrated producers 2/
	1,000 short tons	Percent		Percent	Percent
1975	254	72	1,330	11.7	***
1976	268	75	1,443	11.8	***
1977	273	76	1,600	10.6	***
Jan.-Sept.--					
1977	210	76	1,647	10.5	***
1978	222	78	1,610	9.4	***

1/ Accounted for 58 percent of production in 1977.
2/ Accounted for * * * percent of production in 1977.

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

Prices of steel wire nails generally declined during 1975 and then increased during January 1976-September 1978. Prices for those nails on which data were gathered that were imported from Canadian companies found to have made sales at LTFV were typically less than prices for comparable U.S.-produced nails, although the amount of underselling varied considerably.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 1, 1978, the United States International Trade Commission received advice from the Department of the Treasury that certain steel wire nails from Canada, except those produced by Tree Island Steel Co., Ltd., and the Steel Co. of Canada, Ltd., are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). 1/ Accordingly, on November 15, 1978, the Commission instituted investigation No. AA1921-189 under section 201(a) of said act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. By statute, the Commission must render its determination within 3 months of its receipt of advice from Treasury--in this case by February 1, 1979.

Notice of the institution of the investigation and of the public hearing 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, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register of November 21, 1978 (43 F.R. 54304). 2/ The hearing was held in Washington, D.C., on December 14, 1978.

The complaint which led to Treasury's determination of LTFV sales was filed on November 21, 1977, by counsel acting on behalf of Armco Steel Corp., Atlantic Steel Co., Bethlehem Steel Corp., CF & I Steel Corp., Keystone Steel & Wire Division of Keystone Consolidated Industries, Inc., Northwestern Steel & Wire Co., and the Penn-Dixie Steel Corp. Treasury's Antidumping Proceeding Notice, Withholding of Appraisement Notice, and Determination of Sales at LTFV were published in the Federal Registers of December 29, 1977 (42 F.R. 64942), July 10, 1978 (43 F.R. 29654), and November 6, 1978 (43 F.R. 51743), respectively. 3/

The Product

Description and uses

The products included within the scope of this investigation are brads, nails, spikes, staples, and tacks of one-piece construction which are 1 inch or more in length, 0.065 inch or more in diameter, and made of round steel

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1/ A copy of Treasury's letter to the Commission concerning LTFV sales of certain steel wire nails from Canada is presented in app. A.

2/ A copy of the Commission's notice of investigation No. AA1921-189 is presented in app. B.

3/ Copies of Federal Register notices concerning Treasury's investigation are presented in app. C.

wire, as provided for in item 646.26 of the Tariff Schedules of the United States (TSUS). A full description of nails, including figures showing a variety of heads, shanks, and points, is presented in appendix D.

Nails are used for holding pieces (as of wood) together and/or for decorative effect. An indication of the variety of nail applications can be seen in figure 1.

Manufacturing process

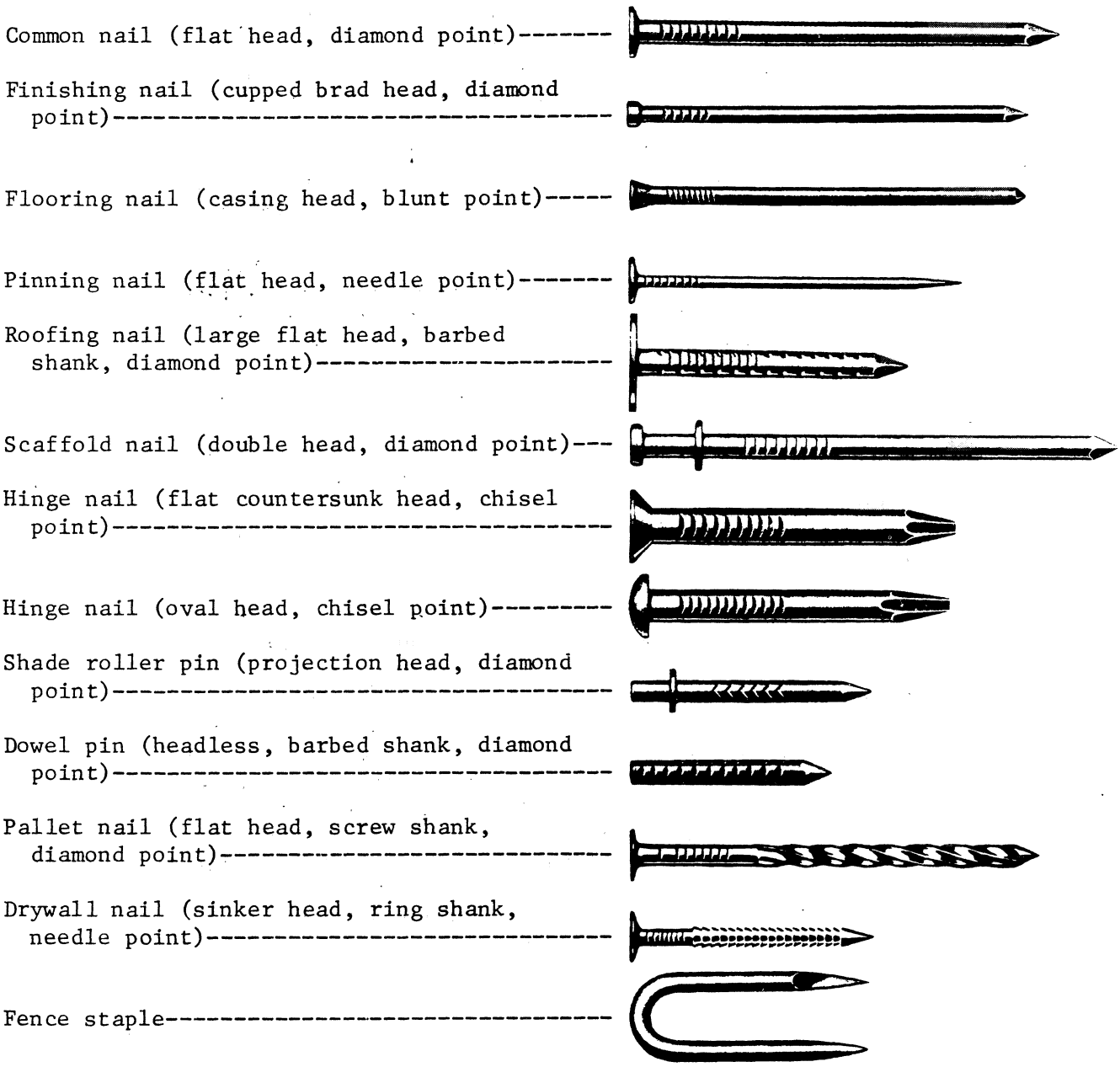
Metal nails were originally hand formed on anvils from special iron bars called nail rods. In colonial America nearly every home contained a forge and related nail-making equipment, and nails were often used instead of currency in dealing with the Indians. These hot-forged wrought iron nails gradually gave way to cold-cut iron nails with the development of nail-cutting machinery in the late 1700's, but even as the cut-nail industry was growing, a new development in France forecast its eventual near extinction. It was in that country that, during 1830-40, the first wire nail machine was built. In 1851 the first such machine was built in the United States, and in 1875 the first steel wire nails were produced in Covington, Ky., on a nail machine imported from Germany. Wire nails proved so immediately successful that the manufacture of cut nails had practically ceased by 1890. Technological developments in the steel wire nail industry since that time have come in improving the quality of the wire, increasing the speed and precision of the basic machinery, 1/ and treating the finished nails for improved performance in special applications.

The United States Steel Co. provides a concise description of steel wire nail production in its book, The Making, Shaping and Treating of Steel:

> Nail Machines--All steel wire nails are made in automatic machines. These machines differ greatly in size and in design, but the principle of operation is much the same in all of them. Nails are made on a machine by five distinct operations; namely, (1) forming the head, (2) feeding the wire, (3) pinching the wire, (4) cutting off the wire and forming the point, (5) expelling the nail.

1/ In some cases, machine operating rates have been nearly doubled as the result of such modifications as the installation of individual machine motors (early models were belt driven from one large power source), replacement of inefficient bearings, and development of improved central lubrication systems. Rebuilt machines can obtain operating rates as high as 700 revolutions (nails) per minute, while new machines such as those made by Wafios Machinery Corp. (a subsidiary of a German manufacturing company and the dominant supplier of nail machines to U.S. producers) reach operating speeds of 900 revolutions per minute when small nails are being produced. A spokesman for Wafios indicated that the cost of a complete rebuild is approximately two-thirds that of purchasing a new machine.

Figure 1.--Types of steel wire nails.



Source: Sales brochures of Atlantic Steel Co. and Republic Steel Corp.

Note.--The above nails are normally available in bright, galvanized, or cement-coated finishes, and most can be supplied with different heads, shanks (e.g., ring, screw, or of nonstandard gage), or points, according to customer order.

The Head of the nail is formed by compressing and flattening against a die the portion of the wire which projects beyond this die and remains after the previously formed nail has been cut from the wire. This compressing and flattening is done by a hammer which is attached to a reciprocating member, called a hammer stock, which in turn is actuated usually by a crank and pitman. The amount of wire which projects beyond the die governs the size and thickness of the head and is regulated by adjusting the cutting knives to the proper distance from this die. The various shapes of heads are obtained by cutting the desired depression in the die. This die is split, that is, made in two parts, one fixed or stationary and the other movable.

Feeding--After the head is formed, the hammer moves away from the die, and the die opens up and allows the feed mechanism to push the wire, with a nail head on the end the correct distance through the die to give a nail of the length required. The feeding mechanism is driven by an adjustable crank on the flywheel of the machine, and, by adjusting this crank, various lengths of nails can be obtained. This feed mechanism also pulls the wire through a series of staggered rolls, as it leaves the reel, to straighten it.

Pinching--When the hammer has reached the end of the stroke, the wire has been fed the correct amount for the nail required and the die closes to pinch the wire. This pinching action is motivated by a cam on the crankshaft.

Cutting--Immediately after the wire is pinched, two knives, each attached to a lever, move together and cut the wire. These cutting knives are ground to form the point on the nail at the same time that the cut is made. This point is formed by pressing the wire into the shape required, and, in doing so, some of the metal is squeezed out or protrudes between the knives and is cut off by them. These cutoff particles are called whiskers. The cutting levers to which the knives are attached are actuated by various forms of mechanisms deriving their motion from the crankshaft.

Expelling--Sometimes, because of dull knives or insufficiently close adjustment, the nail will still adhere to the wire when the cutting knives open up. The cutting knives open up on the return stroke of the hammer, and, in order to remove this adhering nail, an expeller comes into action, knocking the nail downward out of the path of the

hammer and breaking it off. The hammer on the return stroke forms another head on the wire for the next nail, the wire being pinched during this stroke. The finished nails drop into a pan placed on the floor beneath this mechanism.

Finishing Common Nails--The nails in these pans are collected and placed in a tumbler, care being taken to have nails of only one kind in the tumbler at a time in order to avoid mixing. Into this tumbler some sawdust is also placed. The tumbler has projections on the inside, causing the nails to be churned when it is rotated. This churning polishes the nails and removes any whiskers which may have adhered to the nail by a thin fin of metal. The sawdust absorbs the grease and oil which the nails collected during their manufacture. The cover of the tumbler has perforations or a screen which allows the whiskers and sawdust to pass through but holds back the nails. After the nails are tumbled sufficiently they are packed in kegs ready for shipment.

U.S. tariff treatment

Imports of steel wire nails enter under three TSUS item numbers, depending primarily on size. Those round wire nails that are less than 1 inch in length and less than 0.065 inch in diameter are dutiable under item 646.25. Such nails are not included within the scope of this investigation. Round wire nails 1 inch or more in length and 0.065 inch or more in diameter (the nails subject to this investigation) are dutiable under item 646.26 at a column 1 rate of duty of 0.1 cent per pound. 1/ Nails that do not meet the size restrictions mentioned for items 646.25 and 646.26 (e.g., nails less than 1 inch in length and 0.065 inch or more in diameter), and nails with forged heads, such as railway track spikes and some horseshoe nails, enter under item 646.30. None of these items are included within the scope of this investigation.

Steel wire nails classified in item 646.26 are not eligible articles for purposes of duty-free treatment under the Generalized System of Preferences (GSP). The table on the following page presents a brief description and lists the rates of duty for the TSUS item numbers applicable to steel wire nails. The statistical breakout shown in the table for smooth shank and other than smooth shank nails was established January 1, 1966. The additional breakouts for not-coated and coated nails were established January 1, 1978, following a request for such action by many of the petitioners in this investigation. The rate of duty for item 646.26 was reduced in stages during the Kennedy round of trade negotiations from 0.2 cent per pound prior to 1968 to its present rate effective January 1, 1971.

1/ The column 2 rate of duty on item 646.26 is 0.4 cent per pound.

Tariff classification of steel wire nails

TSUS item No.	Statistical suffix	Brief description	Column 1 rate of duty	January-September 1978 ad valorem equivalent for U.S. imports from Canada	Eligible for duty-free treatment under the GSP
			Cents per pound	Percent	
		Brads, nails, spikes, staples, and tacks, of iron or steel, and of one-piece construction:			
		Made of round wire:			
646.25	00	Under 1 inch in length and under 0.065 inch in diameter	0.5	0.8	No
646.26		1 inch or more in length and 0.065 inch or more in diameter:			
		Smooth shank:			
	22	Not coated, plated, or painted	.1	.4	No
		Coated, plated, or painted:			
	24	Galvanized	.1	.3	No
	26	Vinyl, resin, or cement coated	.1	.5	No
	28	Other	.1	.4	No
		Other:			
	42	Not coated, plated, or painted	.1	.3	No
	44	Coated, plated, or painted:			
	46	Galvanized	.1	.3	No
		Vinyl, resin, or cement coated	.1	.4	No
	48	Other	.1	.3	No
646.30		Other:			
	20	Railway track spikes	1.2	5.4	Yes
	40	Other	1.2	3.0	Yes

Source: Tariff Schedules of the United States, Annotated (1978).

Nature and Extent of Sales at LTFV

Treasury's investigation of U.S. imports of certain steel wire nails from Canada covered the 6-month period July 1-December 31, 1977. For purposes of its determination, Treasury defined "certain steel wire nails" as "steel wire brads, nails, spikes, staples, and tacks of one-piece construction which are 1 inch or more in length and 0.065 inch or more in diameter." The investigation was limited to four manufacturers, which together accounted for more than 78 percent of all Canadian-made steel wire nails sold for export to the United States. They are Sivaco Wire & Nail Co. (Sivaco), the Steel Co. of Canada, Ltd. (Stelco), Titan Steel & Wire Co., Ltd. (Titan), and Tree Island Steel Co., Ltd. (Tree Island). Fair-value comparisons were made on a sample of the total U.S. sales by these four manufacturers. The basis of comparison was between purchase price or exporter's sales price, as appropriate, and the adjusted home-market price of such or similar merchandise. Purchase price was used in the case of sales made to unrelated customers in the United States. Exporter's sales price was used in the case of certain sales made by Tree Island to related U.S. purchasers. Home-market prices were used for all four companies since such or similar merchandise was sold in the home market in sufficient quantities to provide an adequate basis for comparison.

Purchase price was calculated on the basis of sales prices to unrelated purchasers with deductions, where applicable, for freight charges, U.S. customs duties, brokerage and quantity discounts, discounts granted to customers at different levels of trade, early payment discounts, and discounts granted for short-term exchange-rate fluctuations. An adjustment was made, where applicable, for drawback of Canadian customs duties paid on imported wire rods used to manufacture the nails exported to the United States during the investigation period. Exporter's sales price was calculated on the basis of the selling price to related U.S. customers, with deductions, where appropriate, for freight, handling, customs duties, early payment discounts, and selling expenses. An addition was made for drawback of Canadian customs duties paid on imported wire rods consumed in the manufacture of steel wire nails for export to the United States.

