

ASPHALT ROOFING SHINGLES FROM CANADA

**Determination of the Commission
in Investigation No. 731-TA-29
(Preliminary) Under the Tariff Act
of 1930, Together With the Information
Obtained in the Investigation**

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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

731-TA-29 (Preliminary)

ASPHALT ROOFING SHINGLES FROM CANADA

NOTICE OF INSTITUTION OF PRELIMINARY ANTIDUMPING
INVESTIGATION AND SCHEDULING OF CONFERENCE

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary antidumping investigation to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from Canada of certain asphalt roofing shingles, provided for in items 256.90 and 523.91 of the Tariff Schedules of the United States (TSUS), allegedly sold or likely to be sold at less than fair value.

EFFECTIVE DATE: August 21, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Senior Investigator
(202-523-0368).

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted following receipt of a petition on August 21, 1980, filed by the Asphalt Roofing Manufacturers Association, on behalf of domestic producers of asphalt roofing shingles. The petition requested the imposition of additional duties in an amount equal to the amount by which the foreign market value exceeds the United States price of asphalt roofing shingles imported from Canada.

Authority. Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) requires the Commission to make a determination of whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports alleged to be, or likely to be, sold in the United States at less than fair value. Such a determination must be made within 45 days after the date on which a petition is filed under section 732(b) or on which notice is received from the Department of Commerce of an investigation commenced under section 732(a). Accordingly, the Commission, on August 29, 1980, instituted preliminary antidumping investigation No. 731-TA-29. This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and particularly, subpart B thereof.

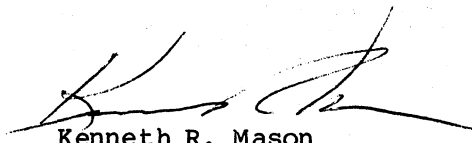
Written submissions. Any person may submit to the Commission on or before September 19, 1980, a written statement of information pertinent to the subject matter of this investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference. The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10 a.m., e.d.t., on September 15, 1980, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the senior investigator for the investigation, Ms. Vera Libeau (202-523-0368). It is anticipated that parties in support of the petition for antidumping duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the senior investigator.

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

By order of the Commission:



Kenneth R. Mason
Secretary

Issued: August 29, 1980

United States International Trade Commission
Washington, D.C. 20436
731-TA-29 (Preliminary)

ASPHALT ROOFING SHINGLES FROM CANADA

NOTICE OF CHANGE IN SCHEDULED DATE FOR CONFERENCE

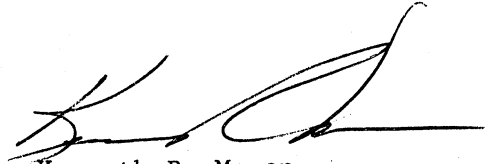
AGENCY: United States International Trade Commission.

ACTION: The notice instituting the above-captioned investigation appearing in the Federal Register on September 4, 1980 (45 F.R. 58728) stated that the preliminary conference was scheduled for 10:00 a.m., e.d.t., on September 15, 1980. This notice is to inform all interested parties that the date of the conference has been changed to 10:00 a.m., e.d.t., September 22, 1980.

WRITTEN SUBMISSIONS: Will now be due on or before September 24, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Senior Investigator
(202-523-0368).

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: September 4 , 1980

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

United States International Trade Commission
Washington, D.C.

Investigation No. 731-TA-29 (Preliminary)

ASPHALT ROOFING SHINGLES
FROM CANADA

Determination

On the basis of the record ^{1/} developed in investigation No. 731-TA-29 (Preliminary), the Commission determines (Commissioners Bedell and Moore dissenting) that there is no reasonable indication that an industry in the United States is being materially injured, or threatened with material injury, or that the establishment of an industry is being materially retarded by reason of imports from Canada of certain asphalt roofing shingles, provided for in items 256.90 and 523.91 of the Tariff Schedules of the United States (TSUS), which are allegedly sold or likely to be sold at less than fair value (LTFV).

Background

On August 21, 1980, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce on behalf of the Asphalt Roofing Manufacturers Association, alleging that asphalt roofing shingles imported from Canada are being, or are likely to be, sold in the United States at LTFV. Accordingly, on August 29, 1980, the Commission instituted preliminary antidumping investigation No. 731-TA-29 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of certain asphalt roofing shingles from Canada, as provided for in TSUS items 256.90 and 523.91. The statute directs that the Commission make its determination within 45 days of receipt of the petition, or in this case by

^{1/} The record is defined in sec. 207.2(j) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(j)).

October 6, 1980. On September 11, 1980, the Department of Commerce issued a notice announcing that it had found the petition to be properly filed within the meaning of its rules and that it was instituting an investigation. Notice to such effect was published in the Federal Register of September 17, 1980 (45 F.R. 61653). The product scope of the Commerce investigation is the same as that instituted by the Commission.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and the Commission's office in New York City, and by publishing the notices in the Federal Register of September 4, 1980, (45 F.R. 58728) and of September 9, 1980 (45 F.R. 59438). A public conference was held in Washington, D.C., on September 22, 1980.

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

VIEWS OF CHAIRMAN BILL ALBERGER, VICE CHAIRMAN MICHAEL J. CALHOUN
AND COMMISSIONER PAULA STERN

Determination and Conclusions of Law

Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b) (hereinafter, the Tariff Act), provides that in preliminary determinations the Commission,

[S]hall make a determination, based upon the best information available to it at the time of the determination, of whether there is a reasonable indication that

a domestic industry is materially injured, is threatened with material injury or the establishment of an industry is materially retarded "by reason of imports of the merchandise which is the subject of the investigation" by the Department of Commerce.

On the basis of the record in investigation No. 731-TA-29 (Preliminary), we determine that there is no reasonable indication that an industry in the United States is being materially injured, or threatened with material injury, or that the establishment of an industry in the United States is being materially retarded by reason of imports of asphalt roofing shingles from Canada provided for in items 256.90 and 523.91 of the Tariff Schedules of the United States (TSUS), which are allegedly being sold, or are likely to be sold in the United States at less than fair value (LTFV).

Domestic Industry

In this preliminary investigation, our first task is to define the relevant domestic industry against which the criteria for a finding of material injury is to be applied. Section 771(4)(A) of the Tariff Act defines the term "industry":

[T]he domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product.

The term "like product" is defined in section 771(10) as,

[A] product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to an investigation.

For the reasons stated below, we find the "like product" to be all asphalt roofing shingles, whether organic or glass-base, in both imperial and metric sizes.

Under the statute, the identification of the domestic industry is based upon the proper identification of the "like product," which, in turn, is a function of the article which is the subject of the Commerce Department's investigation. With regard to articles under investigation, the petitioner alleged material injury and the Department of Commerce has instituted an investigation with respect to imports from Canada of asphalt roofing shingles. All of these shingles are organic-base and are the standard Canadian metric shingle which measure 39 and 3/8 inches in length and 13 and 1/4 inches in width.

The identification of the domestic product which is "like" the standard Canadian metric asphalt roofing shingle is relatively straightforward. Under section 771(10) there are two alternative ways a product can be found to be a "like product": The product can be "like" the imported article, or where no such product exists, the product can be "similar in characteristics and uses with" the article under investigation. In this case, there is domestic production of asphalt roofing shingles which are virtually identical to the Canadian imports under investigation. Some eleven percent of domestic asphalt shingle production is of the metric size, making these domestic shingles "like" the Canadian imports.

However, the great majority of domestic production of asphalt roofing shingles is of the non-metric size. Thus, the question arises as to

whether these so-called imperial size shingles, which are approximately three inches shorter and about one inch narrower than the metric size, can also be considered as products which are "like" the imported metric asphalt shingle. In this regard, the producers of the metric shingle have claimed that because metric shingles are larger than conventional shingles fewer shingles and less labor are required to apply metric shingles to a roof. Additionally, producers of imperial shingles have argued that the use of metric shingles in re-roofing has a negative impact on the appearance of the finished roof.

Despite these claimed advantages, no evidence has been received which would suggest that the size differential of shingles would affect the use to which asphalt shingles are put. Indeed, the respective imperial and metric shingles are virtually identical except for their conformance to the standard unit of measurement used by Canada and used in a significant portion of international commerce. Thus, the domestic imperial shingle is also to be considered "like" the imported metric asphalt shingle.

In addition, 21 percent of domestic asphalt shingle production is glass-fiber base. Thus, there is also some question as to whether glass-fiber base asphalt shingles are "like" the imported organic base asphalt shingle. Organic-base and glass fiber-base asphalt shingles differ largely in the composition of the base felt. Because of this difference, glass-fiber base asphalt shingles are reputed to last longer and are, therefore, sold at a slight premium. In addition, glass-fiber base shingles are alleged to be less suitable for application (not use) during the cold season in colder climates. Nevertheless, both products are

manufactured for precisely the same use and each is put to precisely the same use. Each product is sold to the same type of customer and based on the best data available appear to be competitive with one another. Therefore, we see no reason to differentiate between organic and glass-fiber asphalt roofing shingles.

We, therefore, find that the "like product" in this case is the domestically produced asphalt shingle of organic and glass-fiber base and of metric and imperial size. And, accordingly, we find that the domestic industry consists of the producers of asphalt roofing shingles of either metric or imperial size, whether of organic or glass fiber base.

The final issue in our industry analysis concerns petitioner's contention that within the domestic industry as a whole there exists a regional industry consisting of 26 northern states. */ Section 771(4)(C) of the Tariff Act of 1930 establishes the criteria for finding a regional industry:

In appropriate circumstances, the United States, for a particular product market, may be divided into 2 or more markets and the producers within each market may be treated as if they were a separate industry if--

"(i) the producers within such market sell all or almost all of their production of the like product in question in that market, and

"(ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.

In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of the product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

In addition to these statutory requirements, we indicated in our opinion in Certain Steel Wire Nails from the Republic of Korea, Inv. No. 731-TA-26 **/ that

*/ The proposed northern region consists of: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, South Dakota, Montana, Wyoming, Idaho, Washington, and Oregon. This definition is the same as that used in the petition except for the elimination of the partial states of California, Colorado and Utah. Because it was unclear how the petition delineated partial states, the Commission's questionnaire excluded these partial states.

**/ See Certain Steel Wire Nails from the Republic of Korea Inv. No. 731-TA-29, U.S.I.T.C. Pub. No. 1088 August 1980, views of Chairman Bill Alberger, Vice Chairman Michael J. Calhoun, and Commissioner Paula Stern at p. 9.

there are at least two factors which must be considered in determining whether there are appropriate circumstances to find that a regional industry exists. These factors are that the region should account for a significant share of domestic consumption and production, and that the condition of the producers of the like product in the region should be worse than that of the nationwide industry.

For purposes of this preliminary determination only, we find that it is possible for a northern regional industry to exist, but it is unlikely that this described region meets our standards. Since this opinion constitutes the majority decision to terminate the case, we have given the petitioner his best case for injury by adopting the proposed region. Thus we have used the data collected for the producers in the northern 26 states in our analysis. The statutory considerations can be said to be satisfied. Eighty-seven percent of the production in the 26 northern states during the period of the investigation was consumed in the 26 northern states. In addition, it was reported that only 1.3 percent of the demand in the 26 northern states was supplied by producers located outside these states. The Commission's investigation also established that 99.95 percent of the Canadian imports entered through ports of entry in the North, thus indicating a concentration of imports within the region. */ With regard to a finding of appropriate circumstances, we note that the northern region accounted for about one-half of total U.S. production and U.S. consumption. The ratio of less-than-fair-value imports to domestic consumption was significantly higher in the northern region than the nationwide ratio. Furthermore, while there was an overall decline in shipments during the period January-June 1979, shipments by producers in the 26 northern states have experienced a greater decline.

*/ Vice Chairman Calhoun, while concurring in the analysis, believes it inappropriate to view the notion of concentration as a factor bearing on a finding of regional industry. In his view, section 771 (4)(C) establishes concentration as a factor bearing solely on the question of whether there is material injury to a regional industry.

