

CERTAIN IRON-METAL CASTINGS FROM INDIA

**Determination of the
Commission in Investigation
No. 731-TA-37
(Preliminary) Under Section 733(a)
of the Tariff Act of 1930,
Together With the Information
Obtained in the Investigation**

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Note.--Information which would disclose confidential operations of individual concerns may not be published and therefore has been deleted from this report.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-37 (Preliminary)

CERTAIN IRON-METAL CASTINGS FROM INDIA

Determination

On the basis of the record 1/ developed in investigation No. 731-TA-37 (Preliminary), the Commission determines (Chairman Alberger dissenting), pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), 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 India of certain iron-metal castings, 2/ provided for in item 657.09 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 November 19, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce each received a petition from Pinkerton Foundry, Inc., Lodi, Calif., et al., alleging that certain iron-metal castings from India are being, or are 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/ The specific articles included within the scope of this investigation are manhole covers and frames, catch-basin grates and frames, and cleanout covers and frames.

directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by January 5, 1981.

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 by publishing the notice in the Federal Register on December 3, 1980 (45 F.R. 80208). The public conference was held in Washington, D.C. on December 10, 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 best information available in investigation No. 731-TA-37 (Preliminary), we determine that there is a reasonable indication that an industry 1/ in the United States is materially injured, or threatened with material injury, by reason of imports from India of certain iron-metal castings, provided for in item 657.09 of the Tariff Schedules of the United States, which are allegedly being sold in the United States at less than fair value (LTFV).

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

The imported article and the domestic industry

The certain iron-metal castings which are the subject of the investigation are manhole covers and frames, catch-basin grates and frames, and cleanout covers and frames. These iron-metal castings are encompassed within a larger class of articles commonly called public works castings, and are used either for drainage or access purposes to public utility, water, and

1/ In our final determination in a recently concluded investigation on these same products, investigation No. 303-TA-13 (Final), some Commissioners found that the U.S. industry being injured consists of the domestic producers of these products located in the Western United States, and that these States constituted a regional market. Since we determine that there is a reasonable indication of material injury to the domestic industry as a whole, we do not reach the issue of whether it would be appropriate in this case to treat the Western U.S. producers as if they were a separate industry. The determination in the instant case does not preclude the Commission from finding injury to a regional industry in the final phase of this case, should the data so warrant that determination.

sanitary systems. Therefore, we find that under the heading of public works castings, there are three domestic like products which, for all practical purposes, are identical to the three imported articles which are the subject of this investigation and that the domestic industry is composed of the producers of these public works castings.

Reasonable indication of material injury

Section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) directs that the Commission "shall make a determination, based upon the best information available to it at the time of the determination . . ."

The Act further specifies in section 771(7)(B) that "the Commission shall consider, among other factors,--(i) the volume of imports of the merchandise which is the subject of the investigation, (ii) the effect of imports of that merchandise on prices in the United States for like products, and (iii) the impact of imports of such merchandise on domestic producers of like products" (19 U.S.C. 1677(7)(B)). In light of these directives, we base our decision on the preliminary findings of fact and conclusions of law discussed below.

The estimated quantity of imports of certain public works castings from India increased from 25.0 million pounds in 1977, when they accounted for 7 percent of apparent U.S. consumption, to 94.4 million pounds in 1979, when they accounted for 20 percent. Although imports from India decreased slightly in January-September 1980 compared with those in the corresponding period of 1979, they continued to increase as a share of total imports, rising from 92 to 94 percent of total imports. 1/ As a share of apparent U.S. consumption, imports from India increased by 38 percent in January-March 1980, to 29 percent. 2/

1/ Report, p. A-10.

2/ Report, p. A-28.

Price data collected by the Commission show that the imported product from India, whether offered by producer-importers or importers, undersold that of U.S. producers in each 3-month period from January 1978 to March 1980. Margins of underselling for the importers' product ranged from a high of 42 percent to a low of 28 percent for both types of manhole assemblies examined (a 270-pound model and a 775-pound model). 1/ Margins of underselling for both models decreased noticeably in January-March 1980, primarily because of a drop in the price of the U.S.-produced product. Such behavior, given increased costs, 2/ is clear evidence of price depression.

After adjusting importers' price data for January-March 1980 to reflect a complete pass-through of the mean countervailing duty of 13.3 percent assessed on Indian castings, these articles still undersold U.S.-produced like products by about 25 percent. 3/ These remaining margins of underselling, coupled with increased imports and import penetration, are causal links to a reasonable indication of material injury to the U.S. public works castings industry which is beyond, and entirely separate from, any injury caused by the export subsidies already found to exist on the Indian castings.

Data from 43 U.S. producers of public works castings on domestic shipments, production, capacity utilization, and employment show a uniform trend of modest increases from 1977 to 1979, followed by relatively sharp declines in January-March 1980 compared with figures for January-March 1979. 4/ Likewise, producers' inventories decreased slightly from 1977 to 1979, but increased sharply in January-March 1980. 5/

1/ Report, pp. A-34 and A-35.

2/ Report, pp. A-22 and A-39 through A-44.

3/ Report, p. A-37.

4/ Report, pp. A-13, A-15, and A-18.

5/ Report, p. A-16.

Although net sales of U.S. producers increased each year from 1977 to 1979, net operating profit declined irregularly 1/ by 13 percent from 1977 to 1979, and U.S. producers reported a net operating loss of \$63,000 in January-March 1980. The number of firms reporting such losses increased in each period from January 1977 to March 1980, with more than one-half of those firms which responded to Commission questionnaires reporting net operating losses for January-March 1980. As a ratio of net profit (loss) to net sales, the industry rate of 7.7 percent in 1977 fell to 3.9 percent in 1978, partially recovered to 5.2 percent in 1979, and then dropped to a negative 0.3 percent in January-March 1980. 2/ The lackluster performance of the domestic industry from 1977 to 1979, followed by the recent rapid decline of the industry in January-March 1980, indicate that the increased imports and import penetration of Indian castings are having a substantial impact on the domestic industry.

Supporting this conclusion is unambiguous information concerning sales lost by domestic producers to imports from India. Fifteen domestic producers submitted specific information as to sales lost to imports from India. Of 35 allegations checked by the Commission staff, 32 purchasers confirmed they had purchased imported castings from India in lieu of the domestic product. Twenty of these purchasers cited the lower price of the imported castings as the most important factor affecting their purchasing decisions. 3/

1/ The financial composite of the public works castings industry is worsened considerably by exclusion of one large firm, whose anomalous behavior in 1979 accounted for more than 90 percent of total industry profits in that year. Report, p. A-21.

2/ Report, p. A-22.

3/ Report, p. A-36.

Conclusion

On the basis of the information available to the Commission at this time, we determine that there is a reasonable indication that the public works castings industry in the United States is materially injured, or threatened with material injury, by reason of imports of such articles from India, which are allegedly sold in the United States at less than fair value.

VIEWS OF COMMISSIONER PAULA STERN

My determination in the present preliminary investigation of the impact of alleged less-than-fair-value (LTFV) imports of certain iron-metal castings from India has been based on economic information identical in all essentials to that developed in the recently completed countervailing duty investigation, Certain Iron-Metal Castings from India, Investigation No. 303-TA-13 (Final). 1/ The products in these two cases are identical, as are the standards of injury and causation in countervailing duty and dumping investigations embodied in sections 731 and 701 of the Tariff Act of 1930. In the countervailing duty case completed in September 1980, I made an affirmative determination. I will not repeat that analysis here and incorporate it by reference. 2/

This is a preliminary dumping case, which requires a showing of a "reasonable indication" of material injury due to the subject imports. In effect, preliminary cases which take only 45 days have a less stringent information requirement than final cases. But even at this preliminary stage -- because of our prior experience with these imports in the countervailing duty case -- the information is rather complete.

The only new issue to emerge in the current investigation centered on the respondents claim that the petition requested compensation for margins already compensated for by the countervailing duties which resulted from the Commission's previous affirmative determination. 3/ After adjusting the

1/ USITC Pub. No. 1098 (September 1980). Also see, accompanying Staff Report at p. A-2.

2/ Ibid., "Statement of Reasons of Commissioner Paula Stern" at pp. 18-30.

3/ See "Statement of Dennis James, Jr. on Behalf of the Engineering Export Promotion Council of India in Connection with Investigation 731-TA-37," submitted at the conference (Dec. 10, 1980) at p. 4. Certain double compensation is prohibited by Article VI, paragraph 5, of the General Agreement on Tariffs and Trade (GATT).

importers' price data for January-March 1980 to reflect a complete pass-through of the mean countervailing duty of 13.3 percent assessed on Indian castings, the staff found that these articles still undersold U.S.-produced like products by about 25 percent. 1/

These remaining margins of underselling, coupled with increased imports and import penetration, are causal links to a reasonable indication of material injury to the U.S. public works castings industry which is beyond, and entirely separate from, any injury caused by the export subsidies already found to exist on the Indian castings. The alleged LFTV margins (net of the countervailing duties) of approximately 25 percent are almost twice as large as the average subsidy encountered in Investigation No. 303-TA-13 (Final). In fact, the margin of underselling (adjusted for the countervailing duty) is substantially accounted for by the alleged LFTV margins. Given the fact that the indicators of injury remain unchanged, the logic for an affirmative preliminary finding in the present case is thus even more compelling than in the previous final case. 2/

1/ Report at pp. A-35 and A-37.

2/ The Engineering Export Promotion Council of India argues in its Post-Conference Brief (footnote at p. 6) that the imposition of the countervailing duty has not benefitted domestic foundries by working its way through the four-tiered price structure as I had suggested in my Statement of Reasons in Inv. No. 303-TA-13 (Final). Respondent concludes that Indian imports are therefore not the source of the industry's problems. Although the point is interesting, it is not persuasive. One can distinguish between general claims regarding the health of the industry and specific analysis of prevailing prices. Moreover, there is no systematic information available at this time reflecting price behavior since the imposition of the countervailing duties. Finally, there are many influences on prices other than the duties. I will welcome further information from all parties on this matter should the case return for a final determination.

VIEWS OF CHAIRMAN BILL ALBERGER

On the basis of the record in investigation No. 731-TA-37 (Preliminary), I determine that there is no reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or that the establishment of an industry is materially retarded by reason of imports from India of certain iron-metal castings which are allegedly sold at less than fair value (LTFV).

Petitioners allege that they are now being injured by imports believed to be sold at LTFV. The Commission staff did not, because of the recency of the agency's countervailing duty investigation concerning iron-metal castings from India (investigation No. 303-TA-13 (Final)), attempt to obtain additional data for this preliminary antidumping investigation and we have been provided no new data concerning the effect on the domestic industry of the imposition of the countervailing duty on such imports.

Although the price of domestic castings has increased from 1978 to 1979, imported castings consistently undersold the U.S. product by significant margins during that period. Staff estimates of the effect on margins of underselling of the addition of the mean countervailing duty of 13.3 percent and the dumping margin alleged in the petition, succeed only in narrowing the margin of underselling to around 25 percent on the most competitive model casting. 1/ Thus, assuming that additional duty assessment costs will be passed on to customers, imported castings from India would still undersell their domestic counterparts by significant margins.

Having received no other information regarding changes in the status of the industry since the agency's countervailing duty determination, I

1/ Report at A-37.

find that there is no reasonable indication that the public works castings industry is being injured by imports from India. The complete basis for my decision regarding injury to the industry is thoroughly documented in my opinion issued in the previous countervailing duty case. 1/ Therefore, I see no need to rewrite it here or to incur the additional printing costs of reproducing those views.

1/ Views of Chairman Bill Alberger, Certain Iron-Metal Castings from India,
USITC Pub. 1098, Sept. 1980, pp. 31-38.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 19, 1980, the U.S. International Trade Commission and the U.S. Department of Commerce received a petition from Pinkerton Foundry, Inc., Lodi, Calif., et al., alleging that certain iron-metal castings from India are being, or are likely to be, sold in the United States at less than fair value (LTFV). Accordingly, effective November 19, 1980, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from India of certain iron-metal castings provided for in item 657.09 of the Tariff Schedules of the United States (TSUS), which the petitioner alleges are being, or are likely to be, sold in the United States at LTFV. The statute directs that the Commission make its determination within 45 days of its receipt of the petition, or in this case by January 5, 1981. 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 by publishing the notice in the Federal Register of December 3, 1980 (45 F.R. 80208). ^{1/} The public conference was held in Washington, D.C., on December 10, 1980. The Commission's vote in the investigation was taken on December 18, 1980.

Recent Proceedings Concerning Iron-Metal Castings

On May 10, 1979, the U.S. Customs Service of the U.S. Department of Treasury published a notice in the Federal Register (44 F.R. 27385) regarding specific country-of-origin marking requirements for imported manhole covers and frames. Customs ruled that effective on or after August 8, 1979, imported manhole covers and frames must be permanently and legibly marked with the country of origin by die stamping, molding, or etching. Customs took this action following complaints from domestic producers that origin-marking requirements were not being uniformly applied, and that many imported castings entered U.S. ports with no markings or with the country of origin merely painted on them. Some distributors were found to be painting out the country-of-origin marking. Such country-of-origin markings are significant, in that some public works contracts are subject to "Buy American" provisions.

On February 19, 1980, the Commission and the U.S. Department of Commerce received a petition from Pinkerton Foundry, Inc., Lodi, Calif., alleging that bounties or grants were being paid with respect to certain iron-metal castings imported from India. Following its investigation, Commerce issued a final countervailing duty determination on August 14, 1980, which found that benefits are being granted by the Government of India to manufacturers,

^{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.

producers, and exporters of certain iron-metal castings, which constitute bounties or grants ranging from 12.9 to 16.8 percent of the f.o.b. India price. 1/ On September 29, 1980, the Commission, by a 4-to-1 vote, determined in investigation No. 303-TA-13 (Final) that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of certain iron-metal castings from India which were subject to the Commerce subsidy determination. 2/

Because of the recency of the Commission's countervailing duty investigation concerning certain iron-metal castings from India, additional data were not sought through questionnaires for this preliminary antidumping investigation of the same products. References to questionnaires in this report refer to those used in investigation No. 303-TA-13 (Final).

The Product

Description and uses

The specific articles which are the subject of this investigation are manhole covers and frames, catch basin grates and frames, and cleanout covers and frames, provided for in item 657.09 of the TSUS. For convenience, these articles are referred to collectively as certain iron-metal castings or public works castings. These articles are usually shipped in sets consisting of the cover and a frame, and are used either for drainage or access purposes to public utility, water, and sanitary systems. The most important of these products are manhole covers and frames, which constitute the great bulk of imports from India and domestic production.

Manufacturing process

Public works castings are produced by the same general method of iron casting used in the manufacture of a myriad of products. First, pig or scrap iron 3/ is melted in a cupola, a vertically cylindrical vessel for melting metal. 4/ After the slag is removed, the molten metal is poured into large

1/ A copy of the Commerce Department's final countervailing duty determination is presented in app. C.

2/ A copy of the Commission's final injury determination is presented in app. D.

3/ The basic raw material used by U.S. producers is scrap iron, whereas the Indian producers generally use pig iron. There is believed to be no appreciable quality difference in the two finished products.

4/ Some producers of public works castings, as well as foundries producing other products, are changing from melting iron by cupola to melting by various types of electric furnaces, largely in order to comply with Federal, State, and local pollution standards. Generally, larger foundries prefer cupola melting, as it is more efficient where large quantities of iron need to be melted, whereas smaller foundries often find electric melting to be more appropriate to their limited needs.

iron tubs called flasks, in which one or more wood or metal patterns have been placed. These patterns have been covered with sand mixed with bentonite, a fine clay which eliminates absorbency, and packed under pressure. After the patterns are removed, creating a cavity in the sand, the molten metal is poured into the mold. When the metal has solidified, the casting is shaken out of the flask and particle blasted to remove rough edges and overpourings. Finally, the castings may be machined to customer specifications, and dip painted.

U.S. Tariff Treatment

The public works castings which are the subject of this investigation are classified under item 657.09 of the TSUS. This item encompasses cast-iron articles, not coated or plated with precious metal, not alloyed, and not malleable. This classification includes a variety of merchandise, e.g., manhole covers and frames, catch basin grates and frames, cleanout covers and frames, water and gas valve boxes, and other cast-iron products for municipal, residential, and utility uses. 1/ Also entered under this TSUS item are numerous other articles, such as fence fittings, rail ends, counterweights, and cast-iron carts. The column 1 (most-favored-nation) rate of duty for this item is free. The column 2 rate (applicable to imports from certain Communist-dominated countries) is 10 percent ad valorem. The column 1 (free) rate of duty has been in effect since January 1, 1972. The Geneva (1979) Protocol to the General Agreement on Tariffs and Trade does not affect the rates of duty applicable to these items.

On August 31, 1979, the Cast Metals Federation, an industry trade group, petitioned the Committee for Statistical Annotation of the Tariff Schedules for a change in the TSUSA to provide a separate statistical category for manhole covers and frames. This request is pending.

Nature and Extent of Alleged Sales at LTFV

The petition filed in this investigation contains allegations of sales at less than fair value based on a comparison between the constructed value of production in India and selling price, f.o.b., Calcutta ("purchase price"). 2/ The constructed value is based on petitioner's estimates of production costs (15.08 cents per pound), general expenses (1.51 cents per pound), and profit (1.21 cents per pound), for a total of 17.80 cents per pound. For purchase price, petitioners use the Indian floor price established for exports prior to October 1, 1980 (11.5 cents per pound for exports destined for U.S. ports on the east coast and 12.0 cents per pound for exports destined for west coast ports). In calculating alleged dumping margins, the Commission adjusted the purchase price to include the countervailing duties, which range from 12.9 to

1/ This merchandise is commonly called municipal or public works castings.
2/ Petition, pp. 4 and 7.

16.8 percent, applicable to such exports. On this basis, the alleged dumping margins 1/ on certain public works castings imported from India range from 24.6 percent to 27.1 percent on castings shipped to east coast ports before October 1, 1980, and from 21.2 percent to 23.9 percent on merchandise shipped to west coast ports before October 1, 1980. For most imports from India, the applicable countervailing duty is 13.3 percent of the f.o.b. price or 1.5 cents per pound. Thus, the average alleged dumping margins for the period up to October 1, 1980, would be 26.8 percent on castings shipped to Eastern ports, and 23.6 percent on castings shipped to Western ports. 2/ Petitioner alleges further that dumping margins exist on the basis of comparisons made with prices of this merchandise sold in the home market of India for home consumption, and prices of such merchandise sold to or in third countries. 3/ No data are provided in the petition to support these allegations.

The iron-metal castings which are the subject of this investigation consist of manhole covers and frames, cleanout covers and frames, and catch basin grates and frames which enter the United States under TSUS item 657.09. In 1979, these imports from India amounted to 94.4 million pounds, valued at \$11.4 million, and accounted for an estimated 92 percent of total U.S. imports of such castings by quantity in that year.

The Domestic Industry

According to the Cast Metals Federation, the metals-casting sector of the U.S. economy is composed of approximately 4,200 individual foundries employing some 375,000 people. Of these, approximately 50 foundries are known to produce public works castings.

The public works casting industry is composed of two groups of producers: those foundries which concentrate on the production of public works castings and the generally smaller, more flexible, "jobber" foundries, whose production of public works castings varies with market conditions. Producing facilities are located throughout the country, with 13 known producers located in the Western United States. 4/ The following tabulation classifies producers which responded to Commission questionnaires by region and by quantity of public works castings produced in 1979:

1/ Calculated by dividing the difference between constructed value and floor price (adjusted for the applicable countervailing duty) by constructed value.

2/ Any alleged dumping margin will be lessened by the Government of India's 2-stage increase in the floor price of public works castings exported to the United States, ceteris paribus. The first stage, effective Oct. 1, 1980, increased prices 1/2 cent per pound on castings shipped to Western ports, and 1 cent per pound on those shipped to Eastern ports, in order to equalize the floor price on both coasts. On Jan. 1, 1981, another price hike of 1/2 cent per pound is due to go into effect on both coasts, resulting in a floor price of 13 cents per pound.

3/ Petition, p. 5.

4/ For purposes of this investigation, the Western United States includes the following States: Washington, Oregon, California, Nevada, Idaho, Montana, Arizona, Utah, Wyoming, Colorado, New Mexico, Hawaii, and Alaska, exclusively.