Home-market prices were calculated on the basis of the selling prices to unrelated purchasers in Canada. Deductions were made, where applicable, for freight charges, freight allowances, selling commissions, and discounts offered on sales to other nail manufacturers and certain distributors, primarily in western Canada. In making comparisons using exporter's sales price, a further deduction was made for actual selling expenses incurred in the home market up to the amount of the selling expenses incurred in the United States market. Adjustments were made, where applicable, for differences in the merchandise compared and for differences in levels of trade. 1/

1/ See Treasury's Federal Register notices in app. C for additional information on price comparisons.

Treasury provided the Commission with general information on the price comparisons made on all four Canadian manufacturers as shown below.

LTFV margins found by Treasury

(In percent)

Firm	Range of margins 1/	Weighted average margin
Sivaco	0.03-45.4	5.3
Stelco	.06-19.7	1.5
Titan	.04-15.6	2.5
Tree Island	.01-58.5	.9

1/ Calculated as follows:

$$\frac{\text{(Adjusted home-market value - purchase price)}}{\text{purchase price}}$$

Source: Treasury's Federal Register notice concerning its LTFV determination.

Treasury considered the weighted average margins for Stelco and Tree Island to be minimal in relation to the total volume of exports, and therefore excluded those companies from its determination. In addition, formal assurances have been received from Stelco and Tree Island advising that they would make no future sales at LTFV within the meaning of the Antidumping Act. Treasury provided the Commission with specific results of the price comparisons made on sales by Sivaco, by far the larger of the two companies not excluded from the LTFV determination. The figure shown below for "total value of sales compared" represents a sample of about * * * percent of the more than $7 million in sales on which Sivaco provided data. Sivaco's total sales to the United States during July 1-December 31, 1977, were valued at $9.5 million. A summary of Treasury's price comparisons for Sivaco is shown in the following tabulation:

Item	
Total value of sales compared	***
Total value of sales with margins	***
Ratio of sales with margins to total sales, percent	***
Range of margins, do	0.03-45.4
Weighted average margin, do	5.3

The U.S. Market

Steel wire nails produced in the United States are generally sold first to distributors and then to wholesalers, building supply outlets, and retailers,

which, in turn make them available to the ultimate consumer. Nails imported from Canada and most other foreign sources are initially sold to wholesalers or sales agents before following the same distribution channels as domestic nails. Because nails are heavy and costly to transport long distances, most shipments are made to customers located within 500 miles of the plant or port of entry, as shown in the following table.

Estimated share of U.S. producers' total shipments by distance shipped, 1977

(In percent)

Distance shipped	Share	Cumulative share
Less than 100 miles	20	20
100-299 miles	31	51
300-499 miles	28	79
500-999 miles	18	97
1,000 miles and more	3	100
Total	100	-

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

Most nails are consumed in the building construction market for purposes such as joining structural members, assembling millwork, and securing various materials (e.g., flooring, dry wall, exterior siding, trim, roofing, and paneling). This market also includes nails consumed by the nonprofessional user. The remaining nails are consumed in the industrial market (where they are used in the construction of pallets, boxes, crates, and other containers) and in the furniture manufacturing market. Both imported and domestically produced nails are purchased for use in the various markets, but few end users are aware of the country in which the nails were manufactured.

Within the building construction and industrial segments of the nail industry a new and more efficient method of applying nails to material has been developed in which nails are literally shot from pneumatic nailing guns at rates of up to 150 nails per minute. These guns use collated nails (i.e., those which have been attached to strips of tape or other adhesive material) and are capable of increasing carpenter output so dramatically that the small additional cost of collating is insignificant compared with the gain in efficiency. As the use of nail guns is believed to be growing rapidly, increasing amounts of nails are likely to be purchased or produced by firms specializing in collating.

Domestic and Canadian steel wire nails are usually shipped by truck or rail in lots of about 40,000 pounds, although in a few instances Canadian producers have shipped by sea to customers located in the southeastern and

west coast regions of the United States. Truck transportation can be provided by either the manufacturer or the customer, whereas shipments by rail or sea are usually arranged by the manufacturer. Freight costs are generally the responsibility of the purchaser, although a producer will frequently absorb a part of the transportation costs when competing with another nail producer located closer to the customer. Most domestic and Canadian nail producers offer the same financial terms to their customers, i.e., a 2-percent discount within 10 days or net 60 days.

Domestic Industry

The U.S. steel wire nail industry consists of two general groups of producers--large integrated steel-producing firms that manufacture steel wire rod, draw it into wire, 1/ and then make nails from the wire (all petitioning firms are in this group); and smaller converting firms that make nails from purchased steel wire rod or drawn wire. The larger companies typically make the high volume smooth-shank nails while smaller firms concentrate production in higher priced specialty nails (e.g., those having special-purpose heads, shanks, points, or finishes).

Steel wire nails are manufactured in the United States by approximately 50 firms, 8 of which are known to be integrated producers. Together, the integrated firms accounted for about three-fourths of total shipments in 1977. The major producers and their share of total production in 1977 as reported in questionnaires were: United States Steel Corp. (* * * percent), Northwestern Steel & Wire Co. (* * * percent), Penn-Dixie Steel Corp. (* * * percent), CF & I Steel Corp. (* * * percent), and Keystone Consolidated Industries, Inc. (* * * percent). Production facilities are located primarily in the Northeastern and North Central States, although there are alsp plants in Georgia, Florida, Virginia, Colorado, and California. A list of the larger manufacturers of nails and their locations is presented in appendix E.

In general, integrated steel manufacturers produce other products which are more profitable than nails, and some industry officials * * *. Most integrated producers use nail machines that were installed nearly 50 years ago, although many firms have recently purchased, or are in the process of purchasing, additional new machines which are capable of competing with the most efficient nail-making equipment in the world. Non-integrated producers consider nail making a more essential aspect of their overall operations and have accordingly made substantial investments to enhance production capability.

1/ Wire drawing is the process whereby steel rod is converted into wire. The rod is pulled through successive dies which reduce the diameter of the rod until the desired gage is reached.

Canadian Industry

There are about eight Canadian producers of steel wire nails. Sivaco Wire & Nail Co., an integrated producer which employs about * * * persons in its wire and nail operations in Marieville, Quebec, and Dartmouth, Nova Scotia, is the largest, accounting for more than * * * of total Canadian exports to the United States in 1977. Sivaco is a subsidiary of Ivaco Industries, Ltd., which also owns two nail producers in the United States--New York Wire Mills, Inc., located in Tonawanda, N.Y., and Virginia Wire & Fabric Co., located in Warrenton, Va. A third subsidiary, Florida Wire & Nail Co. of Quincy, Fla., is expected to begin nail production in January 1979, and a fourth plant is planned for either the Southwest or west coast. Ivaco's Canadian- and U.S.-based subsidiaries all use technologically advanced nail producing equipment manufactured by Wafios Maschinenfabrik of Germany. According to Mr. Jack Klein, Ivaco's Vice President, the company is making a concerted effort to establish nail-producing facilities throughout the United States, while it has no plans to expand nail operations in Canada, "because we see that the greatest growth potential for us is in the United States and not in Canada." 1/ During the period of Treasury's investigation, about 72 percent of Sivaco's total nail shipments (with a value of $9.5 million) were made to U.S. markets. Sales to the U.S. affiliates previously mentioned accounted for less than * * * percent of total U.S. sales volume.

Titan Steel & Wire Co., Ltd., a Japanese-owned firm, is a much smaller producer, with production facilities located in Surrey, British Columbia. During the period of Treasury's investigation, about 21 percent of Titan's shipments of steel wire nails (with a value of $139,724) were made to U.S. markets. Neither Titan nor Sivaco made any shipments of nails to countries other than the United States and Canada.

The Steel Co. of Canada, Ltd., and Tree Island Steel Co., Ltd., which were excluded from Treasury's LTFV determination, accounted for * * * percent and * * * percent, respectively, of total imports from Canada in 1977. Other Canadian producers that sell nails in the U.S. market include Sidbec-Dosco, Ltd., Montreal, Quebec; Paslode Canada Regd., Scarborough, Ontario; and Morrison Steel & Wire Co., Ltd., Vancouver, British Columbia. Most Canadian nails shipped to the United States are sold to major wholesalers such as Georgia Pacific Corp., Miller Supply Corp., and Prudential Metal Supply Corp.

Importers

There are great differences in the variety and scope of operations of companies that import nails into the United States. Some are manufacturers, exporters, and importers, some are trading companies, and others are building supply distributors that do some of their own importing. Both Canadian steel wire nail producers that were found by Treasury to have made sales at LTFV

1/ Transcript of the hearing, p. 181.

(Sivaco and Titan) act as their own importers into the United States, meaning that they prepare the necessary customs paperwork, pay the import duty, and post any bond required because of this investigation. In addition to nails, Sivaco and its affiliated companies also sell wire rod, welded wire mesh, fasteners, precision machine components, axles, and fourdrinier fabric in U.S. markets.

The Commission contacted several major importers of nails from countries other than Canada to gather general market information. A summary of the operations of Fehr Brothers, Inc., C. Itoh & Co., Mitsubishi International Corp., Mitsui & Co. (USA), Inc., and Wilmod Co., Inc., is presented in appendix F.

Consideration of Injury or Likelihood Thereof

To obtain statistical data for use in this section of the report, the Commission sent questionnaires to a sample of U.S. nail producers. In 1977, the firms responding to the questionnaires accounted for about 80 percent of total U.S. shipments of steel wire nails, as reported by the U.S. Department of Commerce. 1/

U.S. production

Questionnaire respondents reported total production of the steel wire nails covered by this investigation as follows:

	Short tons
1975	254,335
1976	267,629
1977	272,687
January-September--	
1977	210,027
1978	222,338

These data show that production increased at an average annual rate of 3.5 percent from 1975 to 1977 and by 5.9 percent from January-September 1977 to January-September 1978. This upward trend for production reflects less growth in the industry than does the trend for shipments (discussed in a later section of this report) because most questionnaire respondents are large integrated companies that did not significantly expand nail operations during 1975-77. The substantial increase in shipments is apparently accounted for primarily by nonintegrated companies.

1/ Commerce data do not include shipments by firms that do not draw their own wire.

Utilization of productive facilities

There are considerable difficulties involved in determining the U.S. industry's productive capacity in that nail machines will produce different tonnages depending on the type of nail being produced. For example, Glader Nail King machine number 71-2-1/2 is advertised to produce 7d nails at the rate of 190 pounds per hour or 8d nails at the rate of 279 pounds per hour. Because of this, companies were asked to report capacity based on their "normal" product mix.

Nail machines are ideally operated 3 shifts a day with down time only for maintenance and repair; however, producers of both nails and nail machines indicated that efficient utilization can be achieved by operating at this rate 5, 6, or 7 days a week. Accordingly, the following capacity data are presented on 5-day and 7-day bases for comparison. In 1978 the 5-day operating rate was closer to normal in the industry.

Steel wire nails: U.S. producers' 1/ productive capacity and ratio of production to capacity, by 5-day and 7-day bases of operations, 1975-77, January-September 1977, and January-September 1978

Period	5-day operating basis		7-day operating basis	
	Capacity	Ratio of production to capacity 2/	Capacity	Ratio of production to capacity 2/
	1,000 short tons	Percent	1,000 short tons	Percent
1975	352	72	493	52
1976	359	75	502	53
1977	355	76	497	54
Jan.-Sept.--				
1977	274	76	384	54
1978	283	78	397	56

1/ Questionnaire respondents.
2/ Calculated from unrounded figures.

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

An additional indicator of capacity is the number of nail machines in use. The American Iron and Steel Institute (AISI) reports in its publication, Directory of Iron and Steel Works of the United States and Canada, that the

total number of nail machines operated by reporting companies 1/ declined from 1,329 in 1974, to 1,250 in 1977 (the directory is published every 3 years). Not included in these totals are companies established after 1975 (see employment section) and most nonintegrated nail producers. 2/

U.S. producers' shipments and exports

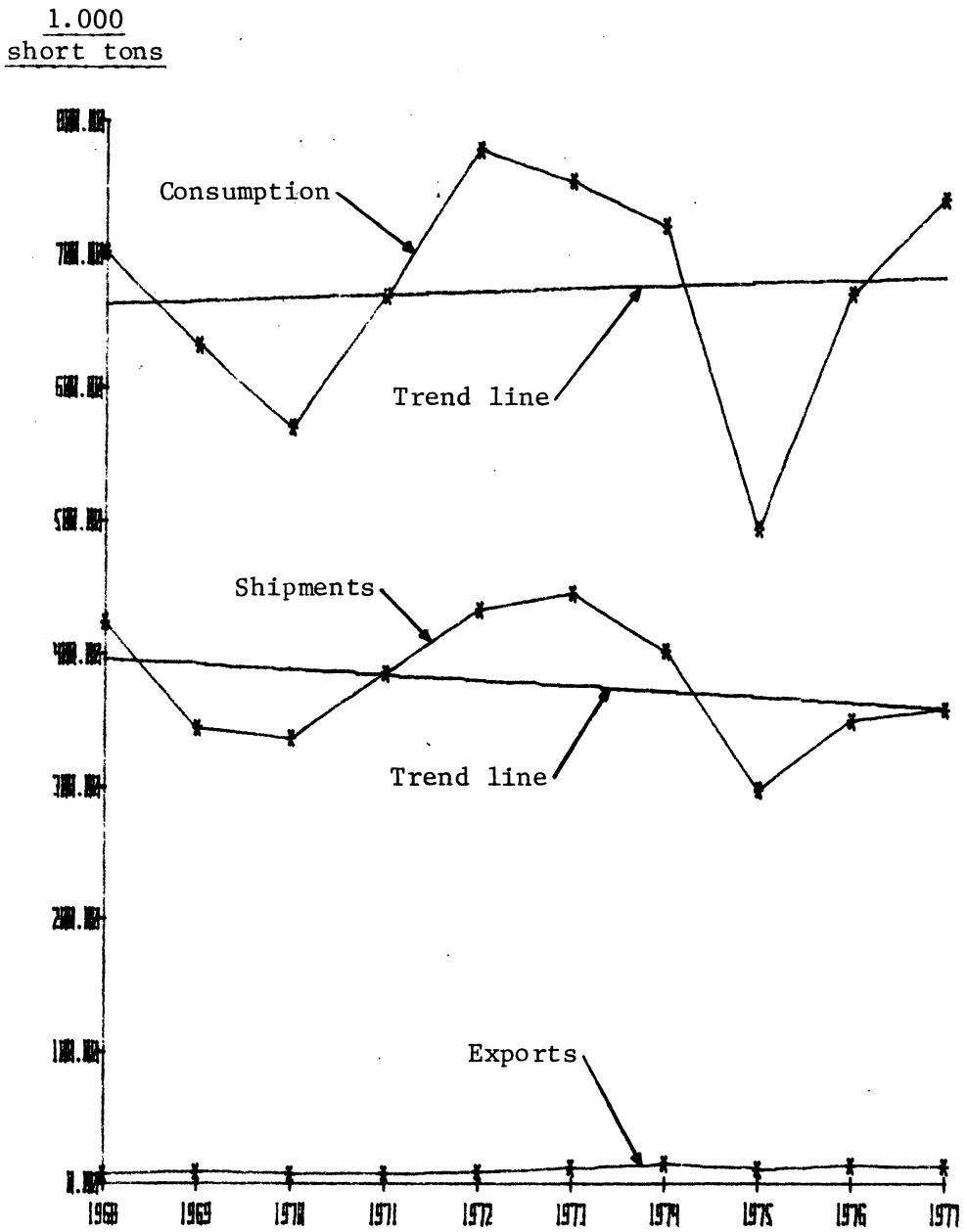
Data on U.S. producers' shipments of steel wire nails and staples are maintained by the U.S. Department of Commerce on a yearly basis and by AISI on a monthly, as well as yearly, basis. The Commerce data are consistently higher than those of AISI because of more complete industry coverage and mandatory reporting. For that reason, Commerce data are used throughout this report except for January-September comparisons, for which only AISI data are available. It should be noted that both Commerce and AISI limit their data collection to steel works and wiredrawing establishments, which results in some understatement of the totals (i.e., data for firms that make nails from purchased steel wire, called fabricators by AISI, are not included). Commerce did collect data from such fabricators in its 1972 Census of Manufactures and in that year, steel works and wiredrawing establishments accounted for approximately 76 percent of the total quantity of shipments. In addition, data on shipments and exports include nails less than 1 inch in length and less than 0.065 inch in diameter, neither of which is included in import statistics or covered by this investigation.