If the Commission's determination had been affirmative in this preliminary investigation and this case were to proceed to a final determination, we would have thoroughly explored these data in an attempt to verify their accuracy. It seems highly questionable that the 26 state northern region as defined by petitioner is in fact an isolated geographic market, since there appears to be no natural or commercial reason for the boundary drawn by petitioner between northern states and southern states. Additionally, the location of several producers in the Pacific Northwest and the lack of any other producers west of Minneapolis in the region suggests little if any competition between those producers. Thus, the Pacific Northwest producers probably constitute an isolated geographic market in their marketing region. That would leave the remainder of the northern area as another geographic market, if indeed shipments do not cross the alleged north-south boundary. */

Material Injury by Reason of Alleged LTFV Imports

Section 771(7)(B) of the Tariff Act states that in making its determination under section 733(a), the Commission shall consider among other factors:

- (1) the volume of imports of the merchandise which is the subject of the investigation,
- (ii) the effect of imports of that merchandise on prices in the United States for like products, and
- (iii) the impact of imports of such merchandise on domestic producers of like products.

In addition, where the Commission is considering whether there is injury to a regional industry, section 771(4)(C) requires us to determine whether "the producers of all, or almost all, of the production within that market" is being injured by reason of the alleged LTFV sales.

*/ Commissioner Stern notes that there may be appropriate circumstances when a combination of two or more adjacent markets -- or distinct regions each of which satisfies the criteria enunciated above -- would constitute an appropriate geographic area for regional analysis of the impact of subject imports.

Almost all economic indicators reveal that the U.S. asphalt shingle industry in the northern region was doing exceptionally well from 1977 to near the end of 1979. With the construction industry booming, production, shipments, and employment all increased and inventories fell. During this period, the major problem the U.S. industry appears to have had was its ability to supply the growing demand. Periodic shortages of raw materials (granules and felt), particularly during 1978, held back the level of U.S. production.

The only factor which was in decline from 1977-1979 was profits. Despite slightly declining profitability, the industry continued to increase capacity and nearly doubled its capital expenditures. */ What the data from 1977-1979 seems to depict is an industry that was thriving and making investments to secure its position for the future.

Toward the end of 1979 and through the first six months of 1980 -- coincident with the recession in the United States -- the data reveal a downturn for the asphalt shingle industry. There were declines in production (20 percent), capacity utilization (18 percent), shipments (21 percent) and employment (15 percent). Inventories began to accumulate and profits fell substantially. Consumption which had grown roughly 12 percent from 1977-1979, fell about 16 percent in January-June 1980 over the corresponding period in 1979.

*/ All other data discussed relate to the northern region except profitability and capital expenditures which were not available on that basis.

Though consumption was dropping, the rise in imports which had been continuous since 1977 (though market penetration had been small) accelerated in the first six months of 1980. At that time import penetration rose to 11.5 percent in the northern region. Nevertheless, the rise in imports amounted to only 576,000 squares during the period */, while consumption fell about 2.1 million squares. Thus, it is clear that the brunt of the problem facing the industry in 1980 is attributable to the recession. The petitioner in fact recognized this point at the conference. **/ However, in this investigation the issue is "not whether less than fair value imports are the principal, a substantial or a significant cause of material injury." ***/ In an antidumping case "the Commission must satisfy itself that in the light of the information presented, there is a sufficient causal link between the less-than-fair-value imports and the requisite injury." ****/

*/ Some of these imports are being used by IKO Industries Ltd. (IKO), Canada's largest shingle producer, to establish the market for its planned U.S. production facilities. When IKO begins to produce in the U.S., they have indicated that they will cease imports to areas serviced by their new plants.

**/ Conference Transcript, p. 40.

***/ S. Rep. No. 96-249, 96th Cong., 1st Sess. 74 (1979) (hereafter Senate Report).

****/ Id. at 75.

In this case, after examining the "best available information" we do not find a sufficient causal link.

In evaluating the effects of alleged LTFV imports on prices Section 771(7)(C)(iii) directs the Commission to consider whether "there has been significant price undercutting by the imported merchandise as compared with the like products of the United States and to consider whether the imports have resulted in significant price suppression or price depression." (Emphasis added.) The data reported in Commission questionnaires do not reveal negative price effects by reason of alleged LTFV imports. */ If imports were having a negative impact on the northern region, one would expect prices for the domestic product to be lower in the region where imports are concentrated than prices in the rest of the country. **/ However, throughout most of the period covered by the investigation, producers' prices in the northern region remained within three percent of prices in the rest of the country. ***/ ****/ In the period when this differential exceeded 3 percent

*/ All price data discussed above relate to organic-base shingle prices. Glass-fiber-base shingles are generally priced higher than both U.S. and Canadian organic-base shingles in both the northern region and the rest of the United States. Any underselling with respect to U.S. glass-base shingles would be the same as any underselling that may exist with respect to U.S. organic-base shingles.

**/ The staff report indicates that there is no evidence of regional structural differences such as generally higher production costs which could account for higher northern region prices.

***/ Sometimes the prices in the region were higher and sometime the prices in the rest of the country were higher. The key point is that prices in both areas were extremely close over the period.

****/ A careful analysis of the price data reveals that prices outside the northern region are overestimated. (See footnote, page 25 of the staff report.)

(from October 1979 to March 1980) average prices in the northern region exceeded those in the rest of the country. */ From April to June 1980 the regional price relationship again became very close, with prices outside the northern region only slightly higher than northern prices. This similarity in prices between the northern region and the rest of the nation does not support the allegation of price suppression in the region. There is also no evidence of price depression. Prices of asphalt roofing shingles in the U.S. rose by 60 to 66 percent from January-March 1977 to April-June 1980.

Since there is no evidence of price suppression or price depression, we would not expect to find significant underselling. In fact, the data confirm our expectations. The data show that Canadian import prices were on average eleven percent above U.S. prices through 1977-1979. From January to March 1980 Canadian prices fell one percent below U.S. prices. The pattern of higher import prices was reestablished in April-June 1980 when Canadian imports sold for five percent (roughly \$1 per square) more than U.S. asphalt shingles. Thus, we see some

*/ The northern region's prices were \$1 or five percent over those in the rest of the country during this period.

indication of price competition but certainly not "significant" price undercutting. */

The verified data on lost sales, as well, do not reveal price undercutting, but instead indicate close competition for sales. **/ While customers contacted by the Commission mentioned price as a consideration in their decision to purchase Canadian shingles, they also cited availability and some indicated a preference for the "metric shingle." The importers obtained affidavits from numerous American customers detailing the latter's preference for Canadian products for reasons other than price. ***/ Interestingly, U.S. imports from Canada, by quarter for the first six months of 1980, reveal that the import level was nearly the same for both of the first two quarters even though from January to March Canadian imports undersold U.S. shingles by 22 cents per square and from April to June U.S. shingles undersold Canadian shingles by \$1 per square. The level of imports does not appear to be correlated to the price relationship of U.S. and Canadian products during this period.

*/ Footnote 2 of page A-25 of the staff report speculates that the price relationship of U.S. and Canadian asphalt shingles may be somewhat different than the data shown if U.S. producers reported prices for volume discounts and Canadian importers reported sales to small accounts. This purely hypothetical suggestion is based on underlying assumptions that most Canadian sales are to relatively small accounts and that U.S. producers' sales are to larger accounts with volume discounts. Data was not available concerning the typical size of U.S. and Canadian sales. Our decision in this case is not to be made on speculation, but on the "best available data" which is the price data provided on pages A-23 - A-24 of the staff report.

**/ Staff briefing at public Commission meeting, September 30, 1980.

***/ Statement and exhibits on behalf of IKO Industries.

Congress has indicated that our antidumping law is "primarily concerned with the situation in which the margin of dumping contributes to underselling the U.S. product in the domestic market The Antidumping Act does not proscribe transactions which involve selling an imported product at a price which is not lower than that needed to make the product competitive in the U.S. market, even though the price of the imported product is lower than its home market price. Such so-called 'technical dumping' is not anti-competitive, hence, not unfair." */

If the Canadians are indeed dumping asphalt shingles as alleged, the record supports our conclusion that the alleged LTFV sales are at most evidence of "technical" dumping.

In determining whether material injury to an industry is "by reason of" alleged LTFV imports, the legislative history of Title VII of the Trade Agreements Act of 1979 states that:

"The law does not . . . contemplate that injury from such imports be weighted against other factors (e.g., the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." **/

*/ S. Rep. No. 93-1298, 93d Cong., 2d Sess. 179 (1974). This reference to technical dumping was made in the context of amendments to the Antidumping Act of 1921 by the Trade Act of 1974. Although that statute was repealed by the Trade Act of 1979, Congress clearly stated that it intends for the Commission to follow the same standard in applying the new "material injury test" that it used in cases under the 1921 Act, as amended in 1974. See H.R. Rep. No. 96-17, 96th Cong., 1st Sess. 46 (1979) (hereafter House Report).

**/ House Report at p. 47.

The Commission is directed, however, to:

"take into account evidence presented to it which demonstrates that the harm attributed to the subsidized or dumped imports is attributable to such other factors." */

Much evidence was presented in this investigation concerning a myriad of alternative causes of the economic difficulties that have recently beset the U.S. asphalt shingle industry, including the general economic situation in the U.S., the serious recession in the construction industry, the alleged popularity of the "metric-shingle," the alleged failure of the U.S. industry to shift rapidly to metric production, the role of Georgia-Pacific in the marketplace, **/ and the limited return on glass-fiber-base shingle investments. The Congress has recognized that "the determination by the ITC with respect to causation is . . . complex and difficult" and has left this matter "for the judgment of the ITC." ***/

Given the inability of the petitioner in this case to demonstrate a causal link between the alleged LTFV imports and any injury the industry may be suffering, it is clear to us that other causes are responsible for the present condition of the industry. ****/

*/ Id.

**/ Staff report, p. A-8.

***/ Senate Report, supra, note 3 at 75.

****/ Commissioner Stern notes the contrast between this case and that of Inv. No. 303-TA-13 (Final), Certain Iron-Metal Castings from India. In Inv. No. 303-TA-13, the causal link was clear. In the iron-metal casting industry, where import penetration had reached 32 percent by early 1980, price suppression and significant margins of underselling existed.

Threat of Material Injury

With regard to the threat of material injury, there is no statutory definition of the term, however, the legislative history states that

"With regard to the standard for a threat of material injury, the committee intends that the ITC affirmative determination shall be based upon evidence showing that the threat is real and imminent and not upon mere supposition or conjecture." */

We do not see any "real" or "imminent" threat to the U.S. industry by reason of the alleged LTFV imports. To the contrary, several developments in the industry are expected to lead to declines in the level of Canadian imports. IKO, Canada's largest shingle producer, has already built one plant in the U.S. and plans to open one or two more. IKO's shipments from Canada to areas which will be serviced by these plants is expected to cease as the plants come fully into production. **/ Georgia-Pacific, which accounts for sizeable imports, is also gearing up for its own production. And finally, to the extent Canadian imports would increase based on a demand for metric shingles, this demand for Canadian imports will relax as U.S. producers are gradually expanding their capacity to produce metric shingles.

*/ House Report at p. 47.

**/ Also, from January-June 1980 part of the increase in U.S. imports from Canada was comprised of shipments to Wilmington, Delaware, by IKO to break into the market prior to the opening in December, 1980, of its Wilmington plant. (See Statement on behalf of IKO at the Conference,¹⁷ pp. 3-4.)

Findings of fact

The following findings of fact are relevant to our determination in this investigation. These findings contain our analysis of the statutory criteria required by sections 771(7)(B) and (C) of the Tariff Act of 1930.

A. Volume of imports

1. Imports of asphalt roofing shingles from Canada rose from 811,000 squares ^{1/} in 1977 to 1.5 million squares in 1979. During the first six months of 1980 imports were 655,398 squares in the first quarter and 625,627 squares in the second quarter for a total of 1.3 million squares of shingles imported from Canada, an increase of 80 percent from the level of imports during the corresponding period of 1979. A portion of this increase resulted from imports by Georgia-Pacific and IKO Industries which, at least in part, are expected to decline once these companies open planned production facilities. (See Report at pp. A-8 and A-9 and transcript of Conference at p. 118.)

2. The ratio of imports of asphalt roofing shingles from Canada to total apparent domestic consumption increased from 1.4 percent in 1977 to 2.3 percent in 1979. Imports of shingles from Canada during January-June 1980 accounted for 5.1 percent of apparent domestic consumption, an increase from the 2.5 percent share of such imports in January-June 1979. (See Report at p. A-20).

3. Virtually all asphalt roofing shingles imported from Canada entered the United States through northern ports of entry and are believed to be sold in the northern region. Consequently, Canadian imports have a larger share of apparent consumption of shingles in the northern region. The ratio of

^{1/} A square of shingles is the standard unit of measurement for this product; it consists of sufficient shingles to cover 100 square feet of roof area.