Region	Public works castings produced in 1979			
	Under 1 mil- :lion pounds	1 to 5 mil- : lion pounds	5 to 10 mil- :lion pounds	Over 10 mil- : lion pounds
Eastern United States----	3	2	2	2
Midwest United States----	1	3	0	3
Southern United States---	2	6	2	4
Western United States----	4	7	2	0

All of the large foundries producing public works castings maintain separate facilities and workers for their production, and all but * * * produce public works castings exclusively. The large foundries are characterized by greater specialization of product line and mechanization in their foundry operations, which allow them to produce public works castings at lower unit cost than the smaller, jobber foundries. This advantage is gained, however, at a loss of flexibility in product line, which increases these foundries' vulnerability to fluctuations in demand and import competition.

Partially to allay this inflexibility, many public-works-casting foundries in the past few years have begun to supplement their domestic production with imports, primarily from India. In a prehearing brief in the countervailing duty case, counsel for the Indian Engineering Export Promotion Council asserted that the general practice of those foundries has been to import the standardized, lower profit items in order to be able to concentrate production on the more specialized higher profit castings in their domestic facilities. ^{1/} By using the low cost imports as "loss leaders," importing foundries gain customers which then purchase their foundries' entire line of castings.

Domestic producers which also import public works castings were queried by the Commission as to their reasons for doing so. The two most important reasons respondents cited were the low price of Indian castings, and for defensive purposes, i.e., they institute import policies because their competition has done so.

Domestic producers which also import castings are more numerous in the Southern and Western coastal areas than in the Midwest. Pinkerton Foundry, Lodi, Calif., petitioner in the present case, is one of two public-works-casting foundries on the west coast that does not import castings.

^{1/} Prehearing brief of respondent, investigation No. 303-TA-13 (Final), p. 15.

The Scope of the Industry

The foundries that manufacture public works castings are classified as gray-iron foundries under Standard Industrial Classification (SIC) No. 3321. In addition to public works castings, gray-iron foundries produce a wide variety of products, including brake shoes, couplings, pressure and soil pipe, hydrants, railroad car wheels, and various products for automotive uses. The Census of Manufacturers does not report separate data on public works castings, instead reporting them as part of SIC item 33219.49, gray-iron castings for construction and utility uses. In addition to the articles which are the subject of the present investigation, this category includes items such as meter and valve boxes for both private residential and public utility use, fire hydrants, and underground pipes for private residential use. Each of these products requires special manufacturing facilities, and companies tend to specialize in only a few product lines.

As mentioned, public-works-castings producers tend to specialize in these products. Of 43 producers that responded to Commission questionnaires, 22 reported that public works castings accounted for more than 75 percent of their total gray-iron foundry production in 1979, and for 15 of those foundries, public works castings constituted 100 percent of production. For the largest eight foundries, whose production made up 80 percent of all respondents' production in 1979, the concentration in public works castings is even more pronounced, as shown in the following tabulation:

Producer	Public works castings as a percent of total gray-iron foundry production							
	Under 25		25-50		51-75		76-100	
	percent		percent		percent		percent	
	1977	1979	1977	1979	1977	1979	1977	1979
	:	:	:	:	:	:	:	:
All respondents-----	6	8	7	5	6	8	24	22
Largest 8 respondents----	-	-	1	1	1	1	6	6
	:	:	:	:	:	:	:	:

Although it is possible for public-works-castings foundries to make some other gray-iron foundry products, such as meter and valve boxes and counterweights, it is not economically feasible for the majority to do so. Most public-works-casting foundries, especially the larger, more efficient foundries, are designed to handle castings within certain size and weight ranges. Therefore, pouring molds for heavy steel ingots or rolls for rolling mills is an impossibility. Other gray-iron products like pressure pipe, hydrants, and other items used to convey liquids or gasses under pressure, may require special grades or alloys of gray iron, centrifugal rather than flat-casting techniques, hydrostatic testing, and complex pattern and coremaking ability. Manhole and catch basin assemblies, on the other hand, are relatively simple to make and do not require the precision in specifications or quality of metal as many of these other products. Those foundries that produce significant quantities of gray-iron products other than public works

castings do so in separate facilities, or on separate equipment within the same plant.

The U.S. Market and Channels of Distribution

Public works castings are sold in the United States to two general categories of customers: independent distributors, which buy castings in volume from a number of sources and service the construction industry; and end users, usually general contractors or public works departments of state or local governments.

For several reasons, the market structure for public works castings is highly fragmented. First, freight costs are very high on these heavy and bulky items, and thus the further the castings are shipped, the less price competitive they become; second, specifications for castings vary from one local political jurisdiction to another; third, different geographical regions of the country present different weather and wear problems for users. For example, public works castings in the Northwest are designed to handle heavy rain runoff, whereas those sold in the Southwest are designed to prevent clogging from sand. As a result, castings are usually marketed within a 200-mile radius of their manufacture.

One large U.S. firm which is an exception to the rule of supplying only a regional market is Neenah Foundry Co., of Neenah, Wis., which manufactures public works castings in its Wisconsin facility and markets them nationwide. The reasons given by Neenah representatives as to their ability to sell nationwide are that Neenah makes certain patterns and products other foundries do not make, and that some architects and construction designers specify Neenah products. Neenah is one of five firms located outside the Western marketing area that reported shipments to that area on the Commission's questionnaires.

Domestically produced and imported public works castings are shipped by truck with freight costs usually absorbed by the purchaser. Domestic castings are generally shipped on pallets, whereas imports from India are crated in mango wood.

U.S. Importers

Three types of firms serve as importers of Indian public works castings to the U.S. market: (1) Working foundries, such as Dewey Brothers of Goldsboro, N.C., and Phoenix Iron Works of Oakland, Calif., which supplement domestic production of public works castings with imports; (2) former foundries, such as South Bay Foundry of National City, Calif., which have phased out domestic production and now import castings; and (3) firms which have never produced castings but import them for sale to distributors, end users, or domestic foundries.

An important trend with respect to Indian castings, which is especially true on the west coast, has been for working foundries to import castings directly for resale. As noted in the section on the domestic industry, A-7

producers cited lower prices and defensive purposes as the chief reasons they imported castings from India in lieu of producing them in their own facilities. Direct imports to working foundries accounted for approximately 30 percent of all imports of public works castings for the period January 1977 to March 1980.

Consideration of Material Injury or the Threat Thereof

U.S. imports

Data on imports of public works castings are not reported separately in the official statistics of the U.S. Department of Commerce. Such imports are included in the data reported for all articles entered under TSUS item 657.09, which, in addition to the articles that are the subject of this investigation, includes such diverse items as valve and watermeter boxes, fence fittings, and cast-iron kitchen and garden ornaments. The quantity and value of U.S. imports reported under this TSUS item are shown in table 1.

In order to estimate imports of public works castings, the staff examined approximately 1,100 commercial invoices of import entries under TSUS item 657.09 entering the United States at the ports of New York, Houston, Los Angeles, San Francisco, San Diego, and Portland, Maine, for the period January 1977-April 1980. These invoices accounted for approximately 18 percent of all entries under TSUS item 657.09 in the period examined. By comparing the share of public works castings in the sample by country of exportation to the quantity of imports of all cast-iron articles reported in the official statistics, the data in table 2 were developed.

Table 1.--Cast-iron articles classified under TSUS item 657.09: U.S. imports for consumption, by principal sources, 1977-79, January-September 1979, and January-September 1980

Source	1977	1978	1979	January-September--	
				1979	1980
Quantity (1,000 pounds)					
India-----	28,237	68,632	105,350	82,335	77,714
Mexico-----	5,158	10,665	12,181	9,296	6,901
Canada-----	4,630	8,465	7,427	5,504	5,927
Taiwan-----	993	3,670	13,285	11,350	5,400
All other-----	3,503	7,557	4,779	4,059	1,292
Total-----	42,521	98,989	143,022	112,544	97,234
Value (1,000 dollars)					
India-----	3,009	7,534	12,986	9,883	10,368
Mexico-----	1,121	2,188	2,945	2,265	1,710
Canada-----	2,001	6,311	4,758	3,974	2,184
Taiwan-----	291	965	3,286	2,691	1,840
All other-----	1,710	3,311	2,732	2,275	907
Total-----	8,132	20,309	26,707	21,088	17,009
Unit value (cents per pound)					
India-----	10.7	11.0	12.3	12.0	13.3
Mexico-----	21.7	20.5	24.2	24.4	24.8
Canada-----	43.2	74.6	64.1	72.2	36.8
Taiwan-----	29.3	26.3	24.7	23.7	34.1
All other-----	48.8	43.8	57.2	56.0	70.2
Total-----	19.1	20.5	18.7	18.7	17.5

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

Table 2.--Public works castings: ^{1/} Estimated U.S. imports for consumption, by principal sources, 1977-79, January-September 1979, and January-September 1980

Source	1977	1978	1979	January-September--	
				1979 <u>2/</u>	1980 <u>2/</u>
Quantity (1,000 pounds)					
India-----	25,046	61,082	94,393	73,772	71,885
Mexico-----	2,785	6,932	7,309	5,576	4,313
Canada-----	741	1,016	668	490	486
Taiwan-----	3/	3/	3/	3/	3/
All other-----	3/	3/	3/	3/	3/
Total-----	28,572	69,030	102,370	79,838	76,684
Imports from India as a					
percent of total-----	87.7	88.5	92.2	92.4	93.7
Value (1,000 dollars)					
India-----	2,630	6,719	11,422	8,816	9,015
Mexico-----	468	1,213	1,454	1,116	876
Canada-----	133	191	132	68	95
Taiwan-----	3/	3/	3/	3/	3/
All other-----	3/	3/	3/	3/	3/
Total-----	3,231	8,123	13,008	10,000	9,986
Imports from India as a					
percent of total-----	81.4	82.7	87.8	88.2	90.3
Unit value (cents per pound)					
India-----	10.5	11.0	12.1	12.0	12.5
Mexico-----	16.8	17.5	19.9	20.0	20.3
Canada-----	18.0	18.8	19.8	13.9	19.5
Taiwan-----	-	-	-	-	-
All other-----	-	-	-	-	-
Total-----	11.3	11.8	12.7	12.5	13.0

^{1/} May include some valve and watermeter boxes.

^{2/} Data for May-September are estimated based on January-April data.

^{3/} Less than 1 percent of total.

Source: Derived from an 18-percent sample of commercial invoices of U.S. imports of nonmalleable cast-iron articles for the period January 1977-April 1980.

Estimated imports of public works castings increased 258 percent in terms of quantity, and 303 percent in terms of value, from 1977 to 1979. Imports declined somewhat in January-September 1980, dropping 4 percent in terms of quantity, and remaining the same in terms of value over the corresponding period of 1979.

India was the predominant source of imports of these products, accounting for 91 percent of the total quantity of imports from January 1977 to September 1980. These imports of public works castings from India increased from 25.0 million pounds in 1977 to 94.4 million pounds in 1979, or by 277 percent, whereas the value of imports from India increased by 334 percent.

Examination of the commercial invoices also yielded data on the composition of imports entering the United States from India under TSUS item 657.09, as shown in table 3.

Table 3.--Nonmalleable cast-iron articles: The quantity of imports from India entered under TSUS item 657.09, by types, 1977-79, January-September 1979, and January-September 1980

(In thousands of pounds)						
Item	1977	1978	1979	January-September--		
				1979	1980	
Public works castings----	25,046	61,082	94,393	73,772	71,885	
Valve and meter boxes----	1,129	3,260	5,394	4,215	4,003	
Other articles-----	2,062	4,290	5,563	4,348	1,826	
Total-----	28,237	68,632	105,350	82,335	77,714	
Public works castings as :						
a percent of total----	88.7	89.0	89.6	89.6	92.5	

Source: Derived from an 18-percent sample of commercial invoices of U.S. imports of nonmalleable cast-iron articles for the period January 1977-April 1980. Data for May-September are estimated based on January-April data.

Table 3 shows that the vast majority of imports from India entering the United States under TSUS item 657.09 are public works castings. Valve and meter boxes, which are light castings for construction and utility use, constituted 5 percent of the total quantity of imports during January 1977-September 1980.

Finally, customs invoices and official publications were also examined to estimate the amount of public works castings entering the United States through Western customs districts. Because of the inordinate expense of shipping these bulky and heavy items long distances, it is believed that virtually all those public works castings entering the United States through Western ports are consumed in the Western U.S. market.

Table 4 shows imports of public works castings from India entering Western ports to have increased by 246 percent from 1977 to 1979, which, although a substantial increase, lags somewhat behind the increase of 277 percent for such imports nationwide in the same period. Western imports decreased by 3 percent in January-April 1980, compared with the same period in 1979, whereas imports from India nationwide continued to increase in January-April 1980 compared with the same period in 1979.

Table 4.--Public works castings: Estimated U.S. imports from India entering Western ports, 1977-79, January-April 1979, and January-April 1980

Item	1977	1978	1979	January-April--	
				1979	1980
Western U.S. imports from India					
1,000 pounds--	8,022	15,815	27,716	12,740	12,422
Total imports from India----	25,046	61,082	94,393	30,630	39,860
Ratio of Western imports to total imports from India					
percent--	32.0	25.9	29.4	41.6	31.2

Source: Derived from an 18-percent sample of commercial invoices of U.S. imports of nonmalleable cast-iron articles for the period January 1977-April 1980.

U.S. producers' domestic shipments

The Commission received usable data on the quantity and value of U.S., producers' shipments from 43 domestic producers of public works castings (table 5), representing approximately 85 percent of the domestic industry producing these products.

U.S. producers' domestic shipments increased 7.5 percent in terms of quantity and 27.9 percent in terms of value from 1977 to 1979. The period January-March 1980, however, saw the quantity of shipments fall by 10.2 percent, and the value of shipments remain essentially the same as that in the corresponding period of 1979.

Table 5.--Public works castings: U.S. producers' domestic shipments of products produced in U.S. establishments, 1977-79, January-March 1979, and January-March 1980.

Period	Quantity	Value	Unit value
	<u>1,000 pounds</u>	<u>1,000 dollars</u>	<u>Cents per pound</u>
1977-----	343,162	82,192	24.0
1978-----	363,862	92,640	25.5
1979-----	368,747	105,096	28.5
January-March--			
1979-----	72,392	21,732	30.0
1980-----	65,026	21,712	33.4

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

U.S. producers' shipments in the Western United States ^{1/} displayed a somewhat different trend, increasing by 11 percent, from 1977 to 1978, but then falling back in 1979 to slightly more than the 1977 level. Shipments in the Western United States fell sharply in January-March 1980, decreasing 36.7 percent from the corresponding period of 1979, as shown in the following tabulation:

	<u>Western U.S.</u> <u>shipments</u> <u>(1,000 pounds)</u>	<u>Total U.S.</u> <u>shipments</u> <u>(1,000 pounds)</u>	<u>Ratio of Western</u> <u>shipments to total</u> <u>(Percent)</u>
1977-----	41,369	343,162	12.1
1978-----	45,926	363,862	12.6
1979-----	42,639	368,747	11.6
January-March--			
1979-----	8,754	72,392	12.1
1980-----	5,546	65,026	8.5

^{1/} Of the 43 producers which responded to Commission questionnaires, 13 are located in the Western marketing area and 5 others reported sales in that area. Shipments to the Western marketing area by producers located outside that region amounted to * * * percent of total Western U.S. shipments in 1979, one firm accounted for * * * percent of these Western shipments from foundries located outside the Western marketing area. The Western marketing area was defined for the purposes of this investigation to include the following States: Washington, Oregon, California, Nevada, Idaho, Montana, Arizona, Utah, Wyoming, Colorado, New Mexico, Hawaii, and Alaska.

U.S. exports

Only four respondents to the Commission questionnaires reported exports of public works castings during January 1977-March 1980. These exports amounted to less than 1 percent of U.S. producers' shipments in 1979, the high year for such exports. At the public conference in the preliminary phase of investigation No. 303-TA-13, spokesmen for the domestic industry stated that they believed exports of these products were negligible as high transport costs coupled with relatively high unit values of U.S. castings severely limit development of an export market. U.S. exports of public works castings are given in the following tabulation:

	<u>Quantity</u> <u>(1,000 pounds)</u>
1977-----	215
1978-----	332
1979-----	1,363
January-March--	
1979-----	228
1980-----	807

Even though exports of public works castings remain negligible relative to U.S. producers' shipments, they did show an upswing in 1979. This increase is attributable to * * *.

U.S. production, capacity, and capacity utilization

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

Factors inherent in the foundry industry may qualify conclusions regarding injury based on capacity utilization data. As described in the section of the report entitled "Manufacturing Process," public works castings are manufactured by the same general method of melting metal and pouring into molds used to produce a wide variety of products. Because capacity in the industry is calculated partially by the capacity of the firm's cupola to melt iron, those producers which manufacture a variety of products using one cupola had to allocate capacity based on a product mix which varies according to market conditions. Capacity allocations were especially difficult for jobber foundries, which make a variety of products and manufacture castings to customer orders only. In a real sense, therefore, "capacity" in these foundries for any particular product can expand or contract rather easily given demand for that product.

Data presenting production and capacity of U.S. producers of public works castings are given in table 6. Production of public works castings by all respondents increased by 9.0 percent from 1977 to 1979, before falling by 8.9 percent in January-March 1980, compared with the corresponding period of 1979. The capacity of the industry, however, increased from 1977 to 1978, and then declined in 1979 and again in January-March 1980. The reason for the decline in capacity in the face of production increases in 1979 is the closing of two public-works-casting foundries in January-March 1979, Comco Foundry, Commerce City, Colo., and Puritan Foundry, Roxbury, Mass.

The data show an increase in capacity utilization from 1977 to 1979, and a noticeable decline in January-March 1980, compared with the corresponding period of 1979. In contrast to the entire industry, the capacity utilization of Western respondents fell in each year from 1977 to 1979, and dropped to 47 percent in January-March 1980, representing a 27-percent decline from the corresponding period of the previous year, and much less than the 70 percent reported for all respondents in that period.

Table 6.--Public works castings: U.S. production, capacity, and capacity utilization for Western and all respondents, 1977-79, January-March 1979, and January-March 1980

Item and year	Production	Capacity	Capacity utilization
	1,000 pounds	1,000 pounds	Percent
Western respondents:			
1977-----	40,903	51,023	80.2
1978-----	42,609	57,406	74.2
1979-----	36,003	51,707	69.6
January-March--			
1979-----	7,029	11,047	63.6
1980-----	4,161	8,919	46.7
All respondents:			
1977-----	348,060	505,788	68.8
1978-----	362,076	518,352	70.0
1979-----	379,393	500,458	75.8
January-March--			
1979-----	91,486	121,393	75.4
1980-----	83,375	118,731	70.2

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

Inventories

The Commission received usable inventory data from 43 domestic producers of public works castings. As shown in table 7, data on inventories and shipments compiled from these respondents reveal a slight decrease in

Table 7.--Public works castings: U.S. producers' end-of-period inventories and shipments for Western and all respondents, 1977-79, January-March 1979, and January-March 1980

Item and period	Producers' inventories	Producers' shipments	Ratio of inventories to shipments
	1,000 pounds	1,000 pounds	Percent
Western respondents:			
1977-----	1/ 4,168	41,369	10.1
1978-----	1/ 4,038	45,926	8.8
1979-----	1/ 4,870	42,639	11.4
January-March--			
1979-----	3,003	8,754	2/ 8.6
1980-----	5,804	5,546	2/ 26.2
All respondents:			
1977-----	1/ 92,465	343,162	3/ 27.0
1978-----	1/ 82,977	363,862	3/ 22.8
1979-----	1/ 89,559	368,747	3/ 24.3
January-March--			
1979-----	98,115	72,392	2/ 33.9
1980-----	112,686	65,026	2/ 43.3

1/ Includes both domestic and imported public works castings.

2/ Ratio of inventories to shipments is based on annualized shipments data to facilitate comparisons.

3/ The higher ratios of inventories to shipments for all respondents in contrast to Western respondents is primarily attributable to 1 producer, located in the Eastern United States, which maintains very high inventories as part of its management philosophy. The inventories of this firm accounted for * * * percent of total inventories for the industry in 1977-79.

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

inventories and the ratio of inventories to shipments from 1977 to 1979, but a noticeable increase in these data for the period January-March 1980, compared with the corresponding period of 1979.

The ratio of inventories to shipments for Western respondents increased slightly from 1977 to 1979. Both inventories and the ratio of inventories to shipments rose sharply for Western respondents in January-March 1980, increasing by 93 percent and 205 percent, respectively, compared with the corresponding period of 1979. This increase in inventories of 93 percent compares unfavorably with the 15-percent increase in all respondents' inventories for the same period.

