HOT-ROLLED CARBON STEEL SHEET FROM FRANCE

Determination of the Commission in Investigation No. 701-TA-85 (Preliminary) Under Section 703(a) of the Tariff Act of 1930, Together With the Information Obtained in the Investigation

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-85 (Preliminary)

HOT-ROLLED CARBON STEEL SHEET FROM FRANCE

Determination

On the basis of the record 1/ developed in investigation No. 701-TA-85 (Preliminary), the Commission unanimously determines that there is a reasonable indication that an industry in the United States is materially injured 2/ by reason of imports from France of hot-rolled carbon steel sheet, provided for in items 607.6610, 607.6700, 607.8320, or 607.8342 of the Tariff Schedules of the United States Annotated (1981), which are alleged to be subsidized by the Government of France.

Background

On November 18, 1981, the U.S. International Trade Commission received advice from the U.S. Department of Commerce that it was initiating a countervailing duty investigation on imports of hot-rolled carbon steel sheet from France. Accordingly, effective November 18, 1981, the Commission instituted investigation No. 701-TA-85 (Preliminary) pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of the investigation by the Department of Commerce.

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 Commissioner Stern determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from France of hot-rolled carbon steel sheet which are alleged to be subsidized by the Government of France.

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 notices at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notices in the Federal Register of November 25, 1981 (46 F.R. 57785). The conference was held in Washington, D.C., on December 14, 1981, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN BILL ALBERGER, VICE CHAIRMAN MICHAEL J. CALHOUN, COMMISSIONER ALFRED E. ECKES, AND COMMISSIONER EUGENE J. FRANK

We have determined that there is a reasonable indication that an industry in the United States is materially injured 1/ by reason of allegedly subsidized imports from France of hot-rolled carbon steel sheet. Our determination is based on the following considerations. 2/

The domestic industry

The domestic industry is defined in section 771(4)(A) of the Tariff Act of 1930 as consisting of all domestic producers of a product that is like that being imported, or those producers whose total output of the like product constitutes a major portion of domestic production of that product. 3/ "Like product" is defined by section 771(10) of the Act 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 . . . ." 4/

This investigation concerns allegedly subsidized imports of hot-rolled carbon steel sheet from France. Hot-rolled sheet, whether imported or domestically produced, is used in car bodies, large appliances such as washing

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1/ Vice Chairman Calhoun also finds that there is a reasonable indication of a threat of material injury. See f.n. 28.

2/ Commissioner Frank notes that the Statute and legislative history require the Commission in its preliminary determinations in both antidumping and countervailing duty investigations to exercise only a low threshold test based upon the best information available to it at the time of such determination that the facts reasonably indicate that an industry in the United States could possibly be suffering material injury, threat thereof, or material retardation. H.R. Rept. No. 96-317, 96th Cong., 1st Sess., p. 52 (1979).

3/ 19 U.S.C. § 1677(4)(A).

4/ 19 U.S.C. § 1677(10).

machines and refrigerators, electrical equipment, machinery and equipment, and certain types of welded pipe and tube. In its Notice of Institution, the Department of Commerce defined the imported articles as follows:

> For the purposes of this investigation, the term "hot rolled carbon steel sheet" covers steel not alloyed; not cold rolled; whether or not pickled; not coated or plated with metal and not clad; over twelve inches in width; and in coils, or if not in coils under 0.1875 inch in thickness, as currently provided for in items 607.6610, 607.6700, 607.8320, or 607.8342 of the Tariff Schedules of the United States Annotated.

46 F.R. 56640 (Nov. 18, 1981). For purposes of this investigation, then, the term hot-rolled sheet refers to steel less than 0.1875 inches thick which has been cut to length, or which has been coiled, regardless of thickness.

Steel sheet is either coiled to facilitate handling or sheared to various lengths and widths. 5/ Coiled sheet is sold to end-users who unroll the coiled sheet and cut it to the dimensions desired.

Hot-rolled sheet, whether imported or domestic, comes in a spectrum of lengths, widths, and gages. 6/ Any differences in characteristics and uses are insignificant for purposes of this preliminary investigation. 7/ All domestically produced hot-rolled carbon steel sheet, regardless of width or

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5/ The manufacturing process for hot-rolled sheet is described in detail in the Staff Report and will not be discussed here. Staff Report at A-1 and A-2.

6/ Id. at A-2 et seq.

