

MONTAN WAX FROM EAST GERMANY

**Determination of a Reasonable
Indication of Material Injury,
or Threat of Material Injury,
in Investigation No. 731-TA-30
(Preliminary) Under Section 733(a)
of the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

USITC PUBLICATION 1103

OCTOBER 1980



UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 731-TA-30 (Preliminary)

MONTAN WAX FROM EAST GERMANY

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-30 (Preliminary), the Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, 2/ by reason of imports of montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, which are allegedly being sold in the United States at less than fair value (LTFV).

Background

On September 8, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce each received a petition from American Lignite Products Co., Ione, Calif., alleging that montan wax from East Germany is being, or is likely to be, sold in the United States at LTFV. Accordingly, the Commission instituted a preliminary antidumping investigation under section 733 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 the imports of such merchandise into the United States. The statute

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

2/ Chairman Alberger found only that there is a reasonable indication that an industry in the United States is materially injured.

directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by October 23, 1980.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and in the Commission's New York City Office, located at 6 World Trade Center, and by publishing the notice in the Federal Register on September 24, 1980 (45 F.R. 63390). The public conference was held in Washington, D.C., on October 1, 1980, and all persons who requested the opportunity were permitted to appear in person or by counsel.

STATEMENT OF REASONS FOR THE AFFIRMATIVE DETERMINATION OF VICE CHAIRMAN
MICHAEL J. CALHOUN AND COMMISSIONERS GEORGE M. MOORE AND CATHERINE BEDELL

On the basis of the record developed in investigation No. 731-TA-30 (Preliminary), we determine 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 imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

Discussion

Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) directs that, within 45 days after a petition is filed under section 732(b), the Commission--

shall 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--

- (1) an industry in the United States--
 - (A) is materially injured, or
 - (B) is threatened with material injury, or
- (2) the establishment of an industry in the United States is materially retarded, [1/]

by reason of imports of the merchandise which is the subject of the investigation by the administering authority.

In order to reach a decision we are required to define the domestic industry, review available information for reasonable indications of material injury or threat of material injury, and find a nexus between these reasonable indications and the subject imports.

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

Domestic industry

In the present case we find the like product to be montan wax and the industry to consist of the one firm producing montan wax in the United States, American Lignite Products Co. (Alpco). This firm accounts for the total known domestic production of montan wax, which, based on the evidence before us, is the only product which is either like or most similar in characteristics and uses with the montan wax from East Germany.

The question of reasonable indication of material injury

Subsection 771(7)(A) of the Tariff Act (19 U.S.C. 1677(7)(A)) defines the term "material injury" to mean "harm which is not inconsequential, immaterial, or unimportant." In making a determination of material injury or threat of material injury, subsections 771(7)(B) and (C) direct the Commission to 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 products on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products. We base our decision in this case on an evaluation of the facts as they relate to these indicia of injury.

Volume of imports.--All U.S. imports of montan wax come from East Germany and all are imported by Strohmeyer and Arpe Co., Inc. Such imports increased from 1977 through 1979 by more than 30 percent. A comparison of the imports for January-June 1980 with those for the corresponding period of 1979 shows an increase of almost 60 percent. 1/ Strohmeyer's inventories of montan wax

1/ Report, p. A-17.

more than doubled in January-June 1980, 1/ and its U.S. shipments of the East German product were higher by 11 percent in January-June 1980 than in January-June 1979. 2/ The substantial volume of imports placed into inventory has created a large overhang on the market which could seriously affect the sales of the domestic producer in the near future. This is a serious threat to the domestic industry since in the first three quarters of 1980 the price of the imports was at least 22 percent below that of the domestic product. 3/

While the U.S. market for montan wax increased steadily from 1977 through June 1980, the importer's share of this market remained fairly stable through 1979. However, in the period January-June 1980, the importer's market share rose by 2 percentage points. 4/ This increase in market penetration occurred concurrently with declines in the U.S. producer's production, employment, and profitability.

Effect of imports on prices.--In 1976, the prices of U.S. and East German montan wax were approximately equal. Since that time, the price of domestically produced montan wax has risen at a much faster rate than that of the East German product. As a result, by the end of 1979 the imported wax was priced 21 percent below the domestic product. This margin of underselling increased to a high of 26 percent in July 1980, and then fell to 23 percent in August, when the domestic producer lowered his price, citing competition from the East German product as the reason. 5/

1/ Report, p. A-19.

2/ Report, p. A-19.

3/ Report, p. A-22.

4/ Report, p. A-18.

5/ Report, p. A-22.

Although the margins of underselling have been increasing for more than a year, the full impact of the price differences may be just beginning to manifest itself in the performance indicators of the domestic producer because most customers cannot switch from one type of montan wax to another quickly. 1/ The large and increasing price advantage enjoyed by the East German wax provides an incentive for Alpco's customers to consider changing suppliers, thus posing an imminent threat to Alpco's performance.

While Alpco's prices rose in 1979 and 1980, they did not rise as rapidly as the company's production costs (particularly costs for energy and chemical solvents), 2/ indicating that the suppressing effect of the significantly lower-priced East German product has aggravated Alpco's cost-price squeeze.

Impact of imports on the domestic producer.--The record shows that Alpco's production declined by 2 percent in January-June 1980 compared with the corresponding period of 1979. Production figures for July and August 1980, however, indicate sharp drops of 42 and 35 percent, respectively, from July and August 1979 levels. 3/ Alpco's capacity utilization also declined in January-June 1980, in part because of the decline in production. 4/

Alpco's domestic shipments increased by about 6 percent in 1979 and by 2 percent in January-June 1980 compared with the corresponding period of 1979. However, data for July and August 1980 show that shipments were 38 percent and 39 percent, respectively, below those in the corresponding months of 1979. There are indications that this decline is part of a trend which

1/ Report, p. A-3.

2/ Report, p. A-15.

3/ Report, pp. A-5 and A-6.

4/ Report, p. A-7.

actually began in May 1980, when shipments were 22 percent below those in May 1979. 1/ In addition, Alpco reported significantly higher end-of-period inventories in June, July, and August 1980, than in the corresponding months of 1979 or in any month during January-May 1980. 2/

Alpco's employment remained at about the same level from 1978 until early 1980, when it dropped by 10 percent. However, by July 1980, employment dropped another 35 percent. 3/ This corresponds to a period of sharp declines in production and shipments.

The domestic producer's ratio of gross profits to net sales declined from 1978 to 1979 and dropped again in the January-June 1980 period as compared with the January-June 1979 period. 4/ This ratio in 1980 is somewhat lower than the ratio generally maintained by other chemical manufacturers.

Conclusion

On the basis of increasing imports and their large margin of underselling, coupled with the declining trends in production, shipments, employment, and profits experienced by the domestic industry in 1980 (particularly since June of this year), we conclude that there is a reasonable indication that the domestic industry producing montan wax is materially injured, or is threatened with material injury, by reason of imports from East Germany allegedly sold at less than fair value.

1/ Report, pp. A-7 and A-8.

2/ Report, pp. A-10 and A-11.

3/ Report, pp. A-13 and A-14.

4/ Report, p. A-14.

VIEWS OF CHAIRMAN BILL ALBERGER

Determination and conclusion of law

On the basis of the record developed in investigation No. 731-TA-30 (Preliminary), I determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

Discussion

The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 (19 U.S.C. 1677(4)(A)) as "the 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 further defined in section 771(10) of the Tariff Act as meaning "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation" In this case the industry consists of one firm producing montan wax in the United States, American Lignite Products Co. (Alpco).

All U.S. imports of montan wax come from East Germany. Such imports increased from 1977 through the first half of 1980. The increase in 1980 may have been in expectation of a dock strike, as inventories increased substantially in January-June of 1980. Shipments of the East German product also increased significantly in 1980. The large volume of inventories could seriously affect the sales of the domestic producer, especially when the price of the imports was at least 22 percent below the domestic product in each of the first 3 quarters of 1980.

In 1976, prices of the domestic and imported montan wax were competitive but in 1977, a price spread developed, with the imports underselling by increasing margins. By the end of 1979, there was a price difference of 21 percent, increasing to 26 percent in July of 1980. A switch to or from the domestic to the imported product can take from several months to a year due to differences in the chemical makeup of the products and the necessity to change formulations for use on different types of paper. The margins have reached levels that certainly encourage such switching.