Shipments of steel wire nails (including exports) exhibited a slight downward trend with strong cyclical fluctuations during the 10-year period 1968-77 as shown in figure 2. During the same period, exports generally increased, but never accounted for more than 4 percent of shipments. Exports are made primarily to Canada, with smaller amounts going to Mexico, France, and the United Kingdom. Data on shipments and exports are summarized in the table on p. A-20.

1/ Reporting companies are Angell Nail & Chaplet Co., Armco Steel Corp., Atlantic Steel Co., Bethlehem Steel Corp., CF & I Steel Corp., Keystone Consolidated Industries, Inc., Northwestern Steel & Wire Co., Penn-Dixie Steel Corp., and United States Steel Corp.

2/ See additional discussion of capital expenditures on p. A-31.

Figure 2.--Steel wire nails: Apparent U.S. consumption, U.S. producers' shipments, and exports, 1968-77



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

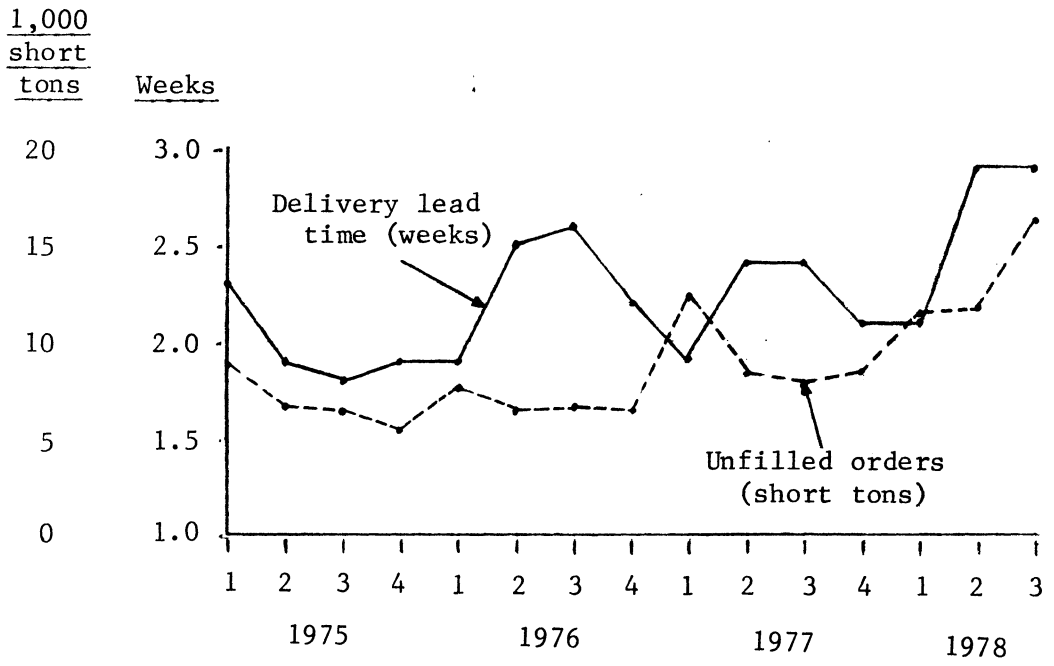
Steel wire nails: U.S. producers' shipments and exports, 1968-77, January-September 1977, and January-September 1978

Period	Shipments (including exports)			Exports		
	Quantity	Value	Unit value	Quantity	Value	Unit value
	Short tons	1,000 dollars	Cents per pound	Short tons	1,000 dollars	Cents per pound
1968	424,172	99,153	11.7	6,980	5,681	40.7
1969	343,629	91,117	13.3	8,697	6,880	39.6
1970	335,904	92,662	13.8	6,954	6,292	45.2
1971	385,154	114,081	14.8	7,374	5,725	38.8
1972	433,002	133,840	15.4	8,290	7,113	42.9
1973	445,348	189,561	21.3	11,587	10,512	45.4
1974	402,016	229,645	28.6	14,819	13,771	46.5
1975	297,449	164,949	27.7	10,839	11,397	52.6
1976	349,516	199,953	28.6	13,676	14,118	51.6
1977	357,595	224,628	31.4	12,847	13,656	53.2
January-September--						
1977	1/ 219,325	2/	2/	10,679	11,121	52.1
1978	1/ 219,321	2/	2/	2/	2/	2/

1/ Compiled from AISI statistics.
2/ Not available.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

To obtain information on the ability of U.S. producers to meet demand, questionnaire respondents were asked to estimate their unfilled orders and delivery lead times in each quarter during January 1975-September 1978. A summary of the responses is shown below.



Despite the indication that customers' orders have been filled promptly, one large nail distributor submitted evidence to the Commission that its attempts to purchase nails in 1978 from * * *, * * *, and * * * were unsuccessful. Another distributor in Connecticut reported that without Sivaco (a Canadian producer), it would be out of business in the Northeast.

Inventories

Inventories of steel wire nails are maintained by most producers in order to be responsive to orders. Such inventories remained relatively stable in relation to shipments during 1975-77, although there were substantial changes within years. As would be expected, inventories were higher at the end of the year when construction activity was low than at the end of September when such activity was still strong. Inventory data are summarized in the following table.

Steel wire nails: U.S. producers' 1/ end-of-period inventories, 1975-77, January-September 1977, and January-September 1978

Period	Inventories	Ratio of inventories to shipments	Supply in inventory
	Short tons	Percent	Days
1975	31,790	12.9	47
1976	35,820	13.7	50
1977	34,290	12.5	46
Jan.-Sept.--			
1977	30,924	2/ 10.9	40
1978	32,440	2/ 10.9	40

1/ Questionnaire respondents.
2/ Based on annualized shipments.

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

U.S. imports

U.S. imports of steel wire nails come primarily from Japan, the Republic of Korea, Canada, and Poland. The share of total imports accounted for by each of these countries is shown in the following table. It is believed that Japan's declining share and Korea's increasing share are partly explained by a shift in Japanese-owned productive facilities from Japan to a free-trade zone in Korea. The lower operating costs (notably labor) in Korea apparently more than offset the additional transportation costs incurred in moving the raw material (wire rod) from Japan to Korea. As shown in the table, the share of total imports held by Japan and Korea together has been much more stable than that of either country individually.

Steel wire nails: Share of total imports for consumption, by countries, 1975-77, January-September 1977, and January-September 1978

(In percent)

Period	Japan	Republic of Korea	Japan plus the Republic of Korea	Canada	Poland	Total, these 4 countries
1975	45	10	55	24	10	89
1976	43	14	57	18	9	85
1977	36	22	58	19	9	85
Jan.-Sept.--						
1977	37	22	59	18	9	85
1978	25	25	50	17	12	80

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

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

The 10-year trend in imports is shown graphically in figure 3 and summarized in the following table. More detailed data on imports by country of origin are presented in tables 1 and 2, appendix G.

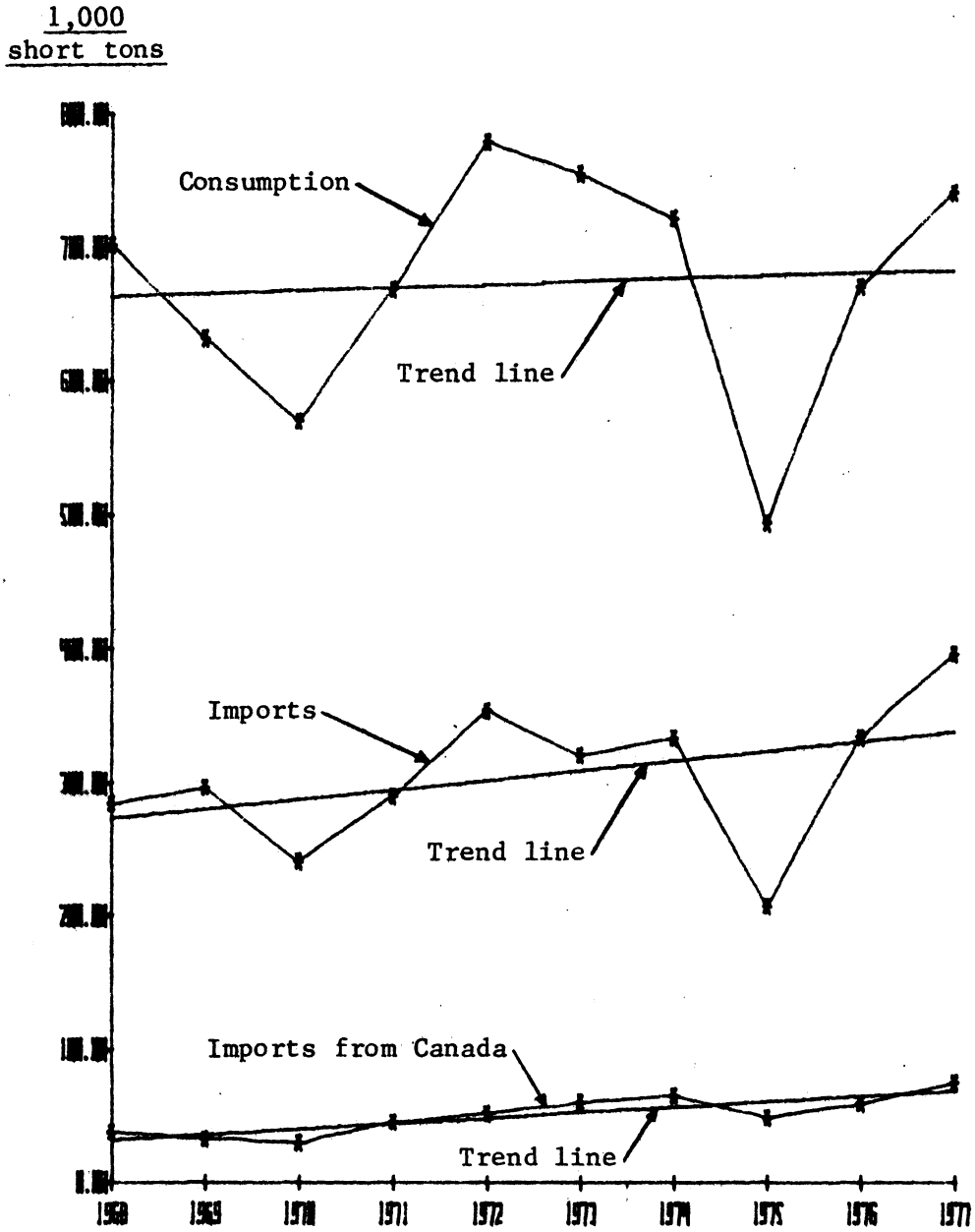
Steel wire nails: U.S. imports for consumption, total and imports from Canada, 1968-77, January-September 1977, and January-September 1978

Period	Total imports			Imports from Canada			
	Quantity	Value	Unit value	Quantity	Value	Unit value	Percent of total quantity
	Short tons	1,000 dollars	Cents per pound	Short tons	1,000 dollars	Cents per pound	Percent
1968	284,069	43,708	7.7	37,696	7,690	10.2	13.3
1969	296,705	49,466	8.3	32,896	7,004	10.6	11.1
1970	241,020	45,595	9.5	30,001	7,231	12.0	12.4
1971	290,250	53,788	9.3	45,704	11,246	12.3	15.8
1972	353,617	76,005	10.8	51,869	13,755	13.3	14.7
1973	320,908	85,280	13.3	60,504	17,496	14.5	18.8
1974	333,610	149,965	22.5	65,264	31,228	23.9	19.6
1975	207,168	90,465	21.8	48,736	23,304	23.9	23.5
1976	334,766	124,377	18.6	59,671	27,875	23.4	17.8
1977	396,538	159,806	20.2	75,192	35,968	23.9	19.0
Jan.-Sept.--							
1977	310,536	125,711	20.2	54,935	26,247	23.9	17.7
1978	343,410	142,377	20.7	58,855	30,149	25.6	17.1

Source: Compiled from official statistics of the U.S. Department of Commerce (TSUS item 646.26).

Imports from companies subject to the LTFV determination increased each year during 1975-77 and were * * * percent higher in January-September 1978 than in the corresponding period of 1977. This information was obtained by subtracting imports from Stelco and Tree Island (the two companies excluded from Treasury's LTFV determination) from total imports from Canada. A summary of these data is presented on p. A-25.

Figure 3.--Steel wire nails: Apparent U.S. consumption, U.S. imports for consumption, and U.S. imports for consumption from Canada, 1968-77



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

Steel wire nails: Total U.S. imports for consumption from Canada, imports from Stelco and Tree Island, and imports from companies other than Stelco and Tree Island, 1975-77, January-September 1977, and January-September 1978

Period	Total	Imports from Stelco and Tree Island	Imports from companies other than Stelco and Tree Island	Ratio of imports from companies other than Stelco and Tree Island to total imports
	Short tons	Short tons	Short tons	Percent
1975	48,736	***	***	***
1976	59,671	***	***	***
1977	75,192	***	***	***
Jan.-Sept.--				
1977	54,935	***	***	***
1978	58,855	***	***	***

Source: Compiled from data provided by Stelco and Tree Island, and from official statistics of the U.S. Department of Commerce.

In relation to apparent U.S. consumption, imports of steel wire nails from all sources increased from 42 percent in 1975 to 53 percent in 1977, and imports from companies subject to Treasury's LTFV determination increased from * * * percent in 1975 to * * * percent in 1977, as shown below.

Steel wire nails: U.S. imports for consumption as a share of apparent U.S. consumption, 1975-77, January-September 1977, and January-September 1978

(In percent)

Period	Imports from Canada		All Imports
	From companies subject to Treasury's LTFV determination	Total	
1975	***	9.9	42.0
1976	***	8.9	49.9
1977	***	10.1	53.5
January-September--			
1977	***	10.6	59.8
1978	***	10.7	62.2

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

Note.--Data for January-September 1977 and January-September 1978 are based on AISI data and are not comparable with data shown for 1975-77.

Most imports from Canada enter the United States through ports in the eastern part of the country as shown below (in percent):

Port of entry	Share of total imports in 1977
Ogdensburg, N.Y	37
Detroit, Mich	22
St. Albans, Vt	17
Seattle, Wash	11
Buffalo, N.Y	10
Total, these 5 ports	97

After entry, Canadian-made nails are shipped throughout the country, although Sivaco's nails are distributed primarily east of the Rocky Mountains, and Titan's nails are sold only in Washington, Oregon, and Idaho. 1/ The normal methods of shipment are truck and rail, but Sivaco has shipped by sea on occasion. Such shipments went to the west coast via the Panama Canal. A summary of Sivaco's U.S. sales, by regions, is shown in the following table.