7/ Some French producers argued that certain of their imports fall into categories that should be excluded from the definition of the like product. In particular, they contended that lighter gage products in widths of 84 inches or more are either in short supply or unavailable from domestic sources. Transcript of public conference of December 14, 1981, at 157, 179, 183-84. There are no persuasive data, however, to substantiate the product mix of French imports, the lack of alternative domestic sources, or the alleged uniqueness of the French products. Furthermore, information available to the Commission suggests that 84-inch French sheet competes with narrower widths of U.S.-produced sheet, which can be welded together to cover an equivalent surface area.

gage, is "like" the French imports. Consequently, we believe the "continuum principle" set forth in Stainless Clad Steel Plate from Japan, 8/ is appropriate to consideration of the like product in this investigation. That case involved clad steel plate custom-made in a variety of sizes and shapes. The Commission found that the like product consisted of a general category of clad steel plate, rather than plate of particular sizes or shapes. In reaching its conclusion, the Commission stated:

> Since this is a case in which the like product candidates consist of a group of products slightly distinguishable from each other, among which no clear dividing lines can be drawn based on characteristics and uses, we find the like product in this preliminary investigation is all members of the group. 9/

Accordingly, we find that the like product is all hot-rolled carbon steel sheet within the category defined by the Commerce Department. Thus, the relevant domestic industry in this investigation consists of those domestic producers who produce hot-rolled carbon steel sheet.

Reasonable indication of material injury

1. Condition of the domestic industry

The Commission last examined the condition of the U.S. steel industry, including that portion of the industry producing hot-rolled carbon steel sheet, in May 1980. 10/ Data available at that time revealed an industry adversely affected by increasing import competition and achieving profitability levels that were exceedingly low both in absolute terms and in

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8/ Inv. No. 731-TA-50 (Preliminary), USITC Pub. 1196 (1981).
9/ Id. at 4.
10/ Certain Carbon Steel Products from Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, and the United Kingdom, Investigations Nos. 731-TA-18 to 24 (Preliminary), USITC Pub. 1064 (1980).

comparison with other manufacturing groups. Information obtained in the present investigation demonstrates that the domestic industry's health has not substantially improved.

Domestic production of hot-rolled carbon steel sheet declined from 11.3 million tons in 1978 to 9.5 million tons in 1980, or by about 16 percent. Although production rebounded in the first three quarters of 1981 as compared to the same period in 1980, it is unlikely, in light of currently shrinking demand, to reach the full-year levels attained in 1978 and 1979. 11/ Utilization of capacity remained steady between 1978 and 1979, but declined approximately 20 percent in 1980 as a result of declining production. Capacity utilization for the first nine months in 1981, although higher than the comparable period of 1980, was still below the percentages reported for 1978 and 1979. 12/

Domestic shipments of hot-rolled carbon steel sheet increased slightly from 1978 to 1979, but fell sharply in 1980. Shipments increased in January-September 1981, as compared to the same period in 1980. 13/ Year-end inventories declined 14 percent from 1978 to 1980. However, they increased dramatically--42 percent in the first nine months of 1981, as compared to the same period in 1980 signalling the current down-turn in demand. 14/

11/ Staff Report at A-16.

12/ Id. As noted in the Staff Report, some hot-rolled sheet is produced on the same equipment used to make hot-rolled plate, and allocation of a plant's total capacity must be made in order to arrive at a capacity figure for each product.

13/ Id. at A-17. Exports represent approximately 1 percent of total domestic shipments for the relevant period.

14/ Id. at A-19.

Total employment in U.S. facilities producing hot-rolled carbon steel sheet, as well as employment of production and related workers in particular, rose from 1978 to 1979, but declined in 1980. While total employment continued to fall in the first three quarters of 1981, employment of production and related workers (including those specifically engaged in producing hot-rolled sheet) increased from 1980, reflecting the general trend in production, but employment was still below levels reached in 1978 and 1979. 15/

Especially significant in the assessment of injury is the extremely low level of profitability in this industry. On both their overall and hot-rolled sheet operations domestic producers are currently receiving a far lower ratio of operating profit to net sales than are either all iron and steel company operations or all manufacturing companies. 16/ The data show that net sales of hot-rolled sheet increased 19 percent, from $3.4 billion in 1978 to $4.0 billion in 1979, then declined to $3.1 billion in 1980. In the first three quarters of 1981, net sales increased by 46 percent over the same period in 1980, from $2.2 billion to $3.2 billion. 17/ However, aggregate operating

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15/ Commissioner Frank notes that the hours paid for production and related workers for hot-rolled carbon steel sheet also evidence some increase on nine month figures of 1981 as compared to 1980, but likewise showed declines from 1978 and 1979. Id. at A-20.

Commissioner Frank further notes that unit labor costs per ton in the production of hot-rolled carbon steel sheet were down 6.2 percent for the January-September 1981 period from the comparable 1980 period. Labor productivity in terms of tons per hour was higher also. Id. at A-24, Table 15.