Alpco's production increased from 1978 to 1979, but declined in January-June of 1980. Much sharper drops occurred in July and August of 1980. Capacity has increased but capacity utilization is down. Domestic shipments dropped sharply in July and August of 1980. Employment increased from 1977 to 1978, then remained at the same level until early 1980 when it declined, corresponding with a slight decline in production as well as increased efficiency. However, in July of 1980 employment dropped by 35 percent. This corresponds to a period of sharp declines in production and shipments. Profits are generally good throughout the period. Lost sales information is really inconclusive as to whether switches occurred based on lower prices.

On the basis of the large margin of underselling of increasing imports coupled with sharply declining domestic production, shipments, and employment particularly in the most recent months of 1980, there is a reasonable indication that the domestic industry producing montan wax is suffering material injury by reason of imports from East Germany allegedly sold at less than fair value.

Findings of Fact

The following findings of fact are relevant to our determination in this investigation. Data discussion is limited due to confidentiality, with only one domestic producer and one importer.

A. Volume of imports

1. Imports of montan wax from East Germany have increased steadily from 1977 to 1979, and in January-June 1980, such imports show an increase of almost 60 percent compared with the corresponding period of 1979 (Report, p. A-17).

2. Montan wax from East Germany maintained a large share of the U.S. market from 1977 through 1979 with an increase shown for the first 6 months of 1980 (Report, p. A-18).

B. The effect of imports on prices

3. The price of montan wax from East Germany was approximately 15 percent lower than that of the Alpco product in 1978. In 1979 this price differential decreased to as low as 10 percent, then increased to 21 percent by the end of the year. In 1980, the price of the imported product was as much as 26 percent lower than the Alpco product (Report, p. A-23).

4. The price of the domestic product rose by 38 percent from 1978 to August 1980 with most of the increase coming in late 1979 and early 1980 (Report, p. A-23). Alpco's price increases generally reflected increases in its production costs as the company's ratio of cost of goods sold to net sales remained fairly stable throughout the period with a slight increase in the first 6 months of 1980 (Report, p. A-14).

5. Prices of the montan wax from East Germany rose by approximately 20 percent from January 1978 to September 1980 (Report, p. A-23).

C. The impact of imports on the U.S. industry

6. U.S. production of montan wax rose by 10 percent from 1978 to 1979. Production in January-June 1980, however, was 2 percent below that of January-June 1979, and in July and August 1980, production was sharply lower than in the corresponding months of 1979 (Report, pp. A-5 and A-6).

7. The ratio of production to capacity dropped from 94 percent in 1978 to 90 percent in 1979. In the first 6 months of 1980, this declining trend worsened with a drop in capacity utilization of 15 percentage points (Report, p. A-7).

8. Alpco's domestic shipments of montan wax increased from 1978 to 1979 by 6 percent. In 1980, such shipments were higher in each month from January through April as compared with the corresponding months of 1979, but during May-August 1980, domestic shipments were lower in each month than they were in May-August 1979. Total domestic shipments during January-August 1980 were about 10 percent below those for the corresponding period of 1979 (Report, p. A-8). Alpco's exports of montan wax rose in 1979, but declined during January-June 1980 compared with January-June 1979 (Report, p. A-9).

9. Alpco maintained very small inventories of montan wax throughout the period examined by the Commission although a build-up in inventories was shown in June 1980 (Report, pp. A-10 and A-11).

10. Alpco's employment increased by 10 percent from 1977 to 1978, remained constant in 1979, and then declined in the first 6 months of

1980. It continued to decline in July and August 1980, with a drop of 35 percent reported in the latter month (Report, p. A-13).

11. The producer's gross profits increased from 1978 to 1979, but declined slightly in the first 6 months of 1980 as compared with the corresponding period in 1979 (Report, p. A-14).

12. Alpco cited 10 instances in which it allegedly lost sales to East German montan wax. It is not clear what impact lower prices had on these accounts (Report, p. A-25).

13. There was insufficient data available to the Commission to enable us to analyze cash flow, wages, ability to raise capital, and investments. 1/

RECOMMENDATION AND SUPPORTING STATEMENT OF THE DIRECTOR OF OPERATIONS FOR AN
AFFIRMATIVE PRELIMINARY DETERMINATION IN INVESTIGATION NO. 731-TA-30
(PRELIMINARY), MONTAN WAX FROM EAST GERMANY

Recommendation

On the basis of the record developed in this investigation, I recommend that the Commission determine 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 imports of montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States, which the petitioner alleges are being, or are likely to be, sold in the United States at less than fair value.

Supporting Statement

Procedural background

The Commission instituted this investigation on September 8, 1980, following receipt of a petition filed by the sole U.S. producer of montan wax, American Lignite Products Co. (Alpco). A public conference was held in Washington, D.C., on October 1, 1980, at which parties in support of the petition and those opposed to it presented testimony. The Commission's determination in the investigation is due to be transmitted to the Department of Commerce on October 23, 1980.

1/ The recommendation of the Director of Operations is attached for informational purposes below.

The U.S. market

Montan wax is a fossilized vegetable wax that is extracted from lignite using various solvents. Suitable lignite deposits are found in very few locations, and the only major ones are in East Germany and California. Only the petitioner produces montan wax in the United States, and only one company, Strohmeyer & Arpe Co., imports the product from East Germany. Sales made by these two companies account for all known consumption of montan wax in the United States.

Montan wax is principally used as a flow agent in the manufacture of one-time carbon paper, although minor amounts are used in other applications such as shoe polishes. The U.S. and East German products are not identical in characteristics, but are generally substitutable with relatively minor changes in wax formulations. In addition, carnauba wax (a vegetable wax obtained from the Carnauba palm, which grows only in northeastern Brazil), and at least two types of synthetic petroleum-based waxes can be used in most montan wax applications. All these products compete in the market, usually on the basis of price, although producers of one-time carbon paper resist changing products once an effective wax formulation has been developed. In 1979 and 1980, the price of the synthetic waxes rose significantly along with increases in crude oil prices, so that these products may not currently be price competitive with montan wax. Should this investigation be returned to the Commission for a final injury determination, a thorough analysis of these competitive products and their price relationships will be made. Information developed in this preliminary investigation indicates that U.S. consumption of montan wax has not declined because of sales lost to other waxes, although increases in montan wax use may have been slowed by such competition.

Findings with respect to "a reasonable indication of material injury, or threat thereof", by reason of imports subject to the investigation

Information obtained in this investigation from questionnaires completed by Alpco and Strohmeyer is confidential since only two firms are involved. Thus, the findings released in this public document cite only general trends or, in some instances, statistics presented by parties at the Commission's conference. The reasonable indication of material injury or threat of material injury in this investigation is most clearly demonstrated by the changes in Alpco's performance during January-June 1980, a period in which both the margin by which the East German product undersold the U.S. product and the market share held by the East German product reached new highs for the period examined. Concurrently, Alpco experienced declines in production, capacity utilization, employment, and profitability and increases in inventories. Inventories of the imported product also rose sharply and contribute to the threat of continued injury in the near future. Specific findings follow.

1. Since the present owners of Alpco purchased the company in mid-1977, production costs have risen substantially, necessitating an increase in the price for montan wax from 46 cents per pound during 1978 to 63.5

cents per pound in July 1980. A price reduction of 2.5 cents per pound was made in August 1980. Prices for the East German product, however, increased by a much smaller amount and were significantly lower than the Alpco prices throughout the period. The margins of underselling increased during each quarter in 1979 and reached a high for the period examined during July-September 1980 (Report, pp. A-21-A-23).

2. Alpco's production of montan wax rose in 1979 but fell during January-June 1980 compared with production in January-June 1979 (Report, p. A-5). The company's inventories on June 30, 1980, were more than double the amount held on June 30, 1979 (Report, p. A-10). Capacity utilization fell from 94 percent in 1978 to 90 percent in 1979 and to 75 percent in January-June 1980 (Report, p. A-7). 1/
3. The average number of production and related workers engaged in the production of montan wax fell from 21 in 1979 to 19 during January-June 1980, 17 in July 1980, and 11 in August 1980 (Report, pp. A-13-A-14).
4. Alpco's gross profit on montan wax operations fell slightly during January-June 1980 (Report, p. A-14), and a net operating loss was incurred during the company's June-August 1980 fiscal quarter (transcript of the conference, p. 8).
5. Imports of the East German product rose by significant amounts in 1978 and 1979, and were more than 50 percent higher in January-June 1980 than in January-June 1979 (Report, p. A-17). End-of-period inventories of East German montan wax held by Strohmeyer rose in 1979 and nearly tripled in January-June 1980, compared with inventories in January-June 1979 (Report, p. A-19).
6. U.S. market penetration by East German montan wax remained relatively constant during 1977-79, but rose during January-June 1980 to its highest level during the period examined (Report, p. A-18).