In addition to collecting data on inventories held by domestic producers, both producers and importers of public works castings were asked to report separate data on imports from India held in inventory. Such imports held in inventory by U.S. producer-importers as well as other importers, by region, are given in table 8.

Table 8.--Public works castings: U.S. producers' and importers' end-of-period inventories, 1977-79, January-March 1979, and January-March 1980

Item	1977	1978	1979	January-March--	
				1979	1980
Western respondents:					
U.S. producers' domestically produced inventory					
1,000 pounds--	4,049	3,604	2,730	2,093	2,586
U.S. producers' inventory of Indian castings--1,000 pounds--	***	***	***	***	***
Importers' inventory of Indian castings-----1,000 pounds--	***	***	***	***	***
Total inventory-----do----	***	***	***	***	***
Total inventory of Indian castings-----do----	***	***	***	***	***
Indian castings as a share of total inventories-----percent--	2.9	15.0	61.3	42.3	80.2
All respondents:					
U.S. producers' domestically produced inventory					
1,000 pounds--	85,643	73,550	77,105	85,489	97,129
U.S. producers' inventory of Indian castings					
1,000 pounds--	6,822	9,427	12,454	12,626	15,557
Importers' inventory of Indian castings-----1,000 pounds--	0	517	4,239	1,133	9,129
Total inventory-----do----	92,465	83,494	93,798	99,248	121,815
Total inventory of Indian castings-----do----	6,822	9,944	16,693	13,759	24,686
Indian castings as a share of total inventories-----percent--	7.4	11.9	17.8	13.9	20.3

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

Imports of public works castings from India held in inventory increased each year from 1977 to 1979, both absolutely and relative to total inventories. Inventories of Indian products continued to increase in January-March 1980, as both importers and U.S. producers holding Indian castings experienced difficulty selling products in the face of the downturn in the economy. The amount of Indian castings held in the Western marketing area increased substantially, rising to 80 percent of total inventories held in that area on March 31, 1980.

Employment, productivity, and wage rates

Employment data collected from 42 producers of public works castings are presented in table 9.

Table 9.--Average number of production and related workers producing public works castings and man-hours worked by such workers for Western and all respondents, 1977-79, January-March 1979, and January-March 1980

Item	1977	1978	1979	January-March--	
				1979	1980
Western respondents:					
Average number of production and related workers-----	383	401	352	304	229
Man-hours worked by production and related workers-----	746,000	790,000	645,000	161,000	111,000
Average weekly hours per worker-----	40.0	39.4	36.6	42.4	38.8
All respondents:					
Average number of production and related workers-----	2,181	2,203	2,211	2,159	1,989
Man-hours worked by production and related workers-----	4,470,000	4,494,000	4,502,000	1,137,000	1,003,000
Average weekly hours per worker-----	41.0	40.8	40.7	42.1	40.3

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

The average number of production and related workers for all respondents increased slightly from 1977 to 1979, but dropped by 8 percent in January-March 1980, when compared with the corresponding period of 1979. Average weekly hours per worker remained about the same during 1977-79, but decreased somewhat in January-March 1980, when compared with January-March 1979.

Employment data for Western producers compare unfavorably with those of public-works-casting foundries nationwide. The average number of production and related workers increased from 1977 to 1978, but then fell in 1979 by 12 percent from the high employment year of 1978 and by 8 percent from the number employed in 1977. Employment of production and related workers continued to fall in the first 3 months of 1980, declining by 25 percent, when compared with the corresponding period of 1979. The noticeable decline in production and related workers is primarily attributable to the closing of Comco Foundry in February 1979.

Labor productivity data for both Western producers and all producers are presented in table 10. These data show productivity, as measured by output per man-hour, uniformly lower for Western respondents than for all respondents. Furthermore, productivity remained static for Western respondents from 1977 to 1979 and dropped significantly in January-March 1980. Data for all respondents showed an increase in output of 8 percent per man-hour from 1977 to 1979, and another increase in January-March 1980, when compared with January-March 1979. Analysis of productivity data for individual firms confirmed that those foundries with a greater degree of mechanization and those foundries concentrating on the production of public works castings enjoyed higher productivity, whereas productivity in jobber foundries tended to be lower.

Table 10.--Public works castings: Production, man-hours worked by production and related workers, and output per man-hour, 1977-79, January-March 1979, and January-March 1980

Item and period	Production	Man-hours	Output per man-hour
	<u>1,000 pounds</u>	<u>1,000 hours</u>	<u>Pounds per hour</u>
Western respondents:			
1977-----	40,903	746	54.8
1978-----	42,609	790	53.9
1979-----	36,003	645	55.8
January-March--			
1979-----	7,029	161	43.7
1980-----	4,161	111	37.5
All respondents:			
1977-----	348,060	4,470	77.9
1978-----	362,076	4,494	80.6
1979-----	379,393	4,502	84.3
January-March--			
1979-----	91,486	1,137	80.5
1980-----	83,375	1,003	83.1

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

Finally, the Commission collected data on wage rates of three types of production and related workers. These data are summarized in the following tabulation (per hour):

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Cupola tender:			
Western respondents-----	\$5.69	\$6.17	\$6.74
All respondents-----	4.60	5.04	5.54
Molder:			
Western respondents-----	6.52	7.08	7.64
All respondents-----	5.18	5.67	6.18
Grinder:			
Western respondents-----	5.33	5.85	6.34
All respondents-----	4.26	4.66	5.09

Hourly wages reported by Western respondents were higher than those for all respondents for all three categories of production and related workers and for all periods for which data were collected. The rate of increase in hourly wages from 1977 to 1979 was slightly greater for all respondents, however, than for Western respondents. Average wage increases for all three categories of workers from 1977 to 1979 were 19.7 percent for all respondents versus 18.1 percent for Western respondents. In general, wage rates for all three types of production and related workers were lowest in the Southern and highest in the Western United States.

Wage increases for production and related workers in the public-works-casting industry closely tracked wage increases for all private production/nonsupervisory workers, as well as for those workers in the manufacturing sector of the U.S. economy, during 1977-79, as shown in the following indexed tabulation (1977=100):

Item	:	1977	:	1978	:	1979
Cupola tender:	:		:		:	
Western respondents-----	:	100	:	108	:	118
All respondents-----	:	100	:	110	:	120
Molder:	:		:		:	
Western respondents-----	:	100	:	109	:	117
All respondents-----	:	100	:	109	:	119
Grinder:	:		:		:	
Western respondents-----	:	100	:	110	:	119
All respondents-----	:	100	:	109	:	119
Private production/nonsuper-	:		:		:	
visory workers: 1/	:		:		:	
Total, all private	:		:		:	
employment-----	:	100	:	108	:	117
All manufacturing-----	:	100	:	109	:	118

1/ Compiled from official statistics of the Bureau of Labor Statistics.

Profit-and-loss experience of U.S. producers

The Commission received complete profit-and-loss data from 30 firms, representing an estimated 80 percent of total industry sales in 1979. Of these 30 firms, 10 are located in the Western United States, and 10 directly import public works castings from India in addition to producing these items in their U.S. facilities.

Table 11 shows net sales of all respondents rising from \$80 million in 1977 to \$102 million in 1979, or by 28 percent. Net operating profits, however, declined by 45 percent from 1977 to 1978, before recovering somewhat in 1979. The ratio of net operating profit to net sales fell sharply, from 7.7 percent in 1977 to 3.9 percent in 1978, but rebounded to 5.2 percent in 1979. The recovery of the industry in 1979 following the decline in 1978 is due to the strong performance of a relatively small number of respondents, as evidenced by the fact that the number of firms experiencing net operating losses rose in each year throughout the period 1977 to 1979. One large producer, * * *, accounted for * * * percent of respondents' increase in net operating profit from 1978 to 1979.

A comparison of the January-March 1980 period with the same period in 1979 shows a decline during the most recent period. Net sales are up marginally in 1980, but a net operating loss of \$63,000 was reported for all respondents in the first quarter of 1980, compared with a \$116,000 net operating profit for the first quarter of 1979. One respondent, Comco Foundry, had terminated operations in early 1979; of the 26 remaining firms, 15 reported net operating losses for the first 3 months of 1980.

Table 11.--Profit-and-loss experience of 30 U.S. producers of public works castings, 1977-79, January-March 1979, and January-March 1980 ^{1/}

Item	1977	1978	1979	January-March--	
				1979	1980
Net sales-----1,000 dollars--:	79,576	87,422	101,991	20,530	21,038
Cost of goods sold-----do-----:	59,769	69,535	79,623	16,901	17,207
Gross profit-----do-----:	19,807	17,883	22,370	3,629	3,827
General, selling, and administrative expense					
1,000 dollars--:	13,676	14,522	17,037	3,513	3,892
Net operating profit or (loss)-----do-----:	6,128	3,359	5,333	116	(63)
Ratio of net operating profit or (loss) to net sales					
percent--:	7.7	3.9	5.2	0.6	(0.3)
Number of firms reporting net operating losses-----:	5	9	12	11	15

^{1/} January-March 1979 and January-March 1980 data compiled from 27 respondents.

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

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

Net sales of 10 Western U.S. producers are compared with sales of producers in other sections of the United States in table 12.

The financial experience of Western U.S. producers contrasts unfavorably with producers in other sections of the United States. Net sales of Western producers declined from 1977 to 1979, and declined further in January-March 1980, when compared with the same period in 1979. The decline in net sales of Western producers in 1979 is primarily attributable to the closing of Comco Foundry.

With the exception of 1977, when Western U.S. producers realized combined net operating profits of \$539,000, these respondents registered net operating losses for each period reported, including January-March 1980. Again, inclusion of data from Comco Foundry is the primary reason for these losses, although the number of firms suffering net operating losses increased from two in 1977 to four in 1978 and 1979 and five in January-March 1980.

Table 12.--Profit-and-loss experience of 10 Western U.S. producers and all other producers, 1977-79, January-March 1979, and January-March 1980 ^{1/}

Item	1977	1978	1979	January-March--	
				1979	1980
Western U.S. producers:					
Net sales-----1,000 dollars--:	12,099	12,324	11,389	1,811	1,563
Cost of goods sold-----do-----:	9,464	10,666	9,651	1,516	1,290
Gross profit-----do-----:	2,637	1,656	1,738	296	273
General, selling, and administrative expense					
1,000 dollars--:	2,099	2,087	2,042	377	361
Net operating profit or (loss)-----do-----:	539	(432)	(303)	(82)	(88)
Ratio of net operating profit or (loss) to net sales-----percent--:	4.5	(3.5)	(2.7)	(4.5)	(5.6)
Number of firms reporting net operating losses-----:	2	4	4	4	5
All other producers:					
Net sales-----1,000 dollars--:	67,477	75,098	90,602	18,719	19,475
Cost of goods sold-----do-----:	50,305	58,869	69,972	15,385	15,917
Gross profit-----do-----:	17,170	16,227	20,632	3,333	3,554
General, selling, and administrative expense					
1,000 dollars--:	11,577	12,435	14,995	3,136	3,531
Net operating profit---do-----:	5,589	3,791	5,636	198	25
Ratio of net operating profit to net sales					
percent--:	8.3	5.1	6.2	1.1	0.1
Number of firms reporting net operating losses-----:	3	5	8	7	10

^{1/} January-March 1979 and January-March 1980 data compiled from 8 Western and 19 non-Western respondents.

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

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

The profit-and-loss experience on the domestic operations of 10 producers of public works castings which also import such castings is compared with that of producers which do not import in table 13.

Table 13.--Profit-and-loss experience of 10 U.S. producer-importers and 20 nonimporting producers of public works castings, 1977-79, January-March 1979, and January-March 1980 1/

Item	1977	1978	1979	January-March--	
				1979	1980
Producer-importers:					
Net sales-----1,000 dollars--:	32,252	33,176	38,973	8,961	9,100
Cost of goods sold-----do-----:	25,067	27,665	32,076	7,301	7,549
Gross profit-----do-----:	7,184	5,508	6,897	1,661	1,552
General, selling, and administrative expense					
1,000 dollars--:	4,976	5,174	6,494	1,460	1,707
Net operating profit or (loss)-----1,000 dollars--:	2,209	335	405	201	(153)
Ratio of net operating profit or (loss) to net sales-----percent--:	6.9	1.0	1.0	2.3	(1.7)
Number of firms reporting net operating losses-----:	0	3	6	4	6
All other producers:					
Net sales-----1,000 dollars--:	47,324	54,246	63,018	11,569	11,938
Cost of goods sold-----do-----:	34,702	41,870	47,547	9,600	9,658
Gross profit-----do-----:	12,623	12,375	15,473	1,968	2,275
General, selling, and administrative expense					
1,000 dollars--:	8,700	9,348	10,543	2,053	2,185
Net operating profit or (loss)-----1,000 dollars--:	3,919	3,024	4,928	(85)	90
Ratio of net operating profit or (loss) to net sales-----percent--:	8.3	5.6	7.8	(0.7)	0.8
Number of firms reporting net operating losses-----:	5	6	6	7	9

1/ January-March 1979 and January-March 1980 data compiled from 8 U.S. producer-importers and 19 nonimporting producers.

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

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

The financial experience of those producers which also import contrasts unfavorably with those which do not import. Net operating profit on the domestic operations of producer-importers declined sharply from 1977 to 1978, and remained at a low level in 1979. Financial data for January-March 1980

show that these firms experienced a combined net operating loss of \$153,000. The ratio of net operating profit to net sales also fell, from 7 percent in 1977 to 1 percent in 1979.

In order to more fully understand the financial experience of the public-works casting industry, profit-and-loss data of U.S. producers of public works castings were compared with those of approximately 140 iron and steel foundries. ^{1/} All of these foundries, including those producing public works castings, are classified under SIC Nos. 3321-25. This comparison is presented in the following tabulation:

Item	1977		1978		1979	
	Public works foundries	141 iron and steel foundries	Public works foundries	137 iron and steel foundries	Public works foundries	144 iron and steel foundries
Net sales						
percent--	100	100	100	100	100	100
Cost of goods sold-----do----	75.1	79.7	79.5	78.4	78.1	77.7
Gross profit do----	24.9	20.3	20.5	21.6	22.0	22.3
General, selling, and administrative expense						
percent--	17.2	16.1	16.6	15.2	16.7	16.4
Net operating profit--percent--	7.7	4.2	3.9	6.4	5.2	6.0

Public-works-casting foundries' financial experience generally tracked that of all iron-and-steel foundries throughout most of the period 1977 to 1979. In 1977, the cost of goods sold was less relative to net sales for public works foundries, and therefore the foundries enjoyed their best year vis-a-vis all iron-and-steel foundries; however, both cost of goods sold and overhead expenses increased to more than that of all iron-and-steel foundries in 1978 and 1979. The result was that net operating profit as a percent of net sales lagged behind all iron-and-steel foundries in both 1978 and 1979.

Cost of goods sold and general, selling, and administrative expenses of Western U.S. public-works-casting producers contrasted unfavorably with those of all iron-and-steel foundries, as shown in the following tabulation:

^{1/} See Robert Morris Associates, Annual Statement Studies; Philadelphia: Robert Morris Associates, 1979.

Item	1977		1978		1979	
	Western : public : works : foundries:	141 iron- : and-steel : foundries:	Western : public : works : foundries:	137 iron- : and-steel : foundries:	Western : public : works : foundries:	144 iron- : and-steel : foundries:
Net sales	:	:	:	:	:	:
percent--	100.0	100.0	100.0	100.0	100.0	100.0
Cost of goods	:	:	:	:	:	:
sold-----do----	78.2	79.7	86.6	78.4	84.7	77.7
Gross profit	:	:	:	:	:	:
do----	21.8	20.3	13.4	21.6	15.3	22.3
General, selling,	:	:	:	:	:	:
and administra-	:	:	:	:	:	:
tive expense	:	:	:	:	:	:
percent--	17.4	16.1	16.9	15.2	17.9	16.4
Net operating	:	:	:	:	:	:
profit or (loss)	:	:	:	:	:	:
percent--	4.5	4.2	(3.5)	6.4	(2.7)	6.0

Cost of goods sold as a share of net sales was markedly higher for public-works-castings producers in the Western United States than for all iron-and-steel foundries nationwide in 1978 and 1979. Although Western public-works-casting producers had some success in holding down general, selling, and administrative costs, their high cost of goods sold relative to net sales resulted in net operating losses in both 1978 and 1979.

Investment.--Seventeen U.S. producers of public works castings stated on Commission questionnaires that they have delayed and/or abandoned expansion or modernization plans because of import competition. Two of these producers cited governmental regulations as also influencing their decisions to delay or abandon expansion or modernization programs. Four of these producers stated that they have discontinued or greatly reduced their production of public works castings because of imports.

Ability to raise capital.--Five U.S. producers of public works castings cited difficulties in raising capital for business operations. In each instance, producers stated that the lending institutions refused them loan funds owing to low profit levels of the firm. The five firms stated that the chief cause of low profitability was competition from imported castings. The inability of one firm to obtain capital caused it to cease business operations in February 1979.

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

Market penetration of imports

Imports from all sources increased their share of apparent U.S. consumption from 7.7 percent in 1977 to 21.8 in 1979, or by 183 percent. The share of total imports in U.S. apparent consumption continued to rise in January-March 1980, to 31.3 percent, representing an increase of 33 percent compared with the corresponding period in 1979. Data on market penetration of total imports, and imports from India, are given in table 14.

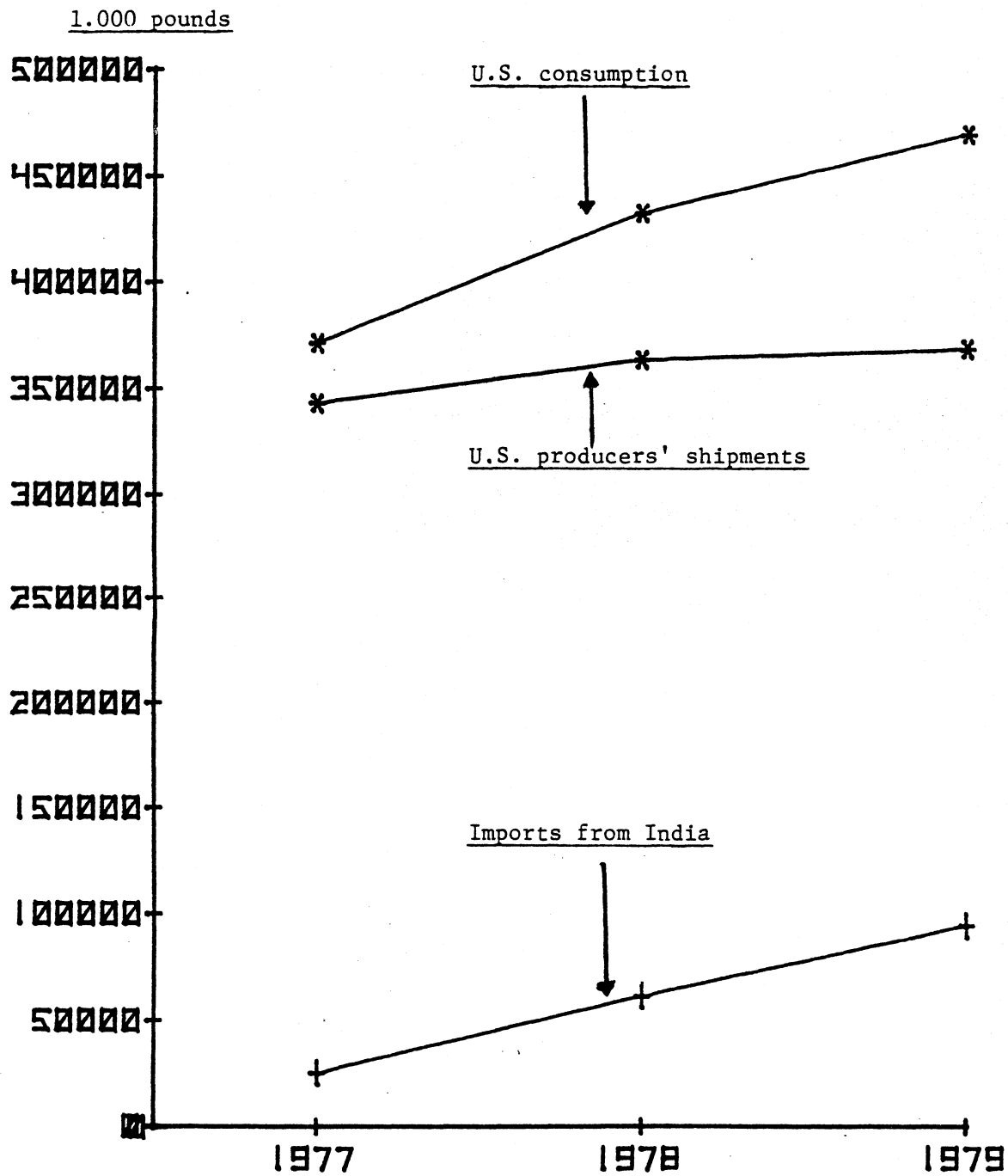
The share of imports from India in apparent U.S. consumption closely tracks that of total imports, as India accounted for more than 90 percent of total imports in the period January 1977 to March 1980. Imports from India nearly tripled their share of apparent U.S. consumption from 1977 to 1979, and climbed to 28.9 percent of consumption in January-March 1980, representing an increase of 38 percent more than the corresponding period of 1979 (fig. 1).