Distribution of Sivaco's U.S. sales of steel wire nails, by regions, 1975-77 and Janaury-September 1978

(In percent)

Region	1975	1976	1977	January-September 1978
Northeast	63	48	50	56
Midwest	13	17	20	17
Mid-Atlantic	10	20	12	14
Southeast	14	15	12	11
Southwest	-	-	6	2
Far West	-	-	-	-
Total	100	100	100	100

Source: Sivaco Wire & Nail Co.

U.S. consumption

Apparent U.S. consumption of steel wire nails (U.S. producers' domestic shipments plus imports for consumption) increased rapidly in 1976 and 1977, but did not reach the record levels of 1972 and 1973 as shown in the following tabulation. The value of consumption was about $370 million in 1977.

1/ Transcript of the hearing, p. 77.

	Short tons
1968	701,261
1969	631,637
1970	569,970
1971	668,030
1972	778,329
1973	754,669
1974	720,807
1975	493,778
1976	670,606
1977	741,286

Consumption data are shown graphically in figures 2 and 3, where they can be compared with U.S. producers' shipments and imports for consumption, respectively.

Employment

Employment in the U.S. nail industry, as reported by questionnaire respondents, increased during 1975-77, in part because of the establishment of two new firms--Virginia Wire & Fabric Co., Warrenton, Va. (1976) and New York Wire Mills, Inc., Tonawanda, N.Y. (1977)--both subsidiaries of a Canadian firm. In addition, several other firms that were not surveyed have either recently begun operations or are scheduled to do so shortly: Queen Wire & Nail, Inc., Buffalo, N.Y. (1977), Tree Island Steel Co., Carson, Calif. (1978), American Nail Co., Schenectady, N.Y. (1979), Florida Wire & Nail Co., Quincy, Fla. (1979), and Queen Wire & Nail, Inc., Columbia, S.C. (1979). Tree Island Steel Co. and Florida Wire & Nail Co. are also subsidiaries of Canadian firms. A summary of the employment data reported to the Commission follows.

Average number of production and related workers engaged in the manufacture of steel wire nails, man-hours worked by such workers, and output per man-hour, 1975-77, January-September 1977, and January-September 1978

Period	Production and related workers	Man-hours worked by production and related workers	Output per man-hour
		1,000 hours	Pounds per hour
1975	1,330	2,807	181
1976	1,443	3,171	169
1977	1,600	3,411	160
Jan.-Sept.--			
1977	1,647	2,609	161
1978	1,610	2,674	166

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

As shown in the table, productivity decreased from 181 pounds per hour in 1975 to 160 pounds per hour in 1977. This is partly explained by the lower than average productivity experienced by Virginia Wire & Fabric Co. and New York Wire Mills, Inc., during start-up operations.

Workers in both U.S. and Canadian nail plants are represented by the United Steelworkers of America, but because of some contract variances and repeated devaluations of the Canadian dollar relative to the U.S. dollar, wages in Canada (in U.S. dollar terms) have been declining in relation to those in the United States. According to a study published by the Conference Board in Canada in October 1978, Canadian wages in iron and steel mills, and steel pipe and tube operations declined each quarter from 100 percent of those in the United States in July-September 1976, to 86 percent of those in the United States during January-March 1978 (appendix H).

A number of petitions for adjustment assistance have been filed with the Departments of Labor and Commerce in behalf of firms and workers alleged to have been adversely affected by imports of steel wire nails. Most of the determinations shown below encompassed many more products than nails, but in each case, at least some workers were directly involved with nail production.

Petitions for adjustment assistance filed with the Departments of Labor and Commerce in behalf of workers and firms involved in the production of steel wire nails

Investigation No.	Company	Status of petition
	Petitions filed with the Department of Labor	
TA-W-1429	U.S. Steel Corp.	Certified, June 9, 1977
TA-W-1503	Northwestern Steel & Wire Co.	Denied, July 18, 1977
TA-W-1534	Bethlehem Steel Corp.	Certified, Aug. 26, 1977
TA-W-2612	Keystone Consolidated Industries, Inc.	Certified, Mar. 10, 1978
TA-W-2857	Penn-Dixie Steel Corp.	Certified, July 7, 1978
TA-W-2887	Northwestern Steel & Wire Co.	Certified, Aug. 23, 1978
TA-W-3205	U.S. Steel Corp.	Denied, July 20, 1978
	Petitions filed with the Department of Commerce	
TA-F-195	Specialty Tool Co., Inc	Withdrawn, Feb. 3, 1978
TA-F-218	E. H. Edwards Co.	Certified, Apr. 6, 1978

Source: Compiled from Federal Register notices of the Departments of Labor and Commerce.

In investigation No. TA-W-1503, the request for certification was denied because imports of articles like or directly competitive with those produced by Northwestern Steel & Wire Co. were not found to have contributed importantly to the separation of workers, or the threat thereof, and to the decrease in sales or production. A survey of customers of Northwestern Steel & Wire Co. indicated that most of those customers either did not purchase like or directly competitive imported products, or had increased purchases from Northwestern. In investigation No. TA-W-3205, the request for certification was denied because sales or production, or both, of wire and wire products by the Joliet-Waukegan Works of United States Steel Corp. were not found to have decreased absolutely.

Financial experience of U.S. producers

Data on financial experience were received from five integrated producers of steel wire nails (which together accounted for about one-half of total shipments in 1977) and from the two nonintegrated U.S. firms affiliated with Sivaco. These data are presented in detail in tables 3 and 4, and summarized in the following table.

Profit-and-loss experience of 5 integrated and 2 nonintegrated U.S. producers of steel wire nails on their nail operations, 1975-77, January-September 1977, and January-September 1978

Type of producer and period	Net sales	Gross profits	Ratio of gross profit to net sales
	1,000 dollars	1,000 dollars	Percent
Integrated producers:			
1975	80,305	9,383	11.7
1976	83,851	9,911	11.8
1977	88,269	9,334	10.6
January-September--			
1977	69,588	7,324	10.5
1978	70,537	6,613	9.4
Nonintegrated producers:			
1975	***	***	***
1976	***	***	***
1977	***	***	***
January-September--			
1977	***	***	***
1978	***	***	***

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

The profit-and-loss analysis is carried only to the "gross profit" level because of considerable difficulties encountered by producers in accurately identifying general, selling, and administrative expenses. The integrated producers treat nail operations (which are a small part of the overall wire and wire products operations) as cost centers, but not as profit centers, so allocations of overhead are not routinely made.

The data shown for the two nonintegrated companies should be viewed in the light that each of these companies began operations during 1975-77 and thus incurred substantial start-up costs. In addition, * * *.

The indicated decline in gross profits for the five integrated producers is the result of a cost-price squeeze that saw the unit value of shipments increase slower than the unit cost of the goods sold. For example, the average value of sales for these companies in 1976 was 25.87 cents per pound, and the average cost was 22.82 cents per pound; in 1977, the unit value of sales increased to 27.27 cents per pound (an increase of 5.4 percent) while the average cost increased to 24.39 cents per pound (an increase of 6.7 percent). Similarly, the unit value of sales increase 1.4 percent in January-September 1978 compared with January-September 1977, while unit costs increased 2.7 percent. The sharp increases in nail prices that occurred in January-September 1978 will likely ease the cost-price squeeze somewhat although raw material costs, which accounted for about one-half of total costs in 1977, and labor costs, which accounted for 14 percent of total costs, also increased in January-September 1978.

Research and development, and capital expenditures

Most research and development in the steel wire nail industry is involved with improving machine efficiency. Accordingly, companies following a policy of replacing old machines rather than upgrading them and companies that neither replace nor upgrade machines tend to have few expenditures for research and development. Those companies responding to the Commission's questionnaire reported research and development expenditures as follows:

Period	1,000 dollars
1975	***
1976	***
1977	***
January-September 1978	***

Capital expenditures reported by these companies were almost entirely for machinery, equipment, and fixtures, except for Virginia Wire & Fabric Co. and New York Wire Mills, Inc., which began operations in 1976 and 1977, respectively, and incurred substantial expenditures for building or leasehold

improvements as well as machinery, equipment, and fixtures. Capital expenditure data for all respondents are shown in the following tabulation:

Period	1,000 dollars
1975	1,038
1976	870
1977	2,531
January-September--1978	1,188

An indication of capital expenditures made by the entire domestic steel wire nail industry can be seen in the number of new nail machines purchased. For a new operation, nail machines, which cost about $40,000 apiece, are estimated to account for about 30 percent of the total required investment. The following tabulation presents total U.S. sales of nail machines by Wafios Machinery Corp., believed to be the only supplier of such machines.

1975	***
1976	***
1977	***
January-September--1978	***

The figure for 1978 includes sales to about * * *. It should be noted, however, that most new machinery is being purchased by nonintegrated producers. Had such producers been included in AISI's Directory of Steel Works of the United States and Canada, it is likely that the directory would indicate an increase in total nail machines from 1974 to 1977 rather than the decline mentioned earlier.

The nail industry also has been indirectly affected by the large capital expenditures required of all steel-making companies in complying with Environmental Protection Agency regulations, and some occupational safety and health costs (primarily noise control) have been incurred. According to industry officials, complying with environmental regulations has had a substantial negative impact on the industry's competitive position because the required investments have taken capital that could have been used for modernization and expansion.

Consideration of the Causal Relationship Between LTFV Imports and the Alleged Injury

Market penetration

As shown in the following table, imports of steel wire nails from Canadian companies subject to Treasury's LTFV determination increased irregularly in

relation to apparent U.S. consumption from * * * percent in 1975 to * * * percent in 1977, and declined slightly from * * * percent in January-September 1977 to * * * percent in January-September 1978. The January-September data should not be compared with 1975-77 data because consumption in the January-September periods is based on AISI data, while that for 1975-77 is based on official statistics of the Department of Commerce.

Steel wire nails: U.S. imports for consumption from Canada, and apparent consumption, 1975-77, January-September 1977, and January-September 1978

Period	Imports for consumption from Canada		Apparent consumption	2/ Ratio of--	
	Total	From companies subject to the LTFV determination 1/		Total imports from Canada to consumption	Imports from companies subject to the LTFV determination to consumption
	1,000 short tons	1,000 short tons	1,000 short tons	Percent	Percent
1975	49	***	494	9.9	***
1976	60	***	671	8.9	***
1977	75	***	741	10.1	***
Jan.-Sept.--					
1977	55	***	3/ 519	10.6	***
1978	59	***	3/ 552	10.7	***

1/ Calculated by substracting imports from companies excluded from Treasury's LTFV determination from total imports.

2/ Calculated from the unrounded figures.

3/ Based on AISI data. Exports for January-September 1978 estimated to be 11,000 tons.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Total imports and imports from the Republic of Korea and Poland also generally increased in relation to apparent U.S. consumption as shown in the tabulation on the following page (in percent):

Period	Share of apparent U.S. consumption accounted for by imports from--			
	All sources	Japan	Republic of Korea	Poland
1975	42	19	4	4
1976	50	22	7	5
1977	53	19	12	5
January-September--				
1977 1/	60	22	13	5
1978 1/	62	16	16	8

1/ Based on AISI data and not comparable with 1975-77 data, which were compiled from official statistics of the U.S. Department of Commerce.

Prices

It is a common practice for U.S. producers and importers to sell steel wire nails at negotiated prices. Generally, U.S. producers quote prices on an f.o.b., mill basis, but on some transactions they absorb part of the freight expense on shipments to customers. 1/ In * * * 1978, Sivaco Wire & Nail Co., the predominant Canadian supplier of nails found to have been sold at LTFV, switched from the delivered-price system to the f.o.b., mill system of quoting prices.

U.S. importers not affiliated with Sivaco quote on a variety of bases, including (1) ex-dock, duty-paid, (2) delivered with the full freight charge included in the price, (3) c.i.f. 2/, and (4) c. & f. 3/

On the basis of data obtained in a sample survey by the Commission, nail prices generally increased from January-March 1976 through July-September 1978 and integrated U.S. producers of steel wire nails were generally undersold by Sivaco.

Among importers there is a widespread conviction that the trigger-price mechanism (TPM) is having an inflationary impact on the costs of importing nails and on importer's selling prices, and that the TPM is beneficial to both

1/ At least one of the U.S. nail producers (* * *) quotes prices on a delivered basis.

2/ The c.i.f. value represents the value of the imported product at the first port of entry in the United States. It includes all freight, insurance, and other charges incurred in bringing the merchandise from the country of exportation to the U.S. port, but does not include the U.S. import duty.

3/ Same as c.i.f., but excluding insurance charges.

U.S. producers and importers of Canadian nails. 1/ Counsel for the complainants believes that it is "too early to tell" whether the TPM benefits U.S. and Canadian nail producers, but that the TPM "does not appear to have impeded" imports of non-Japanese nails. 2/

A description of the price movements of three specific U.S.-produced nails, and a comparison of Sivaco's margin of underselling with its weighted average LTFV margin follow. Detailed quarterly price information is presented in figure 4 and the table on p. A-36.

During 1975-77 and January-September 1978 the average net realized selling price for 16-penny bright common nails made by integrated U.S. producers ranged from 20.57 cents per pound in January-March 1976 to 23.43 cents per pound in July-September 1978. 3/ During the same 45-month period, these producers' average net realized price for 8-penny galvanized nails ranged from 27.10 cents per pound in January-March 1976 to 32.00 cents per pound in July-September 1978. For 16-penny cement-coated countersunk nails ("sinkers"), U.S. producers' average net realized price ranged from 21.38 cents per pound in April-June 1976 to 23.59 cents per pound in July-September 1978.

Except for the period July-September 1978, the margins of underselling attributed to Sivaco (see accompanying table) are understated because, for all earlier periods, Sivaco's data represent delivered prices while the U.S. producers' prices are net realized prices. Consequently, the term "partial margin of underselling" is used in the table.