Canadian imports to consumption in this region rose from 2.9 percent in 1977 to 4.7 percent in 1979 and jumped from 5.3 percent in January-June 1979 to 11.5 percent in the corresponding months of 1980. (See Report at p. A-21.)

The effect of imports on U.S. prices

4. Between January 1977 and June 1980, the average delivered prices for Canadian shingles in the northern region generally exceeded those reported by U.S. producers with the single exception of January-March 1980. The average margin by which the price of the imported product exceeded U.S. producers' prices was \$1.69 per square, or 11 percent. (See Report at pp. A-22 and A-25).

5. The margin of overselling of the Canadian shingles was substantially higher in 1977 and 1978 than in late 1979. In January-March 1980, the price of the domestic product was about one percent higher than the Canadian product but in April-June 1980 the price of the imported shingle was approximately five percent above the price reported for domestic shingles. (See Report at p. A-25).

6. U.S. producers' prices of organic-base shingles sold in the northern region were comparable with those sold in the rest of the country, generally not diverging by more than three percent. Between September 1979 and March 1980, however, the average price for shingles sold in the northern region was five percent higher than in the rest of the country. (See Report at pp. A-23 and A-24.)

C. Impact on the affected industry

7. U.S. production of asphalt roofing shingles increased from 56 million squares in 1977 to 63 million squares in 1979. Production fell from 31 million squares in January-June 1979 to 26 million squares in January-June 1980, a decrease of 16 percent. Production in the northern region increased
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from 29 million squares in 1977 to 32 million squares in 1979. Production of

asphalt roofing shingles in the northern region fell from 15 million squares in January-June 1979 to 12 million squares in the corresponding months of 1980, or by 20 percent. (See Report at p. A-11.)

8. Domestic capacity to produce asphalt roofing shingles, rose from 94.4 million squares in 1977 to 97.5 million squares in 1979 and the ratio of production to capacity also increased from 1977 to 1979. Although capacity increased between January-June 1979 and January-June 1980, the capacity utilization rate reported by domestic producers declined between the two periods. Capacity in the northern region also increased from 1977 to 1979 and between January-June of 1979 and 1980, rising from 45.2 million squares in 1977 to 46.7 million squares in 1979 and from 23.1 million squares in the first half of 1979 to 23.7 million squares in the corresponding months of 1980. (See Report at pp. A-12 and A-13.)

9. U.S. producers' shipments of asphalt roofing shingles increased from 55.4 million squares in 1977 to 62.6 million squares in 1979, or by 13 percent. Shipments fell from 27.7 million squares in January-June 1979 to 23.8 million squares in January-June 1980, a decline of 14 percent. Shipments of asphalt roofing shingles in the northern region rose from 27.2 million squares in 1977 to 29.8 million squares in 1979, but declined from 12.6 million squares in January-June 1979 to 9.9 million squares in January-June 1980. (See Report at p. A-13.)

10. Inventories of asphalt roofing shingles held by U.S. producers increased slightly from 2.2 million squares as of December 31, 1977 to 2.3 million squares as of December 31, 1979. The ratio of inventories to production declined slightly during that period, from 3.8 percent to 3.7 percent. The ratio of inventories to production reported as of June 30, 1979 and 1980, increased from 7.5 percent on an annualized basis in 1979 to 9.5 percent on an annualized basis in 1980. Inventories held by producers in the

northern region declined from 1.2 million squares as of December 31, 1977 to 1.1 million squares as of December 31, 1979. The ratio of inventories to production also declined from 4.1 percent in 1977 to 3.6 percent in 1979 and jumped from 8.8 percent as of June 30, 1979 to 12.0 percent as of June 30, 1980, on an annualized basis. (See Report at p. A-14 and A-15).

11. Apparent U.S. consumption of asphalt roofing shingles increased from 56.2 million squares in 1977 to 64 million squares in 1979 but declined from 28.4 million squares in January-June 1979 to 25.1 million squares in January-June 1980. Apparent consumption of asphalt roofing shingles in the northern region rose from 28 million squares in 1977 to 31.3 million squares in 1979 and then declined from 13.3 million squares in January-June 1979 to 11.1 million squares in the corresponding months of 1980. (See Report at p. A-15.)

12. The total number of production and related workers in the asphalt roofing shingle industry rose from 8,291 in 1977 to 9,170 in 1979. Employment in this industry dropped about 15 percent between January-June 1979 and January-June 1980, from 9,228 workers to 7,824 workers. Hours worked followed a similar trend. Production and related workers in the northern region rose from 3,428 in 1977 to 3,814 in 1979 and then dropped from 3,840 to 3,249 between the first six months of 1979 and 1980. (See Report at p. A-17.)

13. The net operating profit reported by U.S. producers of asphalt roofing shingles fell from \$104 million in 1977 to \$84 million in 1979 and dropped sharply from \$27 million in January-June 1979 to \$580,000 in January-June 1980. The ratio of net operating profit to net sales fell from 12 percent in 1977 to 7 percent in 1979 and from 5 percent in January-June 1979 to less than 0.05 percent for the corresponding months of 1980. (See Report at p. A-18.)

14. The capital expenditures of the U.S. producers of asphalt roofing shingles nearly doubled from 1977 to 1979, rising from \$40.2 million to \$73.3 million in 1979. Part of the increase in capital expenditures was a result of the addition of three new plants which increased capacity in the northern region. (See Report at pp. A-12 and A-19.)

15. The general decline in the housing market began during the end of 1979 and continued to decline throughout the first part of 1980. The economic indicators of the U.S. producers of asphalt roofing shingles have only shown a decline during January-June 1980, concurrent with this decline in the housing market. (See Report at p. A-6.)

STATEMENT OF REASONS OF COMMISSIONERS GEORGE M. MOORE
AND CATHERINE BEDELL

On the basis of the information available in investigation No. 731-TA-29 (Preliminary), we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the importation of asphalt roofing shingles from Canada that are allegedly being sold or are likely to be sold at less than fair value (LTFV).

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

The domestic industry

In this investigation we consider the relevant domestic industry to consist of the facilities of the U.S. producers used in the production of asphalt roofing shingles. Since we find there is adequate data to indicate a reasonable indication of injury to the entire domestic industry, it is not necessary for us to reach a conclusion on the appropriateness of the petitioner's allegation that there is a regional industry comprised of the Northern States.

Reasonable indication of material injury

Section 733(a) of the Tariff Act of 1930 directs that the Commission "shall make a determination, based upon the best information available to it at the time of the determination." Section 771(7)(A) defines the term "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant." And sections 771(7)(B) and (C) direct that the Commission, in making its determination, consider, among other factors, (1) the volume of imports of the merchandise which is the subject of the investigation, (2) the

effect of imports of such merchandise on prices in the United States for like products, and (3) the impact of such merchandise on domestic producers of like products.

In considering the first factor, the Commission found that imports of asphalt roofing shingles from Canada, which are allegedly being sold at LTFV, nearly doubled between 1977 and 1979, increasing from 811,000 squares 1/ to 1.5 million squares. In January-June 1980, 1.3 million squares of shingles were imported from Canada, 80 percent more than the imports of this product during the corresponding months of 1979 and only slightly less than the amount of imports from Canada for all of 1979. 2/

After several years of sustained growth in the U.S. asphalt roofing shingle industry, as shown by most of the economic factors normally examined by the Commission, there was a sudden drop in January-June 1980 compared with data for the corresponding months in 1979. U.S. production, which had increased between 1977 and 1979, declined 16 percent in January-June 1980. 3/ Domestic capacity increased between 1977 and 1979 and in January-June 1980; however, the capacity utilization rate declined in the first six months of 1980. 4/ Domestic shipments rose from 55.4 million squares in 1977 to 62.6 million squares in 1979 but fell from 27.7 million squares in January-June 1979 to 23.8 million squares in the corresponding months of 1980. 5/ Inventories of asphalt roofing shingles held by U.S. producers also increased during the period for which the Commission collected data and the ratio of inventories on June 30, 1979 and June 30, 1980 to production during January-June 1979 and January-June 1980, respectively, rose from 7.5 percent as of June 30, 1979 to 9.5 percent 6/.

1/ A square of shingles is the standard unit of measurement for this product; it consists of sufficient shingles to cover 100 square feet of roof area. 24

2/ Report, at p. A-9.

3/ Report, at p. A-11.

4/ Report, at p. A-12.

5/ Report, at p. A-13.

6/ Report, at p. A-14.

Apparent domestic consumption of asphalt roofing shingles rose from 56.2 million squares in 1977 to 64 million squares in 1979 but declined from 28.4 million squares in January-June 1979 to 25.1 million squares in January-June 1980. 1/ Employment in this industry also increased between 1977 and 1979 but dropped about 15 percent between January-June 1979 and the corresponding months in 1980. 2/ Net operating profit dropped sharply from \$27 million in January-June 1979 to \$580,000 in January-June 1980; the ratio of net operating profit to net sales fell from 5 percent to less than 0.05 percent in the same period. 3/

The share of apparent U.S. consumption accounted for by imports of asphalt roofing shingles from Canada doubled between 1977 and 1979, rising from 1.4 percent to 2.3 percent in 1979 and to 5.1 percent in January-June 1980. 4/ Thus both the volume and relative market share of alleged LTFV imports showed dramatic increases over the period in which the alleged injury occurred.

The data collected by the Commission on average delivered prices for asphalt roofing shingles were inconclusive. We believe there was an upward bias in the price data reported by importers of Canadian shingles because importers in some instances appear to have reported prices to customers who purchased small quantities of shingles whereas U.S. producers reported discounted prices to their largest customers. In January-March 1980, however, the Canadian imports undersold the domestic product and it was in this period that there was a dramatic increase in both the volume and market penetration of the Canadian shingles. 5/ The fact that Canadian shingles have undersold domestically produced shingles was confirmed by U.S. purchasers of shingles

1/ Report, at p. A-15.

2/ Report, at p. A-17.

3/ Report, at p. A-18.

4/ Report, at p. A-20.

5/ Report, at pp. A-20 and A-23.

to whom U.S. producers reported they had lost sales to alleged LTFV imports from Canada. The most frequently cited reason these firms mentioned for why they had purchased Canadian shingles over domestically produced shingles was the lower price of the Canadian product. 1/

Conclusion

On the basis of the information developed during this investigation, we have concluded that there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury by reason of alleged LTFV imports of asphalt roofing shingles from Canada.

1/ Report, at p. A-27.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On August 21, 1980, the Asphalt Roofing Manufacturers Association (ARMA), on behalf of domestic producers of asphalt roofing shingles, filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that asphalt roofing shingles are being, or are likely to be, sold in the United States at less than fair value (LTFV). Accordingly, on August 29, 1980, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Canada of asphalt roofing shingles, provided for in items 256.90 and 523.91 of the Tariff Schedules of the United States (TSUS), allegedly sold or likely to be sold at LTFV. The Commission, by statute, is required to make its determination by October 6, 1980, within 45 days of the receipt of the petition. The Commission's briefing and vote on this investigation were held on September 30, 1980.

Notice of the institution of the Commission's investigation and of the public conference to be held in connection therewith was duly given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and the Commission's Office in New York City, and by publishing the notices in the Federal Register of September 4, 1980 (45 F.R. 58728) and of September 9, 1980 (45 F.R. 59438). 1/ A public conference was held in Washington, D.C., on September 22, 1980, at which all interested parties were afforded the opportunity to present information for consideration by the Commission. 2/

The Product

Description and uses

Asphalt roofing shingles are made by saturating and coating a base felt with asphalt, an oily substance which is a by product of the crude oil distillation process. The felt is then cut into shingles. The base felt can be organic, that is, made from paper, rags, or wood chips, or it can be made from glass fibers (glass-fiber base). Shingles made from a glass-fiber-base felt are a relatively new product. They are reputed to last longer than, and to be sold at a slight premium over, organic-base shingles; however, it is alleged that they are less suitable for application in colder climates. 3/

Dry, unsaturated felt of either organic material or glass-fiber may be obtained by the manufacturer of shingles from an unrelated source, from a related facility which produces such felt, or may be produced on a separate machine in the same facility as that producing shingles. The dry, unsaturated

1/ A copy of the Commission's Federal Register notices is presented in app. A.