16/ Id. at A-27. Profit-and-loss data were received from nine producers accounting for roughly 87 percent of domestic shipments in 1980. Id. at A-23.

17/ Id. at A-26.

profits from sales of hot-rolled sheet declined from $168 million in 1978 to an operating loss of $234 million in 1980, while the ratio of operating profit to net sales fell from a positive 5 percent in 1978 to a negative 7.6 percent in 1980. Despite increased net sales in 1981, the industry continued to suffer an operating loss, amounting to $58 million in the first three quarters, for a ratio of operating loss to net sales of 1.8 percent. 18/ These negative profitability figures amply demonstrate the present weakened condition of the domestic industry.

Furthermore, other considerations, such as the low level of return on equity the industry has shown, do not make it an attractive magnet for investment capital. 19/

2. Volume of Imports

One of the most important factors influencing our determination is the changing pattern of imports. The most recent monthly data emphasizes that the volume of imports of hot-rolled sheet from France is increasing. In particular, imports of sheet from France rose from 90,083 tons in the three-month period August to October 1980 to 149,832 tons in the same period of 1981, an increase of 66 percent. 20/

Until 1981, imports steadily declined throughout the period of investigation. They fell from 693,613 tons in 1978 to 395,351 tons in

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18/ Id. at A-26.

19/ Commissioner Frank notes that total capital expenditures have risen since 1978, the majority of which went into machinery and equipment. He notes also that research and development expenditures in the industry have increased consistently since 1978 including the first nine months of 1981. Id. at A-27 and A-28.

20/ Id. at A-30.

1980. 21/ The ratio of imports to apparent U.S. consumption, which reached 4.0 percent in 1978, declined to 3.1 percent in 1979, and remained constant in 1980. However, the ratio of imports to domestic shipments began to increase in 1981, rising to 5.4 percent in August-October, the most recent period for which data are available. 22/ From our perspective, both the absolute rise in the level of sheet imports from France and the imports to domestic shipments ratio point to an affirmative preliminary determination.

3. Price

Pricing information on imported hot-rolled carbon steel sheet from France warrants further investigation. The Commission requested delivered selling prices for hot-rolled carbon steel sheet, commercial quality, 0.1210-0.1799 inches in thickness and over 36 but less than 72 inches in width from domestic producers and from importers of French hot-rolled sheet. This information was used for price comparisons. Data supplied by importers of the French product showed that in certain instances French sheet sold for a higher price than the comparable domestic product. Thus on sales to service center-distributors the French imports consistently sold at a higher price than domestic sheet, with the margins of overselling ranging from 1 percent to 24 percent. 23/ However, sales to end-user customers reveal a pattern of underselling at margins ranging from 1 percent to 17 percent. 24/ The usefulness of these comparisons

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21/ Id. at A-29, Table 20.

22/ Commissioner Frank notes that production of hot-rolled carbon steel sheet by the two French producers meanwhile has increased in 1979 and 1980 and rates of production to capacity are up for the first 9 months of 1981. Staff Rept. at Id. at A-47.

23/ Id. at A-37 through A-39, Table 25. Commissioner Frank notes that a number of importer-distributors are owned by French producers. Id. at A-8.

24/ Id.

is affected by the difficulty of calculating freight charges for domestic shipments. 25/ Certain domestic companies reported that they were unable to calculate freight, since this cost was assumed by the purchaser. Others emphasized that inclusion of freight charges can distort a comparison of prices. Therefore, for purposes of this preliminary investigation, we note there is a reasonable indication of a pattern of underselling of imports in some parts of the market.

Furthermore, information obtained from domestic purchasers calls into question claims that French sheet sold at a higher price. In questionnaire responses, five domestic producers provided information regarding 86 alleged lost sales to imports of competing hot-rolled sheet from France. 26/ The Commission staff contacted a representative sample of 17 purchasers. Twelve purchasers confirmed lost sales. 27/ The principal reason given by these purchasers for the lost sales was the lower price of the French product. Only one purchaser reported paying a premium for the French import. Staff also verified instances in which domestic hot-rolled sheet producers lowered their prices in order to avoid losing a sale to a competing French offer. 28/

25/ Id. at A-37.
26/ Id. at A-39 and A-40.
27/ Id.
28/ With regard to threat of material injury, Vice Chairman Calhoun observes that the two major French producers of hot-rolled sheet, Usinor and Sacilor, increased their capacity from 1979 to 1980. Both firms retain significant amounts of unused capacity that could be used to increase production. Since the Simonet-Davignon Plan apparently restricts shipments within the European Community, it is possible that any increases in French production would be directed at export markets.