Table 14.---Public works castings: U.S. producers' shipments, imports, exports, and apparent consumption, 1977-79, January-March 1979, and January-March 1980

Period	U.S. producers' shipments	Imports	Exports	Apparent consumption	Imports from India	Ratio of imports to apparent consumption	Ratio of imports from India to apparent consumption
						Percent	Percent
1977	343,162	28,572	215	371,519	25,046	7.7	6.8
1978	363,862	69,030	332	432,560	61,082	16.0	14.1
1979	368,747	102,370	1,363	469,754	94,393	21.8	20.1
January-March 1979	72,392	1/ 22,206	228	94,370	1/ 19,725	23.5	20.9
1980	65,026	1/ 29,268	807	93,487	1/ 27,025	31.3	28.9
1/ Derived from January-April 1979 and January-April 1980 data.							

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

Figure 1.--Public works castings: U.S. producers' shipments, imports from India, and apparent consumption, 1977-79.



Source: Based on data in table 14.

As seen in table 15, imports of public works castings into Western customs districts accounted for a markedly larger share of apparent consumption in that region of the United States than in the country as a whole.

The share of imports from all sources in apparent consumption in the Western United States rose throughout the period, increasing from 20 percent in 1977 to 44 percent in 1979, or by 117 percent. Imports' share in consumption continued to rise in January-March 1980, reaching 64 percent of consumption in that period.

The share of imports from India in apparent consumption in the Western United States also increased throughout the period, rising from 16 percent in 1977 to 37 percent in 1979, or by 135 percent. Imports from India increased to more than 50 percent of consumption in the Western States in January-March 1980 (fig. 2).

Table 15.--Public works castings: U.S. producers' shipments, imports, exports, and apparent consumption in the Western United States, 1977-79, January-March 1979, and January-March 1980

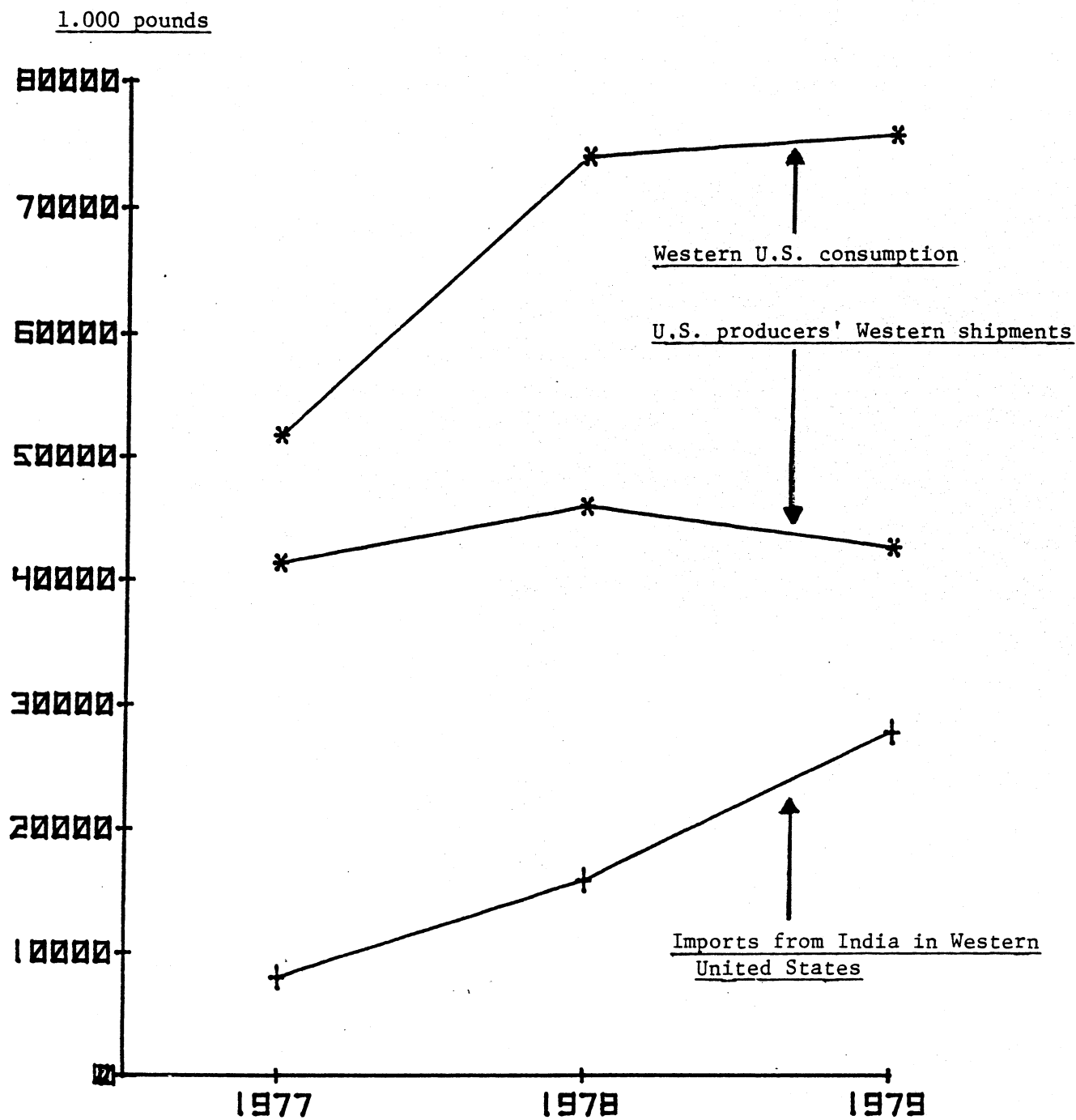
Period	U.S. producers' Western shipments	Estimated Western imports	Exports	Apparent consumption	Western imports from India	Ratio of imports to apparent consumption		Ratio of imports from India to apparent consumption	
						Percent	Percent	Percent	Percent
						-----1,000 pounds-----			
1977-----	41,369	10,492	1/	51,861	8,022		20.2		15.5
1978-----	45,926	28,223	1/	74,149	15,815		38.1		21.3
1979-----	42,639	33,271	1/	75,910	27,716		43.8		36.5
January-March--									
1979-----	8,754	2/ 9,763	1/	18,517	2/ 8,205		52.7		44.3
1980-----	5,546	2/ 9,709	1/	15,255	2/ 8,422		63.7		55.2

1/ Negligible.

2/ Derived from January-April 1979 and January-April 1980 data.

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

Figure 2.--Public works castings: U.S. producers' shipments, imports from India, and apparent consumption in the Western United States, 1977-79



Source: Based on data in table 15.

Prices

Both U.S.-producers and importers sell public works castings on the basis of negotiated prices, usually on a f.o.b. manufacturing facility or importers' yard basis. Transport costs on these items are significant and can add approximately 3 percent to the f.o.b. price. Discounts are customarily given for large orders, or for those orders specifying an entire line of castings rather than single items. As a general rule, prices quoted to independent distributors are slightly lower than those to end users.

Lowest net selling prices of two selected manhole covers and frames were analyzed by the Commission ^{1/}. The prices of castings imported from India were compared with the weighted average lowest net selling prices of domestic producers which import such castings and those which do not import them.

The first item compared was a standard manhole assembly weighing approximately 270 pounds, which is known to be produced throughout the United States and imported from India. This type of manhole assembly is especially prevalent in northern and southern California. Price data for U.S. producers which do not import, U.S. producer-importers, and U.S. importers of this type casting are given in table 16.

Table 16 shows castings of both U.S. producer-importers and U.S. importers underselling those of U.S. producers in each 3-month period from January-March 1978 to January-March 1980. The price trends are fairly uniform, with the margins of underselling for both producer-importers' domestic and Indian products generally increasing through October-December 1979, and then declining noticeably in January-March 1980. The Indian manhole assembly offered by U.S. importers undersold both U.S. producers and U.S. producer-importers by significant margins throughout the period January-March 1978-January-March 1980; but this margin declined markedly in January-March 1980. The declining price trend in late 1979 and early 1980 reflects the slowdown in demand resulting from the decline in construction activity.

The second item compared was a manhole assembly weighing approximately 775 pounds, which is also produced throughout the United States and imported from India. This type of manhole is specified by the Bell Systems throughout the United States for use as access manholes to telephone cables. Pricing data are summarized in table 17.

Pricing trends of domestic producers, domestic producers which also import, and U.S. importers were similar to those reported for the first type of manhole. Margins of underselling existed throughout the period January-March 1978-January-March 1980, with the greatest differences in prices prevalent in July-December 1979. The margins of underselling for two of the three types of products compared with U.S. producer (only) products decreased in January-March 1980. Again, margins of underselling in relation to producer (only) products were lowest for producer-importers' domestic products, and highest for importers' products.

^{1/} These products are considered representative of the public works castings line by both producers and importers. Both the domestic and imported product selected are directly competitive in each instance.

Table 16.--Manhole assembly: 1/ Weighted average lowest net selling prices of U.S. producers, U.S. producer-importers for their domestic product and their product imported from India, U.S. importers for their product imported from India, and the average margin of underselling, by quarters, 1978 and 1979, and January-March 1980

Period	U.S. : producer-im-		U.S. : importer's		Margin of under-		Margin of underselling		Margin of under-
	price	product	price	product	importers' domestic product	importers' domestic product	by producer-importers' imported product	importers' product	
	Cents per pound		Cents per pound		Percent		Percent		
1978:									
January-March	26.4	23.7	23.5	16.4	10.2	11.0	37.9		
April-June	28.1	24.0	23.7	16.8	14.6	15.7	40.2		
July-September	28.6	24.2	23.7	17.2	15.4	17.1	39.9		
October-December	28.0	24.2	23.7	17.3	16.3	18.0	40.1		
1979:									
January-March	31.3	25.4	24.3	18.7	18.8	22.4	40.3		
April-June	32.8	25.3	24.5	19.1	22.9	25.3	41.8		
July-September	32.1	25.2	24.5	19.5	21.5	23.7	39.3		
October-December	33.0	24.6	24.0	19.8	25.5	27.3	40.0		
1980:									
January-March	30.9	23.9	23.8	22.4	22.7	23.0	27.5		

1/ Of cast iron, machined horizontal and vertical surfaces, 270 lbs., (plus or minus 5 percent), 31-1/2" at base, 24" clear opening, 25 1/4" x 1 1/8" cover size, 4 1/2" deep frame.

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

Table 17.--Manhole assembly: 1/ Weighted average lowest net selling prices of U.S. producers, U.S. producer-importers for their domestic product and their product imported from India, U.S. importers for their product imported from India, and the average margin of underselling, by quarters, 1978 and 1979, and January-March 1980

Period	U.S. : producer-im-		U.S. : importer's		Margin of under-		Margin of underselling		Margin of under-	
	producer's price for--	imported	importers' price	importers' domestic product	selling by producer--	importers' domestic product	by producer-importers	imported product	selling by	importers' product
	Price	product	product	product	product	product	product	product	product	product
	Cents per pound		Cents per pound		Cents per pound		Cents per pound		Cents per pound	
1978:										
January-March-----	26.5	26.6	22.5	17.5	-	15.1	34.5			
April-June-----	29.4	27.6	23.2	17.5	6.1	21.1	40.5			
July-September-----	30.1	27.2	23.2	18.2	9.6	22.9	39.5			
October-December-----	30.9	27.6	23.2	18.4	10.7	24.9	40.5			
1979:										
January-March-----	32.0	28.3	24.6	19.3	11.5	23.1	39.7			
April-June-----	33.6	27.0	24.6	19.6	19.6	26.8	41.7			
July-September-----	33.6	26.6	24.1	19.6	20.8	28.3	41.7			
October-December-----	33.8	26.1	24.6	20.2	22.8	27.2	40.2			
1980:										
January-March-----	32.0	24.6	24.6	23.1	23.1	25.9	27.8			

1/ Of cast iron, machined horizontal and vertical surfaces, 775 lbs., (plus or minus 5 percent), 49" at base, 30" clear opening, 32" x 1 3/8" cover size, 10" deep frame.

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

An interesting fact revealed by the two tables is that U.S. producers which also import quoted consistently lower prices to customers on their domestically produced castings than did those U.S. producers which did not import, even though costs of producing the same model casting in domestic facilities must be assumed to be approximately equal for both types of producers. Apparently, higher markups producer-importers enjoy on Indian castings allow U.S. producer-importers to take less profit on the same model casting which is made in their domestic facilities. Then too, the disparity evidenced in prices between U.S. producer-importers' U.S.-produced and Indian-made castings of the same type, especially in the high volume Bell system casting, supports the contention that imports are used by domestic foundries to enable them to more readily market their full line of castings.

Table 18 presents data on the amount of the margin of underselling which is absorbed by the mean alleged dumping margin, under assumptions of both zero and full pass through of the countervailing duty to casting customers. The table indicates that in no case does the alleged dumping margin fully account for the margin of underselling of the imported products in the U.S. market.

Lost sales

Fifteen domestic producers of public works castings furnished the Commission with usable information on lost or reduced sales to customers owing to imports from India. Of 35 allegations of lost sales checked by the Commission's staff, 32 purchasers confirmed that they purchased castings imported from India. Of these 32 purchasers, 20 stated they made such purchases because of the lower price of the Indian castings. Other reasons cited by purchasers were the lack of availability of domestic castings, and poor service of domestic suppliers.

At the Commission's conference in the preliminary phase of investigation No. 303-TA-13, representatives of the Indian Engineering Export Promotion Council produced copies of two letters sent by petitioner to two customers advising them that if they purchased imported castings, a 100-percent "surcharge" would be added on castings purchased by them from the petitioner. The Commission's staff verified the authenticity of these letters.

Table 18.—Public works castings: Margins of underselling in January-March 1980, and mean alleged dumping margins prior to Oct. 1, 1980, as alleged in the petition

Item	Amount by which Indian product undersold U.S.-produced 1/ product during January-March 1980, for sales of Indian product by---				Mean		Percent of average amount	
	U.S. producer-importers		U.S. importers		alleged : dumping		: of underselling accounted for by the mean alleged dumping margin	
	Not adjusted 2/	Adjusted 3/	Not adjusted 2/	Adjusted 3/	margin		Not adjusted 4/	Adjusted 5/
	Cents per pound				Percent			
East coast imports of:								
270 lb. manhole assembly---	7.1 :	5.6 :	8.5 :	7.0 :	7.8 :	4.8 :	61.5 :	76.2
775 lb. manhole assembly---	8.3 :	6.8 :	8.9 :	7.4 :	8.6 :	4.8 :	55.8 :	67.6
West coast imports of:								
270 lb. manhole assembly---	7.1 :	5.6 :	8.5 :	7.0 :	7.8 :	4.2 :	53.9 :	66.7
775 lb. manhole assembly---	8.3 :	6.8 :	8.9 :	7.4 :	8.6 :	4.2 :	48.8 :	59.2

1/ Selling price for product made by producers that do not import.

2/ Based on data from tables 16 and 17.

3/ Based on data from tables 16 and 17, adjusted to assume a full pass through of the mean countervailing duty of 13.3 percent (1.5 cents per pound).

4/ Based on unadjusted average margins of underselling.

5/ Based on average margins of underselling adjusted to assume a full pass through of the mean countervailing duty of 13.3 percent.

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

Possible causes of material injury, or the threat thereof,
other than possible LTFV imports from India

The public-works-casting industry is affected by the present economic downturn in general, and the slowdown in the construction sector in particular. In addition, the public-works-casting industry seems to be experiencing difficulties because of increasing costs of energy and raw materials, and the cost of complying with environmental regulations of Federal, State, and local Governments. The increasing costs of input requirements are normally passed through to final consumers in the form of higher prices, but, because of the present slackening in demand for public works castings resulting from the slowdown in the construction sector and the alleged pressure of imports on prices, the industry appears to be having difficulty in passing these cost increases on to consumers.

According to U.S. producers' responses to the Commission's questionnaires, other factors that account for part of the difficulty the industry is experiencing are the high cost and shortage of skilled labor, the high cost and shortage of capital, and the increasing cost of labor fringe benefits. The importance of these factors, however, varies among different producers.

The present slowdown in the construction sector.--The demand for public works castings is highly dependent on construction activity. Data derived from The Survey of Current Business, 1978, 1979, and May 1980, and presented in the following tabulation, show that in 1978, total new private and public housing starts increased by 1.7 percent over 1977, while in 1979, total new housing starts declined by 13.6 percent from the 1978 level. A greater decline of around 44 percent in the number of housing starts occurred in January-March 1980 compared with January-March 1979. Total new housing starts as well as the percentage changes are shown in the following tabulation:

Housing starts	:	1977	:	1978	:	1979	:	January-March--	
								1979	1980
Total, private and pub-	:		:		:		:		
lic-----1,000 units--	:	1,989.8	:	2,023.3	:	1,749.1	:	153.3	86.1
Change from previous	:		:		:		:		
period-----percent--	:	-	:	1.7	:	(13.6)	:	-	(43.8)
	:		:		:		:		

Notwithstanding the alleged impact of the increase in imports on domestic shipments, such shipments of public works castings in 1979 and 1980 reflected to some extent the impact of the decline in the construction sector. Data in table 19 show that total shipments of domestic respondents increased by 6.0 percent in 1978, by the smaller amount of 1.3 percent in 1979, and declined by about 10 percent in January-March 1980, compared with January-March 1979. Western producers' shipments declined by 7.2 percent in 1979 from the 1978 level, and by 36.6 percent in January-March 1980, compared with January-March 1979. The disproportionate decline in Western producers' shipments may

reflect the alleged stronger pressures of imports in the Western area relative to other parts of the country.

Table 19.--Public works castings: U.S. producers' domestic shipments, 1977-79, January-March 1979, and January-March 1980

Item	1977	1978	1979	January-March--	
				1979	1980
All respondents:					
Quantity (1,000 pounds)--	343,162	363,862	368,747	72,392	65,026
Change from previous					
period-----percent--	-	6.0	1.3	-	(10.2)
Western:					
Quantity (1,000 pounds)--	41,369	45,926	42,639	8,754	5,546
Change from previous					
period-----percent--	-	11.0	(7.2)	-	(36.6)

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

Other factors.--In the Commission's questionnaires, U.S. producers of public works castings were asked to assign a score to each of the factors they thought were responsible for the difficulties they experienced from 1977 to 1980. The score assigned to each factor reflects the degree of importance of each of these factors to each producer. The difficulties included were loss of market share, decreased demand, idle capacity, and lower profitability. The factors listed were imports from India, cost of energy, cost of compliance with the Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) environmental regulations, cost of raw materials, cost of labor, cost of capital, imports from other sources, capital shortages, labor shortages, raw material shortages, energy shortages, labor strikes, and others.

Assessments of these factors were received from 24 U.S. producers. The factors were ranked by degree of importance based on the highest score and are presented in table 20. Respondents indicated that the most important factors are imports from India, the cost of energy, the cost of compliance with EPA and OSHA requirements, the cost of raw materials, the cost of labor, the cost of capital, and imports from other sources. These factors received a total score of 70 or above. By degree of importance, imports from India, the cost of energy, and the cost of compliance with EPA and OSHA requirements were ranked as very important by the majority of respondents. The cost of raw materials and the cost of labor were ranked as fairly important by the majority of respondents.

Table 20.--Public works castings: Ranking of factors which caused difficulties for domestic producers, by degree of importance

Factor	Rank	Total score	Percent of each rank in total score		
			Very important	Fairly important	Not important
Imports from India-----	1	98	75	8	17
Cost of energy-----	1	98	59	29	12
EPA and OSHA cost-----	3	97	54	38	8
Cost of raw materials-----	4	87	37	55	8
Cost of labor-----	5	81	33	58	8
Cost of capital-----	6	75	29	46	25
Imports from other sources-----	7	70	29	33	38
Capital shortage-----	8	56	21	25	54
Labor shortage-----	9	54	12	46	42
Raw materials shortage-----	10	43	8	25	67
Energy shortage-----	11	37	4	21	75
Labor strikes-----	12	25	0	8	92
Others (workers compensation insurance)-----	13	4	0	4	0

Source: Compiled from data submitted by 24 respondents in response to questionnaires of the U.S. International Trade Commission.