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

3/ Transcript of conference, p. 46.

felt is processed into shingles by a continuous process involving a succession of stages. The first stage consists of saturating a continuous sheet of felt with hot asphalt by passing it over rollers submerged in a tank of asphalt. The hot felt is then cooled, and coated on both sides with harder, more viscous asphalt as it passes between two coating rollers. A heavy layer of mica or other rock or ceramic granules is then spread on one surface, while talc, mica, or other surfacings are applied to the other side to prevent sticking. The sheet is cooled once more, and then it can be either collected on rolls as roll roofing, or it continues onto another part of the machine to be cut into individual shingles. This part of the machine, which occupies 40 feet of the 240 foot machine, cuts shingles by passing the felt between a shingle cutting roll equipped with knives and an anvil roll which exerts pressure.

A square of shingles, the standard unit of measurement, contains enough shingles to cover 100 square feet of roof area. Although there are many different shingle weights, the "standard" shingle is about 235 pounds per square for organic-base shingles and about 215 pounds per square for glass-fiber-base shingles. These are the weights required to pass certain Underwriters' Laboratory rating tests and most local building codes. Standard weight shingles account for approximately 74 percent of total domestic shingle shipments. Shingles that are heavier than 235 pounds per square are generally specialty products, having either a longer life expectancy or a special appearance, such as a wood appearance strip shingle. The vast majority of asphalt roofing shingles are strip shingles with or without tabs.

Most U.S. firms produce asphalt roofing shingles in lengths of 36 inches and widths of 12 or 12 1/4 inches. These are typically referred to as conventional or imperial shingles. Some U.S. firms, however, have recently started producing shingles in metric dimensions. The metric shingles are 39 3/8 inches long and 13 1/4 inches wide. Producers of metric shingles, sometimes referred to as bonus or super shingles, claim that the larger metric shingles take less time than conventional shingles to apply to the roof of a building, and therefore, require fewer shingles and nails, as well as less labor, to cover the same area. The majority of U.S. production, however, still consists of conventional shingles. U.S. producers allege that there are problems associated with metric shingles in reroofing applications. These problems, however, are related only to the appearance of the finished roof and there is no allegation that the structural integrity of the roof is affected. According to ARMA, eight plants in the United States, accounting for 11 percent of domestic shipments, produce metric shingles. 1/

Asphalt roofing shingles are generally used to protect the roofs of buildings from natural elements. These shingles are not appropriate for use on flat roofs or on roofs with less than a 2-inch-per-foot pitch. 2/ Manufacturers recommend that roll or built-up roofing should be used on milder slopes. Although roll roofing can be used in place of shingles on sloped roofs, asphalt shingles are used almost exclusively because of their aesthetic appeal. Asphalt shingles may also be applied as a protective covering to the sides of buildings.

1/ Post conference statement submitted on behalf of ARMA, p. 21.

2/ The pitch of a roof is measured as inches rise per horizontal foot.

U.S. tariff treatment

Organic-base asphalt roofing shingles are provided for under item 256.90 of the TSUS, and asphalt roofing shingles with a glass-fiber base are provided for under TSUS item 523.91. TSUSA item 256.9060, roofing shingles, and other articles of building papers and building paper-felts, was alleged by the importers to include items other than roofing shingles. However, a check of the 1 percent sample of the consumption entry documents indicated that the only items entered under this number in the last 2 years were roofing shingles.

The present column 1 (most-favored-nation) rate of duty for item 256.90 is 8.1 percent ad valorem, and the column 2 rate of duty, applied to most Communist countries, is 35 percent ad valorem. The current column 1 rate of duty for organic-base asphalt roofing shingles has been in effect since January 1, 1980, and reflects the initial reduction, resulting from the recent Multilateral Trade Negotiations (MTN), which will result in a duty rate of 5.3 percent ad valorem for item 256.90 on January 1, 1987. The column 1 rate from January 1, 1972, until January 1, 1980, was 8.5 percent. The remaining scheduled reductions for item 256.90 and their effective dates are as follows:

<u>Rate</u>	<u>Effective date, Jan. 1--</u>
7.7% ad val-----	1981
7.3% ad val-----	1982
6.9% ad val-----	1983
6.5% ad val-----	1984
6.1% ad val-----	1985
5.7% ad val-----	1986
5.3% ad val-----	1987

The present column 1 rate of duty for item 523.91, glass-fiber-base asphalt roofing shingles, is 7.2 percent ad valorem and the column 2 rate of duty is 30 percent ad valorem. The present rate of duty has been in effect since January 1, 1980, and reflects the initial reduction resulting from the MTN which will result in a duty rate of 4.9 percent ad valorem for item 523.91 on January 1, 1987. The column 1 rate from January 1, 1972, until January 1, 1980, was 7.5 percent ad valorem. The remaining scheduled reductions for item 523.91 and their effective dates are as follows:

<u>Rate</u>	<u>Effective date, Jan. 1--</u>
6.9% ad val-----	1981
6.5% ad val-----	1982
6.2% ad val-----	1983
5.9% ad val-----	1984
5.6% ad val-----	1985
5.2% ad val-----	1986
4.9% ad val-----	1987

Imports entered under both TSUS items from designated developing countries are eligible for duty-free treatment under the Generalized System of Preferences. A-3

Nature and Extent of Alleged Sales at Less Than Fair Value

The petition alleged that asphalt roofing shingles from Canada are being sold in the United States at less than fair value. Dumping margins allegedly ranged from 5 to 36 percent.

In addition, the petition alleges that the LTFV sales have a greater impact on the northern region of the United States. The northern region, as defined in the petition includes the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, South Dakota, Montana, Wyoming, Idaho, Washington, Oregon, and the northern parts of California, Colorado, and Utah. 1/ The petitioner also alleged that the asphalt used to saturate and coat the shingles is less costly in Canada than it is in the United States as a result of Canadian petroleum policy. As the cost of asphalt represents a large portion of the total product cost, shingles could be produced cheaper in Canada than they could be produced in the United States. The petitioner also alleged that the fuel oil needed to power the production facilities is less costly in Canada than in the United States, further reducing the cost of Canadian production.

On September 17, 1980, the U.S. Department of Commerce issued a notice announcing that it had found the petition to be properly filed, and that it was instituting an investigation. Notice of the investigation was published in the Federal Register of September 17, 1980 (45 F.R. 61652). 2/

The U.S. Market and Channels of Distribution

Asphalt roofing shingles are used by general contractors, roofing contractors, builders, and homeowners for new construction, and to replace or repair old roofs. The application of roofing is highly seasonal owing to the difficulties of applying shingles satisfactorily under adverse weather conditions; the physical dangers inherent in such work are exacerbated by the increased attention necessary to avoid damaging asphalt shingles in extreme weather. Asphalt roofing shingles become brittle in very cold temperatures and soft in very warm temperatures.

Industry sources estimate that as much as 70 percent 3/ of sales of asphalt shingles in recent years have been for reroofing. 4/ This segment of

1/ Because it was unclear how the petition delineated parts of States, the Commission's questionnaire excluded the States of California, Colorado, and Utah from its definition of the northern region.

2/ A copy of Commerce's Federal Register notice is presented in app. C.

3/ Transcript, p. 51.

4/ This estimate may be low for the northern regions where more extreme climatical conditions accelerate the normal deterioration of shingles, and where the existing stock of older houses is a larger share of total housing; and the estimate may be high in the southern region where economic expansion in recent years has increased the share of sales intended for new housing construction.

the market is less vulnerable to the impact of a recession than the general housing industry, although the expense of new roofing may force many homeowners to delay such a project in times of economic hardship. The remaining 30 percent of the market for shingles bears the full effect of any decline in the construction of new, single family dwellings. Figure 1 shows recent movements in construction of all privately owned housing units, by region of the country, from January-March 1973 through April-June 1980. Although these series include single family dwellings as only one of their components, and the regions shown do not exactly correspond to those defined by the petitioner in the current investigation, they are illustrative of the varying impact of the 1980 recession among the several regions of the United States.

In 1979, the south accounted for approximately 43 percent of the total new housing starts, the west for 27 percent, the northeast for 10 percent, and the north-central region for 20 percent. The figure shows housing starts at a very high level in all regions through most of 1977-78, before declining in 1979. The decline in starts has been most severe in the north-central region (down 47 percent in January-June 1980 from the corresponding period of January-June 1979), and least severe in the southern region (down 22 percent); the south increased its share of total housing starts to more than 50 percent owing to the more moderate impact of the recession in that region. In both the northeast and north-central regions, starts have been lower during January-June 1980 than the corresponding period during the recession of 1974-75; only in the south have housing starts maintained a level significantly above that of the earlier recession.

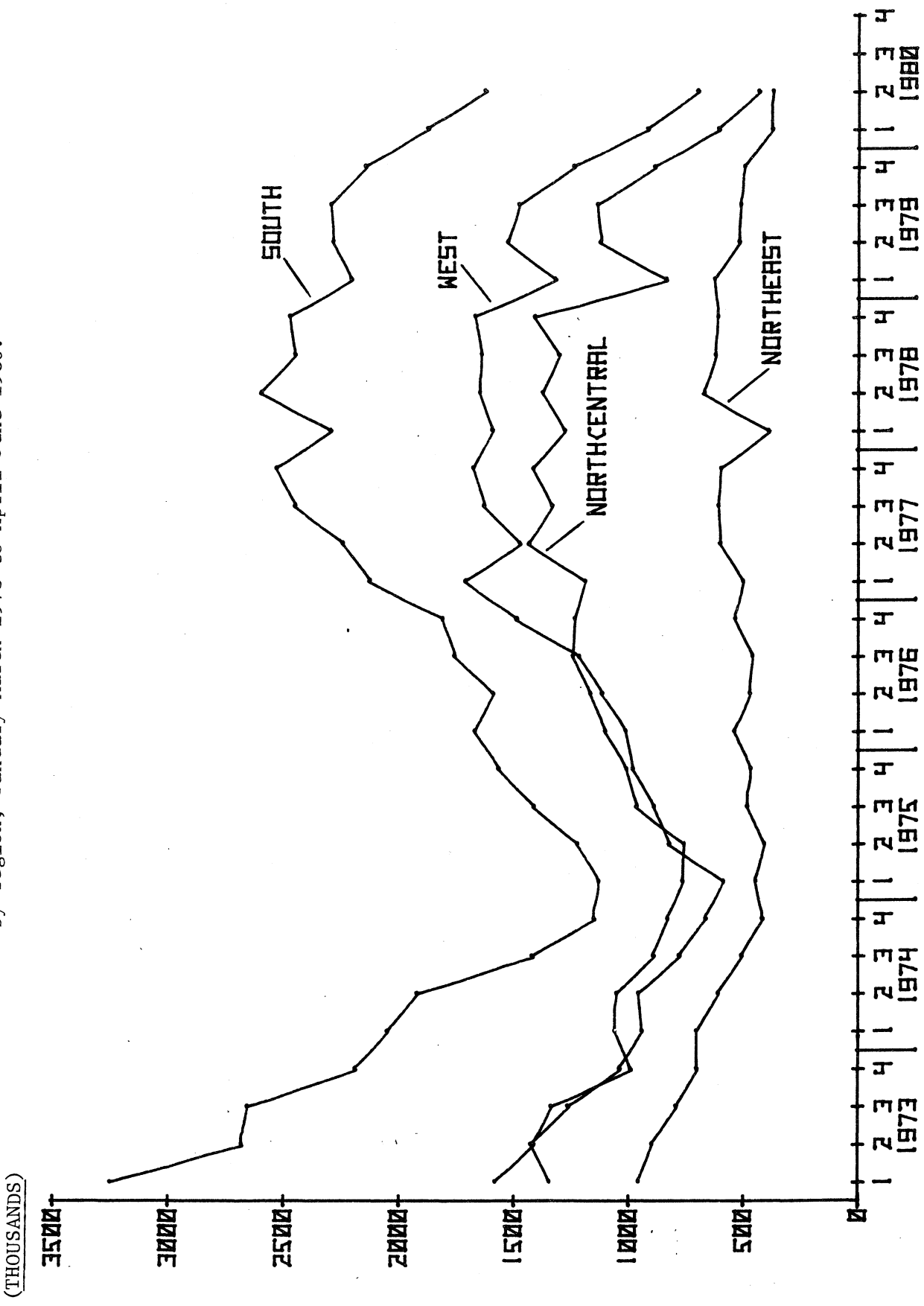
Asphalt roofing shingles are distributed to the final purchaser through one of several channels. The distinctions between the channels is made primarily on the basis of the customer served at the next transaction level; the common denominator among these purchasers is the ability to handle deliveries of shingles in quantities of no less than a truckload--approximately 40,000 pounds (170 to 200 squares). Several of the categories of purchasers deal with building and roofing products other than asphalt shingles. Generally, these categories are--

Distributors of roofing products--these distributors handle only roofing products (e.g. shingles, roll roofing, felt, liquid asphalt) for sale primarily to roofing contractors;

Building material wholesalers--these firms stock roofing products, lumber, masonry supplies, and so forth, provide delivery, serve as manufacturers' representatives, and generally sell to general contractors and to smaller retailers of building supplies;

Mass merchandisers--these chain organizations, with outlets numbering in the hundreds, have centralized purchasing of a large variety of building products, and primarily serve building contractors and homeowners;

Figure 1.--All privately owned housing starts, seasonally adjusted at annual rates,
by region, January-March 1973 to April-June 1980.