Conclusion

On the basis of the information developed in the investigation, I recommend that the Commission find 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 imports of montan wax from East Germany which are allegedly sold in the United States at less than fair value.

1/ Some, but not all, of the decline in capacity utilization in 1980 was the result of increased capacity.

VIEWS OF COMMISSIONER PAULA STERN

Introduction

On the basis of the record developed in Investigation No. 731-TA-30 (Preliminary), I have determined 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 imports from East Germany of montan wax allegedly sold, or likely to be sold, in the United States at less than fair value (LTFV).

Industry

Section 771(4)(A) of the Tariff Act of 1930 defines "industry" for the purposes of these investigations as "the 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." "Like product" is in turn defined in section 771(10) of the Tariff Act as "a product which is like, or in the absence of like, most similar in characteristics and uses with the article subject to the investigation" In this investigation the like product is montan wax, and the U.S. industry is comprised of the American Lignite Products Co. (ALPCO), the only domestic company manufacturing montan wax.

Material Injury by Reason of Alleged LTFV Imports

From June 1977, when ALPCO began operating under new ownership, until the end of 1979, the record of this preliminary investigation indicates

healthy growth for the U.S. montan wax industry. With the market for montan wax expanding between 1978 and 1979 1/, U.S. production increased ten percent, shipments grew six percent, and exports rose significantly. Capacity expanded and sizeable investments were made in machinery and equipment.

During this period, however, the competitive position of the alleged LTFV imports in the U.S. market was strengthening. Underselling of the domestic product by the alleged LTFV imports, which had been minimal prior to 1977, amounted to fifteen percent by the end of 1978 and after December 1979 increased markedly. Specifically, in January 1980 the margin of underselling was 22 percent, and by July-September it reached a range of 23 - 26 percent.

This underselling was a result of U.S. prices increasing more rapidly than those of the alleged LTFV imports. During the period under consideration the average price of East German montan wax increased about twenty percent. Meanwhile, U.S.-produced montan wax prices held steady in 1978, but jumped eleven percent from 1978 to 1979 and another 26.3 percent from January-July 1980. Despite these price increases the petitioner alleged that his prices had not kept up with rapidly escalating costs, notably for energy, chemicals and raw materials. The competition from the alleged LTFV imports constrained the petitioner from raising prices, and in August 1980 ALPCO lowered prices two-and-a-half cents reportedly in

1/ Data is not available for the entire year for 1977.

an effort to compete with the East German product. 2/ Thus, there were indications of both price suppression and price depression.

The volume of alleged LTFV imports has also been growing. Imports of East German montan wax rose thirteen percent from 1977 to 1978. They increased again by nineteen percent from 1978 to 1979. In January-June 1980, when the margin of underselling was greatest, imports rose roughly 56 percent above the same period in 1979. The increased imports in 1980 went predominantly into importers' inventories which were at levels well above those for 1979. 3/ Shipments of imports were eleven percent higher in the first six months of 1980 than in the corresponding period in 1979. Import penetration was somewhat greater in June-August 1980, although the montan wax market had shrunk considerably from the corresponding period in 1979. 4/

Just as these economic factors which link the imports to the domestic market became most prominent, ALPCO began experiencing economic difficulties. From January to June 1980 production, shipments, employment and profits all declined slightly. Exports fell off 25 percent and inventories increased. 5/ In the period June-August 1980 the situation de-

2/ It is possible that competitive products such as carnauba wax and petrochemical substitutes for montan wax also play a role in price suppression. This should be explored further in the final investigation.

3/ The importer indicated that it was necessary to increase inventories as a result of a threatened dock strike expected in September 1980.

4/ Data gathered on lost sales in this investigation was inconclusive.

5/ Capital expenditures, increased capacity and productivity improvement by ALPCO may suggest economic well-being. These signs should be further explored in any final investigation.

teriorated. 6/ Employment dropped by 42 percent during this period, and production, shipments and capacity utilization decreased substantially from 1979 levels. Production fell 33 percent, shipments dropped 56.9 percent and capacity utilization fell from 96.4 percent to 54.8 percent. 7/ The ratio of gross profits to sales also declined from the 1979 level for this quarter.

On the basis of the above, I have found that a reasonable indication of material injury by reason of the alleged LTFV imports has been demonstrated. I am aware, however, that the declining position of the U.S. industry from April 1980 to the present did occur at the same time that consumption of montan wax, which had been increasing continuously since 1977, dropped. In antidumping cases the Commission does not weigh the causes of injury to a domestic industry. However, if the case should return for a final determination, I would expect that additional information will help clarify the causal link existing between LTFV imports and material injury.

Threat

The intention of the Congress concerning affirmative findings of threat is clear. An affirmative finding "must be based upon information showing that the threat is real and injury is imminent, not a mere

6/ The questionnaires in this investigation requested data for the months of January-August 1980. ALPCO operates on a fiscal year basis with the June-August period as the first quarter of the fiscal year. The case for a reasonable indication of material injury is clearly demonstrated in the January-August 1980 period, and especially during June-August 1980. A final investigation should provide a better perspective on the latest period.

7/ All data come from the Staff Report, except capacity utilization for July-August which comes from petitioner's post-conference brief, p. 1.

supposition or conjecture." 8/ Since 1947, when ALPCO -- the only American producer of montan wax -- was established, the potential for imports of East German montan wax to eradicate U.S. production of this product has existed. The scale of East German montan wax operations was and is striking in comparison to the ALPCO operations. Nevertheless, ALPCO has continued to play an important role in the U.S. montan wax market. Thus, while the domestic industry has been "threatened" in the vernacular sense since its inception, what we need to determine in this investigation is whether the industry is now "threatened" in the more restricted sense of the antidumping statute.

There are several factors which distinguish the "threat" now facing the domestic industry from that which it has faced since 1947. The substantial margin of underselling now existing between the prices of U.S. and East German montan wax coupled with the current inability of the industry to cover its costs have created a situation in which the U.S. industry is particularly vulnerable to import-related injury. Moreover, the importer now has substantial inventories to supply additional demand for imports at current low prices. 9/ As we presumably move out of recession, there will be a good market for increased imports considering the margin of underselling and the inventory overhang. These factors are the basis for my affirmative determination on "threat" at this preliminary stage.

8/ Senate Report No. 96-249, 96th Cong., 1st Sess. (88-89) 1979.

9/ See Conference Transcript, p. 86.

The degree to which the industry is threatened depends heavily on the degree to which underselling results in sales lost to the alleged LTFV imports. More research is needed in the final investigation concerning the actual price sensitivity of this product and the lead time that normally takes place before a customer changes supplier.

Conclusion 10/

The standard of "reasonable indication" has been met in this case as regards both material injury and threat. Underselling is striking and the domestic industry is encountering increasing economic difficulties.

10/ I concur in the Findings of Fact stated in the "Views of Chairman Bill Alberger."

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 8, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from American Lignite Products Co. (Alpco), Ione, Calif., alleging that montan wax from East Germany is being, or is likely to be, sold in the United States at less than fair value (LTFV). The Commission on that date 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 East Germany of montan wax, provided for in item 494.20 of the Tariff Schedules of the United States (TSUS), which the petitioner alleges are being, or are or likely to be, sold in the United States at less than fair value. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by October 23, 1980. Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's New York City Office, and by publishing the notice in the Federal Register of September 24, 1980 (45 F.R. 63390). ^{1/} The public conference was held in Washington, D.C., on October 1, 1980. The Commission's vote on injury in this case is scheduled for October 16, 1980.

The Product

Description and uses

Montan wax is a hard, brittle mineral wax found in lignites or brown coals, generally extracted from them with the use of solvents. Although it has been used in the production of floor and shoe polishes, its main use in the United States at the present time is as a flow agent in the manufacture of one-time carbon paper.

The first step in the production of montan wax is obtaining a supply of lignite with an adequate wax-bearing content. Lignite is a soft low-grade coal classified between peat and sub-bituminous coal, sometimes referred to as brown coal. Wax-bearing lignite is found in those areas where the plants from which coal was eventually formed had a high wax content. This wax was preserved in the coal. Genetically, montan wax is a fossilized plant wax and is similar to vegetable waxes in many of its characteristics.