During period for which Treasury made price comparisons (July-December 1977), it found a weighted average LTFV margin for Sivaco of 5.3 percent, expressed as a percentage of importers' adjusted purchase price. Expressed as a percentage of adjusted home-market price, Sivaco's LTFV margin was 5.03 percent. A comparison of Sivaco's LTFV margins on specific nails (expressed

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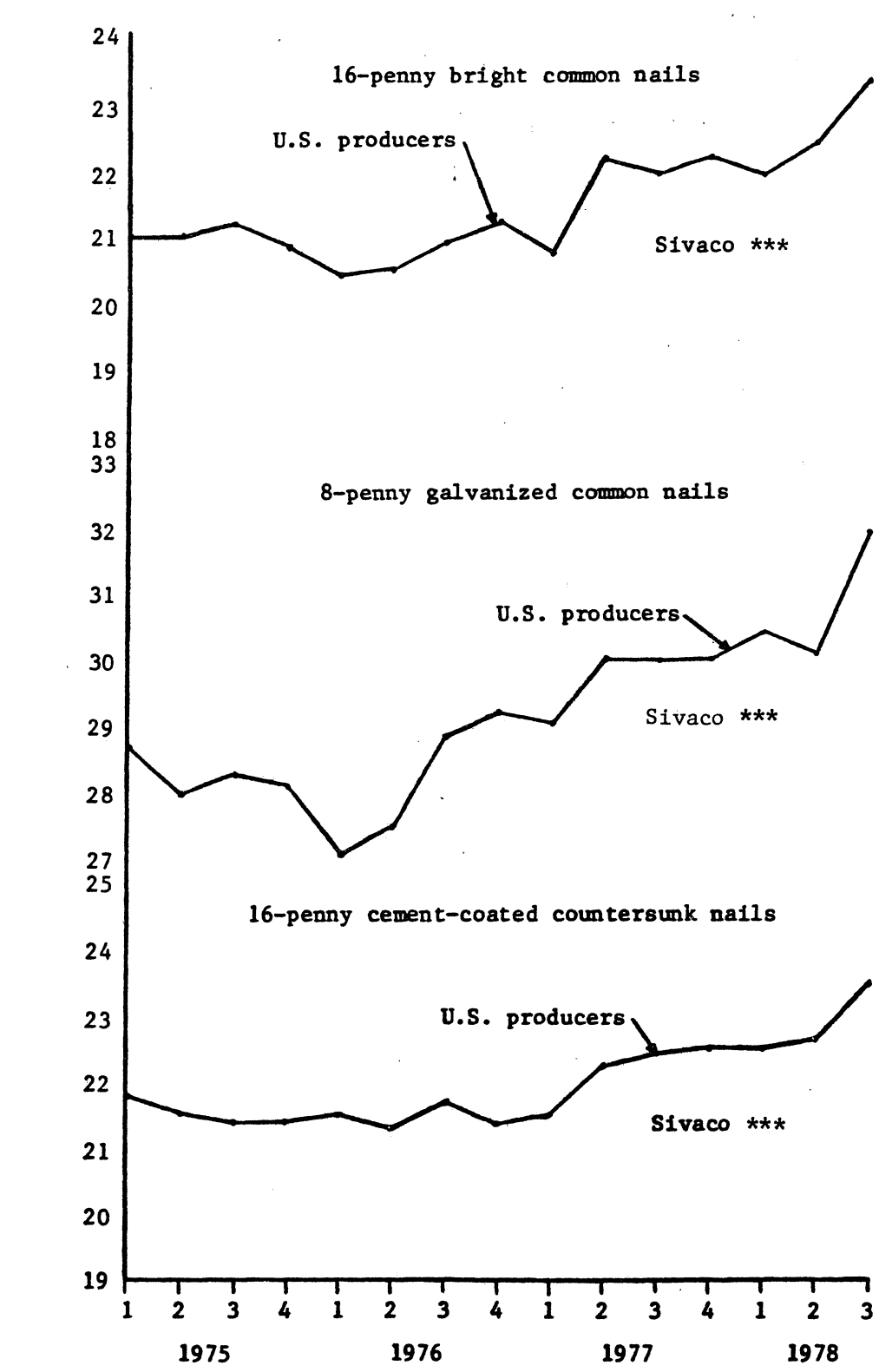
1/ The Treasury Department increased trigger prices for nails several times during 1978. Selling prices increased correspondingly, thus generating higher returns for suppliers that maintained or increased their level of sales. Imports from Canada increased from 54,935 short tons in January-September 1977 (10.6 percent of apparent U.S. consumption) to 58,855 short tons in January-September 1978 (10.7 percent of apparent U.S. consumption). See app. I for a detailed discussion of the TPM.

2/ Transcript of the hearing, pp. 69 and 70.

3/ Price data were received from two U.S. subsidiaries of Ivaco Industries, Inc. that produce steel wire nails from purchased wire rod or wire. Their data are not included in the averages because (1) they did not produce any nails during the early part of the period, (2) they did not produce * * * nails during any part of the period, and (3) one of them failed to report prices on a net realized basis.

Figure 4.--Steel wire nails: Unweighted average net selling prices realized by U.S. producers and delivered prices charged by Sivaco, by types and quarters, 1975-77 and January-September 1978.



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

Steel wire nails: Unweighted average net selling prices realized by U.S. producers, delivered prices charged by Sivaco Wire & Nail Co., and partial margins of underselling by Sivaco, by types and quarters, 1975-77 and January-September 1978

Type and period	U.S. producers' unweighted average net selling price	Delivered prices charged by Sivaco for nails made in Canada	Partial margin of underselling by Sivaco	
	Cents per pound	Cents per pound	Cents per pound	Percent
16-penny bright common nails:				
1975:				
January-March	1/ 21.16	***	2/ ***	2/ ***
April-June	1/ 21.16	***	***	***
July-September	1/ 21.32	***	***	***
October-December	1/ 20.99	***	***	***
1976:				
January-March	3/ 20.57	***	***	***
April-June	3/ 20.61	***	***	***
July-September	3/ 21.02	***	***	***
October-December	3/ 21.37	***	***	***
1977:				
January-March	3/ 20.85	***	***	***
April-June	3/ 22.30	***	***	***
July-September	3/ 22.06	***	***	***
October-December	3/ 22.33	***	***	***
1978:				
January-March	3/ 22.05	***	***	***
April-June	3/ 22.55	***	***	***
July-September	3/ 23.43	4/ ***	5/ ***	5/ ***
8-penny galvanized common nails:				
1975:				
January-March	1/ 28.75	***	2/ ***	2/ ***
April-June	1/ 28.01	***	2/ ***	2/ ***
July-September	1/ 28.35	***	***	***
October-December	1/ 28.18	***	2/ ***	2/ ***
1976:				
January-March	3/ 27.10	***	2/ ***	2/ ***
April-June	3/ 27.58	***	***	***
July-September	3/ 28.87	***	***	***
October-December	3/ 29.24	***	***	***
1977:				
January-March	3/ 29.09	***	***	***
April-June	3/ 30.06	***	***	***
July-September	3/ 30.01	***	***	***
October-December	3/ 30.06	***	***	***
1978:				
January-March	3/ 30.44	***	***	***
April-June	3/ 30.14	***	***	***
July-September	3/ 32.00	4/ ***	5/ ***	5/ ***
16-penny cement-coated countersunk nails:				
1975:				
January-March	1/ 21.86	***	2/ ***	2/ ***
April-June	1/ 21.60	***	***	***
July-September	1/ 21.43	***	***	***
October-December	1/ 21.43	***	***	***
1976:				
January-March	3/ 21.58	***	***	***
April-June	3/ 21.38	***	***	***
July-September	3/ 21.76	***	***	***
October-December	3/ 21.41	***	2/ ***	2/ ***
1977:				
January-March	3/ 21.58	***	***	***
April-June	3/ 22.31	***	***	***
July-September	3/ 22.48	***	***	***
October-December	3/ 22.59	***	***	***
1978:				
January-March	3/ 22.59	***	***	***
April-June	3/ 22.71	***	***	***
July-September	3/ 23.59	4/ ***	5/ ***	5/ ***

1/ Unweighted average of prices reported by 6 integrated producers.
2/ Sivaco's delivered price was higher than the average net realized price of U.S. producers.
3/ Unweighted average of prices reported by 7 integrated producers.
4/ Sivaco's net realized price.
5/ Full margin of underselling.

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

as a percentage of adjusted home market price) and Sivaco's partial margin of underselling on those nails is shown below (in percent):

Period and item	16-penny bright common nails	8-penny galvanized common nails	16-penny cement-coated countersunk nails
July-September 1977:			
Partial margin of underselling	***	***	***
Weighted average LTFV margin	1/ ***	1/ ***	1/ ***
October-December 1977:			
Partial margin of underselling	***	***	***
Weighted average LTFV margin	1/ ***	1/ ***	1/ ***

1/ The weighted average LTFV margins pertain to the full 6-month period. For the 3 types of nails, the ranges of LTFV margins were * * * - * * * percent, * * * - * * * percent, and * * * - * * * percent, respectively.

As shown above, Sivaco's margin of underselling exceeded its weighted average LTFV margin in each case. If Sivaco had converted all price data furnished to the Commission to a net-realized basis, its margin of underselling would have exceeded the weighted average LTFV margin to an even greater extent.

Loss of sales

The Commission requested that domestic nail manufacturers report any sales lost to LTFV imports from Canada since January 1, 1975, and that the losses be documented wherever possible. The manufacturers submitted names of approximately 35 customers (mostly distributors and wholesalers located throughout the United States) who had purchased nails from Canada. Because only a few companies provided the requested documentation, it was necessary to conduct a telephone survey to obtain the remaining verifications. The Commission was able to obtain information from 25 of the companies alleged to have dropped U.S. suppliers in favor of LTFV imports.

All of the purchasers contacted stated that assurances of timely availability, service, and quality are each as much of a deciding factor in their selection of a supplier as price. Only one nail purchaser, a large distributor located in the northeastern section of the United States, considered Canada to be a more appealing source of supply because of price. Most of the other purchasers contacted maintained that, in many instances,

nails purchased from Canada were priced higher than comparable nails sold by U.S. producers. They chose Canadian nails, however, because of the "superb" service rendered by the producer.

At least 5 of the purchasers contacted asserted that the trigger-pricing system has had a more curtailing effect on nails imported from sources other than Canada than on those imported from Canada, and, as a result, domestic nail manufacturers are currently unable to meet the growing demand in the United States. These purchasers further contended that Canada is a very important and necessary source of supply in alleviating this inadequacy.

Several of the purchasers stated that they bought Canadian nails because of their inability to obtain orders of less than 40,000 pounds from domestic producers. On one occasion the switch to Canadian nails came about because domestic producers were not able to supply the specialty nails requested by the customer.

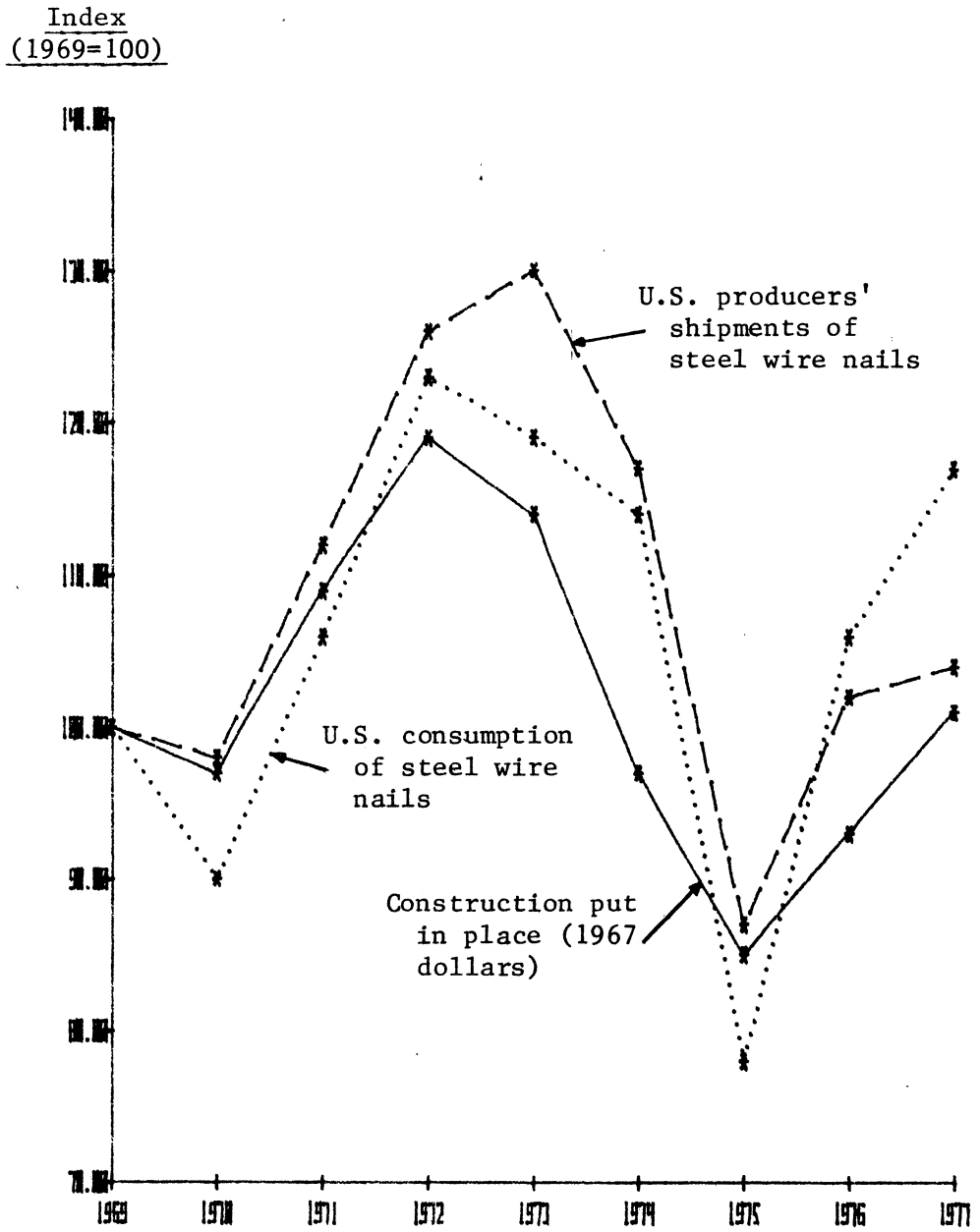
Cyclical nature of consumption

Consumption of steel wire nails is closely related to U.S. construction as shown in figure 5. U.S. producers' shipments generally followed consumption until 1976, when the impact of increasing imports can be seen. The indexes used in figure 5 are listed below (1969=100):

Year	Construction put in place (constant dollars)	U.S. producers' shipments of steel wire nails 1/	U.S. consumption of steel wire nails 1/
1969	100	100	100
1970	97	98	90
1971	109	112	106
1972	119	126	123
1973	114	130	119
1974	97	117	114
1975	85	87	78
1976	93	102	106
1977	101	104	117

1/ Based on quantity.

Figure 5.--Indexes of construction put in place, U.S. producers' shipments of steel wire nails, and U.S. consumption of steel wire nails, 1969-77



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

APPENDIX A

TREASURY'S LETTER NOTIFYING THE COMMISSION OF LTFV SALES

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

OCT 30 1978

Dear Mr. Chairman:

In accordance with section 201(c) of the Antidumping Act, 1921, as amended, you are hereby advised that certain steel wire nails from Canada, except those produced by Tree Island Steel Company, Limited, and the Steel Company of Canada, Limited, are being, or are likely to be, sold at less than fair value within the meaning of the Act.

The United States Customs Service will make available to the International Trade Commission as promptly as possible the file on sales or likelihood of sales at less than fair value of certain steel wire nails subject to this determination. This file is for the Commission's use in connection with its investigation as to whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by the reason of the importation of this merchandise into the United States.

Since some of the data in this file is regarded by the Customs Service to be of a confidential nature, it is requested that the International Trade Commission consider all information therein contained for the official use of the International Trade Commission only, and not be disclosed to others without prior clearance with the Customs Service.

Sincerely yours,

Robert H. Mundheim

The Honorable
Joseph O. Parker, Chairman
United States International
Trade Commission
Washington, D.C. 20436

Enclosure

APPENDIX B

NOTICE OF THE COMMISSION'S INVESTIGATION AND HEARING

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[AA1921-189]

CERTAIN STEEL WIRE NAILS FROM CANADA

Notice of Investigation and Hearing

Having received advice from the Department of the Treasury on November 1, 1978, that certain steel wire nails from Canada, except those produced by Tree Island Steel Co., Ltd., and the Steel Co. of Canada, Ltd., are being, or are likely to be, sold at less than fair value, the United States International Trade Commission, on November 15, 1978, instituted investigation No. AA1921-189 under section 201(a) of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)), to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States. For the purposes of its determination concerning sales at less than fair value, the Treasury Department defined "certain steel wire nails" as steel wire brads, nails, spikes, staples, and tacks of one-piece construction which are 1 inch or more in length and 0.065 inch or more in diameter, as provided for in TSUS item 646.26.

Hearing. A public hearing in connection with the investigation will be held in Washington, D.C., beginning at 10 a.m., e.s.t., on Thursday, December 14, 1978, in the Hearing Room, U.S. International Trade Commission Building, 701 E Street, NW. All persons shall have the right to appear by counsel or in person, to present evidence, and to be heard. Requests to appear at the public hearing, or to intervene under the provisions of section 201(d) of the Antidumping Act, 1921, shall be filed with the Secretary of the Commission, in writing, not later than noon, Friday, December 8, 1978.