SOURCE: CONSTRUCTION REVIEW; NATIONAL ASSOCIATION OF REALTORS.

Large building supply firms--those building supply companies with sufficient volume of sales, with warehousing facilities to handle truckload quantities of shingles, and which serve both the building trade and homeowners; and

Large roofing contractors--those roofing contractors with a volume of business enabling them to purchase in truckload quantities for application by their own roofers, rather than for resale.

The Domestic Industry

There are about 22 firms operating approximately 110 establishments in the United States that produce asphalt roofing shingles. Generally, each establishment also produces roll roofing and asphalt saturated felts. Asphalt roofing shingles are, however, the highest value products produced at these establishments. At the conference held in connection with the investigation, the allegation was made that asphalt roofing shingles are a product line that is not truly separable from other asphalt roofing products. This claim was made on the basis that asphalt roofing shingles are made on the same machine as roll roofing products, and thus statistics on capacity utilization cannot be separated for the two product lines. 1/ Asphalt roofing shingles accounted for about 63 percent in 1979 of total shipments of all asphalt roofing products, including roll roofing and asphalt saturated felt. The petition alleged injury to an industry producing asphalt roofing shingles and the remainder of the report contains data for shingles only.

The principal firms producing asphalt roofing shingles in the United States are Owens-Corning Fiberglas Corp., GAF Corp., The Celotex Corp., Certain Teed Corp., Bird and Sons, Inc., The Flintkote Co., Johns-Manville Corp., and Reynolds Aluminum Building Products Co. Domestic producers allege that because of their heavy weight, asphalt roofing shingles cannot be economically transported over long distances -- generally not more than 300 miles from the producing plant according to the petition. As a result, producers compete with only a limited number of other producers in each producing plant's marketing area. Canadian producers, however, have claimed that shingles are commonly transported over distances upwards of 600 miles. Counsel for the Canadian producers stated that U.S. producers cannot be segregated into northern and non-northern producers, and that the United States cannot be separated into northern and non-northern markets. 2/ Data obtained from the Commission's questionnaires indicate that about 87 percent of the production in the northern region was consumed in the northern region; 1.3 percent of northern consumption was supplied by plants in the non-northern region. Although it is not known what percent of the imports from Canada were consumed in the northern region, virtually all (99.95 percent) of these imports entered through northern ports of entry.

1/ Transcript, p. 88.

2/ Transcript, p. 73.

The Canadian Industry and U.S. Importers

The petitioner alleged that there are four Canadian firms which produce asphalt roofing shingles for export to the United States— IKO, Domtar, Canadian Gypsum, and Building Products of Canada. As shown in figure 2, most of the establishments operated by these firms are located close to population centers in Canada, and the U.S. border.

* * *. IKO Industries, a subsidiary of the Canadian producer, accounts for approximately * * * percent of U.S. imports of Canadian shingles. In addition, IKO Industries plans to begin shingle production in the United States in December 1980. IKO has recently purchased and rehabilitated a shingle-producing facility in Wilmington, Del. formerly owned by a now bankrupt firm. IKO also plans to open two more U.S. production facilities, one in Arizona by December 1981. 1/ At the conference, an IKO Industries representative testified that the company has increased imports in an effort to develop a market for its future U.S. production facilities. 2/

Domtar Industries is also a U.S. importer affiliated with a Canadian producer. Testimony given at the conference indicated that between 1977 and 1979, Domtar's only U.S. customer has been Georgia Pacific, an American company. Georgia Pacific began producing shingles in 1978. A Domtar representative alleged that Georgia Pacific has been selling Canadian shingles to develop a market for their U.S. product, and that imports of the Domtar product are expected to decline as Georgia Pacific increases its U.S. production. 3/ Domtar accounts for about * * * percent of U.S. imports. Building Products of Canada supplies Canadian shingles to * * * . 4/ The channels through which Canadian Gypsum distributes in the U.S. market are unknown. However, Canadian Gypsum did state at the conference that it does not sell its product to its parent company, U.S. Gypsum, one of the U.S. producers of asphalt roofing shingles.

U.S. Imports

According to official U.S. import statistics, virtually all (over 99 percent in 1979) U.S. imports of asphalt roofing shingles are supplied by Canada, through northern ports of entry. As shown in table 1, total U.S. imports of shingles increased from 839,000 squares in 1977 to 1.5 million squares in 1979. From January-June 1979 to January-June 1980, imports increased from 706,000 squares to 1.3 million squares, or by more than 80 percent. Data supplied in response to the Commission's questionnaires are shown in table 2; the trends parallel closely those indicated in the official import statistics.

1/ Transcript, p. 88.

2/ Transcript, p. 117.

3/ Transcript, p. 76.

4/ Information obtained from telephone conversations with company personnel.

Table 1.--Asphalt roofing shingles: U.S. imports for consumption, from Canada and all other sources, 1977-79, January-June 1979, and January-June 1980

Source	1977	1978	1979	January-June--	
				1979	1980
Quantity (1,000 squares)					
Canada-----	811	1,033	1,482	705	1,281
All other-----	28	12	7	1	-
Total-----	839	1,045	1,489	706	1,281
Value (1,000 dollars) <u>1/</u>					
Canada-----	<u>2/</u>	13,497	20,394	9,469	19,501
All other-----	<u>2/</u>	497	415	66	15
Total-----	<u>2/</u>	13,994	20,809	9,535	19,516
Unit value (per square)					
Canada-----	<u>2/</u>	\$13.07	\$13.76	\$13.43	\$15.22
All other-----	<u>2/</u>	3/	3/	3/	3/
Total-----	<u>2/</u>	13.39	13.98	13.50	15.23

1/ Net duty-paid landed cost at port of entry.

2/ Not available.

3/ Unit value not available.

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

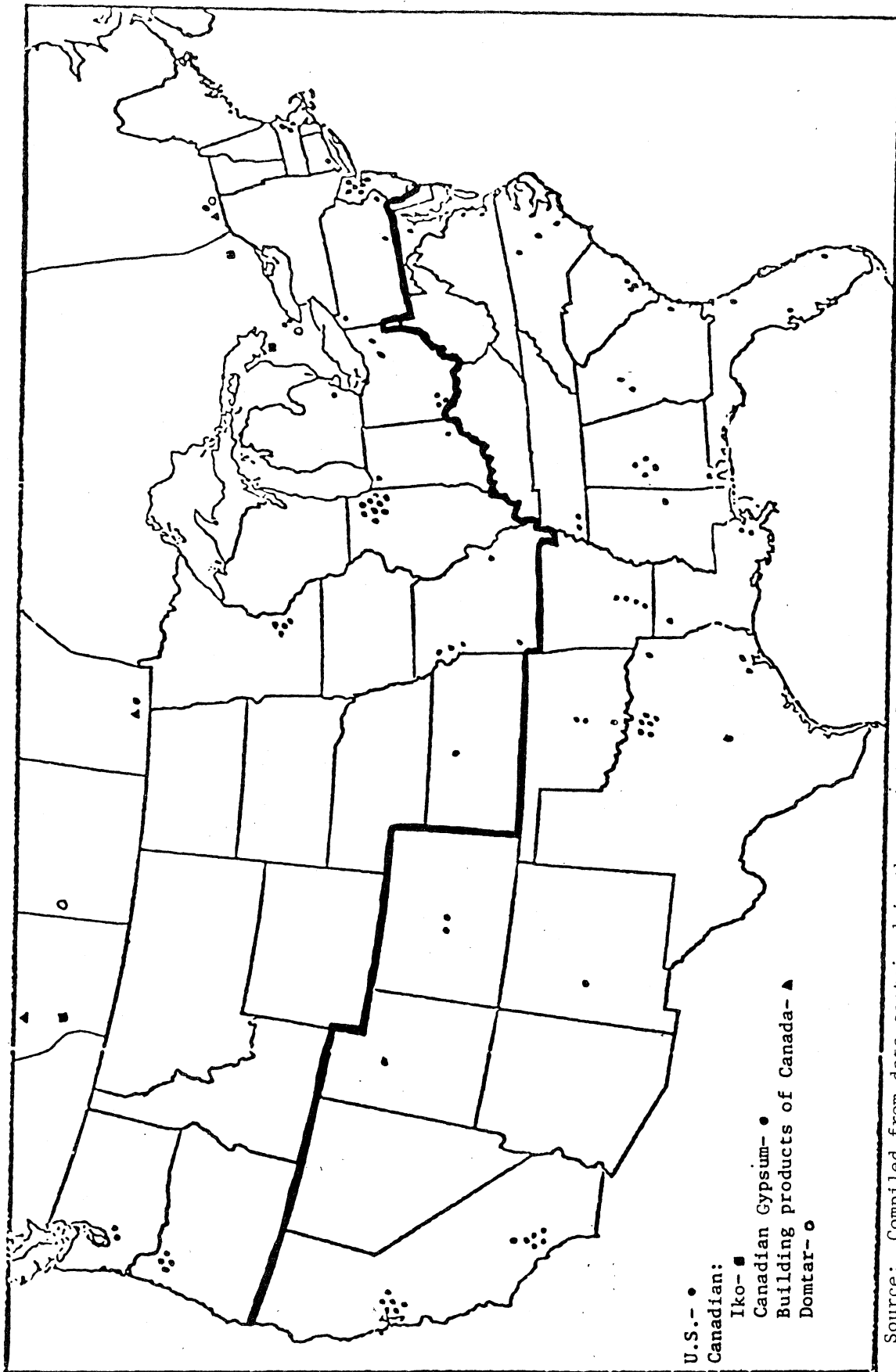
Table 2.--Asphalt roofing shingles: U.S. imports for consumption, 1977-79, January-June 1979, and January-June 1980

Year	Quantity	Value <u>1/</u>	Unit value
	1,000 squares	1,000 dollars	Per square
1977-----	621	7,668	\$12.36
1978-----	950	12,684	13.35
1979-----	1,306	18,452	14.13
January-June--			
1979-----	649	8,998	13.86
1980-----	1,013	15,582	15.39

1/ Net duty-paid value at port of entry.

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

Figure 2.--Location of U.S. and Canadian facilities for production of asphalt roofing shingles.



Source: Compiled from data contained in the petition of the Asphalt Roofing Manufacturer's Association.

Virtually, all of the imports from Canada were organic-base shingles; imports of glass-fiber-base shingles were negligible between 1977-79.

Consideration of Material Injury or Threat Thereof

The Commission sent questionnaires to all known U.S. producers of asphalt roofing shingles. Unless otherwise noted, the data in the following sections represent responses from U.S. producers, accounting for about 81 percent of total U.S. domestic shipments of asphalt roofing shingles in 1979, as reported by the Asphalt Roofing Manufacturers Association.

U.S. production

U.S. production of asphalt roofing shingles rose 12.5 percent, from 56 million squares in 1977 to 63 million squares in 1978 and 1979, as shown in the following tabulation:

<u>Period</u>	<u>Quantity</u>		<u>Northern region's share of total</u>
	<u>United States</u> (million squares)	<u>Northern region</u> (million squares)	
1977-----	56	29	51.8
1978-----	63	32	50.8
1979-----	63	32	50.8
January-June--			
1979-----	31	15	48.4
1980-----	26	12	46.2

Production remained at 63 million squares in 1979, however, it fell from 31 million squares in January-June 1979 to 26 million squares in the corresponding period in 1980, or by 16 percent. About 50 percent of total U.S. production occurred in the northern region. 1/

Production in the northern region increased by 10 percent, from 29 million squares in 1977 to 32 million squares in 1978, and remained constant in 1979. However, production in the northern region declined by 20 percent between January-June 1979 and the corresponding period in 1980, compared with only a 13 percent decline in the southern region.