To produce montan wax economically, it is necessary to find lignite with a high wax content and a low resin content. A number of lignite deposits have been discovered in the United States, although an extraction study carried out

^{1/} A copy of the Commission's notice of investigation and conference and a list of witnesses appearing at the conference are presented in app. A. A copy of the Commerce Department's notice of investigation is presented in app. B.

by the U.S. Bureau of Mines indicates that the only deposits with a sufficiently high level of wax to make the production of montan wax economically feasible are in Arkansas and Amador County, Calif. The wax content in the California deposits is higher than that in Arkansas. Worldwide, the principal sources of lignite suitable for use in producing montan wax are in the Roeblingen area of East Germany and in Amador County, Calif; the world's two principal facilities for the production of montan wax are located near these two sources of the raw material. The Hoeschst Co. in West Germany also reportedly produces some crude montan wax for use in making more refined synthetic waxes. There have also been reports of some production of montan wax in Russia, Czechoslovakia, and China, but the quantity is insignificant. It is not presently known whether or not these three countries still produce montan wax.

The extraction process itself is basically the same in the East German and U.S. plants. The lignite is mined using the open-pit method. The coal, which has a moisture content of 30-70 percent, is dried and then crushed to a grain size of 0.2 to 2 mm. The crushed lignite then goes into an extraction machine where hot solvent is poured through it, dissolving the wax. The solution containing the wax is then distilled to remove the solvent. The wax goes to a mixing tank where chemical additives are introduced. At this point in the AlpcO method, the wax goes on a cold roll to solidify, after which it is chipped and bagged. The East German method involves either casting it into blocks or spraying it to form a granulated material.

The solvent used to extract the wax varies among producers. It generally contains some combination of either benzene and ethyl alcohol or aromatic and aliphatic hydrocarbons. The exact type of solvent used affects the ultimate composition of the wax. This, along with the chemicals added, may be adjusted to produce a grade of montan wax with particular properties making it suited for specific purposes.

In the United States, montan wax is primarily used along with mineral oil, carbon black, and paraffin in the production of one-time carbon paper. The montan wax is used as a flow agent which helps spread the other substances and hold them to the paper. The major uses of one-time carbon paper are for manifold business forms, credit card sets, computer printout forms, ticket stubs, and other business forms.

The exact chemical make-up of the montan wax varies, depending on the source of the lignite and the solvent used in extraction. Thus, the montan wax produced in East Germany cannot be substituted directly for the montan wax produced in the United States for use in producing carbon paper without a change in the ink formula. Some users of montan wax use both the domestic and imported product together. Certain petroleum and vegetable waxes (particularly carnauba wax, a vegetable wax, and Bareco, a synthetic wax) compete with montan wax. Again, to substitute these products for the montan wax would require a change in formula on the part of the customer. The level of competition depends on the price relationship between montan wax and these other products.

U.S. tariff treatment

Montan wax is classified under item 494.20 of the TSUS. Imports of montan wax are duty free from all countries. The duty-free status was provided for in the Tariff Act of 1930 as originally enacted and has been bound since June 1951 as a concession granted by the United States in the General Agreement on Tariffs and Trade.

U.S. Market

The major use of montan wax is in the production of one-time carbon paper. There are, however, three types of customers for the product: those who make only carbon paper ink, those who make carbon paper, and those who make the whole business form. A customer may use montan wax produced in East Germany and the United States in the same ink, or they may use the East German wax for one type of ink and the U.S. wax for another type. A user generally will not switch back and forth from one montan wax to the other, however, because of the precision in the formulas. Once a formula is established which combines the four ingredients in a satisfactory manner, the use of a montan wax from a different source would require a reformulation of all the ingredients.

Apparent U.S. consumption is based on the combined shipments of U.S.-produced and imported montan wax. The figures show that consumption increased by 8 percent from 1977 to 1978 and then increased by another 1.4 percent in 1979. Comparing figures in January-June 1979 with those in January-June 1980, consumption has increased in 1980 by 7.3 percent, as shown in the following tabulation:

Apparent U.S. consumption of montan wax
(1,000 pounds)

1977 -----	1/	***
1978-----		***
1979-----		***
January-June--		
1979-----		***
1980-----		***

1/ Based on an estimate of the U.S. producer's domestic shipments for January-May 1977 of * * * pounds and the actual data for June-December 1977.

The single largest use of one-time carbon paper is in manifold business forms. The use of these forms is tied closely to the computer industry, and the market for them has been steadily increasing since 1977 according to data in the 1980 U.S. Industrial Outlook, published by the Department of Commerce. There is some concern that carbonless paper and the use of paperless techniques in the computer industry will affect the forms market. The outlook at the present time, however, is that shipments of manifold business forms are expected to grow at a yearly rate of 11 percent through 1984.

A more imminent concern to the montan wax industry is the use of other waxes or synthetic products in the production of one-time carbon paper. For example, Bareco WB series waxes, and type D-6070 wax marketed by Moore & Munger Co. (both of which are synthetic microcrystalline waxes), and carnauba wax (which is a vegetable wax) can perform basically the same function as montan wax in the one-time carbon paper formula. A discussion of the relative competitiveness of these products is presented later in this report.

The Domestic Industry

The U.S. montan wax industry consists of one known producer, American Lignite Products Co., (Alpco) of Ione, Calif. As mentioned, the production of montan wax is dependent upon a supply of lignite with a sufficiently high wax and low resin content, and the main reserve of this lignite in the United States is in what is known as the Ione Formation, Amador County, Calif. Alpco's production plant is located approximately 10 miles from the mines.

Alpco began operations in 1947, initially intending to produce briquets for use as a fuel, but the lignite proved to be unsatisfactory for this use. It was discovered to contain appropriately high levels of wax for the production of montan wax, however, and the company began the commercial production of that product during 1948. The only other sources of montan wax at that time were East Germany and, to a much lesser extent, Czechoslovakia.

The company was formed by an Eastern U.S. family in the coal business. In 1968, this family sold the company to the Interpace Corp. of Parsippany, N.J. Interpace had extensive mineral-processing and mining operations in Amador County. In 1975, following a change in management, Interpace decided to sell the montan wax production facilities, and in early 1977, three employees made an offer to purchase them. The offer was accepted, and Alpco went into operation under the new ownership on June 1, 1977.

Montan wax is Alpco's only product. It produces three grades of montan wax, all priced equally, but more than * * * percent of its business is in type 1650. More than * * * percent of its product is sold to one-time carbon paper manufacturers, with the other * * * percent being sold for other wax applications. Approximately * * * percent of its shipments are domestic, with the rest being exported, mainly to Canada and the Far East.

The company presently has a lease on lignite mines which runs to the year 2050 and a contract with a mining company that mines the coal and delivers it to Alpco's production facility. In order to insure an adequate supply of lignite with a suitable wax content, the company does exploratory drilling every year to determine the wax content of the lignite at the various locations and plan the order in which the lignite will be mined. Lignites with different wax contents are combined during production to maintain a certain level of wax in the lignite used (approximately * * * percent) and thus maintain a consistent quality in the montan wax produced. The mining sites are generally planned 4 to 5 years in advance. The mining is done during the summer months, and the lignite is stockpiled and delivered to the plant as needed on a daily basis.

U.S. importers

There is one importer of montan wax from East Germany in the United States--Strohmeyer & Arpe Co., Inc., of Millburn, N. J., the exclusive distributor of the East German product in the United States and Canada. The agreement as exclusive distributor runs for a period of several years; however, the price and quantity of purchases are negotiated on an annual basis. The East German producer delivers the product to Hamburg, West Germany, where the importer takes control of the goods.

The importer handles five grades of montan wax. The "regular" or "normal" grade is the crudest. Type 6715 is a grade which was developed using technology provided by Strohmeyer & Arpe. Type 76 was developed in an attempt to improve type 6715 in order to compete with Alpcos type 1650. CP 77 is a premium product. All of these grades can be used in the production of one-time carbon paper. In addition, Strohmeyer handles Ramonta-Y montan wax, which is specially formulated with a low ash content for precision molding. 1/ Alpcos has no comparable product.

In addition to montan wax, Strohmeyer imports carnauba wax from Brazil, candelilla wax from Mexico, beeswax from Chile, Mexico, Dominica, Ethiopia, Tanzania, Australia, New Zealand, Brazil, and Argentina, Japan wax from Japan, bayberry wax from Colombia, and ouricury wax from Brazil.

Consideration of Material Injury or Threat Thereof

U.S. production

Production figures are based on the questionnaire response of the one domestic producer. Total domestic production of montan wax is shown in the following tabulation:

	<u>1,000 pounds</u>
June-December 1977 <u>1/</u> -----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

1/ As Alpcos began operations under present ownership on June 1, 1977, all economic data requested from them for 1977 were reported only for June-December.

These figures show that production rose by 10 percent, or * * * pounds, from 1978 to 1979. In January-June 1980, production declined by * * * pounds, or 2 percent, as compared with production in January-June 1979.

1/ Advertising brochure for Ramonta wax provided by Strohmeyer & Arpe.