The leading factor, imports from India, is discussed elsewhere in the report. The following discussion concerns the next three factors in order of importance: the cost of energy, the cost of complying with EPA and OSHA requirements, and the cost of raw material (scrap iron).

Cost of energy.—Information on energy costs collected by Commission questionnaires is presented in table 21. During 1977-79, energy costs of all respondents increased on an annual basis by 4.1 percent. ^{1/} Western respondents experienced an average annual increase in energy costs of 5.6 percent.

^{1/} Energy cost amounted to between 6 and 7 percent of cost of goods sold from 1977 to 1979.

Table 21.--Public works castings: U.S. producers' energy cost, 1977-79, January-March 1979, and January-March 1980

Item	1977	1978	1979	January-March--	
				1979	1980
All respondents:					
Cost-----per pound--:	\$1.08	\$1.14	\$1.17	\$1.23	\$1.53
Change from previous					
period----percent--:	-	5.6	2.6	-	24.4
Western respondents:					
Cost-----per pound--:	\$0.35	\$0.34	\$0.39	\$0.36	\$0.63
Change from previous					
period----percent--:	-	(2.9)	14.7	-	75.0

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

Regulatory impact.--Federal, State, and local Government regulations of clean air and water and occupational safety requirements have affected most industries over the last decade. The impact of these regulations has been especially heavy on industries extracting and processing raw materials, particularly foundries.

Expenditures for pollution abatement equipment reported by all producers of public works castings responding to the Commission questionnaire increased at an annual rate of around 7 percent--from a level of \$2.21 million in 1977, to \$2.25 million in 1978, and to \$2.50 million in 1979. Such costs totaled \$620,400 in January-March 1980, compared with \$591,600 in January-March 1979 (table 22). Even though the industry depends on residential housing developments for much of its market, higher pollution standards associated with urban development force foundries which exist in or around these developments to incur additional expenses to comply with EPA regulations, relocate, or cease to function. In periods of economic expansion, these expenditures could be funded more easily than during economically depressed times when such costs are especially burdensome because of shortages of capital and low levels of profitability. Long depreciation schedules add to the cost burden.

Table 22.--Public works castings: Domestic producers' cost of complying with EPA and OSHA requirements, 1977-79, January-March 1979, and January-March 1980

Item	1977	1978	1979	January-March--	
				1979	1980
All respondents:					
Value--1,000 dollars--	2,210.3	2,255.6	2,502.1	591.6	620.4
Change from previous					
period-----percent--	-	2.1	10.9	-	4.9
Western respon-					
dents: 1/					
Value--1,000 dollars--	***	***	***	***	***
Change from previous					
period-----percent--	***	***	***	***	***

1/ Data were provided by only 1 respondent.

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

Raw material costs.--The rising cost of raw materials is an additional source of difficulty for the public-works-castings industry. This is especially true of the most important raw material--iron scrap.

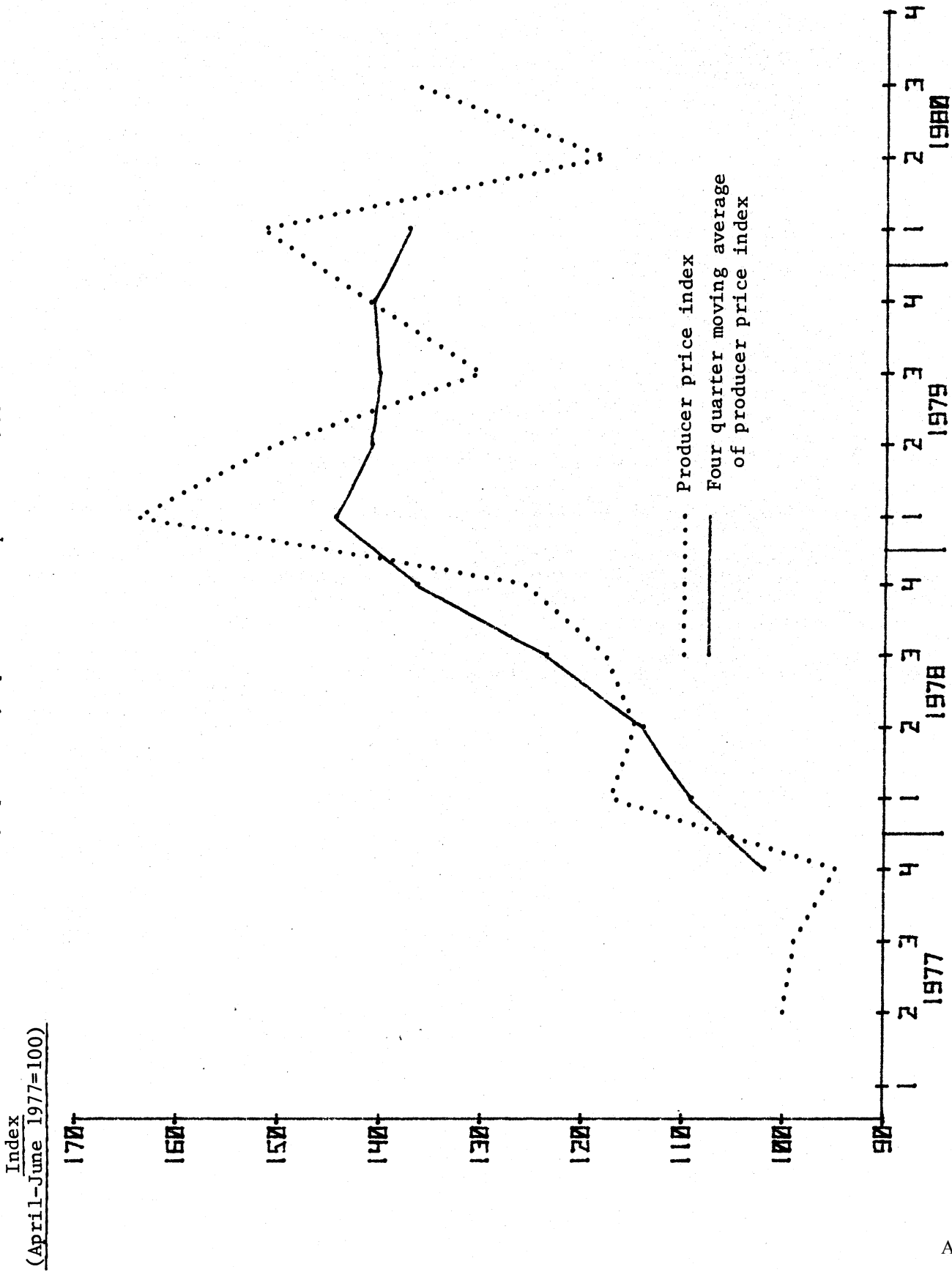
Table 23 shows average producer price indexes for No. 1 cupola scrap iron by quarters and selected cities. According to the petitioner, this type of scrap is the one most often used in the public-works-castings industry. The table shows that the scrap price index peaked in January-March 1979 at 164, compared with a low of 95 in October-December 1977. After its 1979 high, the price index faltered in the ensuing two quarters, then rose each quarter to a level of 152 in January-March 1980, before declining irregularly to 137 in July-September 1980. Figure 3 presents producer price indexes for No. 1 cupola scrap iron, together with a four-quarter moving average of the index.

Table 23.--No. 1 cupola scrap iron: Producer price indexes, by selected cities and by quarters, April 1977-September 1980

Region	(April-June 1977=100)											
	1977 1/				1978				1979			
	Apr.-	May-	June-	July-	Apr.-	May-	June-	July-	Apr.-	May-	June-	July-
	June	Sept.	Dec.	Sept.	June	Sept.	Dec.	Sept.	June	Sept.	Dec.	Sept.
Average 2/-----	100.0	98.9	94.8	117.2	114.8	117.8	125.9	164.1	150.5	130.3	141.4	118.0
Pittsburg-----	100.0	95.8	91.5	117.6	114.1	112.7	128.9	184.5	162.0	128.2	133.8	111.3
Philadelphia-----	100.0	98.4	93.4	127.4	101.6	118.0	137.7	185.2	167.2	144.3	182.0	129.5
Detroit-----	100.0	96.0	100.6	107.4	114.3	121.1	98.3	118.9	105.7	94.3	90.3	105.7
Birmingham-----	100.0	101.9	91.4	110.5	117.3	110.5	116.7	135.2	137.7	127.8	140.1	108.0
Houston-----	100.0	101.2	96.9	115.5	118.0	120.5	128.0	161.5	155.3	152.2	150.3	114.9
Los Angeles-----	100.0	113.0	105.5	119.9	147.3	145.9	152.1	158.9	161.0	154.1	163.0	169.9
1/ January-March 1977 not available.												
2/ The Bureau of Labor Statistics index, based on 1967 price, was recalculated from a base year of 1977 to match regional price indexes.												

Source: Compiled from official statistics of the Bureau of Labor Statistics.

Figure 3.--No. 1 cupola scrap iron: Producer price indexes,
by quarters, April 1977-September 1980



Source: Based on data in table 23.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION NOTICE OF INVESTIGATION AND
CONFERENCE AND LIST OF WITNESSES APPEARING AT THE CONFERENCE

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

731-TA-37 (Preliminary)
Certain iron-metal castings from India

Notice of Institution of Preliminary Antidumping
Investigation and Scheduling of Conference

AGENCY: United States International Trade Commission

ACTION: Institution of preliminary antidumping investigation to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports from India of certain iron-metal castings, provided for in item 657.09 of the Tariff Schedules of the United States (TSUS), allegedly sold or likely to be sold at less than fair value (LTFV).

EFFECTIVE DATE: November 19, 1980

FOR FURTHER INFORMATION CONTACT: Patrick J. Magrath, Office of Investigations (202-523-0283)

SUPPLEMENTARY INFORMATION:

Background. This investigation is being instituted following receipt of a petition on November 19, 1980, filed by Pinkerton Foundry, Inc., Lodi, California, on behalf of domestic producers of certain iron-metal castings. The petition requested the imposition of additional duties in an amount equal to the amount by which the foreign cost of production exceeds the United States price of certain iron-metal castings imported from India.

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 LTFV. Such a determination must be made within 45 days after the date on which a petition is filed under section 732(b) or on which notice is received from the Department of Commerce of an investigation commenced under section 732(a). Accordingly, the Commission, on November 26, 1980, instituted preliminary antidumping investigation No. 731-TA-37. This investigation will be subject to the provisions of part 207 of the Commission's Rules of Practice and Procedure (19 CFR 207, 44 F.R. 76457) and particularly, subpart B thereof.

For the purposes of this investigation, the term "certain iron-metal castings" means manhole covers and frames, catch basin grates and frames, and cleanout covers and frames, provided for in item 657.09 of the Tariff Schedules of the United States.

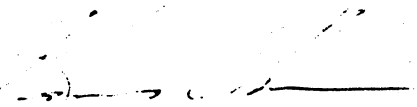
Written submission. Any person may submit to the Commission on or before December 15, 1980, a written statement of information pertinent to the subject matter of this investigation. A signed original and nineteen copies of such statements must be submitted.

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.s.t., on Wednesday, December 10, 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 investigator for this investigation, Mr. Patrick J. Magrath (202-523-0283). 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 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.

By order of the Commission.


Kenneth R. Mason
Secretary

Issued: November 26, 1980

APPEARANCES AT COMMISSION CONFERENCE

INVESTIGATION 731-TA-37, Certain Iron Metal Castings from India

DATE December 10, 1980

DOMESTIC INTERESTS:

Jerry Simonelli, Simonelli & Phillips, Washington, D.C., representing the Municipal Construction Castings Ad Hoc Committee

Steve Phillips, Simonelli & Phillips, Washington, D.C., representing the Municipal Construction Castings Ad Hoc Committee

James Pinkerton, Pinkerton Foundry, Inc., Lodi, Calif.

William Burke, Vulcan Foundry, Inc., Denham Springs, La.
Wallace Morgan, Vulcan Foundry, Inc., Denham Springs, La.

Alex De Bogory, U.S. Foundry & Manufacturing Co., Miami, Fla.

Francis Le Baron, E.L. LeBaron Foundry Co., Brockton, Mass.

W.C. Herrmann, Neenah Foundry, Neenah, Wi.

IMPORT INTERESTS:

Dennis James, Kaplan, Russin, & Vecchi, Washington, D.C., representing the Engineering Export Promotion Council of India

STAFF MEMBERS:

Charles Ervin, Director of Operations
Lynn Featherstone, Supervisory Investigator
Patrick J. Magrath, Investigator
Jack Simmons, Office of the General Counsel

APPENDIX B

COMMERCE DEPARTMENT NOTICE OF INVESTIGATION

DEC 9 1980
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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

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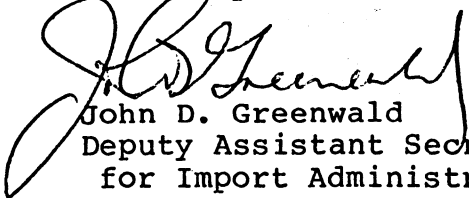
Honorable William Alberger
Chairman
International Trade Commission
701 E Street, N.W.
Washington, D.C. 20436

Dear Chairman Alberger:

In accordance with section 732(c) of the Tariff Act of 1930, as amended (93 stat. 162) ("the Act"), the Department of Commerce has determined that a formal antidumping investigation is warranted for the purpose of determining whether imports of certain iron metal castings from India are being, or are likely to be, sold at less than fair value. Pursuant to sections 732 (d) (1) and (2) of the Act, you are hereby formally advised of this determination and the bases for this determination which are summarized in the attached copy of the Notice of Antidumping Investigation in this case.

You will be accorded full access to all nonprivileged and non-confidential information in our files. All privileged and confidential information in the files will be made available upon confirmation that the confidentiality of such information will be maintained and that it will not be disclosed, either publicly or under administrative protective order, without my express written consent.

Sincerely,


John D. Greenwald
Deputy Assistant Secretary
for Import Administration

Enclosure



81802

Federal Register / Vol. 45, No. 241 / Friday, December 12, 1980 / Notices

DEPARTMENT OF COMMERCE

International Trade Administration

**Certain Iron Metal Castings From India;
Initiation of Antidumping Investigation**

AGENCY: U.S. Department of Commerce.

ACTION: Initiation of Antidumping
Investigation.

A-51

SUMMARY: The U.S. Department of Commerce is initiating an antidumping investigation to determine whether certain iron metal castings exported from India are being, or are likely to be, sold in the U.S. market at less than fair

value. These castings consist of manhole covers and frames, clean-out covers and frames, along with catch-basin grates and frames. Generally, merchandise is judged to be sold at less than fair value when the prices of the merchandise sold for exportation to the United States are lower than the prices in the manufacturer's or exporter's home market or in countries other than the United States, or when they are lower than their constructed value.

The Department of Commerce is notifying the International Trade Commission of this action so that, in accordance with section 733(a) of the Tariff Act of 1930, as amended, the Commission may determine no later than January 5, 1981, whether there is a reasonable indication that importing this merchandise is causing, or is likely to cause, material injury to U.S. manufacturers.

EFFECTIVE DATE: December 12, 1980.

FOR FURTHER INFORMATION CONTACT: Steven S. Lim or Richard Rimlinger, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230 (202-377-1776 or 3962).

SUPPLEMENTARY INFORMATION: On November 19, 1980, the U.S. Department of Commerce received a petition on behalf of the U.S. industry that produces metal castings for public works. The petition alleges that certain iron metal castings¹ exported from India are being, or are likely to be, sold in the U.S. market 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 petition also asserts that sales of these castings cause or threaten to cause material injury to the U.S. industry.

The petition complies with the requirements of the Commerce Regulations (19 CFR 353.36 and 353.37 45 FR 8198, 8199) in that it shows sufficient evidence of sales at less than fair value and material injury. Based on the constructed value data submitted by the petitioner and export prices to the United States, the dumping margins range from about 11 to 25 percent. The evidence submitted concerning material injury, or the likelihood of such injury, to the U.S. industry, is based primarily on reduced profitability, declining sales, reduced capacity utilization, declining employment, depressed prices, declining output, and declining market share.

Thus, in accordance with section 732(c) of the Act (93 Stat. 162, 19 U.S.C. 1673a(c)), I hereby determine that the Department will initiate an investigation to determine whether imports of certain iron metal castings, from India are being, or are likely to be, sold at less than fair value.

In accordance with 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.

Under section 733(a) of the Act (93 Stat. 163, 19 U.S.C. 1673b(a)), the ITC must determine no later than January 5, 1981, 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 certain iron metal castings from India. 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. Similarly, under section 733(b) of the Act (93 Stat. 163, 19 U.S.C. 1673b(b)) the International Trade Administration must determine, normally no later than 160 days after the date on which the petition was filed, whether there is a reasonable basis to believe or suspect that the merchandise which is the subject of this investigation is being, or likely to be, sold at less than fair value. Therefore, unless the investigation is terminated or extended, the International Trade Administration will submit this preliminary determination no later than April 28, 1981.

An investigation under the countervailing duty law involving these same castings was concluded recently. A countervailing Duty Order was published in the Federal Register on October 16, 1980 (45 FR 68650). The initiation of this dumping investigation, in the face of the Countervailing Duty Order, is permitted under these laws and is consistent with the international obligations of the United States,

specifically the General Agreement of Tariffs and Trade (GATT), Article VI. Any determinations made in these investigations will not be duplicative, and the products concerned will not be subject to both dumping and countervailing duty to compensate for the same situation.

This notice is published pursuant to section 732 of the Act (93 Stat. 162, 19 U.S.C. 1673a) and section 353.37 of the Commerce Regulations (19 CFR 353.37 45 FR 8199).

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

[FR Doc. 80-38576 Filed 12-11-80; 6:45 am]
BILLING CODE 3510-25-M

¹ For purposes of this investigation, the term "certain iron metal castings" means manhole covers and frames, catch-basin grates and frames, and clean-out covers and frames, provided for in item 657.09 of the Tariff Schedules of the United States.

APPENDIX C

FINAL SUBSIDY DETERMINATION OF THE COMMERCE DEPARTMENT

DEPARTMENT OF COMMERCE**International Trade Administration****Countervailing Duties—Certain Iron-Metal Castings From India; Final Countervailing Duty Determination**

AGENCY: International Trade Administration, U.S. Department of Commerce.

ACTION: Final countervailing duty determination.

SUMMARY: This notice is to advise the public that the Department of Commerce has determined that the Government of India confers benefits upon the production or export of certain iron-metal castings which constitute subsidies within the meaning of the countervailing duty law. This case has been referred to the International Trade Commission for a determination regarding injury.

EFFECTIVE DATES: August 20, 1980.

FOR FURTHER INFORMATION CONTACT: Steven Morrison, Program Analyst, Office of Investigations, International Trade Administration, Department of Commerce, Washington, D.C. 20230 (202-377-3965).

SUPPLEMENTARY INFORMATION:**Background**

On February 19, 1980, the Department of Commerce received a petition in satisfactory form from James Pinkerton, Jr. and Pinkerton Foundry, Inc., on behalf of Domestic manufacturers of iron-metal castings, alleging that bounties or grants (subsidies) are being provided on the manufacture, production, or exportation of certain iron-metal castings from India. A "Notice of Initiation of Countervailing Duty Investigation" was published in the Federal Register on March 14, 1980 (45 FR 16521). A notice of "Preliminary

Countervailing Duty Determination" was published in the *Federal Register* on May 23, 1980 (45 FR 34945). The Department has afforded interested parties an opportunity to present oral views in accordance with § 355.35, Commerce Regulations (19 CFR 355.35, 45 FR 4946). In addition, written views and oral views have been received in accordance with § 355.34(a), Commerce Regulations (19 CFR 355.34(a), 45 FR 4946).

On January 1, 1980, Title I of the Trade Agreements Act of 1979 (93 Stat. 150) (the TAA) took effect. The TAA superseded section 303 of the Tariff Act of 1930 (the Act) for countervailing duty cases involving products of any country determined to be a "country under the Agreement" as defined in section 701(b) of the Act (19 Stat. 151, 19 U.S.C. 171(b)). The TAA also amended section 303 of the Act (19 U.S.C. 1303).