1/ The northern region as defined in the Commission's questionnaire includes the following states: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, North Dakota, South Dakota, Montana, Wyoming, Idaho, Washington, and Oregon.

Utilization of productive facilities

U.S. capacity was calculated on the basis of the operation of production facilities 3 shifts a day, 5 days a week. Asphalt roofing shingle capacity increased from 94 million squares in 1977 to 97 million squares in 1979, while the ratio of production to capacity increased from 59 percent in 1977 to 65 percent in 1979. During the period January-June 1979 to January-June 1980, capacity increased from 48 million squares to 49 million squares, although the ratio of production to capacity decreased from 64.1 percent to 52.5 percent, as shown in table 3. In a statement submitted at the conference, Domtar indicated that 11 new establishments have increased U.S. capacity since 1975, and 4 future U.S. establishments will increase capacity even further. Of the 15 new establishments cited by Domtar Inc., 3 are located in the northern region.

Table 3.—Asphalt roofing shingles: U.S. production and capacity, 1977-79, January-June 1979, and January-June 1980

Period	: : Production : :	: : Capacity : :	: : Ratio of : production to : capacity
	: : <u>1,000</u> : <u>squares</u> :	: : <u>1,000</u> : <u>squares</u> :	: : <u>Percent</u> :
1977-----	: 55,899 :	: 94,426 :	: 59.2
1978-----	: 62,820 :	: 95,562 :	: 65.7
1979-----	: 63,482 :	: 97,454 :	: 65.1
January-June --	: : :	: : :	: : :
1979-----	: 31,043 :	: 48,466 :	: 64.1
1980-----	: 25,866 :	: 49,249 :	: 52.5
	: : :	: : :	: : :

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

Capacity in the northern region increased from 45 million squares in 1977 to 47 million squares in 1979, while the ratio of production to capacity increased from 65 percent in 1977 to 68 percent in 1979. During the period January-June 1979 to January-June 1980, capacity in the northern region increased from 23.1 million squares to 23.7 million squares. The ratio of production to capacity decreased from 66 percent to 51 percent, as shown in table 4.

Table 4.—Asphalt roofing shingles: U.S. production and capacity in the northern region, 1977-79, January-June 1979, and January-June 1980

Period	Production	Capacity	Ratio of production to capacity
	<u>1,000 squares</u>	<u>1,000 squares</u>	<u>Percent</u>
1977-----	29,417	45,167	65.1
1978-----	31,791	45,537	69.8
1979-----	31,949	46,687	68.4
January-June--			
1979-----	15,291	23,118	66.1
1980-----	12,189	23,717	51.4

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

U.S. producers' shipments and exports

U.S. producers' shipments of asphalt roofing shingles increased by 13 percent, from 55 million squares in 1977 to 63 million squares in 1979. Shipments during January-June 1980 declined 14 percent from the level in January-June 1979, from 28 million to 24 million squares, as shown in the following tabulation:

Year	Shipments		Northern region's share of total (percent)
	United States (1,000 squares)	Northern region (1,000 squares)	
1977-----	55,422	27,194	49.1
1978-----	61,489	29,411	47.8
1979-----	62,563	29,795	47.6
Jan.-June--			
1979-----	27,685	12,569	45.4
1980-----	23,805	9,872	41.5

The 10 percent increase in shipments from establishments in the northern region, from about 27 million squares in 1977 to almost 30 million squares in 1979, was about the same as the percentage increase in overall U.S. shipments. Shipments from producers in the northern region, however, decreased from 13 million squares in January-June 1979 to 10 million squares in January-June 1980. The 21 percent decrease in northern region's shipments during this period was more severe than the decline in the corresponding period for the total United States.

U.S. exports of asphalt roofing shingles decreased about 30 percent, from 82,000 squares in 1977 to 57,000 squares in 1979. However, from January-June 1979 to January-June 1980, U.S. exports increased 57 percent, from 23,000 squares to 36,000 squares. U.S. exports are as follows:

Period	Exports		Northern region's
	United States (1,000 squares)	Northern region (1,000 squares)	share of total (Percent)
1977-----	82	41	50.0
1978-----	66	33	50.0
1979-----	57	28	49.1
Jan.-June--			
1979-----	23	12	52.2
1980-----	36	18	50.0

Exports in the northern region followed the same trends as exports for the total United States. During 1977-79, exports fell by 32 percent, from 41,000 squares to 28,000 squares. Exports amounted to 12,000 squares during January-June 1979, and increased 50 percent, to 18,000 squares during the corresponding period of January-June 1980. In 1979, exports accounted for less than 0.01 percent of U.S. production.

Inventories

Inventories of asphalt roofing shingles are maintained by most producers. Such inventories remained relatively steady in relation to production during 1977-79, but increased from January-June 1979 to January-June 1980, as shown in table 5.

Table 5.--Asphalt roofing shingles: U.S. producers' end-of period inventories, 1977-79, January-June 1979, and January-June 1980

Period	Producers' inventories	Ratio of inventories to production
	1,000 squares	Percent
As of--		
December 31, 1977-----	2,151	3.8
December 31, 1978-----	2,326	3.7
December 31, 1979-----	2,318	3.7
June 30, 1979-----	4,731	1/ 7.5
June 30, 1980-----	4,896	1/ 9.5

1/ Based on production for full year 1979 and annualized production for 1980.

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

Inventories held by producers in the northern region, as shown in table 6, decreased from 4.1 percent of production in 1977 to 3.6 percent in 1979. Comparing the period January-June 1979 with the period January-June 1980, inventories increased from 8.8 percent to 12.0 percent of production. The ratio of inventories to production generally was higher for plants located in the northern region than in the United States as a whole, except for 1979 when the ratio for northern plants was slightly less than for all plants in the United States.

Table 6.—Asphalt roofing shingles: U.S. producers' end-of-period inventories in the northern region, 1977-79, January-June 1979, and January-June 1980

Period	Producers' inventories 1,000 squares	Ratio of inventories to production Percent
As of--		
December 31, 1977-----	1,219	4.1
December 31, 1978-----	1,285	4.0
December 31, 1979-----	1,145	3.6
June 30, 1979-----	2,741	8.8
June 30, 1980-----	2,667	12.0

1/ Based on production for full year 1979 and annualized production for 1980.

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

U.S. consumption

Apparent U.S. consumption of asphalt roofing shingles increased from about 56 million squares in 1977 to about 62 million squares in 1978, or by approximately 11 percent. In 1979, apparent consumption increased 2 percent above the 1978 level, to approximately 64 million squares. However, apparent consumption declined from about 28 million squares in January-June 1979 to just over 25 million squares in January-June 1980, as shown in the following tabulation:

Period	Apparent consumption		Northern region's share of total (Percent)
	United States (1,000 squares)	Northern region (1,000 squares)	
1977-----	56,179	27,982	49.8
1978-----	62,468	30,423	48.7
1979-----	63,995	31,256	48.8
Jan.-June--			
1979-----	28,368	13,263	46.8
1980-----	25,050	11,135	44.5

Apparent consumption of asphalt roofing shingles in the northern region followed the same pattern as the country as a whole. In 1978, consumption increased about 9 percent from the 1977 level, rising from 28 million squares to more than 30 million squares. It was 31 million squares in 1979, representing an increase of 3 percent more than the 1978 level. However, apparent consumption in the northern region declined from 13 million squares in January-June 1979 to 11 million squares in January-June 1980. This 16 percent decrease in apparent consumption of shingles was at a slightly higher rate than the decline in total U.S. consumption during the same period.

Employment

According to responses to the Commission's questionnaires, the total number of production and related workers in the asphalt roofing shingle industry increased from 8,291 in 1977 to 9,170 in 1979. Employment peaked at 9,228 workers during January-June 1979 before dropping about 15 percent to 7,824 workers during January-June 1980. A summary of the employment data reported to the Commission is presented in table 7. Productivity reached a peak of 3.07 squares per hour in 1978 before dropping to 2.95 squares per hour in 1979.

As shown in table 8, employment in the northern region increased from 3,428 production and related workers in 1977 to 3,814 in 1979. Northern plants employed 3,840 workers during January-June 1979 but dropped about 15 percent to 3,249 workers during January-June 1980. Productivity in the northern region remained relatively steady with output per hour of 3.30 squares in 1977 and 3.31 squares in 1979, but dropped from 3.14 squares per hour during January-June 1979 to 2.72 squares per hour in January-June 1980.

Financial experience of U.S. producers

Ten of the twelve U.S. producers responding to the Commission's questionnaires included data on profit-and-loss experience on asphalt roofing shingle operations. These producers represented approximately 76 percent of total U.S. shipments of asphalt roofing shingles. The remaining two producers did not separate profit-and-loss data for their asphalt roofing shingle operations.

As shown in table 9, total net sales increased from \$868 million in 1977 to more than \$1 billion in 1979, or by 37 percent. When January-June 1979 is compared with the corresponding period of January-June 1980, the data show a decrease from \$504 million to \$490 million, or a decline of 3 percent. This is primarily due to a decrease in the value of shipments between these two periods.

Table 7.—Average number of production and related workers engaged in the manufacture of asphalt roofing shingles, hours worked by such workers, and output per hour, 1977-79, January-June 1979, and January-June 1980

Period	Production and related workers	Hours worked by produc- tion and re- lated workers	Output per hour
	<u>Number</u>	<u>1,000 hours</u>	<u>Squares per hour</u>
1977-----	8,291	16,695.1	2.91
1978-----	9,080	17,982.7	3.07
1979-----	9,170	18,733.0	2.95
January-June--			
1979-----	9,228	9,575.6	2.87
1980-----	7,824	8,065.2	2.84

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

Table 8.—Average number of production and related workers engaged in the manufacture of asphalt roofing shingles in the northern region, hours worked by such workers, and output per hour, 1977-79, January-June 1979, and January-June 1980

Period	Production and related workers	Hours worked by produc- tion and re- lated workers	Output per hour
	<u>Number</u>	<u>1,000 hours</u>	<u>Squares per hour</u>
1977-----	3,428	7,255.4	3.30
1978-----	3,755	7,889.7	3.31
1979-----	3,814	7,829.4	3.31
January-June--			
1979-----	3,840	4,133.7	3.14
1980-----	3,249	3,698.4	2.72

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

Table 9.—Financial experience of U.S. producers of asphalt roofing shingles, 1977-79, January-June 1979, and January-June 1980

Item	1977	1978	1979	January-June--	
				1979	1980
Net sales----million dollars--:	868	1,068	1,190	504	490
Cost of goods sold-----do-----:	693	868	992	421	431
Gross profit-----do-----:	178	203	200	83	59
General, administrative, and selling expenses					
million dollars--:	73	94	116	56	59
Net operating profit					
million dollars--:	104	108	84	27	0.58
Ratio of net operating profit to net sales-----percent--:	12	10	7	5	1/
Number of companies reporting profit-----:	10	9	8	9	7
Number of companies reporting loss-----:	0	1	2	1	3

1/ Less than 0.05 percent.

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

Total net operating profit increased from \$104 million in 1977 to \$108 million in 1978, and then decreased to \$84 million in 1979. Net operating profit declined from \$27 million in January-June 1979 to \$580,000 during January-June 1980. The ratio of net operating profit to net sales decreased from 12 percent in 1977 to 7 percent in 1979, as shown in table 9. This ratio decreased from 5 percent during January-June 1979 to less than 0.05 percent during January-June 1980.

Research and development, and capital expenditures

Research and development expenditures increased from about \$2.9 million in 1977 to \$3.6 million in 1978. In 1979, such expenditures rose to \$5.4 million, an increase of 50 percent. Research and development expenditures accounted for 0.6 percent of the value of domestic shipments of reporting firms. U.S. shipments increased 50 percent from the 1978 level, to about \$5.4 million.

The capital expenditures of the U.S. producers responding to the questionnaire are as follows:

<u>Year</u>	<u>Capital expenditures</u> <u>(1,000 dollars)</u>
1977-----	40,175
1978-----	52,674
1979-----	73,305

Capital expenditures rose from about \$40 million in 1977 to about \$53 million in 1978, or about 31 percent, before rising about 39 percent from 1978 to 1979, to about \$73 million.