U.S. production data for January-August 1979 and the corresponding months of 1980, as compiled from Commission questionnaires, are shown in the following tabulation:

	<u>1,000 pounds</u>
1979:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***
1980:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

These data indicate that in January and February 1980, production increased by 6 percent and 31 percent, respectively, over production in the corresponding months of 1979. March, April, and May 1980 show steady decreases in production of 4, 3, and 7 percent, respectively. June, July, and August show this decline in production accelerating, with June showing a decline of * * * pounds or 22 percent, July a decline of * * * pounds, or 42 percent, and August a decline of * * * pounds, or 35 percent below figures for the corresponding months of 1979.

Utilization of production facilities

Because of high start-up costs, montan wax is produced by continual operation of production facilities. When in full operation, the plant runs three shifts a day, 7 days a week. Data on Alpcos productive capacity for montan wax and its ratio of production to capacity are shown in table 1.

Table 1.--Montan wax: U.S. production capacity, 1/ June-December 1977, 1978, 1979, January-June 1979, and January-June 1980

Period	Capacity	Ratio of production to capacity
	<u>1,000 pounds</u>	<u>Percent</u>
June-December 1977-----	***	***
1978-----	***	***
1979-----	***	***
January-June--		
1979-----	***	***
1980-----	***	***

1/ Capacity based on an operating level of 3 shifts per day, 7 days per week.

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

These figures show an increase in capacity between 1978 and 1979 of * * * pounds, or 15 percent, followed by another increase in January-June 1980 of * * * pounds, or 17 percent. The figures also show a decline in the ratio of production to capacity from 1977 to 1978 of 3 percent and a slightly larger decline of 4 percent from 1978 to 1979. Production itself increased from 1978 to 1979, indicating the declining ratio of production to capacity was because of the 15-percent increase in capacity from 1978 to 1979.

January-June 1980 figures show a decline of 15 percentage points in the ratio of production to capacity compared with the figure for the corresponding period in 1979. Production itself declined only slightly during this period (by 1.6 percent), again indicating the decline in the ratio of production to capacity was principally because of the 17-percent increase in capacity in January-June 1980 compared with the corresponding period of 1979.

U.S. producer's domestic shipments

Data on the U.S. producer's domestic shipments of montan wax based on the questionnaire return are shown in the following tabulation:

	<u>1,000 pounds</u>
June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

These figures show an increase in shipments from 1978 to 1979 of * * * pounds, or 6 percent. Data for January-June 1980 compared with data for January-June 1979 indicate an increase of * * * pounds, or 2 percent.

January-June 1980 shows an increase of shipments, although production for the same period was down by * * * pounds, indicating that shipments were being made from inventories.

Monthly figures for U.S. shipments in January-August 1979 and 1980 are shown in the following tabulation:

	<u>1,000 pounds</u>
1979:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***
1980:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

The figures show that domestic shipments in January-April 1980 were higher by 32 percent, 61 percent, 2 percent and 17 percent, respectively, than those in the corresponding months of 1979. May figures show a decline in shipments in 1980 of 22 percent; this decline continues in June 1980, when shipments were down by * * * pounds, or 48 percent. In July and August 1980, shipments declined 38 percent and 39 percent, respectively, below those in the corresponding months of 1979.

Value per pound for domestic shipments increased steadily as shown in the following tabulation:

	<u>Cents per pound</u>
June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

These figures show an increase of * * * cents per pound, or 10 percent, from June-December 1977 to 1978, and another increase of * * * cents per pound, or 9 percent, from 1978 to 1979. There is an increase of * * * cents, however, in January-June 1980, compared with the figure for January-June 1979, or 25 percent. The overall increase in value per pound of shipments from July-December 1977 to January-June 1980 was 43 percent.

U.S. producer's exports

U.S. exports of montan wax are made primarily to Canada and the Far East, particularly Japan. Export figures, based on the questionnaire responses, are as shown in the following tabulation:

	<u>1,000 pounds</u>
June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

Exports * * * from 1978 to 1979 by * * * pounds, or * * * percent. They show a * * *, however, in January-June 1980, compared with figures for January-June 1979, of * * * pounds, or * * * percent.

The value per pound of exports * * * steadily as shown in the following tabulation:

	<u>Cents per pound</u>
June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

The value per pound of export shipments * * *.

Delivery lead times

Alpco was asked to estimate its average delivery lead time to major customers for shipments of montan wax as an indicator of the company's ability to meet demand. The response is shown in table 2.

Table 2.--Montan wax: Alpc's average delivery lead time to customers for shipments, by quarters, July 1977-June 1980

Period	:	Weeks	:	Period	:	Weeks
1977:	:	:	:	1979:	:	:
July-September-----:	:	***	:	January-March-----:	:	***
October-December-----:	:	***	:	April-June-----:	:	***
1978:	:	:	:	July-September-----:	:	***
January-March-----:	:	***	:	October-December-----:	:	***
April-June-----:	:	***	:	1980:	:	:
July-September-----:	:	***	:	January-March-----:	:	***
October-December-----:	:	***	:	April-June-----:	:	***

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

From July-September of 1977, the delivery lead time increased from * * * weeks to * * * weeks in January-June 1979. This corresponds with an increase in production and shipments for the same time period. Lead time then dropped to * * * weeks in July-December 1979. This drop continued through June 1980, corresponding to a decline in production.

U.S. producer's inventories

Alpc's inventories of montan wax fluctuated markedly but remained small throughout the time period for which information was requested. Figures on end-of-period inventories are as follows:

	<u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

There is no trend evident in the figures from 1977 through 1979. The inventories maintained are well below what would be considered the size of the average shipment, which is 40,000 pounds. Figures for January-June 1980 show an increase in inventories of * * * pounds, or 144 percent. Inventories as of June 30, 1979, however, were substantially higher than those shown for December 31, 1979, indicating it may be the practice to build inventories in midyear and work them off in the latter months.

Monthly figures comparing data for 1979 and 1980 indicate that the increase in U.S. inventories in 1980 continued into July and August, as shown in the following tabulation:

	<u>1,000 pounds</u>
1979:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***
1980:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

These figures show great fluctuations throughout 1979, with the largest inventories occurring in May, June, and July of that year. January-May 1980 shows inventories below the level for corresponding months of 1979, with February and April showing * * *. Data for June, July, and August 1980 show substantial inventory buildups compared with figures for January-May 1980, as well as those for the corresponding months of 1979.

The ratios of inventories to production and shipments remained at very low levels throughout the period, as shown in table 3.

Table 3.--Montan wax: Alpc's ratios of inventories to production and to shipments, June-December 1977, 1978, 1979, January-June 1979, and January-June 1980

(In percent)				
Period	Ratio of inventories to--			
	Production		Shipments	
June-December 1977-----	<u>1/</u> <u>2/</u>		<u>1/</u>	***
1978-----	***			***
1979-----	***			***
January-June--				
1979-----	<u>1/</u> ***		<u>1/</u>	***
1980-----	<u>1/</u> ***		<u>1/</u>	***

1/ Based on annualized production and shipment data.

2/ Less than * * *.

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

U.S. consumption

Apparent U.S. consumption of montan wax (based on the U.S. producer's domestic shipments plus the importer's U.S. shipments) rose between 1977 and 1979 from * * * pounds, in 1977, to * * * pounds, in 1978, and then to * * * pounds in 1979. Figures comparing January-June of 1980 with the corresponding months of 1979 show a continued rise in consumption, as shown in the following tabulation:

	<u>1,000 pounds</u>
1977 <u>1/</u> -----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

1/ Based on an estimate of the U.S. producer's domestic shipments for January-May 1977 of * * * pounds and actual data for June-December 1977.

These figures show consumption increased by * * * pounds, or 8 percent, from 1977 to 1978. It continued to increase in 1979 by * * * pounds, or 2 percent. Figures for January-June of 1980 compared with those of January-June of 1979 indicate this trend is continuing, with an increase of * * * pounds, or 7 percent.

Employment

Employment in the montan wax industry increased by 10 percent from June-December 1977 to 1978, and then remained constant until January-June 1980, when it dropped by * * * workers, as shown in table 4.

Table 4.--Average number of production and related workers engaged in the production of montan wax, man-hours worked by such workers, and output per man-hour, June-December 1977, 1978, 1979, January-June 1979, and January-June 1980

Period	: : Production : and related : workers	: : Man-hours worked by : production and related : workers	: : Output per : manhour
	:	:	: <u>Pounds</u>
June-December 1977----	*** :	*** :	***
1978-----	*** :	*** :	***
1979-----	*** :	*** :	***
January-June--	:	:	:
1979-----	*** :	*** :	***
1980-----	*** :	*** :	***
	:	:	:

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

These figures show that while the number of production and related workers increased from June-December 1977 through 1978, output per hour dropped by 16 percent. In 1979, productivity recovered to its 1977 level of about * * * pounds per hour, principally because the average work week fell from 44 to 41 hours. Figures for January-June of 1980 show a continued increase in productivity, this time principally because of a reduction in the number of employees.