India is not presently a "country under the Agreement". This case is, therefore, governed by section 303 of the Act, as amended by section 103(b) of the TAA (19 Stat. 190, 19 U.S.C. 1303(b)). Cases under section 303 generally do not include an injury determination by the International Trade Commission. The only exception is merchandise that is not subject to normal Customs duties. Because iron-metal castings are not dutiable, this case will be referred to the Commission for a final determination of whether there is material injury to an industry in the United States by reason of the subsidized merchandise.

The iron-metal castings covered by this determination consist of manhole covers and frames, clean-out covers and frames and catch basin grates and frames which enter the United States under item number 657.09 of the Tariff Schedules of the United States (TSUS).

Nature of Industry

The Indian iron-metal castings industry is composed of "small scale" manufacturers with a capital investment of \$125,000 or less. Iron-metal castings production is labor intensive. The materials used are supplied locally (i.e., are not imported).

All exporters of castings are required to belong to the Engineering Export Promotion Council (EEPC). Many of the manufacturers also belong to the Trade Development Authority (TDA). Both of these organizations assist in export promotion.

Programs Investigated

The petitioner has alleged that Indian exports of castings to the United States receive a variety of subsidies, most of which are direct export subsidies. The issues raised, and the reasons for our

decision, are substantially similar to those dealt within our final determination, published in the *Federal Register* on July 21, 1980, in the case of Certain Industrial Fasteners from India (45 FR 48607).

As in the fasteners case, the major program involved is a system of cash compensatory supports for exports. Representatives of the Indian exporters and the Indian Government have argued that this program should be considered a rebate of indirect taxes which are not otherwise rebated to exporters and, therefore, payments made under it should not be considered subsidies. The other programs investigated are, in terms of benefit to the exporter, far less significant.

Programs Found to be Subsidies

Of the programs investigated, we have determined that the following constitute subsidies within the meaning of the countervailing duty law:

1. *Cash Compensatory Support on Export (CCS)*—The CCS program was introduced in 1966 and, since then, has been revised periodically. The Government of India has stated that the primary—but not the exclusive—purpose of the CCS program is to compensate exporters for various indirect taxes paid, and not otherwise rebated, on products that are exported. CCS payments are designed to support exports in a manner consistent with the competitive needs of Indian producers.

The CCS rate varies depending upon the product exported. It is determined after taking into account the incidence of indirect taxes paid by producers of a particular product and not otherwise refunded, the existence of other disincentives to exports, and the competitive needs of the producers. There is no "right" to CCS payments; none are granted even where there are indirect taxes not otherwise rebated if the Government of India decides that the competitive need of a particular industry does not warrant CCS payments.

In the case of iron-metal castings exported to North America, the CCS rate was established, effective April 1, 1979, at 12.5% of the f.o.b. value of the merchandise exported. In October 1978 the Ministry of Commerce requested all Export Promotion Councils, including the EEPC (which represents the castings industry), to submit updated information on the indirect taxes levied on castings, and other matters affecting this export.

The Ministry stated that such information was needed to determine revised CCS payment levels. The CCS rate was established after the data submitted by the manufacturers and

exporters of castings had been reviewed.

As we stated in our decision in the fastener case, the primary considerations in determining whether programs like the CCS program should be considered indirect tax rebates are (1) whether the program operates for the purpose of rebating indirect taxes; (2) whether there is a clear link between eligibility for payments on export and indirect taxes paid; and (3) whether the government has reasonably calculated and documented the actual indirect tax incidence borne by the product concerned and has demonstrated a clear link between such tax incidence and the amount paid on export.

In the fasteners case, a number of points were raised concerning the general structure of the CCS program (e.g., CCS payments were not made by the taxing authorities; industries do not have a right to CCS payments). However, our decision turned not on such general considerations but on specific analysis of the relationship between the level of CCS payments for fasteners exports and the incidence of indirect taxes borne by these exports. Our decision in this case also rests on specific analysis of the indirect tax/CCS payments relationship for the product involved. Several characteristics of this relationship convince us that the standards presented above have not been satisfied in this case.

We reviewed data on the actual indirect taxes paid by iron-metal castings producers that export to the United States and provided the Indian Government with information for purposes of fixing the level of CCS payments. In most cases total indirect taxes paid were considerably less than 12.5% of the value of the merchandise. Moreover, these tax calculations included several payments (i.e., a steel development surcharge, payments to an engineering goods export assistance fund, port congestion charges, and taxes on electricity and fuel) which we would not consider indirect taxes which may be rebated on export.

In addition to the difference in incidence of indirect taxes and the level of CCS payments, the manner in which the information on the tax levels was submitted to the Government of India and relied on raises, of itself, certain problems. The Commerce Ministry required the Export Promotion Council governing the castings sector to submit information relating to its indirect tax burden. Some individual company experiences were provided to the Ministry, but apparently without an appropriate aggregation showing the weighted average tax incidence for the

sector as a whole. In order to satisfy the question of whether export payments are made to remit indirect taxes, we require evidence demonstrating that the tax incidence of any given product sector has been determined quite precisely. In this case, there is no such satisfactory evidence. Counsel for the EEPC himself pointed out that calculations of indirect taxes paid by producers of castings varied from 4% to 13.6%. In the absence of evidence showing the average tax incidence on all the products at issue to have been near the high end of this range, counsel's characterization of this 12.5% figure as a "middle ground" is unconvincing.

Thus, the evidence in this case includes neither a satisfactory demonstration of the requisite linkage between the indirect tax incidence and the level of CCS payments, nor a showing that the actual indirect tax incidence has been reasonably calculated and documented. The CCS program, as applied to exports of iron-metal castings, does not appear to involve indirect tax rebates as much as it does a general export payment which, while undoubtedly compensating in some measure for indirect taxes not otherwise rebated, goes well beyond this purpose.

We have therefore concluded that, in this case, the CCS payments must be considered a subsidy program and have found the amount of subsidy to be 12.5% of the f.o.b. value of the exported merchandise.

Counsel representing Indian manufacturers of iron-metal castings has argued that, in the event we find that the CCS program as applied to exports of castings constitutes a subsidy, the amount of the subsidy should be offset by an export inspection fee in the amount of 1% of the value of the exported merchandise, which all castings exporters must pay. We have decided that such an offset would be inappropriate.

Counsel maintains that the export inspection fee should be considered "an application fee * * * paid in order to qualify for * * * the benefit of the subsidy" and, therefore, an allowable offset under section 771(b)(A) of the Act. However, it does not appear that the inspection fee is related to application for CCS payments. Export inspection, and payment of export inspection fees, are required for certain engineering product exports, whether or not the exports benefit from CCS payments. The inspection is meant to be a service that benefits the exporter by ensuring quality control over exports. The fee is payment for the service provided, not for CCS application.

Counsel has also argued that the benefit conferred by CCS payments should be calculated on an after tax basis—i.e., should be reduced by the "approximately 60% income tax rate" paid by "most casting firms". We have not accepted this argument.

The information we have received provides no basis for accurate calculation of extent to which CCS payments are taxed. The tax rate may vary from producer to producer. Moreover, the extent to which the payments are taxed will depend upon the extent to which the exporter has net income, after deductible expenses.

Because we have not been given a basis upon which accurately to gauge the real impact of taxation of CCS payments, we need not reach the underlying legal question of whether the limitations in the countervailing duty law prevent calculating the subsidy on an after tax basis. However, in facing this issue we would have to begin from the demonstrable intent of Congress to restrict offsets severely.

2. Preferential Export Financing—Packing credit loans are available to exporters of castings. These loans have a sliding scale interest rate which varies with the elapsed time that the loan is outstanding. The interest rate ranges from 11% for the first 90 days, 13% for the next 45 days and thereafter at negotiated commercial rates. Commercial credit is generally available to manufacturers and traders from rates of 13.5% to 15%.

The Government of India (through the Reserve Bank of India) apparently underwrites the lower interest rate of the packing credit loans by paying the lending bank an additional 1.5% interest rate without any charge to the exporter. There is a direct transfer of funds to support the loan from the Central Bank to the lending bank. Accordingly, we have found that packing credit loans involve a subsidy of 0.4% of the f.o.b. value of the exported merchandise.

3. Tax Deductions—The GOI has a program which allows for a special income tax deduction for export market development.

The Export Markets Development Allowance provides for a tax deduction of 133% of certain specific expenses. These include expenses incurred both before and after sale, although commissions normally are not an allowable deduction unless they are tied to other specific expenses. The claims made by the manufacturers for this special deduction normally exceed the amount eventually allowed for deduction by the tax authorities, if and when the tax returns of the companies are audited, sometimes by a substantial

amount. Final settlement of the tax returns normally takes two to three years.

Because the kind of expenses allowed under the special deduction would be deductible in full if incurred in non-export business activities, the benefit to the manufacturers is limited to 33 percent of the allowed amount applied to the corporate tax rate. On this basis, we have determined that exporters of castings receive a subsidy in the following amounts:

	Percent of f.o.b. value
Uma Iron & Steel	3.6
RB Agarwalla	2.9
Basant Udyog	0.9
Kerjwal Iron & Steel	0.2
Kajaria Exports	0.0
All Others	0.4

4. Market Development Assistance—

Under the Market Development Assistance program, grants have been provided for export promotion to the Engineering Export Promotion Council (EEPC) and the Trade Development Authority (TDA). These grants have been used by the EEPC and the TDA to operate overseas offices and organize exhibits designed to promote Indian exports generally. Firms which belong to these organizations pay dues which exceed any specific benefits they derive from EEPC and TDA activities. In addition, the firms are billed for all special services such as participation in trade shows, listing in directories, etc. We have, accordingly, decided that such market development assistance does not amount to a subsidy under the countervailing duty law.

However, apart from these services, special grants for export market study teams to travel to and sell in the United States were provided for the benefit of Uma Iron & Steel and Kajaria Exports. We have determined that such grants are subsidies. The benefit to Kajaria was de minimis (0.0001%). The grant to Uma Iron and Steel amounted to 0.3% of its f.o.b. export sales.

Programs Not Used

1. Import Permits—The Government of India provides import permits to manufacturers which export in order to allow them to replenish their stocks of imported inputs. The import permits are negotiable and therefore can have a market value. However, since manufacturers of castings use local materials, they receive no import permits and there is no question of possible subsidization.

2. Kandla Free Trade Zone—The petition alleged that benefits were received by manufacturers or exporters of castings based on their location within the Kandla Free Trade Zone. No castings manufacturer is located within the zone nor are castings exported to the U.S. from the zone. Thus, there is no question of any benefit that would constitute a subsidy within the meaning of the countervailing duty law.

3. Post-Shipment Export Financing—Documents were provided by the Reserve Bank of India which listed the categories of manufacturers eligible and those ineligible for post shipment financing. Castings manufacturers are listed as ineligible. Thus, no benefit has been conferred on castings manufacturers by this program.

4. Subsidized Freight Rates—The GOI submitted information indicating that a program to provide preferential freight rates for exports is no longer in effect.

Programs Found Not To Be Subsidies

1. Tax Deductions for Capital Equipment and New Industrial Undertakings—The Government of India allows income tax deductions for purchases of new capital equipment and establishment of new industrial enterprises. We have found that these deductions are generally available (i.e., they are not industry or enterprise specific) and therefore have concluded that they are not subsidies within the meaning of the countervailing duty law.

2. Refund of Excise Taxes—Under a "duty drawback" program, excise taxes collected under the Excise and Salt Tax Act on the sale of pig iron and scrap iron are refunded when products incorporating the iron ore are exported. The nonexcessive rebate of excise taxes is not a subsidy within the meaning of the countervailing duty law. Pig iron and scrap iron is subject to an excise tax of 73.50 rupees per ton; it is rebated on export at a rate of 73.00 rupees per ton. Accordingly we find that there is no subsidy involved.

3. Export Credit Insurance—Petitioner has alleged that castings manufacturers and exporters receive preferential export insurance rates. Export Credit Guarantee Corporation (ECGC) is chartered by the GOI to insure export transactions against default. However, the ECGC does not receive funds from the GOI. It is a commercial entity which charges rates sufficient to cover its operating expenses and to provide profit. Accordingly we have determined that ECGC insurance does not amount to a subsidy.

Verification

The information relied upon in reaching this determination has been verified by Department officials through investigation of government documents, discussions with GOI, trade organization, and corporate officials, and corporate books and records.

Examples of the type of documents examined include official government reports and policies, announcements of government programs, letters from banks ledger sheets, and income tax reports.

Determination

I hereby determine that the Government of India provides bounties or grants (subsidies) within the meaning of section 303 of the Act and that the estimated aggregate net amount of these benefits equals the amount indicated in the table below.

Effective on August 20, 1980, and until further notice, deposit of estimated countervailing duties, bond or other security shall be required at the time of entry, or withdrawal from warehouse, for consumption. The amount to be deposited is the amount specified in the table below. Entry documents should state the manufacturer of the merchandise, as well as the identity of the exporter. If the shipper is not the manufacturer of specific merchandise, the higher of the indicated rates will be applicable.

	Percent of f.o.b. price
Uma Iron & Steel.....	16.8
R.S. Agarwalla & Co.....	14.9
Basant Udyog.....	13.8
Kejriwal Iron & Steel Works.....	13.1
Kanjana Exports.....	12.9
All Other Companies.....	13.3

This notice is published pursuant to section 303 and 706 of the Act (19 U.S.C. 1303, 1671(e), and § 355.36 of the Department of Commerce Regulations (19 CFR 355.36).

Robert E. Herzstein,

Under Secretary for International Trade.

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APPENDIX D

U.S. INTERNATIONAL TRADE COMMISSION FINAL DETERMINATION,
INVESTIGATION NO. 303-TA-13 (FINAL)

INTERNATIONAL TRADE COMMISSION

[Investigation No. 303-TA-13 (Final)]

Certain Iron-Metal Castings From India Determination

On the basis of the record¹ developed in investigation No. 303-TA-13 (Final), the Commission determines (Chairman Alberger dissenting), pursuant to section 303 of the Tariff Act of 1930 (19 U.S.C. 1303), that an industry in the United States is materially injured, or is threatened with material injury,² by reason of imports from India of certain iron-metal castings,³ provided for in item 657.09 of the Tariff Schedules of the United States and accorded duty-free treatment, which the Department of Commerce has found to be subsidized by the Government of India.

Background

The Commission instituted this investigation effective May 20, 1980, following a preliminary determination by the Department of Commerce that bounties or grants are being provided by the Government of India with respect to the production or export of certain iron-metal castings imported into the United States. Notice of the institution of the Commission's investigation and of the public hearing 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 June 18, 1980 (45 FR 41244). The hearing was held in San Francisco, Calif., on August 27 and 28, 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 Commissioners George M. Moore and Catherine Bedell

Determination

On the basis of the record developed in investigation No. 303-TA-13 (Final), we determine that an industry in the United States is materially injured⁴ by reason of the importation of certain iron-metal castings from India, provided for in item 657.09 of the Tariff Schedules of the United States (TSUS) and accorded duty-free treatment, upon which the Department of Commerce has determined that bounties or grants are provided by the Government of India.

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

The Imported Article and the Domestic Industry

The certain iron-metal castings which are the subject of this investigation are manhole covers and frames, catch-basin grates and frames, and cleanout covers and frames. These iron-metal castings are encompassed within a larger class of articles commonly called public works castings, and are used either for drainage or access purposes to public utility, water, and sanitary systems.

In this determination we have found that the U.S. industry being injured consists of the domestic producers of these products located in the Western United States, and that these States constitute a regional market.⁵ This regional market is well defined since all known imports and production of the subject public works castings in these States are consumed there, and the demand in that market is not supplied to a substantial degree by producers located in other States, because high

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 Vice Chairman Calhoun and Commissioners Moore and Bedell found material injury; Commissioner Stern found material injury or threat of material injury.

³ The specific articles included within the scope of this investigation are manhole covers and frames, catch-basin grates and frames, and cleanout covers and frames.

⁴ No party alleged that imports of such merchandise prevented an industry from being established. Therefore, this issue will not be discussed further in this statement.

⁵ The Western marketing area was defined for the purposes of this investigation to include the following States: Washington, Oregon, California, Nevada, Idaho, Montana, Arizona, Utah, Wyoming, Colorado, New Mexico, Hawaii, and Alaska.

costs of overland freight make long-distance shipping of these heavy and bulky items uneconomical.⁶ In addition, close to 30 percent of all imports of these public works castings from India in the period January 1977–March 1980 entered the United States through ports in the Western region, whereas that region was responsible for only 16 percent of total apparent U.S. consumption of these products over the same period.⁷ There are 13 known U.S. producers in the region.

The Bounties or Grants

The U.S. Department of Commerce determined that the Government of India provides Indian manufacturers/exporters of certain public works castings with various rebates of taxes under the Cash Compensatory Support on Export program, as well as other minor benefits. These programs amount to bounties or grants having net benefits ranging from 12.9 to 16.8 percent of the f.o.b. price of the exported product. For most Indian manufacturers/exporters of these products, the net benefit amounts to 13.3 percent of the f.o.b. price.

Material Injury to Western U.S. Producers by Reason of Subsidized Imports

Imports and market share.—Imports of certain public works castings from India in the Western region increased from 8.0 million pounds in 1977, when they accounted for 16 percent of apparent consumption in that region, to 27.7 million pounds in 1979, when they accounted for 37 percent. Imports into the Western region increased again in January–March 1980 compared with those in the corresponding period of 1979, and continued to increase their share of apparent consumption to 55 percent.⁸

U.S. production and utilization of facilities.—Production of certain public works castings by Western U.S. producers fell from 40.9 million pounds in 1977 to 36.0 million pounds in 1979, or by 12 percent. It continued to fall in January–March 1980, to 4.2 million pounds from 7.0 million pounds in the corresponding period of 1979, or by 41 percent. Utilization of productive facilities decreased in each year from 80 percent in 1977 to 70 percent in 1979, and fell sharply in January–March 1980 to less than 50 percent of capacity.⁹

Inventories.—Western producers' inventories rose by 17 percent from 4.2 million pounds in 1977 to 4.9 million

pounds in 1979, and by 93 percent from 3.0 million pounds in January–March 1980 to 5.8 million pounds in January–March 1979. The ratio of inventories to shipments also increased from 1977 to 1979, and more than tripled in January–March 1980 compared with the ratio in January–March 1979.¹⁰

Employment, hours worked, and labor productivity.—Employment of production and related workers by Western respondents declined by 8 percent from 383 in 1977 to 352 in 1979, and dropped precipitously to 229 in January–March 1980. Average weekly hours worked per worker fell in each year from 1977 to 1979 and in January–March 1980 compared with hours worked in January–March 1979. The productivity of Western producers, as measured by output per man-hour, rose slightly from 54.8 pounds per hour in 1977 to 55.8 pounds per hour in 1979 owing to a more rapid decline in man-hours worked than in production. Productivity dropped sharply in January–March 1980 to 37.5 pounds per hour.¹¹

Profitability.—Data from U.S. producers located in the Western United States show net sales of these producers declining by 6 percent from \$12.1 million in 1977 to \$11.4 million in 1979, and by 14 percent in January–March 1980 compared with sales in January–March 1979.¹² These producers experienced net operating losses of \$432,000 in 1978, \$303,000 in 1979, and \$88,000 in January–March 1980, with more than half of the respondents reporting such losses for their firms in January–March 1980. A large Western producer of these products, Comco Foundry of Commerce City, Colo., closed its facility in February 1979, its management claimed, because of competition from low-cost imports. While financial data from Comco influences total Western producers' profitability, a decline is still exhibited without the inclusion of that firm's data.¹³

Prices.—Price data collected from 43 U.S. producers show that the imported product from India, whether offered by producer-importers or importers, undersold that of U.S. producers in each 3-month period for which data were collected from January 1978 to March 1980. For example, the margins of underselling by imports of the 270-pound manhole assembly sold by importers increased from 37.9 percent in January–March 1978 to 40.0 percent in October–

December 1979 before declining to 27.5 percent in January–March 1980. Similarly, margins of underselling by imports of the 270-pound manhole assembly sold by producer-importers rose from 11.0 percent in January–March 1978 to 27.3 percent in October–December 1979 and then declined to 23.0 percent in January–March 1980. The decline in the margins of underselling in 1980 is principally the result of a drop in the price of the U.S.-produced product, a clear demonstration of price depression.¹⁴

Lost Sales

The Commission's staff verified 32 instances in which distributors and end users of certain public works castings purchased imports from India in lieu of the domestic product. Eleven of these purchasers were located in the Western United States. Of these 11, 9 confirmed that they purchased imports from India over the domestic product because of price.¹⁵

Conclusion

On the basis of the foregoing considerations, we have determined that an industry in the United States is being materially injured by reason of subsidized imports from India. This determination is based upon our finding of material injury to that portion of the industry serving the Western region of the United States.