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

Market penetration

Canada supplied virtually all the imports of asphalt roofing shingles in the U.S. market between January 1977 and June 1980. As shown in table 10, the ratio of asphalt roofing shingle imports from Canada to U.S. consumption of asphalt roofing shingles increased steadily from 1.4 percent in 1977 to 2.3 percent in 1979, and to 5.1 percent in January-June 1980.

The ratio of Canadian imports to consumption for the northern region, as shown in table 11, increased from 2.9 percent in 1977 to 4.7 percent in 1979, and in the period of January-June 1979 to January-June 1980, from 5.3 percent to 11.5 percent. All asphalt roofing shingles imported from Canada entered the United States through northern ports of entry and are believed to be sold in the northern region.

Prices

Domestic producers of asphalt roofing shingles allege that shingles are a fungible commodity for which price is the only significant distinction among producers. This characteristic has been, in the past, responsible for intense price competition in the marketplace. Most, if not all, U.S. producers maintain a price list, but transactions are virtually always made at discounted prices which depend upon prevailing market conditions; in periods of reduced demand, transaction prices can be substantially lower than the listed price. Many producers conduct a delayed-payment program during the winter months, in order to encourage purchases during the slow season, and to reduce the necessity to accumulate inventory for the anticipated sales increases of the spring season.

The primary concern of the purchaser of a fungible product is the cost of that product delivered to its chosen destination; although the base price may be lower were the purchase to be made from a particular producing facility, high freight charges may negate that advantage. The bulk, weight, and low unit value of shingles appear to impose some limits on the distance over which

Table 10.--Asphalt roofing shingles: U.S. shipments, exports, imports, and apparent consumption, 1977-79, January-June 1979, and January-June 1980

Period	Shipments	Exports	Imports <u>1/</u>		Apparent Consumption <u>2/</u>	Ratio of imports to apparent consumption <u>3/</u>	
			From Canada	Total		From Canada	Total
			<u>1,000 squares</u>			<u>Percent</u>	
1977-----	55,422	82	811	839	56,179	1.4	1.4
1978-----	61,489	66	1,033	1,045	62,468	1.7	1.7
1979-----	62,563	57	1,482	1,489	63,995	2.3	2.3
January-June--							
1979-----	27,685	23	705	706	28,368	2.5	2.5
1980-----	23,805	36	1,281	1,281	25,050	5.1	5.1

1/ Import statistics do not include imports of glass-fiber-base shingles entered under TSUS item 523.91. Such imports are believed to be relatively insignificant.

2/ Apparent consumption is understated, as the data on shipments were compiled from Commission's questionnaires representing approximately 81 percent of total industry shipments.

3/ This ratio is overstated, since apparent consumption is understated as explained in footnote 2/.

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

Table 11.-- U.S. shipments, exports, imports, and apparent consumption in the northern region, 1977-79, January-June 1979, and January-June 1980

Period	Shipments	Exports	Imports <u>1/</u>		Apparent Consumption <u>2/</u>	Ratio of imports to apparent consumption <u>3/</u>	
			From Canada	Total		From Canada	Total
	<u>1,000 squares</u>					<u>Percent</u>	
1977-----	27,194	41	811	839	27,982	2.9	3.0
1978-----	29,411	33	1,033	1,045	30,423	3.4	3.4
1979-----	29,795	28	1,482	1,489	31,256	4.7	4.8
January-June--							
1979-----	12,569	12	705	706	13,263	5.3	5.3
1980-----	9,872	18	1,281	1,281	11,135	11.5	11.5

1/ Import statistics do not include imports of glass-fiber-base shingles entered under TSUS item 523.91. Such imports are believed to be relatively insignificant.

2/ Apparent consumption is understated, as the data on shipments were compiled from Commission's questionnaires representing approximately 81 percent of total industry shipments.

3/ This ratio is overstated, since apparent consumption is understated as explained in footnote 2/.

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

the product can be economically transported, 1/--a condition manifested by the existence of more than 100 producing facilities in the United States, most of which are located in or near population centers. The practice in the U.S. industry, and among some importers, has been to quote prices on what is termed a freight-equalized basis. This practice requires the customer to pay freight charges equal to those it would incur were it to purchase from the nearest producing facility, regardless of ownership; all other freight charges are absorbed by the producer--i.e., included in the invoice price quoted by the producer. The published schedules of equalized freight charges--those paid by the customer--are comparable for virtually all producers and those importers which use the system. However, total freight costs and, consequently, the share of freight costs absorbed by the producer, depends upon the distance over which a shipment is made. The share of the total freight charges absorbed by the producer determines its profit margin, and, accordingly, its willingness to service particular customers or geographical locations in competition with more advantageously placed production facilities. 2/ A secondary result of the high transportation costs is that, in sparsely populated regions with few producers, such as in much of the western United States, the pricing structure appears to be substantially higher than in other regions--* * *.

The Commission requested information on prices of organic- and glass-fiber-base shingles both in the northern region, as defined by the petitioner, and in other regions. Data on transportation charges, and on the origin and destination of shipments permitted the computation of the average delivered prices of both importers and U.S. producers, as shown in tables 12 and 13. It is apparent from the data that prices of shingles have substantially increased over the period January-March 1977 to April-June 1980; importers' prices of organic-base shingles increased by approximately 54 percent, and U.S. producers' prices by 60 percent to 72 percent, depending upon the region and upon the type of shingle. 3/

Organic-base shingles.--Table 12 shows that average delivered prices for imported organic-base shingles in the northern region generally exceeded those reported by U.S. producers throughout the period covered with the single exception of January-March 1980. The average margin by which the price of the imported product exceeded U.S. producers' prices was \$1.69 per square (11

1/ Examination of responses to the Commission's questionnaires indicated that transportation costs were often more than 10 percent of the value of the shipment. Total freight charges were found to be generally between \$.007 and \$.01 per mile for each square of shingles in a full truckload--that is, between \$2.10 and \$3.00 per square over 300 miles.

2/ The total cost of a square of shingles to the purchaser--the delivered price--is the sum of the production costs, plus a profit, plus transportation charges. If only a predetermined portion of the transportation charges is paid directly by the purchaser, the remainder must be paid or absorbed by the producer. This necessarily affects the remaining variable, i.e., the margin of profit to the producer.

3/ Imports of shingles into the southern region, and of glass-fiber-base shingles into all-regions, are minimal; price data pertaining to these items are not discussed here.

Table 12.--Organic-base asphalt roofing shingles: Average delivered prices of U.S. producers, by regions, and of importers, and importers' margin of underselling (overselling), regional differentials, January 1977-June 1980

(Per square)							
Period	U.S. producers' price			Importers (north only)	Importers' margin of underselling (overselling)		
	North	South	Premium				Percent
			in north (in south)				
1977:							
January-March---	\$12.98	\$12.64	\$0.34	\$14.18	(\$1.20)		(9)
April-June-----	13.19	13.33	(0.14)	15.20	(2.01)		(15)
July-September---	13.98	14.06	(0.08)	16.53	(2.55)		(18)
October-----							
December-----	14.59	14.93	(0.34)	17.25	(2.66)		(18)
1978:							
January-March---	14.96	14.94	0.02	17.01	(2.05)		(14)
April-June-----	15.13	15.07	0.06	17.86	(2.73)		(18)
July-September---	15.84	15.58	0.26	17.80	(1.96)		(12)
October-----							
December-----	16.09	16.20	(0.11)	18.28	(2.19)		(14)
1979:							
January-March---	16.42	16.30	0.12	18.44	(2.02)		(12)
April-June-----	17.12	17.41	(0.29)	19.05	(1.93)		(11)
July-September---	18.28	17.86	0.42	19.80	(1.52)		(8)
October-----							
December-----	19.36	18.36	1.00	19.42	(.06)		(0.3)
1980:							
January-March---	20.29	19.28	1.01	20.07	.22		1.0
April-June-----	20.82	21.01	(0.19)	21.83	(1.01)		(5)

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

Table 13.--Glass-fiber- and organic-base roofing shingles: Average delivered prices of U.S. producers, by regions, differential between types for each region, January 1977-June 1980

(Per square)							
Period	Northern region's price			Southern region's price			
	Glass- fiber	Organic- base	Glass- fiber premium :(discount)	Glass- fiber	Organic- base	Glass- fiber premium :(discount)	
1977:							
January-March---	***	***	***	\$12.64	\$12.64	None	
April-June-----	***	***	***	13.57	13.33	\$0.24	
July-September---	***	***	***	14.85	14.06	0.79	
October-							
December-----	***	***	***	15.62	14.93	0.69	
1978:							
January-March---	***	***	***	15.74	14.94	0.80	
April-June-----	***	***	***	16.28	15.07	1.21	
July-September---	***	***	***	16.37	15.58	0.79	
October-							
December-----	***	***	***	16.61	16.20	0.41	
1979:							
January-March---	17.79	16.42	1.37	16.68	16.30	0.38	
April-June-----	17.75	17.12	0.63	18.01	17.41	0.60	
July-September---	18.47	18.28	0.19	17.87	17.86	0.01	
October-							
December-----	19.03	19.36	(0.33)	18.58	18.36	0.22	
1980:							
January-March---	21.39	20.29	1.10	20.92	19.28	1.64	
April-June-----	22.34	20.82	1.52	21.68	21.01	0.67	

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

percent); the margin was substantially higher in 1977 and 1978 than in late 1979 and in January-March 1980 when the price of the domestic product exceeded that of the Canadian product by about 1 percent. The decline in the margin of overselling was primarily due to a 24-percent increase in U.S. producers' prices from January-March 1979 to January-March 1980--concurrent with substantial increases in the price of virtually all petroleum-base products--which was not matched by importers whose prices increased by less than 9 percent during the period. In April-June 1980 importers' prices again increased by about 9 percent, and the importers' premium was reestablished at approximately 5 percent above U.S. producers' prices.

The pattern of somewhat higher importers' prices could be the result of shipments made over somewhat longer distances than those reported by U.S. producers since some importers ship only on a delivered-price basis. The average distance covered by a shipment of imported shingles was approximately 500 miles from the production facility in Canada, whereas the distances of reported domestic shipments rarely exceeded 300 miles. 1/ The existence of sales at significantly higher prices, however, tends to discredit the allegation that shingles are a fungible product, except under unusual circumstances. Such sales during 1977 and 1978 could have been the result of a reported shortage of shingles in that period, but the continuation of a substantial margin of overselling through 9 months of 1979 cannot be explained. It is possible, as alleged by importers, that the larger size allows them to sell at a premium. 2/

Price data shown in the table does not support the allegation of price suppression on a regional basis. Through most of the period for which data were requested, producers' prices of organic-base shingles in the northern region were roughly comparable with those in the southern region, where imports are not alleged to have been a factor. Prices in the two regions did not diverge by more than 3 percent, excepting the period September 1979 through March 1980, when average prices in the northern region exceeded those in the south by approximately \$1 per square (5 percent). 3/ In April-June 1980, prices in the southern region increased by 9 percent, to a level slightly higher than those in the northern region.

1/ * * *.

2/ It is also possible that reported price data for domestic shingles may have applied to a class of customer different from that for which importers reported data. Certain customers may have received volume discounts or other price reductions from domestic producers which would not have been available to the type of customer for which importers reported data. Consequently, an upward bias may be present in the data reported by importers.

3/ Analysis of data pertaining to the origin and destination of shipments revealed that those for which prices were reported tended to be over somewhat longer distances in the south than in the north, introducing upward bias in producers' prices reported for the south, and reducing the apparent differences in regional prices. * * *.

The similarity in prices between northern and southern regions does not support the allegation of price suppression in the northern region, unless there is reason to expect northern prices to be higher. There does not appear to be any evidence of regional structural differences such as generally higher production costs in the northern region. The differential in prices during the winter months of 1979-80 may indicate a stronger level of demand in that region during that period, and supports the contention that replacement roofing, a somewhat more stable market segment than new housing construction, is a stronger force in the northern region than in the south. 1/

Glass-fiber-base shingles.--Production of the newer style glass-fiber-base shingle was generally delayed by producers in the northern region, owing to anticipated marketing difficulties; glass-fiber-base shingles require particularly careful handling under colder climatic conditions, and producers foresaw some buyer resistance in the north. Only two producers reported prices in the north for the period 1977-78, and only three in 1979; by comparison, after 1977, from four to six producers reported such data for the southern region throughout the entire period. U.S. producers' prices for shipments of glass-fiber-base shingles are compared with producers' prices for organic-base shingles on a regional basis in table 13. 2/ Prices for glass-fiber-base shingles were consistently higher than those for the organic-base shingles in both regions, except during October-December 1979; prices in the north were also consistently higher than those elsewhere, by an average of * * * per square.