The declining trend in the number of employees continued in July and August 1980 compared with figures for the corresponding months of 1979, as shown in table 5.

Table 5.--Average number of production and related workers engaged in the production of montan wax, man-hours worked by such workers, and output per man-hour, July-August 1979, and July-August 1980

Period	Production and related workers	Man-hours worked by production and related workers	Output per manhour <u>Pounds</u>
1979:			
July-----	***	***	***
August-----	***	***	***
1980:			
July-----	***	***	***
August-----	***	***	***

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

Financial experience of the U.S. producer

Data on the financial experience of the one U.S. producer of montan wax are summarized in table 6.

Table 6.--Profit-and-loss experience of the U.S. producer of montan wax, June-December 1977, 1978, 1979, January-June 1979, and January-June 1980

Period	Quantity sold	Net sales	Cost of goods sold	Gross profit	Ratio of gross profit to net sales	Ratio of cost of goods sold to net sales
	<u>1,000</u> <u>pounds</u>		<u>1,000 dollars</u>		<u>Percent</u>	
June-December						
1977-----	***	***	***	***	***	***
1978-----	***	***	***	***	***	***
1979-----	***	***	***	***	***	***
January-June--						
1979-----	***	***	***	***	***	***
1980-----	***	***	***	***	***	***

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

As shown in table 6, total net sales of montan wax increased from 1978 to 1979 by 20 percent, or * * *. Comparing figures in January-June 1980 with those in the corresponding period of 1979, net sales continued to increase by * * *, or 18 percent.

The cost of goods sold increased from 1978 to 1979 by * * *, or by 22 percent, somewhat faster than the rate of increase shown in net sales. Thus, the ratio of cost of goods sold to net sales increased by 2 percentage points in 1979. Comparing the period January-June of 1980 with the same period of 1979, the ratio of cost of goods sold to net sales increased by 3 percentage points.

Alpco's gross profit increased from 1978 to 1979 by * * *, or 9 percent. In January-June 1980, however, gross profit declined by * * *, or 1 percent, compared with gross profit in January-June 1979.

The largest expenses of the producer are for energy, raw materials, and chemicals. These three items showed substantial increases in 1980, as shown in table 7.

Table 7.--Ratio of Alpco's costs for energy, raw materials, and chemicals to its total cost of goods sold, June-December 1977, 1978, 1979, January-June 1979, and January-June 1980

(In percent)				
Period	: Ratio of cost of : energy to total : cost of : goods sold	: Ratio of cost of : raw materials to : total cost of : goods sold	: Ratio of cost : of chemicals : to total cost : of goods sold	
June-December 1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
January-June--				
1979-----	***	***	***	***
1980-----	***	***	***	***

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

The ratio of energy costs to total costs increased from 1977 to 1978 by 3 percentage points, and then declined slightly in 1979. Comparing the figures in January-June 1980 with those in the corresponding period of 1979, however, a sharp increase of 9 percentage points is seen. The ratio of raw material costs to total costs dropped from 1977 to 1978 by 1 percentage point and remained constant in 1979. In January-June 1980, the ratio of raw material costs to total costs increased by 2 percentage points compared with the ratio in January-June 1979. From 1977 to 1979 the ratio of chemical costs to total cost of goods sold increased by 6 percentage points. A decline is indicated, however, when comparing figures for January-June 1980 with those of the corresponding period of 1979.

The ratio of Alpco's combined costs for energy, raw materials, and chemicals to its total cost of goods sold rose throughout the period, as shown in the following tabulation:

Ratio of costs for energy, raw materials,
and chemicals to total cost of goods sold
(Percent)

June-December 1977-----	57
1978-----	60
1979-----	63
January-June--	
1979-----	61
1980-----	70

Similarly, Alpcos total unit costs for sales rose steadily from * * * cents per pound during June-December 1977 to * * * cents per pound during January-June 1980, as shown in the following tabulation:

Alpcos total product costs for
sales of montan wax
(Cents per pound)

June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

Research and development, and capital expenditures

Alpcos reported research and development expenses as shown in the following tabulation:

	<u>1,000 dollars</u>
June-December 1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

These expenses covered the salary of the chemist who, among other things, works to develop ways of improving the operation of the plant, develop new uses for montan wax, and develop new ways of using the lignite residue.

Alpcos also reported capital expenditures for 1977 through June of 1980, totaling * * *. These expenditures included * * * to purchase the business, along with * * * for mining expense during June-December 1977. In 1978, Alpcos expended * * * for machinery and equipment and * * * for land. In 1979, the company invested * * * in machinery and equipment, which included the purchase of a fines plant that increased the ability of the company to process

previously unusable lignite. An additional * * * in 1979 went to mining development. In January-June of 1980, Alpco spent * * * on machinery and equipment and * * * for mining development.

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

U.S. imports

U.S. imports of montan wax come exclusively from East Germany. Import data used are based on information supplied by the sole U.S. importer, Strohmeyer & Arpe Co., in its questionnaire response.

Imports of montan wax increased from 1977 to 1978 by * * * pounds, or 13 percent. They increased again in 1979 by * * * pounds, or 18 percent. Import figures for 1977 through June 1980 are as shown in the following tabulation:

	<u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

These figures show imports continuing to increase in 1980. This can be seen by comparing figures for January-June 1979 with those for the corresponding months of 1980. Imports increased in January-June 1980 by * * * pounds, or by 56 percent, above imports in January-June 1979.

Monthly data on U.S. imports of montan wax from East Germany in January-August 1979 and 1980 are shown in the following tabulation:

	<u>1,000 pounds</u>
1979:	
January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

1,000 pounds--Continued

1980:

January-----	***
February-----	***
March-----	***
April-----	***
May-----	***
June-----	***
July-----	***
August-----	***

These figures indicate that imports for January 1980 were below those for January of 1979. For February-July 1980, however, imports were consistently higher than those for the corresponding months of 1979 by 28 percent, 75 percent, 180 percent, 20 percent, 27 percent, and 54 percent, respectively. Imports in August 1980 declined by * * * pounds, or 67 percent, compared with imports in August 1979.

Market penetration

Strohmeyer's domestic shipments of montan wax from East Germany rose from 1977 to 1979 by * * * pounds, or 15 percent. The ratio of Strohmeyer's U.S. shipments to apparent U.S. consumption is shown in table 8.

Table 8.--Montan wax: U.S. importer's domestic shipments of the product imported from East Germany and apparent U.S. consumption, 1977-79, January-June 1979, and January-June 1980

Period	: U.S. importer's : domestic shipments	: Apparent U.S. : consumption	: Ratio of U.S. : shipments of : imports : to consumption
	: <u>1,000 pounds</u>	: <u>1,000 pounds</u>	: <u>Percent</u>
1977-----	***	<u>1/</u>	***
1978-----	***	***	***
1979-----	***	***	***
January-June--			
1979-----	***	***	***
1980-----	***	***	***

1/ Based on an estimate of the U.S. producer's shipments.

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

These figures indicate that the market share held by imports from East Germany remained relatively constant from 1977 to 1979, rising from * * *

percent in 1977, to * * * percent in 1978, and then dropping by 1 percentage point in 1979. In January-June 1980, import penetration rose to * * * percent, compared with * * * percent in the corresponding period of 1979.

U.S. importer's inventories and U.S. shipments

End-of-period inventories of montan wax maintained by the U.S. importer are as shown in the following tabulation:

	<u>1,000 pounds</u>
1977-----	***
1978-----	***
1979-----	***
January-June--	
1979-----	***
1980-----	***

Inventories declined sharply from 1977 to 1978 by * * * pounds, or 52 percent, and then increased by * * * pounds, or 20 percent, in 1979. Comparing the inventories during January-June 1979 with those of January-June 1980, the data indicate much higher inventories in 1980, with an increase of * * * pounds, or 178 percent. U.S. imports and shipments of imports also increased during January-June 1980, as shown in table 9.

Table 9.--Montan wax: U.S. imports, end-of-period inventories, and U.S. shipments of imports 1977-79, January-June 1979, and January-June 1980

Period	Imports	End-of-period inventories	U.S. shipments of imports	Ratio of inventories to shipments
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>Percent</u>
1977-----	***	***	***	***
1978-----	***	***	***	***
1979-----	***	***	***	***
January-June--				
1979-----	***	***	***	1/ ***
1980-----	***	***	***	1/ ***

1/ Based on annualized shipments.