There will be a prehearing conference in connection with this investigation which will be held in Washington, D.C. at 10 a.m., e.s.t., on Tuesday, December 12, 1978, in Room 117, U.S. International Trade Commission Building, 701 E Street, NW.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: November 16, 1978

APPENDIX C

FEDERAL REGISTER NOTICES OF TREASURY'S INVESTIGATION, WITHHOLDING OF APPRAISEMENT, AND DETERMINATION OF SALES AT LTFV

[4810-22]

DEPARTMENT OF THE TREASURY

Customs Service

CERTAIN STEEL WIRE NAILS FROM CANADA

Antidumping Proceeding

AGENCY: U.S. Treasury Department.

ACTION: Initiation of Antidumping Investigation.

SUMMARY: This notice is to advise the public that a petition in proper form has been received and an antidumping investigation is being initiated for the purpose of determining whether imports of steel wire nails from Canada are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. Sales at less than fair value generally means that the prices of the merchandise sold for exportation to the United States are less than the prices of such or similar merchandise sold in the home market.

EFFECTIVE DATE: December 28, 1977.

FOR FURTHER INFORMATION CONTACT:

Mary S. Clapp, Operations Officer, U.S. Customs Service, Office of Operations, Duty Assessment Division, Technical Branch, 1301 Constitution Avenue NW., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On November 21, 1977, information was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26, 153.27), from counsel acting on behalf of the Armco Steel Corp., Atlantic Steel Co., Bethlehem Steel Corp., CF & I Steel Corp., Davis Walker Corp., Keystone Steel & Wire, Northwest Steel & Wire, and Pen-Dixie Steel Corp., indicating a possibility that certain steel wire nails from Canada are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.).

The term "certain steel wire nails" for purposes of this notice refers to steel wire brads, nails, spikes, staples, and tacks of one-piece construction which are one inch or more in length and 0.065 inch or more in diameter.

There is evidence on record concerning injury to, or the likelihood of injury to, or the prevention of establishment of, an industry in the United States. This evidence indicates that imports of steel wire nails from Canada have increased, as a share of United States, during the first seven months of this year over 1976, and that in absolute terms imports of this merchandise have increased dramatically from 1975 to 1976 and again from 1976 to the first nine months of 1977. There is also evidence showing a decline in capacity utilization of domestic firms and evidence showing sales lost by domestic manufacturers to the imported merchandise. Further there is information indicating that domestic manufacturers are being significantly undersold by Canadian imports, and that this margin of underselling would be eliminated by elimination of sales at less than fair value.

Having conducted a summary investigation as required by section 153.29 of the Customs Regulations (19 CFR 153.29) and having determined as a result thereof that there are grounds for so doing, the U.S. Customs Service is instituting an inquiry to verify the information submitted and to obtain the facts necessary to enable the Secretary of the Treasury to reach a determination as to the fact or likelihood of sales at less than fair value.

A summary of price information received from all sources is as follows:

The information received tends to indicate that the prices of the merchandise sold for exportation to the United States are less than the prices for home consumption.

This notice is published pursuant to section 153.30 of the Customs Regulations (19 CFR 153.30).

Dated: December 21, 1977.

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

[FR Doc. 77-36916 Filed 12-28-77; 8:45 am]

[4810-22]

Office of the Secretary

CERTAIN STEEL WIRE NAILS FROM CANADA

Antidumping; Withholding of Appraisement Notice

AGENCY: U.S. Treasury Department.

ACTION: Withholding of Appraisement.

SUMMARY: This notice is to advise the public that there are reasonable grounds to believe or suspect that there are sales of steel wire nails from Canada to the United States at less than fair value within the meaning of the Antidumping Act, 1921. Sales at less than fair value generally occur when the price of merchandise sold for exportation to the United States is less than the price of such or similar merchandise sold in the home market or to third countries. Appraisement for the purpose of determining the proper duties applicable to entries of this merchandise will be suspended for 6 months. Interested persons are invited to comment on this action not later than 30 days from the effective date of this notice.

EFFECTIVE DATE: July 10, 1978.

FOR FURTHER INFORMATION CONTACT:

Mr. Michael Ready, Operations Officer, Duty Assessment Division, United States Customs Service, 1301 Constitution Avenue NW., Washington, D.C. 20229, telephone 202-566-5492.

SUPPLEMENTARY INFORMATION: On November 21, 1977, information was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26 and 153.27), indicating that steel wire nails from Canada are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.) (referred to in this notice as "the act"). This information was submitted by the law firm of Freeman, Meade, Wasserman & Schneider on behalf of Armco Steel Corp., CF&I Steel Corp., Keystone Steel and Wire, Northwestern Steel and Wire, and the Penn-Dixie Steel Corp. On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of December 29, 1977 (42 FR 64942).

For purposes of this notice, the term "certain steel wire nails" refers to steel wire brads, nails, spikes, staples and tacks of one-piece construction which are one inch or more in length and 0.065 inch or more in diameter.

TENTATIVE DETERMINATION OF SALES AT LESS THAN FAIR VALUE

On the basis of information developed in Customs' investigation and for the reasons noted below, pursuant to section 201(b) of the act (19 U.S.C. 160(b)), I hereby determine that there are reasonable grounds to believe or suspect that the purchase price of steel wire nails from Canada is less than the fair value, and thereby the foreign market value, of such or similar merchandise.

STATEMENT OF REASONS ON WHICH THIS DETERMINATION IS BASED

The reasons and bases for the above tentative determination are as follows:

A. SCOPE OF THE INVESTIGATION

It appears that over 78 percent of the imports of the subject merchandise from Canada were manufactured by Sivaco Wire and Nail Co. (Sivaco), the Steel Co. of Canada, Ltd. (Stelco), Tree Island Steel and Wire Co., Ltd. (Tree Island), and Titan Steel and Wire Co., Ltd. (Titan). The investigation therefore was limited to sales by these four exporters.

B. BASIS OF COMPARISON

For the purpose of considering whether the merchandise in question is being, or is likely to be, sold at less than fair value within the meaning of the act, the proper basis of comparison appears to be between purchase price and the adjusted home market price of such or similar merchandise. Purchase price, as defined in section 203 of the act (19 U.S.C. 162), was used since all export sales to the United States used for fair value comparisons for purposes of this determination appear to have been made to nonrelated customers. Home market price, as defined in § 153.2, Customs Regulations (19 CFR 153.2), was used for fair value purposes since such or similar merchandise appears to have been sold in the home market in sufficient quantities to provide an adequate basis for comparison.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was sought concerning imports and home market sales during the period July 1 through December 31, 1977. Information was not received from Sivaco in sufficient time to be verified and analyzed for use in making a tentative determination in this case. Therefore, pursuant to § 153.31(a), Customs Regulations (19 CFR 153.31(a)), best information available has been utilized in making fair value comparisons with respect to Sivaco.

To the extent possible, information received from Sivaco will be verified and analyzed and used in making a final determination in this case.

C. PURCHASE PRICE

For the purpose of this tentative determination of sales at less than fair value, purchase price has been calculated on the basis of sales prices to unrelated United States purchasers with deductions made, where applicable, for freight charges, U.S. Customs duty, brokerage, and volume, distributor's, buying group, producer's interchange and currency exchange differential discounts. An adjustment was made, where applicable, for drawback of Canadian customs duty paid on imported wire rods used to manufacture the nails exported to the U.S. during the investigatory period.

D. HOME MARKET PRICE

For the purposes of making this tentative determination of sales at less than fair value, the home market price has been calculated on the basis of the selling prices to unrelated purchasers in Canada. Deductions were made, where applicable, for freight charges, freight allowances, selling commissions, and discounts offered on sales to other nail manufacturers and certain distributors, primarily in Western Canada. Adjustments were made, where applicable, for differences in the merchandise compared. In certain instances, an addition to home market prices was made for less than carload quantity sales.

A request was made that the Canadian home market be considered two markets and that sales to the U.S. be compared only to prices prevailing in the Canadian market corresponding to the location of the sale in the U.S. Although section 205(a) of the act (19 U.S.C. 164) recognizes that there may be more than one set of prices prevailing in the country of exportation, both the act and section 153.16, Customs Regulations (19 CFR 153.16), contem-

plate the calculation of one foreign market value for purposes of making fair value comparisons. Therefore, the request was denied and foreign market value was calculated as a weighted average of prices charged to customers in Canada.

A request was also made that a level of trade adjustment be granted under section 153.15, Customs Regulations (19 CFR 153.15) because all home market sales of one company were made to end users while sales to the U.S. were made to both distributors and end users. This request has been denied for purposes of this determination due to a lack of sufficient supporting evidence. Should such evidence be forthcoming, an adjustment may be deemed appropriate in making a final determination in this case.

E. RESULTS OF FAIR VALUE COMPARISONS

Using the above criteria, the purchase price appears to be lower than the home market price of such or similar merchandise. Comparisons were made on approximately 40 percent of the steel wire nails under investigation which were sold for export to the United States by all producers investigated for the period under consideration. Margins were found ranging from 0.06 percent to 19.3 percent for sales made by Stelco, ranging from 0.04 percent to 15.6 percent for sales made by Titan, ranging from 0 to 50 percent for sales made by Tree Island and ranging from 8.9 percent to 44.7 percent on sales made by Sivaco. The range of margins calculated for Sivaco were based primarily upon data supplies in the petition. Weighted average margins for each firm's sales compared were approximately 1.4 percent for Stelco, 2.5 percent for Titan and 7 percent for Tree Island. The calculation of a weighted average margin was not possible with respect to Sivaco.

Accordingly, Customs officers are being directed to withhold apraisement of steel wire nails from Canada, in accordance with § 153.48 Customs Regulations (19 CFR 153.48).

In accordance with § 153.40(a) and 153.40(b), Customs Regulations (19 CFR 153.40(a), 153.40(b)), interested persons may present written views or arguments, or request in writing that the Secretary of the Treasury afford an opportunity to present oral views.

Any request that the Secretary of the Treasury afford an opportunity to present oral views should be addressed to the Commissioner of Customs, 1301 Constitution Avenue NW., Washington, D.C. 20229, in time to be received by his office not later than July 20, 1978. Such requests must be accompanied by a statement outlining the issues wished to be discussed.

Any written views or arguments should likewise be addressed to the Commissioner of Customs in time to be received by his office not later than August 9, 1978. All persons submitting written views or arguments should avoid repetitious and merely cumulative material. Counsel for the petitioner and respondents are requested to serve all written submissions on all other counsel and to file their submissions with the Commissioner of Customs in 10 copies.

This notice, which is published pursuant to § 153.35(b), Customs Regulations (19 CFR 153.35(b)), shall become effective July 10, 1978. It shall cease to be effective at the expiration of 6 months from the date of this publication, unless previously revoked.

ROBERT H. MUNDHEIM,
General Counsel
of the Treasury.

JUNE 30, 1978.

[FR Doc. 78-18897 Filed 7-7-78; 8:45 am]

[4810-22-M]

Office of the Secretary

CERTAIN STEEL WIRE NAILS FROM CANADA

Antidumping; Determination of Sales at Less Than Fair Value and Final Discontinuance of Investigation

AGENCY: Treasury Department.

ACTION: Determination of sales at less than fair value and final discontinuance.

SUMMARY: This notice is to advise the public that based upon an antidumping investigation it has been determined that certain steel wire nails from Canada are being sold at less than fair value within the meaning of the Antidumping Act, 1921. Sales at less than fair value generally occur when the price of merchandise for exportation to the United States is less than the price of such or similar merchandise sold in the home market. This proceeding is being referred to the United States International Trade Commission for a determination concerning injury to an industry in the United States. In the case of two manufacturers the investigation is being discontinued based upon minimal margins and assurances that prices have been revised.

EFFECTIVE DATE: November 6, 1978.

FOR FURTHER INFORMATION CONTACT:

Mr. Michael Ready, Operations Officer, Duty Assessment Division, United States Customs Service, 1301 Constitution Avenue NW., Washington, D.C. 20229, 202-566-5492.

SUPPLEMENTARY INFORMATION: On November 21, 1977, information was received in proper form pursuant to §§ 153.26 and 153.27, Customs Regulations (19 CFR 153.26 and 153.27), indicating that steel wire nails from Canada are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160 et seq.) (referred to in this notice as "the Act"). This information was submitted by counsel on behalf of Atlantic Steel Co; Bethlehem Steel Corp.; Armco Steel Corp.; CF&I Steel Corp.; Keystone Steel & Wire; Northwestern Steel & Wire; and, the Penn-Dixie Steel Corp. On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of December 29, 1977 (42 FR 64942). A "Withholding of Appraisement Notice" was published in the FEDERAL REGISTER of July 10, 1978 (43 FR 29654).

For purposes of this notice, the term "certain steel wire nails" refers to steel wire brads, nails, spikes, staples and tacks of one-piece construction which are one inch or more in length and 0.065 inch or more in diameter.

DETERMINATION OF SALES AT LESS THAN FAIR VALUE AND FINAL DISCONTINUANCE OF ANTIDUMPINMG INVESTIGATION

On the basis of the information developed in Customs' investigation and for the reasons noted below, pursuant to section 201(a) of the Act (19 U.S.C. 160(a)), I hereby determine that the purchase price of certain steel wire nails, other than those produced by Tree Island Steel Co., Ltd. and the Steel Co. of Canada, Ltd. (Stelco) for export to the United States, is less, or is likely to be less, than the fair value, and thereby the foreign market value, of such or similar merchandise. In the case of such merchandise from Tree Island and Stelco, I hereby discontinue the investigation.

STATEMENT OF REASONS ON WHICH THIS DETERMINATION AND DISCONTINUANCE IS BASED

a. *Scope of the investigation.* Over 78 percent of the imports of the subject merchandise from Canada were manufactured by Sivaco Wire & Nail Co. (Sivaco), The Steel Co. of Canada, Ltd. (Stelco), Tree Island Steel Co., Ltd. (Tree Island), and Titan Steel & Wire Co., Ltd. (Titan). The investigation therefore was limited to sales by these four exporters.

b. *Basis of comparison.* For the purposes of this determination the basis of comparison was between purchase price or exporter's sales price, as appropriate, and the adjusted home market price of such or similar merchandise. Purchase price, as defined in section 203 of the Act (19 U.S.C. 162), was used in the case of sales made to unrelated customers in the United States. Exporter's sales price, as defined in section 204 of the Act (19 U.S.C. 163), was used in the case of certain sales made by Tree Island to related U.S. purchasers within the meaning of section 207 of the Act (19 U.S.C. 166). Home market prices, as defined in § 153.2, Customs Regulations (19 CFR 153.2), were used for all four companies since such or similar merchandise was sold in the home market in sufficient quantities to provide an adequate basis for comparison.

In accordance with § 153.31(b), Customs Regulations (19 CFR 153.31(b)), pricing information was obtained concerning imports and home market sales during the period July 1, through December 31, 1977.

c. *Purchase price.* For the purposes of this determination, purchase price was calculated on the basis of sales

prices to unrelated purchasers with deductions, where applicable, for freight charges, U.S. customs duty, brokerage, and quantity discounts, discounts granted to customers at different levels of trade, early payment discounts and discounts granted for short term exchange rate fluctuations. An adjustment was made, where applicable, for drawback of Canadian customs duties paid on imported wire rods used to manufacture the nails exported to the U.S. during the investigatory period.

d. *Exporter's sales price.* For the purposes of this determination, exporter's sales price was calculated on the basis of the selling price to related U.S. customers, with deductions, where appropriate, for freight, handling, customs duty, early payment discount, and selling expenses. An addition was made for drawback of Canadian customs duty paid on imported wire rods consumed in the manufacture of steel wire nails for export to the United States.

e. *Home market prices.* For the purposes of this determination, the home market prices were calculated on the basis of the selling prices to unrelated purchasers in Canada. Deductions were made, where applicable, for freight charges, freight allowances, selling commissions, and discounts offered on sales to other nail manufacturers and certain distributors, primarily in Western Canada. In making comparisons using exporter's sales price, a further deduction was made pursuant to § 153.10(b), Customs Regulations (19 CFR 153.10(b)), for actual selling expenses incurred in the home market up to the amount of the selling expenses incurred in the United States market. Adjustments were made, where applicable, for differences in the merchandise compared, and for differences in level of trade.