The scarcity of production facilities for the new shingle in both regions introduces a possible bias into the data. Reported sales tended to be over longer distances in both regions for the glass-fiber-base shingle than for the organic-base shingle, a fact which was particularly evident in the north. This pattern of shipments over longer distances may have resulted in a higher average price for that region than if distances were comparable. Furthermore, there would appear to be somewhat less competition in the north than elsewhere, enabling producers to resist discount pricing to some undetermined extent.

Lost sales

Domestic manufacturers were requested to supply evidence of asphalt roofing shingle sales which they had lost because of imports from Canada. Eight of the twelve respondents to the Commission's producer's questionnaire reported 1,288 lost sales or potential lost sales since 1977, valued at about \$112.5 million. Six of the respondents supplied the names of many purchasers as alleged lost sales. One respondent listed the names of many purchasers to whom actual sales of shingles had been lost to imports, but did not supply any time period in which the losses occurred. The remaining respondent listed all reported purchasers only as potential lost sales with none listed as actual lost sales.

1/ See section on U.S. market and channels of distribution.

2/ There are virtually no imports of glass-fiber-base shingles from Canada; no importers reported price data for this product. A-26

The Commission staff contacted about 40 of the purchasers accounting for an estimated one quarter of the value listed by the respondents as lost sales in 1980 with the following results. Of all customers contacted that gave information to the Commission staff, all said that they did purchase Canadian shingles. Price was most often mentioned as a consideration in purchasing Canadian shingles followed by availability (delivery). Quality generally was considered equal between the Canadian and domestic product with some customers giving preference to the "metric shingle." Many of the leading purchasers, in terms of the value of lost sales, were listed by several of the manufacturers. * * *. In many cases, purchasers contacted were not cooperative in answering questions as they did business with both Canadian importers and U.S. manufacturers and did not want to commit themselves to any position.

One of the Canadian producers, Canadian Gypsum Co., Ltd., supplied the Commission in its written statement with several customer affidavits stating that they purchased Canadian shingles because they preferred the metric size and had been pleased with the quality of the Canadian shingles and the service offered by the Canadian producers. The affidavits also stated that at least one large U.S. producer has quoted a delivered price to the purchasers which is lower than that of the Canadian producers.

APPENDIX A

**COMMISSION'S NOTICES OF INSTITUTION OF
PRELIMINARY ANTIDUMPING INVESTIGATION
AND SCHEDULING OF CONFERENCE**

Federal Register, September 4, 1980
(45 F.R. 58728)

INTERNATIONAL TRADE COMMISSION

[731-TA-29 (Preliminary)]

Asphalt Roofing Shingles From Canada; Institution of Preliminary Antidumping Investigation and Scheduling of Conference

AGENCY: United States International Trade Commission.

ACTION: Institution of preliminary antidumping investigation to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from Canada of certain asphalt roofing shingles, provided for in items 258.90 and 523.91 of the Tariff Schedules of the United States (TSUS), allegedly sold or likely to be sold at less than fair value.

EFFECTIVE DATE: August 21, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Senior Investigator (202-523-0368).

SUPPLEMENTARY INFORMATION:

Background

This investigation is being instituted following receipt of a petition on August 21, 1980, filed by the Asphalt Roofing

Manufacturers Association, on behalf of domestic producers of asphalt roofing shingles. The petition requested the imposition of additional duties in an amount equal to the amount by which the foreign market value exceeds the United States price of asphalt roofing shingles imported from Canada.

Authority

Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) requires the Commission to make a determination of whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports alleged to be, or likely to be, sold in the United States at less than fair value. Such a determination must be made within 45 days after the date on which a petition is filed under section 732(b) or on which notice is received from the Department of Commerce of an investigation commenced under section 732(a). Accordingly, the Commission, on August 29, 1980, instituted preliminary antidumping investigation No. 731-TA-29. This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 FR 78457) and particularly, subpart B thereof.

Written Submission

Any person may submit to the Commission on or before September 19, 1980, a written statement of information pertinent to the subject matter of this investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference

The Director of Operations of the Commission has scheduled a conference in connection with this investigation for 10 a.m., e.d.t., on September 15, 1980, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the senior investigator for the investigation, Ms. Vera Libeau (202-523-

0368). It is anticipated that parties in support of the petition for antidumping duties and parties opposed to such petition will each be collectively allocated one hour within which to make an oral presentation at the conference. Further details concerning the conduct of the conference will be provided by the senior investigator.

Inspection of Petition

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

Issued: August 29, 1980.

By order of the Commission.

Kenneth R. Mason,
Secretary.

(FR Doc. 80-2707 Filed 9-3-80, 8:45 am)
BILLING CODE 7020-02-M

Federal Register
September 9, 1980
(45 F.R. 59438)

INTERNATIONAL TRADE COMMISSION

[731-TA-29 (Preliminary)]

Asphalt Roofing Shingles From Canada; Notice of Change in Scheduled Date for Conference

AGENCY: United States International Trade Commission.

ACTION: The notice instituting the above-captioned investigation appearing in the Federal Register on September 4, 1980 (45 FR 58728) stated that the preliminary conference was scheduled for 10:00 a.m., e.d.t., on September 15, 1980. This notice is to inform all interested parties that the date of the conference has been changed to 10:00 a.m., e.d.t., September 22, 1980.

WRITTEN SUBMISSIONS: Will now be due on or before September 24, 1980.

FOR FURTHER INFORMATION CONTACT: Vera Libeau, Senior Investigator (202-523-0368).

By order of the Commission.

Issued: September 4, 1980.

Kenneth R. Mason,
Secretary.

(FR Doc. 80-2707 Filed 9-4-80, 8:45 am)
BILLING CODE 7020-02-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE CONFERENCE

WITNESSES APPEARING AT THE CONFERENCE
ON SEPTEMBER 22, 1980

In support of the petition:

Cadwalader, Wickersham and Taft--Counsel
on behalf of

Asphalt Roofing Manufacturers Association (ARMA)

Ed Mongold, Senior Vice President, Certain Teed
Corp. and President, ARMA

Richard D. Snyder, Executive Vice President (ARMA)

A. E. Blocher, Director of Marketing, Roofing Products,
Certain Teed Corp.

William E. Smith, Merchandising Manager, Building
Materials Group, Bird & Son, Inc.

John A. Hixon, Executive Vice President, Building
Materials Group, Bird & Son, Inc., and
Treasurer, ARMA

Joseph G. Hall, Senior Vice President, GAF Corp.
and Chairman, Executive Committee, ARMA

Leo J. Faneuf, Vice President and Director of
Manufacturing, Building Materials Group, GAF Corp.

John Barry Donohue, Vice President and General
Counsel, Reynolds Aluminum Building Products Co.

John Boyer)--OF COUNSEL
Frederick P. Waite)

In opposition to the petition:

Covington and Burling--Counsel
on behalf of

Domtar, Inc.
IKO Industries, Ltd.

Paul Levasseur, Vice President, Roofing and
Fiber Div., Domtar, Inc.

David Leet, Vice President, IKO
Industries, Inc.

Harvey M. Applebaum)
Lyn M. Schlitt) --OF COUNSEL

Barnes, Richardson and Colburn--Counsel
on behalf of

Canadian Gypsum Co., Ltd.

Lloyd Rockett, Vice President for Marketing,
Canadian Gypsum Co., Ltd.

Leonard Lehman)
Kenneth G. Weigel) --OF COUNSEL

Daniels, Houlihan and Palmeter--Counsel
on behalf of

Building Products of Canada, Ltd.

Austin Francis, Building Products of Canada, Ltd.
Gerald Beaudoin, Building Products of Canada, Ltd.

N. David Palmeter)
Martin J. Lewin) --OF COUNSEL

APPENDIX C

COMMERCE'S NOTICE OF ITS ANTIDUMPING INVESTIGATION

DEPARTMENT OF COMMERCE**International Trade Administration****Asphalt Roofing Shingles From Canada; Initiation of Antidumping Investigation****AGENCY:** United States Department of Commerce.**ACTION:** Initiation of antidumping investigation.

SUMMARY: This notice is to advise the public that, on the basis of a petition filed in proper form, the Department of Commerce is initiating an antidumping investigation to determine whether asphalt roofing shingles from Canada, are being, or are likely to be, sold at less than fair value. Sales at less than fair value generally occur when the prices of the merchandise sold for exportation to the United States are either less than the prices of such or similar merchandise sold for consumption in the manufacturer's or exporter's home market or to countries other than the United States, or less than the constructed value. The Department of Commerce is notifying the International Trade Commission of this action so that the Commission may make a determination no later than October 6, 1980, whether there is a reasonable indication of material injury by reason of imports of this merchandise.

EFFECTIVE DATE: September 17, 1980.**FOR FURTHER INFORMATION CONTACT:**

Mr. Roland L. MacDonald, Jr., Program Analyst, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th and Constitution Avenue NW., Washington, D.C. 20230, (202) 377-4087.

SUPPLEMENTARY INFORMATION: On August 21, 1980, the Department of Commerce (Department) received a petition that complies with the requirements of §§ 353.36 and 353.37 of the Commerce Regulations (19 CFR 353.36 and 353.37). The petition was filed by counsel to the Asphalt Roofing Manufacturers Association on behalf of nineteen companies producing asphalt roofing shingles for sale in the northern region of the United States. The petition alleges that asphalt roofing shingles from Canada are being, or are likely to be, sold at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (93 Stat. 162, 19 U.S.C. 1673) ("the Act") and that these sales cause and/or threaten to cause material injury to the U.S. industry. Also, petition alleged home market sale, at less than cost of production within the meaning of section 773(b) of the Act (93 Stat. 183, 19 U.S.C. 1677(b)). Subsequently, petitioner withdrew the cost of production allegation. The merchandise covered by this investigation is certain asphalt roofing shingles, provided for in items 56.90 and 523.91 of the Tariff Schedules of the United States.

The petition includes sufficient evidence supporting both the allegations of material injury and of sales at less than fair value on the basis of comparisons between prices during the first and second quarter of 1980 in the home market and in the U.S. market.

The petition indicates increased volumes of aggregate imports and demonstrates either actual or potential decline in output, sales, market share, profits, productivity, and return on investments on the part of the U.S. industry.

In accordance with section 732(c) of the Act (93 Stat. 162, 19 U.S.C. 1673a(c)), I hereby determine that the Department will initiate an investigation to determine whether imports of asphalt roofing shingles from Canada are being, or are likely to be, sold at less than fair value.

Pursuant to section 732(d) of the Act (93 Stat. 163, 19 U.S.C. 1673a(d)) the

Department is notifying the U.S. International Trade Commission (ITC) and providing it with a copy of the information on which I based this determination to initiate an investigation. The International Trade Administration will make available to the ITC all nonprivileged and nonconfidential information. It will also make available all privileged and confidential information in its files, provided the ITC confirms that it will not disclose such information either publicly or under an administrative protective order without the written consent of the Deputy Assistant Secretary for Import Administration.

Pursuant to section 733(a) of the Act (93 Stat. 183, 19 U.S.C. 1673b(a)), the ITC will determine, no later than October 6, 1980, whether there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of asphalt roofing shingles from Canada. If that determination is negative, this investigation will be deemed terminated, and the International Trade Administration will publish no further notice. Otherwise, the investigation will continue.

Section 733(b) of the Act (93 Stat. 183, 19 U.S.C. 1673b(b)) requires that, normally no later than 160 days after the date on which the petition was filed, the International Trade Administration make a preliminary determination whether there is a reasonable basis to believe or suspect that merchandise which is the subject of this investigation is being, or likely to be, sold at less than fair value. Therefore, unless the investigation is terminated or extended, the International Trade Administration will make a preliminary determination not later than January 28, 1981.

(Sec. 732 of the Act (93 Stat. 182, 19 U.S.C. 1673a) and 353.37(b) of the Commerce Regulations (19 CFR 353.37(b), 45 FR 8199)

John D. Greenwald,
Deputy Assistant Secretary for Import Administration.

September 11, 1980.

[FR Doc. 80-22622 Filed 9-16-80; 8:45 am]
BILLING CODE 3510-25-M A-36