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

This table indicates that the importer maintains much higher inventories than Alpo. It also shows inventories increasing at a faster rate than

shipments in 1980. The ratio of inventories to shipments was * * * percent in 1977, and then declined sharply to * * * percent in 1978 when Strohmeyer's shipments exceeded its imports, indicating the importer was selling off inventories. In 1979, the ratio of inventories to shipments increased slightly to * * * percent.

Figures for January-June 1980 show an increase in imports, inventories, and shipments of imports, with an increase in the ratio of inventories to shipments of * * * percentage points, compared with the figures for the corresponding period of 1979. Strohmeyer noted in its questionnaire that imports increased in the first several months of 1980, a period of inventory building, in anticipation of a dock worker strike threatened for the fall of that year. The importer also indicated that its customers were building inventories for the same reason, thus accounting for the increase in shipments.

Monthly data on the U.S. importer's inventories and U.S. shipments for January-August 1979 and 1980 are shown in table 10.

Table 10.--Montan wax: U.S. importer's end-of-period inventories and U.S. shipments, by months, January-August 1979 and January-August 1980

(In thousands of pounds)				
Period	:	End-of-period	:	U.S. shipments
	:	inventories	:	of imports
1979:	:		:	
January-----	:	***	:	***
February-----	:	***	:	***
March-----	:	***	:	***
April-----	:	***	:	***
May-----	:	***	:	***
June-----	:	***	:	***
July-----	:	***	:	***
August-----	:	***	:	***
1980:	:		:	
January-----	:	***	:	***
February-----	:	***	:	***
March-----	:	***	:	***
April-----	:	***	:	***
May-----	:	***	:	***
June-----	:	***	:	***
July-----	:	***	:	***
August-----	:	***	:	***
	:		:	

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

These data show inventories to be substantially higher for each month in 1980 compared with inventories in the corresponding month of 1979. In April-August 1980, inventories were at least 50 percent higher than those in the

corresponding months of 1979. In June, July, and August 1980, inventories were 178, 265, and 110 percent higher, respectively, than inventories in the corresponding months of 1979, indicating the inventory buildup continued at least through August 1980. At the same time, shipments of imports, on a monthly basis, remained relatively stable (total shipments in January-August 1980 were * * * pounds, or 3 percent more than the * * * pounds recorded in January-August 1979.) Shipments, in June, July, and August 1980, however, were less than those in the corresponding months of 1979.

Prices

Price information was collected from both the U.S. producer and the importer of montan wax. Both sell almost exclusively to end-user customers, not through distributors. The importer has a published price list, and approximately * * * percent of its sales are from this list. The remaining * * * percent are based on long-term contracts which are renegotiated each year. The producer sells all of its product on a spot basis. Shipments of both the importer and producer are generally in 40,000-pound truckload lots, with a slightly higher price per pound being charged for shipments of less than 40,000 pounds.

The U.S. producer has three grades of montan wax, but * * * percent of its sales are of type 1650. The firm charges the same price for all three grades. The importer has five grades of montan wax with a price difference of * * * cents per pound between the highest and lowest grades at the present time. Comparisons between the average selling prices of the U.S. producer and the importer on sales made to their three largest customers are shown in table 11.

Table 11.--Montan wax: Average selling prices of the U.S. producer and importer, by quarters, 1978, 1979, and January-September 1980

Period	U.S. producer's price	Importer's price	Importers margin of underselling
	Cents per pound	Cents per pound	Percent
1978:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September---:	***	***	***
October-December--:	***	***	***
1979:			
January-March-----:	***	***	***
April-June-----:	***	***	***
July-September---:	***	***	***
October-December--:	<u>1/</u> ***	***	***
1980:			
January-March-----:	***	<u>2/</u> ***	***
April-June-----:	***	<u>3/</u> ***	***
July-September---:	<u>4/</u> ***	***	***

1/ These figures reflect a price increase of * * * cents per pound in this quarter.

2/ This price reflects a high of * * * cents and a low of * * * cents.

3/ This price reflects a high of * * * cents and a low of * * * cents.

4/ These figures reflect an across-the-board price reduction of * * * cents per pound which Alpco put in effect on Aug. 15, 1980, on shipments of more than 20,000 pounds. A company spokesman said the decrease was made in an effort to compete with the East German product.

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

Because the importer has five grades of montan wax, he was asked to provide the price of his highest and lowest grades for January 1977-June 1980. The information is shown in table 12.

Table 12.--Montan wax: U.S. importer's prices on his highest and lowest grade, 1977-79, January-June 1979, and January-June 1980

(In cents per pound)			
Period	Highest grade	Lowest grade	
1977-----:	***	***	***
1978-----:	***	***	***
1979-----:	***	***	***
January-June--			
1979-----:	***	***	***
1980-----:	***	***	***

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

The information in table 11 shows the East German product underselling the U.S. product in each period. The price difference was * * * cents per pound in January-March 1978. The importer then raised its price, and a difference of * * * cents remained until January-March 1979, when the imports were priced * * * cents less per pound than the domestic product. This difference dropped to * * * cents in April-June 1979. In July 1979, the price of the domestic product began to increase rapidly, increasing from * * * cents in June 1979 to * * * cents by the end of December 1979, or by 13 percent. During this period, the price of the imported product remained at * * * cents. In January-March 1980, the price of the domestic product increased again, to * * * cents per pound, or by 8 percent. It continued to rise to a high of * * * cents per pound in July 1980. In August 1980, the U.S. producer decreased his price to * * * cents per pound, citing competition from East Germany as the reason.

The average price of the imported montan wax increased by * * * in April 1979 and remained constant until January 1980, when it increased by * * * cents to * * * cents a pound, or by 7 percent. It increased again in April-June 1980 by * * *.

The U.S. producer indicated that its business has been affected by sharply increasing energy costs as well as increases in the cost of the solvents, which have necessitated the price increases. The producer maintains that the quality of its product is superior to that imported from East Germany and that it could sell at a premium of * * * cents per pound and remain competitive. 1/

The U.S. producer and the importer sell the product f.o.b. their plant and dock, respectively. Customers pay all inland freight charges. The importer was unable to provide information on transportation costs. Alpco, however, was able to estimate this cost to its customers for that firm's five largest shipments in 1979. The information is shown in table 13.

Table 13.--Montan wax: Transportation costs for the U.S. producer's 5 largest shipments in 1979

Shipment	:	:	:	Transportation cost	
	: Distance	: Quantity	:	Per mile	Total
	: transported:	: shipped	:		
	: Miles	: Pounds	:	: Cents per pound	: Cents per pound
Largest-----:	*** :	54,000 :	:	*** :	7
Second largest--:	*** :	42,000 :	:	*** :	8
Third largest----	*** :	40,000 :	:	*** :	6
Fourth largest--:	*** :	40,000 :	:	*** :	7
Fifth largest----	*** :	40,000 :	:	*** :	1

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

1/ Transcript of the conference, p. 11, and staff field work.

Thus, the cost of transportation can add up to 8 cents per pound to the customer's price for the montan wax, or as much as \$3,200 for one 40,000-pound shipment. The 1980 U.S. Industrial Outlook reports the major producing regions for manifold business forms are the east north central and the mid-Atlantic. Both the importer and producer indicated that the largest proportion of their customers are located in these regions.

Competitive products

Montan wax is considered to be the product with the best combination of properties for use in the production of one-time carbon paper. There are, however, other waxes, both synthetic and natural, which have characteristics similar to montan wax and can be used in place of montan wax in the manufacture of one-time carbon paper. In view of the increasing domestic consumption of montan wax reported for 1977-79 and January-March 1980, it is apparent that there has not been any large-scale substitution of competitive waxes for montan wax. One of the possible replacements of montan wax is carnauba wax, which is a vegetable wax derived from the fronds of the Carnauba Palm, found only in Brazil. Harder than montan wax, its single largest use is in the production of carbon paper inks. To substitute carnauba wax for montan wax, an additional ingredient, a flow agent of some type, would also have to be added to the formula; however, one-third less carnauba wax than montan wax would be needed to produce the same amount of ink formula. The price of carnauba is higher than that of montan wax; the importer indicated that it presently sells for 82 cents per pound f.o.b. New York.