An adjustment for a level of trade difference was claimed and granted in the case of sales by Tree Island, pursuant to § 153.15, Customs Regulations (19 CFR 153.15). During the period of investigation Tree Island sold and shipped steel wire nails both to dealers and distributors in the United States, but only shipped to dealers in Canada. However, a contract was signed by Tree Island during the period of investigation with a Canadian customer at the distributor level, with shipments subsequent to that period in sufficiently large quantities and at the contract prices. Therefore, it has been determined that the dealer's prices in Canada during the investigative period should be adjusted to reflect a distributor level of trade to compare with U.S. distributor level sales by Tree Island. The adjustment was calculated as the difference in prices between sales to the Canadian customer at the distributor level and sales to dealers purchasing in similar quantities.

An adjustment was requested by Sivaco under § 153.10, Customs Regulations (19 CFR 153.10), for a number of selling expenses incurred in the home market, including salesmen salaries, rent and other general office expenses. Such expenses have not been shown to be directly related to the sales under investigation and therefore no adjustment has been made.

A request was made that the Canadian home market be considered two markets and that sales to the United States be compared to prices prevailing in the Canadian market corresponding to the location of the sale in the United States. Although section 205(a) of the Act (19 U.S.C. 164(a)) recognizes that there may be more that one set of prices prevailing in the country of exportation, both the Act and § 153.16, Customs Regulations (19 CFR 153.16), contemplate the calculation of one home market price for purposes of making fair value comparisons. Therefore, the request was denied and the home market price was calculated as a weighted average of prices charged to customers in Canada.

f. *Results of comparison.* Using the above criteria, the purchase prices or exporter's sales prices were found to be lower than the home market price of such or similar merchandise in certain instances. Information was received on the following approximate percentages of the nails shipped to the United States during the period of investigation for each manufacturer: 80 percent for Sivaco; 78 percent for Stelco; 76 percent for Tree Island; and 97 percent for Titan. Margins ranged from .03 to 45.4 percent for Sivarco, from .06 to 19.7 precent for Stelco, from .01 to 58.5 percent for Tree Island, and from .04 to 15.6 percent for Titan. Weighted-average margins for each firm's sales compared were 5.3 percent for Sivaco, 1.5 percent for Stelco, 0.9 percent for Tree Island and 2.5 percent for Titan. In the case of Tree Island and Stelco, the weighted-average margin is considered to be minimal in relation to the total volume of exports. In addition, formal assurances have been received from Tree Island and Stelco that they would make no future sales at less than fair value within the meaning of the Act.

The Secretary has provided an opportunity to known interested persons to present written and oral views pursuant to § 153.40, Customs Regulations (19 CFR 153.40).

The U.S. International Trade Commission is being advised of this determination.

The order to withhold appraisement on the subject merchandise from Canada, cited above and published in the FEDERAL REGISTER on July 10, 1978 (43 FR 29654), is hereby terminated with respect to Tree Island Steel Co. Ltd., and the Steel Co. of Canada, Ltd., effective upon publication of this notice.

This determination and discontinuance are being published pursuant to section 201(d) of the Act (19 U.S.C. 160(d)).

ROBERT H. MUNDHEIM,
General Counsel of the Treasury.

OCTOBER 30, 1978.

[FR Doc. 78-31221 Filed 11-3-78; 8:45 am]

A-52

APPENDIX D

DETAILED DESCRIPTION OF STEEL WIRE NAILS

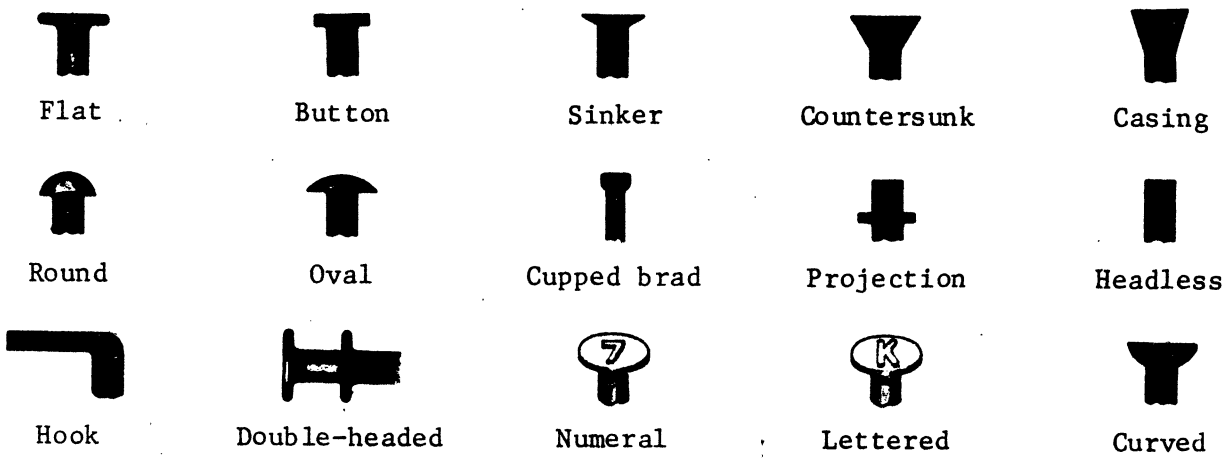
Detailed Description of Steel Wire Nails

Nails are generally described on the basis of their intended use and the nature of their main parts--the head, shank, and point.

Head

The head of the nail is designed to facilitate its use, both while being driven and after in place. The "flat head" is by far the most common, as it is best suited to general use. The diameter of the flat head may be enlarged to obtain maximum bearing area in specific applications such as roofing and sheathing nails. A "cupped brad head" is used on finishing nails to make the head less visible after being driven. Similarly, "countersunk" or "casing heads" (such as those used on flooring nails) allow the nail to be driven flush with the surface. "Double headed" nails are designed for easy removal in temporary applications; "embossed heads" are used to identify some characteristic of the nail; "round" or "oval heads" are used for decorative effects; and "projection heads" are designed for special purpose nails such as shade roller pins. Various combinations of these basic heads may be used in such special applications as gutter spikes with countersunk oval heads. Several head designs are shown in figure D-1.

Figure D-1.--Types of nail heads

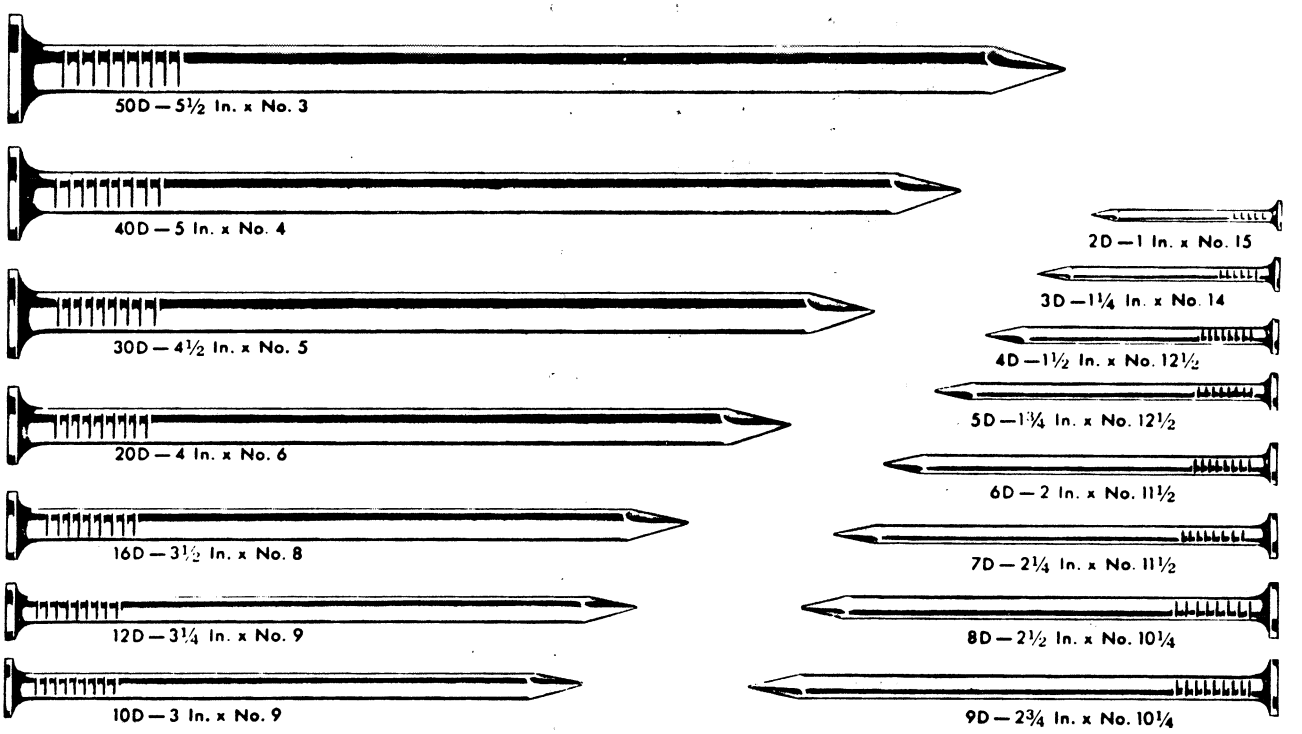


Source: Sales brochure of Independent Nail, Inc.

Shank

The shank of the nail can be described in terms of its length, diameter, surface texture, and finish. Wire nail sizes are standardized by length 1/ and designated in terms of "penny" size. The origin of this method of designation is not known, but is probably found in the English system of measurements. A 16-penny nail was likely one of such size that 1,000 weighed approximately 16 pounds. Such a nail would have been known as a 16-pound nail and designated 16d, the letter "d" being the English symbol for pound. As the letter "d" is also the symbol for the English penny, the two terms probably came to be used interchangeably. Today, penny ("d") size indicates a definite length (see figure D-2) regardless of weight, which varies with diameter (or

Figure D-2.--Nail sizes, by penny ("d") designations (length and wire gage)

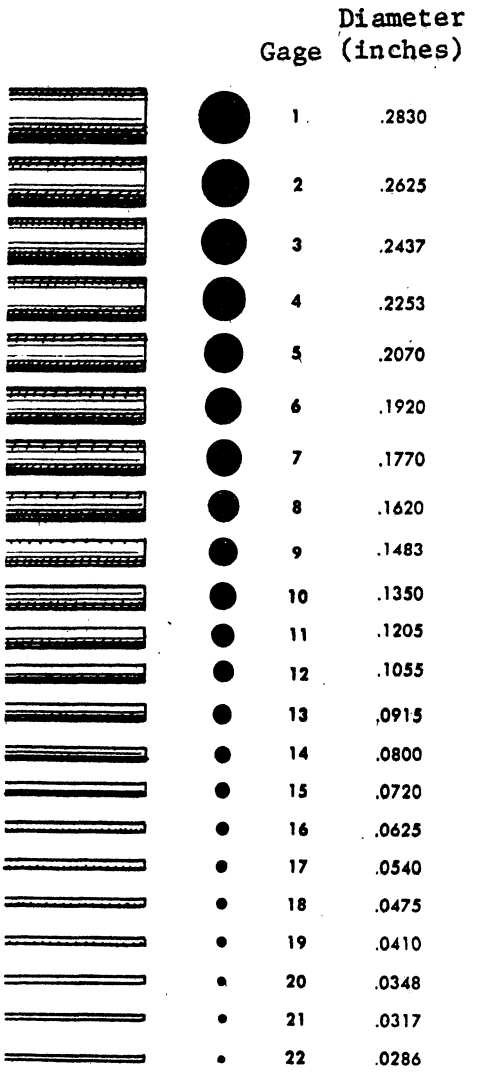


Source: Sales brochure of Republic Steel Corp.

1/ Length is generally measured from the underside of the head to the tip of the point.

gage) and type of head. Gage is also generally standardized for specific penny nails as indicated in figure D-2, but customers may specify nonstandard gages with most suppliers. A listing of gage sizes is presented in figure D-3.

Figure D-3.--Wire gage sizes, by gage numbers and diameters



Source: Sales brochure of The Hillwood Manufacturing Co.

Most nails, imported as well as domestically produced, have smooth shanks. For special uses, however, barbs, rings, or threads may be added to the shank during production. Nail shanks are usually bare metal ("bright"), but may also be treated to gain special properties. Zinc coating (galvanizing), for example, imparts corrosion resistence, while cement or resin coating gives the nail extra holding power. When a cement-coated nail is driven, the resinous coating melts under the heat of friction and forms a tighter bond between the nail and the wood. Any nail may also be blued or annealed (softened).

Point

Nail points are designed to best facilitate driving while causing the least possible damage to the wood (or other medium). The "diamond point" (figure D-4) is the most common and is well suited for general commercial use. It has high holding power, but tends to cause splitting in dense woods. "Blunt points" are preferred when working with such dense woods (e.g., hardwood flooring, trim, and shingles) since they tend to reduce the danger of splitting by breaking the wood fibers upon entry. Sharper points force the wood fibers apart, thus setting up strains which induce splitting. "Chisel points" also reduce the risk of splitting by cutting through the wood fibers and are principally used on larger nails. "Needle" and "conical points" are largely used in applications where fast hand nailing is required. Nails with these points are easily started with a light tap of the hammer or even by hand. Other points designed for special uses include "side points," "duck-bill points," "sheared bevel points," and "sheared square points."

Figure D-4.--Types of nail points

Regular diamond | Long diamond | Blunt | Conical | Needle | Sheared bevel | Chisel | Sheared square

Source: Sales brochure of Independent Nail, Inc.

APPENDIX E

LIST OF MAJOR U.S. NAIL MANUFACTURERS

List of Major U.S. Nail Manufacturers

American Nail Co., Earth City, Mo.
Angell Nail & Chaplet Co., Cleveland, Ohio
Armco Steel Corp., Kansas City, Mo.
Atlantic Steel Co. Atlanta, Ga
Atlas Steel & Wire Corp., New Orleans, La.
Baker Nail Co., Lillington, N.C.
Bethlehem Steel Corp., Baltimore, Md.
Bostich Division of Textron, Inc., Greenwich, R.I. 1/
CF & I Steel Corp., Pueblo, Colo.
Celus Fasteners Manufacturing, Inc., Andover, Mass.
Dickson Weatherproof Nail Co., Evanston, Ill.
Florida Wire & Nail Co., Quincy, Fla. 2/
Gunnison-International, Inc., Lindenwold, N.J. 1/
Hillwood Manufacturing Co., Cleveland, Ohio
Holland Manufacturing Corp., Baltimore, Md.
Independent Nail Corp., Bridgewater, Mass.
International Staple & Machine Co., Butler, Pa. 1/
John Hassell, Inc., Westbury, N.Y.
Keystone Consolidated Industries, Inc., Peoria, Ill.
Kinray Industries, Inc., Youngstown, Ohio
W. H. Maze, Inc., Peru, Ill.
New York Wire Mills, Inc., Tonawanda, N.Y. 2/
Northwestern Steel & Wire Co., Sterling, Ill.
Penn-Dixie Steel Corp., Kokomo, Ind.
Power Line Sales, Inc., El Monte, Calif.
Queen Wire Co., Buffalo, N.Y. and Columbia, S.C.
Senco Products, Inc., Cincinnati, Ohio 1/
Signode Corp., Franklin Park, Ill. 1/
Swingline Co., Long Island City, N.Y. 1/
Tower Manufacturing Corp., Madison, Wis.
Tree Island Steel Co., Carson, Calif. 2/
United States Steel Corp., Birmingham, Ala., Joliet, Ill., and Pittsburg, Calif.
Virginia Wire & Fabric Co., Warrenton, Va. 2/
Wire Products Co., Hortonville Wis.