Views of Vice Chairman Michael J. Calhoun

On the basis of the record developed in investigation No. 303-TA-13 (Final), Certain Iron-Metal Castings from India, I determine pursuant to section 303(a)(2) of the Tariff Act of 1930, as amended (19 U.S.C. 1303(a)(2)), that an industry in the United States is materially injured by reason of the importation of certain iron-metal castings from India, provided for in item 657.09 of the Tariff Schedules of the United States (TSUS) and accorded duty-free treatment, which the Department of Commerce has determined are receiving bounties or grants.

Domestic Industry^{16 17}

To begin an analysis of the impact on a domestic industry of imports of

¹⁴ Report, pp. A-32 and A-33.

¹⁵ Data submitted in response to questionnaires of the U.S. International Trade Commission.

¹⁶ In this case twelve of the fifty domestic producers of public works castings also import. Section 771(4)(D) gives the Commission discretionary authority under appropriate circumstances to exclude such "related parties" from the domestic industry under consideration.

Footnotes continued on next page

⁶ Report, pp. A-7 and A-13.

⁷ Report, pp. A-12, A-28, and A-30.

⁸ Report, p. A-30.

⁹ Report, p. A-15.

¹⁰ Report, p. A-18.

¹¹ Report, pp. A-18 and A-19.

¹² Data for 1977–79 represent operations of 10 firms; data for January–March of 1979 and 1980 represent operations of 8 firms.

¹³ Report, pp. A-14 and A-23.

subsidized merchandise sold in the United States, the Commission must first define the relevant industry. As a general rule, the term "industry," as defined in section 771(4)(A) of the Trade Agreements Act of 1979 is:

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

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

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

Therefore, the starting point for an analysis of the relevant domestic industry is the proper identification of the "like product." The Department of Commerce determined that bounties or grants are bestowed upon certain iron-metal castings which enter the United States under item 857.09 of the Tariff Schedules of the United States.

TSUS item 857.09 includes cast-iron articles, not coated or plated with precious metal, not alloyed, and not malleable. It includes a variety of merchandise such as manhole covers and frames, catch basin grates and frames, clean-out covers and frames, water and gas valve boxes, and other cast-iron products for municipal, residential, and utility uses. Also entered under this TSUS item are numerous other articles, such as fence fittings, rail ends, counter weights, and cast-iron carts. But the Commerce Department subsidy finding is with respect to manhole covers and frames, catch basin grates and frames, and cleanout covers and frames. These articles are commonly called municipal or public works castings and are used either for access or for drainage for public utility, water, and sanitary systems. The most important products in this group are manhole covers and frames, which constitute the great bulk both of imports from India and of domestic production.

Domestic foundries that manufacture public works castings are classified as gray iron foundries under the Standard Industrial Classification. In addition to public works castings, gray iron foundries may produce other products such as brake shoes, couplings, pressure and soil pipe, hydrants, railroad car

wheels, and various products for automotive uses. Public works castings are reported as part of SIC item 3321 which includes those articles listed above. However, each of these products requires special manufacturing facilities and companies tend to specialize in only a few lines.

Although it is possible for foundries that specialize in public works castings to make some other gray iron foundry products, it is neither economically nor technically feasible for the majority to do so. For example, most public works foundries, especially the larger, more efficient ones, are designed to handle castings within certain size and weight ranges. Therefore, pouring molds for heavy steel ingots or rolls for rolling mills is an impossibility. Furthermore, gray iron products which are used to convey liquids or gases under pressure may require special grades or alloys of gray iron. They require, as well, centrifugal rather than a flat casting technique, hydrostatic testing, and a complex pattern and core-making ability. In contrast, manhole and catch basin assemblies are relatively simple to make and do not require the precision in specification or quality of metal of many of these other products. Public works castings are sold in the United States to two general categories of customers: independent distributors, which buy castings in volume from a number of sources and services the construction industry; and end-users, usually general contractors or public works departments of state or local governments.

For several reasons, the market structure for public works castings is highly fragmented. First, freight costs are very high on these heavy and bulky items. Thus, the further the castings are shipped, the less price competitive they become. Second, specifications for castings vary from one local political jurisdiction to another. And third, different geographical regions of the country present different weather and ware conditions for users. For instance, public works castings sold in the Northwest are designed to handle heavy rain-runoffs while those sold in the Southwest are designed to prevent clogging from sand. As a result, public works castings are usually sold within approximately a 200-mile radius of their manufacture. Domestically produced and imported public works castings are shipped by truck with freight costs usually absorbed by the purchaser. Domestically produced castings are shipped on pallets while imported castings are crated in wood.

There are approximately 50 foundries located throughout the United States

which are known to produce public works castings. Domestic production of public works castings generally falls into two groups of producers: those foundries which concentrate on the production of public works castings and the generally smaller, more flexible, "jobber" foundries, whose production of public works castings varies with market conditions. An important difference is that the larger foundries are characterized by greater specialization of product line or mechanization in their foundry operations, which allows them to produce public works castings at lower unit costs than the smaller, jobber foundries. This advantage is gained, however, at the loss of flexibility in product line. Producers of public works castings are located throughout the United States.

It is my view that under the rubric of public works castings there are three domestic like products which, for all practical purposes, are identical to the three imported articles, covered under the Tariff Schedules, which are the subject of this investigation. These three like products are manhole covers and frames, catch basin grates and frames, and cleanout covers and frames.

Material Injury and Causation

In reaching a final determination of material injury by reason of subsidized imports, section 771(7) states that, among other things, the Commission shall take into account:

(i) The volume of imports of the merchandise which is the subject of the investigation,

(ii) The effect of imports of that merchandise on prices in the United States for like products, and

(iii) The impact of such merchandise on domestic producers of like products.

In addition, section 771(4)(D), directs the Commission to assess the effect of subsidized imports in relation to the domestic production of a like product:

[I]f available data permit the separate identification of production in terms of such criteria as production process or the producers' profits.

If this is not possible, then,

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

Although this investigation concerned itself with three distinct types of public works castings, available data do not separate producers' profits for those three castings and assemblies. In addition, other information obtained in

Footnotes continued from last page
Proper exercise of this authority would not affect my conclusions in this case.

¹⁷ With regard to Regional Industry, I concur in the analysis of Chairman Alberger and find that 13 western states do not meet the meaning of market as that term is used under section 771(4)(C).

this investigation, (i.e., manhours worked, number of employees, domestic shipments, etc.) does not allow the separate identification of these three products. Thus, I shall assess the effect of subsidized imports on the narrowest group or range of products, which is public works castings in general.

Imports of public works castings have increased significantly in both relative and absolute terms. In absolute terms, imports from India have increased 277 percent since 1977 from about 25.0 million pounds to about 94.4 million pounds in 1979. In the period from January to April of 1980, such imports increased 30 percent over the same period in 1979, which is approximately 9.2 million pounds.

Consumption of public works castings in absolute terms has increased 26 percent since 1977, from about 371.5 million pounds to about 469.7 million pounds in 1979. In the period from January to March of 1980, consumption has decreased from about 94.4 million pounds to 93.5 million pounds, a decrease of about 1 percent. The ratio of imports from India to consumption for 1977 through 1979 has increased by 196 percent, from 6.8 percent in 1977 to 20.1 percent in 1979. A comparison for the period January through March of 1979 and 1980 shows those figures at 20.9 percent and 28.9 percent respectively, an increase of 38 percent.

During the same period of 1977 through 1979, U.S. production has increased absolutely from 348.1 million pounds to 379.4 million pounds which is 9 percent in relative terms. However, a comparison for January through March for 1979 and 1980 shows production declining from 91.5 million pounds to 83.4 million pounds which is a decrease of 9 percent.

The Commerce Department has determined that subsidies in amounts ranging from a high of 16.8 percent of f.o.b. price to a low of 12.9 percent are given to Indian manufacturers of certain iron-metal castings. Evidence obtained in this investigation shows that prices of imports of public works castings were consistently below those of the domestically produced articles by more than the range of the subsidy. For those U.S. producers who only produce the products in question, the difference in prices from those imported products was about 11 cents in 1978 while in 1980 the difference for January through March was about 9 cents. The margin of underselling by importers fluctuated from approximately 39 percent in 1978 to 28 percent in 1980.

For those U.S. producers who produce and import the product in question, the difference in price from the imported

product for their domestic product was about 7 cents in 1978 while in 1980, the difference is about 2 cents; and for their imported product 7 cents in 1978 and 5 cents in 1979. The margin of underselling by importers fluctuated from approximately 30 percent in 1978 to 6 percent in 1980 for the domestic product and 29 percent in 1978 to 6 percent in 1980 for the imported product.

Although the trends for production, shipments and capacity utilization for 1977 through 1979 were up, the period January through March of 1980 shows that production has decreased 8.1 million pounds or about 9 percent as compared to the same period in 1979. Shipments have decreased 7.4 million pounds or about 10 percent as compared to the same period in 1979. And capacity utilization has decreased from 75.4 percent to 70.2 percent, a decline of 6 percent.

The ratio of imports from India to production has increased from 22 percent to 32 percent which is an increase of 45 percent and the ratio of imports to consumption has increased from 20.9 percent to 28.9 percent, which is an increase of 38 percent for the period January through March of 1980 as compared to 1979.

The ratio of net operating profit to net sales was 7.7 percent in 1977 decreasing to 5.2 percent in 1979. This is a decrease of 32 percent. However, examination of the figures for January through March of 1979 versus 1980 shows a drop of the ratio of net operating profits to net sales from 0.6 percent to a 0.3 percent net operating loss, which is nearly a 150 percent decrease. Comparable data for about 140 iron and steel foundries shows net operating profits rising from 4.2 percent in 1977 to 6.0 percent in 1979, which is a 43 percent increase.

Five producers of public works castings cited difficulties in raising capital. In each instance, producers stated that lending organizations refused the loans because of low profit levels.

The average number of production and related workers increased slightly from 1977 to 1979. However, the number dropped by 8 percent in January through March of 1980 as compared to the same period in 1979.

Regarding the requirement that the Commission determine whether there is material injury "by reason of imports," the legislative history of the Trade Agreements Act of 1979 states that:

[C]urrent law does not, nor will section 705 contemplate that the effects from the subsidized imports be weighed against the effects associated with other factors (e.g., the volume and prices of subsidized imports, contraction in demand or changes in patterns

of consumption, * * *) which may be contributing to overall injury to an industry.

It further states:

[N]or is the issue whether subsidized imports are the principal a substantial, or a significant cause of material injury. Any such requirement has the undesirable result of making relief more difficult to obtain for those industries facing difficulties from a variety of sources, precisely those industries that are most vulnerable of subsidized * * * imports.

That the public works castings industry is suffering material injury is apparent from the above discussion on profits, shipments, market shares, etc. Its condition is exacerbated by the serious decline in housing starts. Total private and public housing starts for the period January through March of 1979 and 1980 have gone from 153 thousand units to 86 thousand units which is a decrease of approximately 43.8 percent. The decrease in housing starts from 1978 to 1979 was 13.6 percent. It is obvious that such a dramatic decline in the housing industry will have a parallel effect on the public works castings industry.

All of these factors contribute significantly to the clearly depressed state of the industry and especially to its marginal profitability. Thus, the presence of low priced, subsidized imports at a penetration level of 28.9 percent, while not perhaps as significant as these other factors, must be considered, nevertheless, as a cause of material injury. The critical nexus between material injury and subsidized imports lies largely in the adverse impact such a high penetration level of imports has on the ability of the marginally profitable domestic public works castings producers to adjust prices or sales to achieve a viable profit level.

The relatively low responsiveness of demand for public works castings, and the relatively high price elasticity of substitution prevent producers of castings from lowering their prices so as to capture sales from lower priced subsidized Indian imports and, thereby, increasing their profit levels. Nor can they increase their prices to pass through increased costs because it would cause a loss in their market share to lower priced subsidized Indian imports causing a further decline in already too low profit levels. Thus, imports must be a cause of material injury to this already vulnerable industry.

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Imposing a countervailing duty on Indian imports in this circumstance would increase the domestic producers' rate of utilization and, thus, lower their average fixed costs. It would also

improve profit margins to a more viable level, current economic factors notwithstanding.

Further evidence of the nexus between material injury and subsidized imports can be seen by comparing certain data for January-March 1980 with the same period in 1979. During this period, apparent U.S. consumption fell slightly (by about 1 percent) from 94.4 million pounds to 93.5 million pounds, reflecting a general decline in construction activity. U.S. producers' shipments, however, fell by more than 10 percent, from 72.4 million pounds to 65.0 million pounds, and their share of the U.S. market fell from 79 percent to 71 percent. The direct cause of this deteriorating position must be imports from India, which increased their market share from 21 percent to 29 percent as they rose from 19.7 million pounds to 27.0 million pounds, an increase of 37 percent. The effect of this shift in market share was dramatic on U.S. producers. Their inventories rose sharply, from 98 million pounds to 113 million pounds, the highest level recorded during the period examined. Employment fell by 8 percent to 1,989, the lowest level recorded during the period examined, and reporting firms experienced a net operating loss on operations for the first time during the period. This occurred despite the fact that the price of the principal raw material used by producers, scrap iron, actually declined by about 7 percent as measured by the Bureau of Labor Statistics' producer price index.

Conclusion

Based upon the evidence obtained in this investigation, I determine that an industry in the United States is materially injured by reason of imports of the merchandise with respect to which the Commerce Department has made an affirmative determination.

Statement of Reasons of Commissioner Paula Stern

Introduction

The record developed in the investigation of the impact on the domestic industry of certain iron metal castings imported from India, subsidized by the Government of India, provided an adequate basis for making an affirmative finding,¹⁸ though the

¹⁸ Since this investigation involves merchandise from India, which is not a "country under the Agreement" within the meaning of section 701(b) of the Tariff Act of 1930 (Act) as amended (19 U.S.C. 1671(b)), it has been conducted under the provisions of section 303 of the Act (19 U.S.C. 1303). Section 303(a)(2) directs that, in the case of merchandise which is free of duty, countervailing duties may be imposed only if there is an affirmative

investigation was in many respects novel. First, a major segment of the domestic industry imports large quantities of the subject goods. Second, although the product is fungible, a four-tiered pricing structure governs the United States market. Third, the Indians have captured a huge market share and account for almost all imports of a product that is difficult to transport. And finally, the condition of the domestic industry was not immediately apparent from the economic indicators which the Commission traditionally considers in such cases; however, detailed analysis particularly of volatile data on profit and loss in conjunction with import penetration statistics and pricing information, demonstrated clear material injury to the domestic producers resulting from the subsidized Indian imports.

The Imported Article and the Domestic Industry

The iron-metal castings which are the subject of this investigation are manhole covers and frames, catch basin grates and frames and cleanout covers and frames. These iron-metal castings are encompassed within a larger class of articles commonly called public works castings, and are used either for drainage or access purposes to public utility, water, and sanitary systems.

In this determination I have found that the U.S. industry against which the impact of the imports is to be measured consists of all domestic producers of the subject castings. Having made an affirmative determination on the basis of the national industry, I did not reach the question of whether, for the purposes of the law, a regional industry existed and merited separate attention.

The respondents in this case observed that the domestic facilities of foundry-importers could be excluded,¹⁹ presumably under the provisions of section 771(4)(B):

Related Parties.—When some producers are related to the exporters or importers, or are themselves importers of the allegedly subsidized or dumped merchandise, the term "industry" may be applied in appropriate circumstances by excluding such producers from those included in that industry. (Emphasis added)

The law is clear that such an exclusion is discretionary and therefore

determination of injury under the provisions of Title VII of the Act. Therefore, the Commission conducted its investigation in this case in accordance with the provisions of sections 701 through 705 of the Act. Legislative history and Commission precedent with respect to investigations conducted since the passage of the Trade Agreements Act of 1979, which amended the Act, thus have direct bearing.

¹⁹ Hearing transcript of 211 and 212.

should be made on a case-by-case basis. Foundry-importers accounted for 11 of 43 domestic producers who responded to the Commission's questionnaires and approximately 36 percent of U.S. capacity in 1979. They are responsible for an estimated 32 percent of all imports of the subject products.²⁰

The domestic producers who also import made a convincing case that they only do so to stay in the market in the face of price competition from other importers.²¹ The diverse array of foundry-importers who supported the petitioner had one common thread—a desire to be able to supply a greater part of the market from their local facilities. No foundry-importer supported the respondents. The circumstances indicate that the primary interests of the foundry-importers lie in domestic production. Their exclusion from the domestic industry is inappropriate because they have become importers only under the duress of the subsidized Indian competition and perceive their fundamental interests to remain in domestic production.²²

The Bounties or Grants

The U.S. Department of Commerce determined that the Government of India provides Indian manufacturers/exporters of certain public works castings with various rebates of taxes under the Cash Compensatory Support on Export Program, as well as other minor benefits. These programs amount to bounties or grants having net benefits ranging from 12.9 to 16.8 percent of the f.o.b. price of the exported product. For most Indian manufacturers/exporters of these products, the net benefit amounts to 13.3 percent of the f.o.b. price.

Condition of the Domestic Industry

Data were available on a product-line basis for the narrow group of goods like the subject imports.²³ The trends in the data relating to producers' shipments capacity utilization, inventories and employment are fairly uniform throughout the period covered by the investigation. Shipments by domestic

²⁰ Compiled from data submitted in response to questionnaires of the United States International Trade Commission.

²¹ Report at A-6.

²² Additional aspects of this issue are discussed below when pricing is considered. In *Unlasted Leather Footwear Uppers from India* (Inv. No. 701-TA-1 (Final), March 1980), exclusion of domestic producer-importers from the domestic industry was also deemed inappropriate, the basis was different, but the principle of a discretionary case-by-case approach was affirmed.

²³ Sec. 771(4)(D) directs that the "effect of the subsidized . . . imports shall be assessed by the examination of the narrowest group or range of products, which includes a like product, for which the necessary information can be provided."

foundries increased 7.5 percent by quantity from 1977 through 1979, before falling off ten percent in the first quarter of 1980 compared to the same period one year earlier. Production rose nine percent during the three-year period before dropping nine percent in the first quarter of 1980. Likewise, capacity utilization rose ten percent in 1977-1979 and then decreased by seven percent in January-March 1980. Overall capacity utilization reached a peak of 75.8 percent in 1979, below the 80 percent level cited by importers at the hearing as being an adequate level.²⁴ However, capacity utilization cannot tell us much because capacity is measured in terms of pounds of iron poured; if a foundry chooses to produce light-weight castings, its utilization statistics could fall without any true decline in the level of usage of its factors of production. In fact such a change can be profitable depending on the relationship of the market price of the lighter castings to their costs of production.

There is some doubt as to the degree of relevance of inventory trends in the present case. The petitioner and one other representative of the domestic industry indicated at the Commission's hearing that increasing inventories may be a sign of industry health under certain conditions.²⁵ Inventories fell marginally by three percent from 1977 to 1979, but increased 15 percent in the first quarter of 1980 when compared to January-March 1979. In that most recent quarter for which data are available the inventories-to-shipments ratio grew 28 percent, completely reversing a decline which had been posted over the three-year period.

Employment grew a marginal 1.4 percent during the three-year period before noticeably declining almost eight percent in the first quarter of 1980, compared to the like period of the preceding year. Average weekly hours per worker declined slightly throughout the period of investigation. Wage increases appear to have closely tracked those for all manufacturing employees over the same period.

The overall picture of the industry worsens considerably when its financial performance is considered. Although net sales of U.S. producers increased each year from 1977 to 1979, net operating profit declined irregularly by 13 percent from 1977 to 1979, and U.S. producers reported a net operating loss of \$63,000 in the first three months of 1980. The number of firms reporting such losses increased in each period from 1977 to January-March 1980. Well over one-half

of those firms which responded to Commission questionnaires reported net operating losses for the first quarter of 1980. As a ratio of net profit (loss) to net sales, the industry rate of 7.7 percent in 1977 fell to 3.9 percent in 1978, partially recovered to 5.2 percent in 1979 before dropping to a negative 0.3 percent in January-March 1980. Although the performance over the three-year period is not disastrous, the interval was an exceptional boom period in the construction industry, the prime customer for the castings in question. In this countervailing duty case, "material" injury must be attributable to the subsidized imports for an affirmative determination. The lackluster condition of the domestic industry during a boom period and its recent rapid decline indicate that a closer look at the impact of the Indian imports is clearly in order.