There are also at least two synthetic microcrystalline waxes that can be used in place of montan wax: Bareco-WB series waxes produced by the Bareco division of the Petrolite Corp., and D-6070, a wax produced by Frye Copysystem, Inc., and distributed by Moore & Munger Co. Both of these products are petroleum based and are used as flow and wetting agents in one-time carbon paper. Their price is closely tied to the price of crude oil, and both have undergone price increases in the past 2 years.

A spokesperson for Moore & Munger indicated that the price of the D-6070 wax has risen approximately * * * cents per pound in the past 18 months and is presently * * * cents per pound for 24,000 pounds or more.

A spokesperson for the Bareco Division of the Petrolite Corp. stated they have four wax products—WB-10, 11, 14 and 16—which can be considered competitive with montan wax for use in the production of carbon paper. The WB series waxes were felt to be of a higher quality than montan wax and, therefore, able to support a higher price. * * *. The average prices on the WB series waxes produced by Bareco for the past 3 years are shown in the following tabulation:

	<u>Cents per pound</u>
1978-----	***
1979-----	***
1980-----	***

* * * * *

Lost sales

Alpco reported 10 lost sales of montan wax due to imports of the East German product. These lost sales were alleged to have occurred between August 1979 and the present time. The Commission staff was able to obtain information concerning nine of these alleged lost sales.

* * *. The individuals contacted stated that purchasing decisions on the type of product used were made by researchers in the lab. One individual indicated that at the present time they use very little montan wax in their formula. One spokesperson stated they had purchased both domestic and imported montan wax in the past but had not purchased any from East Germany since February 1979. Indications were the company presently uses carnauba wax and synthetic waxes.

* * *. * * * indicated great concern over the investigation. * * *. * * * indicated that the plant purchased domestic montan wax until 1974, at which time the predecessor company of Alpco was unable to fill the orders. He stated that since 1974, the company has purchased montan wax from East Germany. He stated that Alpco was unreliable, and now its prices are higher as well.

Another customer, * * *, reported that they still use both domestic and East German montan wax; however, in 1979 they revised their formula, and the East German product works better. Therefore, they purchase more of it. The spokesperson stated the domestic product was priced considerably higher than the imported product, and this affected his decisions.

A spokesperson for * * *, said that this company used the Alpco product until 1974. At this time Alpco was unable to deliver the product, and they switched to the East German product. The spokesperson added that in his formula the domestic product does not work as well as the imported product.

Another customer, * * *, reported that the company uses East German montan wax in 95 percent of its formulations and has for at least the last 10 years; * * * uses other waxes in the remaining formulations. The company purchases the Alpco wax once in a while just to maintain a second source of supply. The individual contacted stated that in his formula the East German product works better.

* * *, is another producer of one-time carbon paper reported as a lost sale. A spokesperson for that company stated that the company purchases only the East German montan wax, and has for at least the past 3 years. The individual stated that the profit margin on one-time carbon paper is very small, and the East German product is much cheaper. He stated that he calls Alpco for prices, but they are too high. He also stated the microcrystalline waxes are also priced too high and offer no advantages.

APPENDIX A

COMMISSION'S NOTICE OF INVESTIGATION AND CONFERENCE
AND LIST OF WITNESSES APPEARING AT THE CONFERENCE

value exceeds the United States price of montan wax imported from East Germany.

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, effective September 8, 1980, instituted preliminary antidumping investigation No. 731-TA-30 (Preliminary). 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 76457) and, particularly, subpart B thereof, effective January 1, 1980.

Written submissions. Any person may submit to the Commission on or before October 6, 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 October 1, 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 supervisory investigator for the investigation, Mr. Lynn Featherstone (202-523-1376). 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 supervisory 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 Commission's New York City Office, located at 6 World Trade Center.

Issued: September 17, 1980.

By order of the Commission:

Kenneth R. Mason,
Secretary.

[FR Doc. 80-29622 Filed 9-23-80; 8:45 am]

BILLING CODE 7020-02-M

[731-TA-30 (Preliminary)]

Montan Wax From East Germany; 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 in the United States is materially retarded, by reason of imports of montan wax from East Germany, provided for in item 494.20 of the Tariff Schedules of the United States (TSUS), which is alleged to be, or likely to be, sold in the United States at less than its fair value.

EFFECTIVE DATE: September 8, 1980.

FOR FURTHER INFORMATION CONTACT: Lynn Featherstone, Supervisory Investigator, (202-523-1376).

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted following receipt of a petition on September 8, 1980, filed by American Lignite Products Co., Lone, Calif., the sole U.S. producer of montan wax. The petition requested the imposition of additional duties in an amount equal to the amount by which the foreign market

CALENDAR OF PUBLIC CONFERENCE

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

Subject: Montan Wax from East Germany
Investigation No.: 731-TA-30 (Preliminary)
Date and time: October 1, 1980; 10:00 a.m., e.d.t.
Location: Room 117, USITC Building

In support of the petition:

American Lignite Products Co.

Robert L. Johnson, Vice President

Patrick J. Volkar, Vice President/Engineer

In opposition to the petition:

Chapman, Duff & Paul--Counsel
Washington, D.C.
on behalf of

Strohmeyer & Arpe Co., Inc.

Robert A. Baldini, Executive Vice President

Elliot S. Treiber, Vice President, Chemicals Division

Paul A. Lenzini--OF COUNSEL

APPENDIX B

COMMERCE'S NOTICE OF INVESTIGATION

International Trade Administration**Unrefined Montan Wax From the German Democratic Republic; Initiation of Antidumping Investigation****AGENCY:** Department of Commerce.**ACTION:** Initiation of antidumping investigation.

SUMMARY: This notice advises 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 unrefined montan wax from the German Democratic Republic is being, or it 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. Prices of such or similar merchandise sold at less than fair value from state-controlled economy countries are determined with reference to prices and costs of similar merchandise from non state-controlled economy countries. The Department of Commerce is notifying the International Trade Commission of this action so that, in accordance with the Tariff Act of 1930, as amended, the Commission may determine whether there is a reasonable indication of material injury by reason of imports of this merchandise.

EFFECTIVE DATE: September 30, 1980.

FOR FURTHER INFORMATION CONTACT: Frank Crowe, Import Administration Specialist (202-377-3003), or Charles Wilson, Supervisory Import Administration Specialist (202-377-5288), Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., NW., Washington, D.C. 20230.

SUPPLEMENTARY INFORMATION: On September 5, 1980, the Department of Commerce ("Department") received a petition that complies with the requirements of sections 353.36 and 353.37 of the Department Regulations (19 CFR 353.36 and 353.37). Filed by John J. Hounslow, President of the American Lignite Products Company, Ione, California, the petition alleges that unrefined montan wax from the German Democratic Republic ("GDR") is being,

or is 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 the U.S. industry is likely to be materially injured.

Unrefined montan wax is classified under item number 494.20 of the Tariff Schedules of the United States.

"Unrefined montan wax" is a non-oxidized mineral wax extracted from lignite, not advanced beyond extraction or cleaning by solvent. The product is used primarily as a flow agent in one-time carbon ink formulae.

The petition includes sufficient evidence supporting both the allegations of material injury and of sales at less than fair value. For comparison purposes, the petitioner uses the f.o.b. German port price as the United States purchase price, and, in accordance with section 353.8(b)(3) of the Department Regulations (19 CFR 353.8(b)(3)), Ione, California price as the foreign market value. According to the petitioner, unrefined montan wax is produced only in the German Democratic Republic and in the United States.

The petition indicates increased volume of imports and demonstrates actual decline in production, sales and profits. It also indicates personnel layoffs and plant closings. The petition alleges "critical circumstances" in accordance with section 353.36(a)(14) of the Department Regulations (19 CFR 353.36(a)(14)).

In accordance with section 732(c) of the Act (93 Stat. 163, 19 U.S.C. 1673a(c)), I hereby determine that the Department will initiate an investigation to determine whether imports of unrefined montan wax from the German Democratic Republic 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. 163, 19 U.S.C. 1673b(a)), the ITC will determine whether there is a reasonable indication that an industry in

the United States is materially injured, or threatened with material injury, by reason of imports of unrefined montan wax from the German Democratic Republic. If that determination is negative, this investigation will be terminated, and the International Trade Administration will publish no further notice. Otherwise, the investigation will proceed to its conclusion.

Section 733(b) of the Act (93 Stat. 163, 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 is 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 February 12, 1981. This notice is published pursuant to section 732 of the Act (93 Stat. 162, 19 U.S.C. 1673a) and section 353.37(b) of the Department Regulations, (19 CFR 353.37(b), 45 Fed. Reg. 8199).

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

September 24, 1980.

(FR Doc. 80-30164 Filed 9-29-80; 8:45 am)

BILLING CODE 3510-26-M