1/ Involved with nail collating and automatic nailing machines.
2/ Subsidiary of Canadian nail producer.

Source: Compiled from various directories of U.S. wire and wire products companies and from representatives of the U.S. steel wire nail industry.

APPENDIX F

DISCUSSION OF IMPORTERS OF NAILS FROM COUNTRIES OTHER THAN CANADA

Discussion of Importers of Nails From Countries Other Than Canada

Fehr Brothers, Inc.

* * * * * * *

C. Itoh & Co. (Itoh)

* * * * * * *

Mitsubishi International Corp. (Mitsubishi)

* * * * * * *

Mitsui & Co. (USA), Inc. (Mitsui)

* * * * * * *

Wilmod Co., Inc. (Wilmod)

* * * * * * *

APPENDIX G

STATISTICAL TABLES

Table 1.--Steel wire nails with smooth shanks: U.S. imports for consumption, by principal sources, 1973-77, January-September 1977, and January-September 1978

Source	1973	1974	1975	1976	1977	Jan.-Sept.-- 1977	Jan.-Sept.-- 1978
	Quantity (1,000 pounds)						
Japan	167,037	158,214	99,052	160,167	152,763	120,404	91,439
Canada	109,841	114,914	83,616	92,359	115,433	84,542	100,508
Republic of Korea	2,053	10,419	22,360	52,383	111,569	88,673	131,884
Poland	48,661	46,305	29,540	51,428	51,956	42,828	69,404
Other	96,217	107,617	34,593	76,256	84,668	65,186	111,457
Total	423,809	437,469	269,161	432,593	516,389	401,633	504,692
	Value (1,000 dollars)						
Japan	21,647	35,160	20,380	26,987	30,407	24,372	20,245
Canada	15,590	27,083	19,516	21,365	27,301	20,023	24,938
Republic of Korea	195	2,287	4,247	8,525	20,136	16,188	24,941
Poland	5,020	8,274	4,502	6,980	7,597	6,338	10,177
Other	10,997	21,900	6,893	13,659	15,384	11,813	20,901
Total	53,449	94,704	55,538	77,516	100,825	78,734	101,202
	Unit value (cents per pound)						
Japan	13.0	22.2	20.6	16.8	19.9	20.2	22.1
Canada	14.2	23.6	23.3	23.1	23.6	23.7	24.8
Republic of Korea	10.0	22.0	19.0	16.3	18.0	18.3	18.9
Poland	10.3	17.9	15.2	13.6	14.6	14.8	14.7
Other	11.4	20.4	19.9	17.9	18.2	18.1	18.8
Average	12.6	21.6	20.6	17.9	19.5	19.6	20.1
	Percent of total quantity						
Japan	39.4	36.2	36.8	37.0	29.6	30.0	18.1
Canada	25.9	26.3	31.1	21.4	22.4	21.0	19.9
Republic of Korea	.5	2.4	8.3	12.1	21.6	22.1	26.1
Poland	11.5	10.6	11.0	11.9	10.1	10.7	13.8
Other	22.7	24.6	12.8	17.6	16.4	16.2	22.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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

Table 2.--Steel wire nails with other than smooth shanks: U.S. imports for consumption, by principal sources, 1973-77, January-September 1977, and January-September 1978

Source	1973	1974	1975	1976	1977	Jan.-Sept.--	
						1977	1978
	Quantity (1,000 pounds)						
Japan	163,791	155,752	88,473	129,609	133,664	108,953	81,701
Republic of Korea	603	13,317	19,606	42,022	59,521	47,206	42,343
Canada	11,167	15,615	13,855	26,983	34,950	25,328	17,202
Poland	15,767	15,849	7,247	11,852	16,481	11,988	15,612
Other	26,679	29,219	15,994	26,472	32,070	25,965	25,270
Total	218,007	229,752	145,175	236,938	276,686	219,440	182,128
	Value (1,000 dollars)						
Japan	25,162	38,461	22,490	26,653	30,741	25,084	21,085
Republic of Korea	63	3,556	4,365	7,550	11,081	8,920	8,531
Canada	1,906	4,145	3,788	6,510	8,667	6,224	5,211
Poland	1,721	2,938	1,250	1,701	2,373	1,744	2,286
Other	2,979	6,161	3,034	4,447	6,119	5,005	4,063
Total	31,831	55,261	34,927	46,861	58,981	46,977	41,176
	Unit value (cents per pound)						
Japan	15.4	24.7	25.4	20.6	23.0	23.0	25.8
Republic of Korea	10.4	26.7	22.3	18.0	18.6	18.9	20.2
Canada	17.1	26.5	27.3	24.1	24.8	24.6	30.3
Poland	10.9	18.5	17.2	14.4	14.4	14.6	14.6
Other	11.2	21.1	19.0	16.8	19.1	19.3	16.1
Average	14.6	24.0	24.1	19.8	21.3	21.4	22.6
	Percent of total quantity						
Japan	75.1	67.8	60.9	54.7	48.3	49.6	44.8
Republic of Korea	.3	5.8	13.5	17.7	21.5	21.5	23.3
Canada	5.1	6.8	9.5	11.4	12.6	11.5	9.4
Poland	7.2	6.9	5.0	5.0	6.0	5.5	8.6
Other	12.2	12.7	11.0	11.2	11.6	11.8	13.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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

Table 3.--Profit-and-loss experience of 5 integrated U.S. producers on their steel wire nail operations, by companies, 1975-77, January-September 1977, and January-September 1978

Period and company	Net sales	Cost of goods sold	Gross profit or (loss)	General, selling, and administrative expenses	Net operating profit or (loss)	Other income or (expense)	Net profit or (loss) before income taxes	Ratio of gross profit or (loss) to net sales	Ratio of net operating profit or (loss) to net sales	Ratio of net profit or (loss) before income taxes to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent	Percent	Percent
1975:										
Armco Steel Corp	***	***	***	***	***	***	***	***	***	***
Bethlehem Steel Corp	***	***	***	***	***	***	***	***	***	***
CF & I Steel Corp	***	***	***	***	***	***	***	***	***	***
Northwestern Steel & Wire Co	***	***	***	***	***	***	***	***	***	***
Penn-Dixie Steel Corp	***	***	***	***	***	***	***	***	***	***
Total or average	80,305	70,922	9,383	4,843	4,540	339	4,879	11.7	5.6	6.1
1976:										
Armco Steel Corp	***	***	***	***	***	***	***	***	***	***
Bethlehem Steel Corp	***	***	***	***	***	***	***	***	***	***
CF & I Steel Corp	***	***	***	***	***	***	***	***	***	***
Northwestern Steel & Wire Co	***	***	***	***	***	***	***	***	***	***
Penn-Dixie Steel Corp	***	***	***	***	***	***	***	***	***	***
Total or average	83,851	73,940	9,911	4,622	5,289	184	5,473	11.8	6.3	6.5
1977:										
Armco Steel Corp	***	***	***	***	***	***	***	***	***	***
Bethlehem Steel Corp	***	***	***	***	***	***	***	***	***	***
CF & I Steel Corp	***	***	***	***	***	***	***	***	***	***
Northwestern Steel & Wire Co	***	***	***	***	***	***	***	***	***	***
Penn-Dixie Steel Corp	***	***	***	***	***	***	***	***	***	***
Total or average	88,269	78,935	9,334	5,632	3,702	(47)	3,655	10.6	4.2	4.1
January-September 1977:										
Armco Steel Corp	***	***	***	***	***	***	***	***	***	***
Bethlehem Steel Corp	***	***	***	***	***	***	***	***	***	***
CF & I Steel Corp	***	***	***	***	***	***	***	***	***	***
Northwestern Steel & Wire Co	***	***	***	***	***	***	***	***	***	***
Penn-Dixie Steel Corp	***	***	***	***	***	***	***	***	***	***
Total or average	69,588	62,264	7,324	4,228	3,096	(35)	3,061	10.5	4.4	4.4
January-September 1978:										
Armco Steel Corp	***	***	***	***	***	***	***	***	***	***
Bethlehem Steel Corp	***	***	***	***	***	***	***	***	***	***
CF & I Steel Corp	***	***	***	***	***	***	***	***	***	***
Northwestern Steel & Wire Co	***	***	***	***	***	***	***	***	***	***
Penn-Dixie Steel Corp	***	***	***	***	***	***	***	***	***	***
Total or average	70,537	63,924	6,613	3,698	2,915	53	2,968	9.4	4.1	4.2

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

Table 4.-Profit-and-loss experience of 2 nonintegrated U.S. producers on their steel wire nail operations, by companies, 1975-77, January-September 1977, and January-September 1978

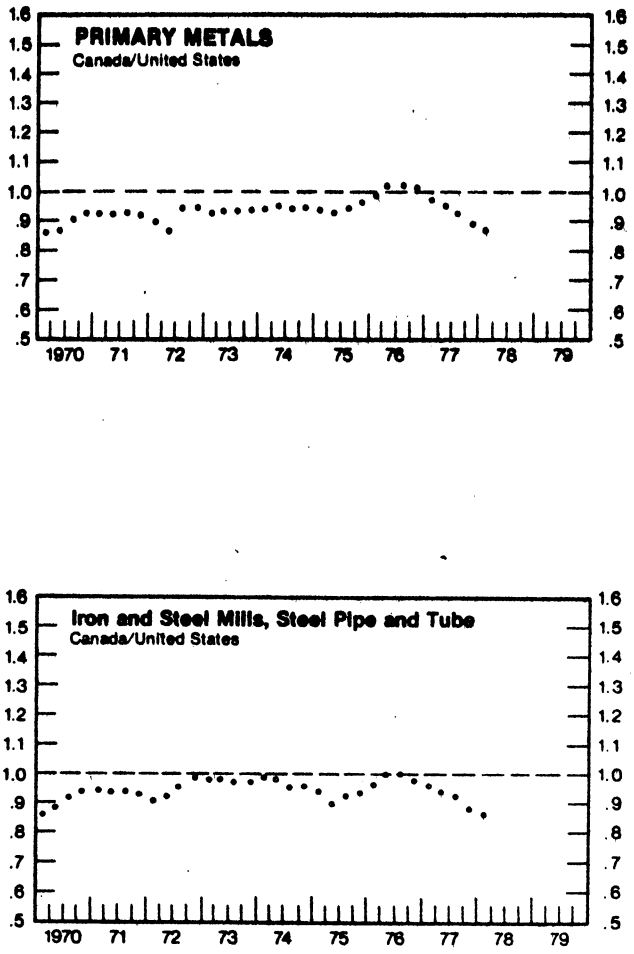
Period and company	Net sales	Cost of goods sold	Gross profit or (loss)	Ratio of gross profit or (loss) to net sales
	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1975:				
New York Wire Mills, Inc---	***	***	***	***
Virginia Wire & Fabric Co----------	***	***	***	***
Total or average---------	***	***	***	***
1976:				
New York Wire Mills, Inc---	***	***	***	***
Virginia Wire & Fabric Co----------	***	***	***	***
Total or average---------	***	***	***	***
1977:				
New York Wire Mills, Inc---	***	***	***	***
Virginia Wire & Fabric Co----------	***	***	***	***
Total or average---------	***	***	***	***
January-September 1977:				
New York Wire Mills, Inc---	***	***	***	***
Virginia Wire & Fabric Co----------	***	***	***	***
Total or average---------	***	***	***	***
January-September 1978:				
New York Wire Mills, Inc---	***	***	***	***
Virginia Wire & Fabric Co----------	***	***	***	***
Total or average---------	***	***	***	***

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

APPENDIX H

CANADIAN WAGES AS A SHARE OF COMPARABLE U.S. WAGES, BY SELECTED INDUSTRY GROUPS

Figure H-1.--Canadian wages as a share of comparable U.S. wages, by industry groups and quarters, January-March 1970-January-March 1978



Source: Recent Trends in Relative Labour Costs: Selected Industries in Canada and the United States, The Conference Board in Canada, October 1978.

APPENDIX I

DISCUSSION OF TRIGGER PRICES

Discussion of Trigger Prices

The trigger-price mechanism (TPM) is designed to enable the U.S. Customs Service to initiate antidumping investigations of imported steel mill products on an expedited basis, without waiting for the receipt of complaints. The first trigger prices were announced on January 3, 1978, and various products were added to the list on subsequent dates. Trigger prices for steel wire nails were announced on May 16, 1978. 1/

Trigger prices (including provision for overhead cost and profit) are intended to include the full costs of producing steel mill products in the most efficient foreign industry, which is deemed to be the Japanese. 2/ Each trigger price has several elements, and it includes a base price plus additional costs for ocean freight, handling at the U.S. port, and interest, all in U.S. dollars per metric ton. These additional costs are differentiated on the basis of four regions where maritime ports of entry are located: the west coast, gulf coast, Atlantic coast, and Great Lakes. There are also extras for different specifications as to dimensions, chemical composition, and surface preparation. Each trigger price also includes a charge for insurance, equivalent to 1 percent of the sum of the base price, extras, and ocean freight.

If the importer is unrelated to the exporter, the same cost elements are contained in both the trigger price and the computed price of the article being imported. If the importer is related to the exporter, the comparison is between the importer's resale price to the first unrelated party, compared with the sum of (1) the trigger price applicable at the time of importation, (2) the import duty and customhouse brokerage, (3) U.S. inland freight, (4) warehouse expense, (5) overhead, (6) selling expense, and (7) any costs of further processing after importation (if performed by or for the importer before it sells the article).

Trigger prices are revised quarterly to take account of changes in various costs and changes in the rate of exchange between the Japanese yen and the U.S. dollar. The rapid appreciation of the yen has had an inflationary impact on trigger prices. Indeed, the August 28, 1978, edition of American Metal Market reported that Peter D. Ehrenhaft, Deputy Assistant Secretary of the Treasury for Tariff Affairs, said, "If the yen pushes actual Japanese costs too high, we might have to look around and find another country."

1/ Trigger prices for steel wire rods were initially announced on Jan. 27, 1978; for steel wire, on Apr. 21, 1978.

2/ Data on Japanese costs of production are furnished to Treasury by the Japanese Ministry of International Trade and Industry. They are analyzed for Treasury by the Council on Wage and Price Stability.

Trigger prices on 16-penny bright-common steel wire nails, for example, exported to Atlantic coast ports on and after the dates indicated, have been, or are, as follows:

Date	Price per--		
	Metric ton	50-pound carton	Pound
May 16, 1978 1/	$483.25	$10.96	$0.2192
July 1, 1978	505.35	11.46	.2292
Oct. 1, 1978	526.43	11.94	.2388
Jan. 1, 1979	534.72	12.66	.2532

1/ Under certain circumstances, trigger prices on steel wire nails were not applicable if entry was made on or before June 30, 1978.

Importers of Japanese nails claim that the TPM has restricted imports of Japanese nails. Some of these importers also assert that the TPM has been beneficial to both Canadian exporters and U.S. producers, and that the TPM has had an inflationary impact on the prices of both U.S.-produced and imported nails. At the Commission's hearing, a spokesman for the complainants was of the view that, with the exception of nails from Japan, the TPM did not "appear to have impeded the importation of nails." 1/

It is alleged that both U.S.- and Canadian-made nails are being sold in the United States below trigger prices. The principal Canadian supplier has stated that * * *.

It is the position of the Treasury Department that the importation of products below trigger prices does not necessarily indicate LTFV sales, and that the importation of products above trigger prices does not necessarily indicate sales at prices at or above fair value.

1/ Transcript of the hearing, p. 70.