Impact of the Indian Imports

The staggering growth in the import penetration by the Indian public works castings is one of the distinctive features of this case. Subject Indian imports increased 277 percent by quantity from 1977 to 1979. Imports continued to increase substantially in the period January-April 1980, increasing 30 percent by quantity compared to the corresponding period of 1979. These data show substantial increases in imports despite the economic recession prevailing in the United States during the first six months of 1980. Even more telling, the imports' share of apparent U.S. consumption rose substantially over the period, from seven percent in 1977 to over twenty percent in 1979, and continued to increase rapidly in the first three months of 1980, again despite the recession. Penetration in the first quarter of 1980 reached 29 percent, 38 percent higher than the figure for the same quarter of the year previous. Though these items are costly to transport, India accounts for over 90 percent of all imports of the goods in question.

Of 35 allegations of lost sales checked by the Commission staff, 32 purchasers confirmed they had purchased castings imported from India. Of these 32 purchasers, 20 stated they made such purchases because of the lower price of the Indian castings. Lost sales due to price considerations are expected in this industry, which manufacturers lower unit profit items of rather simple construction, and in which imports are relatively fungible with U.S. made-products.²⁶

An analysis of pricing in the U.S. market is absolutely critical to an understanding of the domestic industry and the impact made by the Indian imports. The cause of the serious and continued deterioration of industry profits already noted lies in the inability of domestic producers to raise prices in the face of rising production costs, principally rising raw materials costs. The industry actually reduced its overhead costs relative to its net sales in the 1977-1979 period,²⁷ but increasing costs of goods sold forced down net operating profits to unacceptable levels. A major factor in this suppression is competition from imports from India, not only from importers of these products, but also from domestic producer-importers, whose high-markups on imports apparently allow these foundries on both imports and their domestic products to undersell the domestic castings produced by those foundries which do not import.²⁸

My analysis shows that subject imports caused price suppression as a result of the subsidies despite the fact that margins of underselling were larger than the levels of subsidy.

Pricing data collected on two types of manhole assemblies representative of products offered by all three types of sellers in the marketplace—foundries which do not import, foundry-importers, and importers—show significant margins of underselling of the domestic producers' product by both the imported product and the domestic product of the foundry-importer. In general, the margins of underselling increased in the latter half of 1979, and then declined noticeably in January-March 1980.

Once in the United States, the simple castings which are the subject of this investigation are apparently fungible. Despite this fact, the data collected by staff show that a four-tiered price structure exists in this industry, and that the structure is stable.²⁹ The lowest priced item was the imported item sold by importers which undersold the next tier by a significant but changing margin. The second and third tiers were occupied by the imported and domestic products respectively, both sold by foundry-importers. The imported product undersold the domestic castings of the same foundry-importers by consistently small yet persistent margins. At the top of the price spectrum was the domestic product of foundries which do not import, a group that has declined in number as Indian market

²⁴ Hearing transcript at 227.

²⁵ Hearing transcript at 114 and 117.

²⁶ Report A-3, footnote 2; hearing transcript at 184.

²⁷ Report at A-25.

²⁸ Report at A-32.

²⁹ See table 16 in report at A-33 and table 17 at A-34.

penetration has mushroomed. Their product was consistently undersold by large margins by that of domestic competitors who also imported.

The price structure, stable over the entire period of investigation, has a rationale. Most imports are sold by foundry-importers who have extensive marketing experience and an established clientele. Customarily a large order will be sent to India because of the price advantage. However, smaller additional orders are often necessary as a job progresses. Foundry-importers can satisfy these from local inventories, and when possible resort to short domestic runs that do not suffer the long waiting periods required for overseas orders. For each of these services, in turn, foundry-importers can and do extract premiums over the price of castings available directly from importers. Finally, domestic producers are in the least advantageous price situation. They benefit neither from the low Indian labor costs nor the subsidy provided by the Government of India. Furthermore, they do not derive any profits from the distribution of imports. Such profits help sustain the domestic operations of foundry-importers.

The imposition of a countervailing duty could have a beneficial effect despite the large margin of underselling if it would raise the entire price structure. But an affirmative determination which is the prerequisite for such a duty must be based on a finding of actual material injury or threat thereof attributable to the subject imports. The flagging performance of this industry has resulted in current profit levels that for the first quarter of 1980 are in the red. Clearly, the recent severe downturn in residential construction in the United States is a major cause of the declining prospects of this industry.³⁰ However, the material injury resulting from subsidized imports is subject to countervailing action by international and domestic standards, regardless of the ranking of the subsidized imports as a cause of the industry's difficulties. The Senate Finance Committee has cautioned that the issue is not:

* * * Whether subsidized imports are the principal, a substantial, or a significant cause of material injury. Any such requirement has the undesirable result of making relief more difficult to obtain for industries facing difficulties from a variety of sources; such

industries are often the most vulnerable to subsidized imports.³¹

Respondents maintained at the Commission's hearing and in post-hearing brief that the subsidy provided Indian castings is too minimal in light of actual margins of underselling.³² At the current Indian floor price for these castings, a 13.3 percent countervailing duty would add 1.5 cents per pound to the imported casting, which would decrease the current margins of underselling to 18 to 22 percent on the representative 270 lb.-casting upon which the Commission collected pricing data. Such a margin of underselling without the subsidy in place would still normally guarantee a strong performance by the imports. However, given the four-tier structure of the market under consideration and the rationale for the various price differentials, it is clear that any increase in the price of the lowest level—the Indian imports—can only have one effect, that of making production of the domestic castings relatively more desirable and profitable. If a price increase is fully passed along, it should feed its way up the four levels because the rationale for the various differentials would remain intact. To the extent the duty would not be passed along to ultimate customers, the foundry-importers' choice of imports would be made only at increasingly larger runs because of the reduced profitability of imports. In either case the result on production and profits should be the same—beneficial.

In all likelihood, the effect of any countervailing duty would be further enhanced by the increasing costs of manufacturing and importing the product from India, especially increasing production and freight costs. Indian manufacturers have notified U.S. importers of increases in the Indian floor price for castings of ½ of 1¢ per pound (approximately 4 to 9 percent) effective October 1, 1980, and an additional ½ increase after January 1, 1981. Testimony by one of the respondent's witnesses in the preliminary phase of the case listed a series of costs associated with transporting these heavy and bulky items which are increasing rapidly.³³ Transport costs were estimated by this witness to have increased from 30 percent to 60 percent of the f.o.b. cost from 1978 to 1979. In addition, bunker oil surcharges were said to have increased 100 percent from

1977 to 1979.³⁴ Inland freight costs and surcharges were also mentioned as affecting the costs of imported castings from India in the United States.³⁵ If these costs are added, the margin of underselling is compressed and the significance of the subsidy becomes clearer.

In this context, it must be borne in mind that profits on any balance sheet are a rather volatile residual—the difference between sales and costs. In the case of this industry, that residual has fallen to nil. Had the imports in question not suppressed prices across the upper three tiers, sales receipts would have risen without any concomitant rise in costs of the domestic goods sold. The profit residual would have been significantly higher and this industry would be a materially better position to weather the current recession.

I am not aware of any previous Commission cases which have similar circumstances. In *Welded Stainless Steel Pipe and Tube from Japan* (Inv. No. AA1921-180, July 1978), all Commissioners then sitting observed that injury could not have been by reason of less than fair value (LTFV) imports because the LTFV margin was only 3.1 percent compared to margins of underselling of 17-25 percent. In comparing the economic logic of *Pipe and Tube* with that of the present case, it should be noted that the ratio of the LTFV margin (analogous to the subsidy in the present case), of the Japanese product to the margin of underselling was only about 15 percent (as opposed to 33-50 percent here), the import penetration was under 8 percent, and the price structure of the domestic market had no similarity to that exhibited in the present case. In *Certain Zoris from The Republic of China (Taiwan)* (Inv. No. 303-TA-1, September 1976) the Commission found negatively and mentioned the small size of the subsidy (5 percent) in relation to the margin of underselling. But the declining market share of subject imports was also a factor. Price structure of the domestic market was considered but it was based on quality rather than service differences. In *Unlabeled Leather Footwear Uppers from India* (Inv. No. 701-TA-1(F), March 1980), the Commission made a unanimous negative determination based in part on the small size of the subsidy (1.01 percent). However, the miniscule Indian import market share of less than 0.5 percent of U.S. consumption was also critical. No margin of underselling could

³⁰ A further source of trouble in this industry has been the implementation of non-productive investments to comply with environmental regulations. Some smaller foundries have closed because of the cost of compliance.

³¹ Committee on Finance, Trade Agreements Act of 1979, S. Rept. No. 261, 96th Cong., 1st sess. at 57.

³² Post-hearing brief of respondents at 8 and 19.

³³ Transcript of the Conference, pp. 67-68.

³⁴ Ibid., at 68.

³⁵ Ibid., at 92.

be calculated because no commercial trade in the imported product could be found. In *Certain Public Works Castings*, the size of the subsidy, the larger ratio of the subsidy to a narrowing margin of underselling, the huge import penetration, and the unusual price structure of the U.S. market clearly distinguished this case from previous ones.

The Immediate Future

The percentage of Indian castings as a share of inventories held by both producers and importers increased from 7 percent in 1977 to 18 percent in 1979, and to over 20 percent in January-March 1980. These Indian castings held in inventory pose a threat of material injury to U.S. producers as importers seek to maintain cash flow to finance future imports.

Responses to the Commission's questionnaires as well as testimony at the Commission's hearing revealed a number of U.S. producers which had abandoned or delayed expansion or modernization plans due to the continued threat of price competition from imports from India.³⁶

My affirmative finding is therefore further strengthened by the certainty that the Indian margin of underselling will not significantly exceed any countervailing duty and by the real and imminent threat of further injury exemplified in the most recent large rise in import penetration and import inventories during a period of recession in the domestic industry.

Views of Chairman Bill Alberger

On the basis of the record in investigation No. 303-TA-13 (Final), I determine that an industry in the United States is not materially injured, is not threatened with material injury, and that the establishment of an industry is not materially retarded³⁷ by reason of the importation from India of certain iron-metal castings which the Department of Commerce has determined are receiving bounties or grants.

The Domestic Industry

At the public hearing held on this investigation, the attorney for petitioner stated that " * * the scope of the industry and the scope of this problem of public works castings imports from India is national."³⁸ However, petitioners allege in the alternative

" * * that there is, at the very least, material injury to a regional industry in the West, * * *"³⁹

Section 771(i)(C) of the Tariff Act of 1930 provides that:

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

The majority of the Commission has previously indicated⁴⁰ that it believes the application of section 771(4)(C) to be discretionary—to be invoked only in "appropriate circumstances." Further, it appears that the Commission has broad discretion in determining what constitutes appropriate circumstances, as this matter is not addressed in either the legislative history or the Statement of Administrative Action.

In the preliminary phase of this investigation, I concluded that the consideration of a West Coast regional industry was not appropriate. At this final stage I continue to find that appropriate circumstances do not exist for the consideration of a West Coast⁴¹ regional industry in this investigation.

While there are some similarities in foundry size, marketing practices, and impact of imports on the producers in the 13 western states, the 13 producers do not constitute a single geographic marketing area. Rather there appear to be several separate geographic markets within the area. This situation results because the bulk of the castings produced, the consequent expense of transportation, specification requirements, and weather and wear problems relating to the geographic area where use is contemplated make it impractical for the foundries to consider sales outside a 200 mile radius of their facility.⁴² Most of these 13 foundries do not, therefore, compete with one another. While there are 13 foundries located within the identified region who technically sell all of their production in the market, several of these foundries have the market to themselves within their own 200 mile marketing areas. Often the only competition is supplied by imports. To consider each foundry separately or each of the smaller marketing areas separately in evaluating regional industry would artificially

narrow the region to a base so small that an accurate assessment of the effect of imports could not be accomplished. Also, as a practical matter, inadequate data exists to narrow the geographic scope of the proposed region. The Commission is constrained by petitioners allegations on regions and initial staff judgments as to the appropriate geographic area for data gathering. Therefore, I have made my determination on the basis of a national public works castings industry.

Injury to the Domestic Industry

The public works castings industry has remained fairly successful in light of increasing imports, a faltering economy, and stringent governmental regulations. Imports of castings from India have continued to increase and penetrate the U.S. market since 1977. Throughout this period, until early 1980, domestic shipments, production, capacity utilization, and employment have continued to increase. In the face of increasing imports, the domestic industry, as a whole, remained profitable through 1979. Net sales continue to increase, even into the first quarter of 1980, and the ratio of net operating profit to net sales, while decreasing in 1978, rebounded in 1979 to a level which closely approximates that of other domestic steel and metalworking operations.⁴³ Two foundries closed during the 1977-79 period while other foundries reported strong performances. Interestingly, the financial situation reported by those domestic producers which import from India was not nearly as strong as that of the non-importing foundries. The ratio of net operating profit to net sales for importing foundries decreased dramatically from 1977 to 1978 and remained low through 1979. The ratio of net operating profit to net sales for the non-importing producers also declined from 1977 to 1978, but by a considerably smaller amount, and then rebounded in 1979.

The predominant factor reported for the switch from domestically produced castings to those imported from India was price. Although the price of domestic castings has increased from 1978 to 1979, imported castings consistently undersold the U.S. product by significant margins during that period. The margin of underselling by the importers product was more than twice the amount of the subsidy through 1979. While the price of U.S. castings decreased somewhat in January-March 1980, the price of importers' castings continued to rise, thus narrowing the

³⁹ Ibid.

⁴⁰ *Certain Steel Wire Nails from the Republic of Korea*, Views of Chairman Bill Alberger, Vice Chairman Michael J. Calhoun, and Commissioner Paula Stern, USITC Pub. No. 1088, Aug. 1980, p. 9.

⁴¹ The Commission staff has identified a 13 state West Coast region comprised of Washington, Oregon, California, Nevada, Idaho, Montana, Arizona, Utah, Wyoming, Colorado, New Mexico, Hawaii, and Alaska for purposes of data collection.

⁴² Staff Report (Report) at p. A-7.

⁴³ Report at A-25.

³⁶ Report, at A-26.

³⁷ The establishment of an industry producing public works castings in the United States is not at issue in this investigation since there are numerous domestic producers. It will not be discussed further in these views.

³⁸ Transcript at p. 10.

margin of underselling. Curiously, at the very time that the margins of underselling narrowed, domestic producers began showing signs of injury.

The declines in production, shipments, capacity utilization and employment experienced by the domestic castings industry in the first quarter of 1980 reflect a downturn in the nation's economy resulting in a large decline in construction and housing starts in the United States. This slowdown, in turn, created a situation of reduced demand for public works castings nationwide. During this time, U.S. producer's inventories began to increase as did importers' inventories. Financial losses were reported for the first quarter of 1980 by domestic foundries. Past history has shown, however, that the domestic producers of castings can compete and succeed in spite of increasing, low-cost imports from India. I, therefore, find that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain iron-metal castings from India.

Findings of Fact

Section 771(7)(B) of the Tariff Act of 1930 requires the Commission to consider (1) the volume of the subject imports, (2) their effect on the domestic price of the like product, and (3) their impact on the domestic producers of the like product. In section 771(7)(C), the act further specifies a series of economic factors that the Commission must include in these considerations. My findings of fact on each of these factors follows:

A. Volume of Imports

1. Imports of certain public works castings from India increased 277 percent by quantity and 334 percent by value from 1977 to 1979. (Report at p. A-10)

2. Imports from India increased 30 percent by quantity and 42 percent by value in January-April 1980, as compared with the corresponding period of 1979. (Report at p. A-10)

B. Effects of Subsidized Imports on U.S. Prices

3. The average lowest net selling prices for the two representative manhole assemblies compared were uniformly lower for imports from India than those of the comparable U.S. produced product. The margins of underselling were largest for the imported product offered by so-called "true" importers, averaging 39.5 percent in 1978 and 40.4 percent in 1979 for the 270 pound casting; and 38.8 percent in 1978, increasing to 40.8 percent in 1979,

for the heavier casting. (Report at pp. A-33-34)

4. Prices of imports offered by those domestic producers which also import undersold U.S. produced castings throughout 1978 and 1979. Margins of underselling on the lighter casting averaged 15.5 percent in 1978, increasing to 24.7 percent in 1979; underselling margins also increased on the heavier casting, from 21.0 percent in 1978 to 26.4 percent in 1979. (Report at pp. A-33-34)

5. The margins of underselling for imports offered by importers decreased from approximately 40 percent in the last quarter of 1979 to approximately 28 percent in January-March 1980. The margins of underselling for imports offered by producer-importers also decreased from approximately 27 percent in the last quarter of 1979 to about 23 to 26 percent depending upon the size of casting. (Report at pp. A-33-34)

6. The price of the 270 lb. casting manufactured by domestic producers which do not import increased from 26.4 cents per pound in January-March 1978 to 33.0 per pound in October-December 1979, or by 25 percent. Prices offered by these same producers increased by 28 percent for the 775 pound casting over the same period. (Report at pp. A-33-34)

7. Prices offered by producer-importers on their U.S. produced castings were consistently lower than comparable castings offered by domestic competitors which do not import. (Report at p. A-32)

C. Impact on the Affected Industry

8. U.S. producers' domestic shipments increased by 8 percent by quantity from 1977 to 1979, before declining by 10 percent in January-March 1980, as compared to the corresponding period in 1979. (Report at p. A-12)

9. Production of certain public works castings rose by 9 percent from 1977 to 1979, before falling by 9 percent in the first 3 months of 1980. Utilization of producers' capacity increased 10 percent from 1977 to 1979, before falling by 7 percent in January-March 1980. (Report at p. A-15)

10. Inventories of domestic producers fell by 3 percent from 1977 to 1979, but rose 15 percent in January-March 1980, as compared to the corresponding period of 1979. (Report at p. A-16)

11. The share of imported castings from India held in inventory by both producer-importers and importers of total inventory increased by 141 percent from 1977 to 1979, and rose by 46 percent in January-March 1980. (Report at p. A-17)

12. Employment of production and related workers remained about the

same from 1977 to 1979, but fell by 8 percent in January-March 1980 as compared to January-March 1979. (Report at p. A-18)

13. Labor productivity, as measured by output per man-hour, increased 8 percent from 1977 to 1979, and again, by 3 percent, in January-March 1980 as compared with January-March 1979. (Report at p. A-19)

14. Wage rates for 3 categories of public works castings production and related workers closely tracked rates for production and related workers for all manufacturing concerns, according to the Bureau of Labor Statistics. (Report at p. A-20)

15. Net sales of U.S. producers of certain public works castings increased by 28 percent from 1977 to 1979, and again, by 2.5 percent, in January-March 1980. Net operating profit fell by 45.2 percent from 1977 to 1978, increased 58.8 percent from 1978 to 1979, and U.S. producers reported a net operating loss of \$63,000 in January-March 1980. (Report at p. A-22)

16. The number of firms reporting net operating losses increased in each year from 1977 to 1979, and again in January-March 1980. In this latter period, over one-half of respondents reported net operating losses. (Report at p. A-22)

17. Imports from India's share of domestic consumption of certain public works castings increased from 6.8 percent in 1977 to 20.1 percent in 1979. This share increased again in January-March 1980, rising to 28.9 percent of total apparent U.S. consumption. (Report at p. A-28)

18. Fifteen domestic producers submitted specific information as to sales lost to imports from India. Of 35 allegations checked by the Commission staff, 32 purchasers confirmed they had purchased imported castings from India in lieu of the domestic product. Twenty of these purchasers cited the lower price of the imported castings as the most important factor affecting their purchasing decisions. (Report at p. A-35)

D. Other Factors Affecting the Domestic Industry

19. The public works castings industry is affected by the present economic downturn, and specifically, by the slowdown in the residential construction sector. (Report at p. A-35)

20. Increased energy costs and costs associated with government anti-pollution and health and safety regulations are also affecting the domestic industry. (Report at pp. A-38-39)

21. Costs of raw materials, specifically scrap iron, are rising rapidly. (Report at p. A-39)

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Conclusions of Law

1. Appropriate circumstances do not exist in this investigation for the consideration of a West Coast regional industry. Therefore, I have made my determination on the basis of a national industry producing certain public works castings.

2. The domestic industry producing certain iron-metal castings, commonly called public works castings, is not being materially injured, and is not threatened with material injury, by reason of the imports of those castings from India, upon which bounties or grants have been found by the U.S. Department of Commerce.

Issued: September 29, 1980.

By order of the Commission.

Kenneth R. Mason,
Secretary.

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