France clearly has the ability to export large amounts of hot-rolled sheet to the United States, although it has not fully exploited this capability in recent years. Nevertheless, imports from France increased in

(Footnote continued)

Accordingly, in spite of its alleged higher quality, there is evidence that French sheet sold for a lower price than domestic hot-rolled sheet.

The market for hot-rolled carbon steel sheet is highly price sensitive. The lower prices of one source of supply, foreign or domestic, can have ripple effects on the market. We believe that the information regarding French prices demonstrates a reasonable possibility that the imports from France have suppressed, and, on occasion, depressed prices in the domestic market. During a final investigation, the staff will have an opportunity to verify any data submitted and to obtain additional information.

Conclusion

On the basis of the record before us, 29/ we conclude that there is a causal link between allegedly subsidized imports of hot-rolled carbon steel

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(Footnote continued)
January-September 1981 by comparison with the comparable period of 1980, rising from 270,500 tons to 297,903 tons. This trend becomes even more apparent when examined on a month-to-month basis. During 1980, imports from France fluctuated from month to month, both in terms of tonnage and as a ratio of imports to domestic shipments. No clear pattern of increasing volume or import penetration is apparent. In contrast, month-to-month figures for January-October 1981 show a pattern of sharp increases in tonnage and as a ratio of imports to domestic shipments.

The French steel industry's excess capacity, demonstrated export capability, and the recent rising trend in French imports establishes a reasonable indication of a threat of material injury. Furthermore, French hot-rolled carbon steel sheet is allegedly of superior quality and at a price competitive with domestic steel. For a price sensitive industry this provides an added basis for a finding of a reasonable indication of threat of material injury.

29/ On the basis of the record before him, Commissioner Frank concludes that there is a causal link between allegedly subsidized imports of hot-rolled carbon steel sheet from France with the material injury experienced by the domestic industry. The principal bases for his affirmative determination are the significant volume of French imports and information regarding lost sales, as well as a reasonable indication that these French imports through their impact on domestic prices, have had a material adverse effect on the condition of the domestic industry.

sheet and the reasonable indication of material injury. The principal bases for our determination are the increasing volume of French imports, information regarding lost sales by reason of underselling, and price suppression leading to reduced profitability.

VIEWS OF COMMISSIONER PAULA STERN

Introduction

On the basis of the record in this investigation, I have found that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of hot-rolled carbon steel sheet allegedly subsidized by the government of France.

The present case has focused on a basic industry which has been the subject of intense discussion throughout the industrial world. Many issues important to this case appeared earlier in cases before the Commission in 1980 */ and bear review.

Important legal issues in the previous cases centered on the appropriate breadth of product aggregation in describing the domestic industry and the propriety of judging the cumulative impact of the subject imports on the domestic industry. The question of aggregation -- which the Commission chose to approach on a product line basis -- apparently has been settled for the steel industry. In the present

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*/ There is a tendency to regard the Commission as having found in this case that subsidized imports have injured the U.S. industry. Rather, emphasis should be given to the fact that the Commission has determined in this preliminary case that there is a reasonable indication of material injury or threat thereof due to alleged subsidized imports. See "Statement of Reasons of Commissioner Paula Stern" in Certain Carbon Steel Products . . . , Inv. Nos. 731-TA-18-24 (Preliminary) USITC Pub. No. 1064, May 1980, at 39-71.

case all parties seemed agreed on the appropriateness of examining each product line separately. I have found it unnecessary at this preliminary stage to address the issue of cumulation because looking at the subject imports' cumulative impact would not have affected the finding I was able to make on an individual basis. */ For the sake of brevity, I am incorporating in these Views the previous discussions of product aggregation and cumulation found in Certain Carbon Steel Products (May 1980). Both these issues played a role in setting the stage of reaching the primarily economic findings on the existence or threat of injury and the causation of the problems experienced by the U.S. steel industry. **/

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*/ See the companion cases, Carbon Steel Plate from Romania, Inv. No. 731-TA-51 (Preliminary), and Carbon Steel Plate from Belgium and Brazil, Inv. Nos. 701-TA-83 and 84 (Preliminary).

**/ Since there are many firms already in existence, the establishment of an industry in the United States was not at issue and will not be discussed further.

Statutory Standards

Section 771(7) gives specific guidance on what factors, among others, the Commission must consider in evaluating whether a domestic industry has suffered material injury by reason of allegedly subsidized imports. Three general categories of analysis are mentioned: (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.

The volume of subject imports is to be evaluated by considering its overall magnitude and any increase either absolute or relative to consumption in the United States. */ In analyzing price effects, the Act directs the Commission to look for evidence that subject imports have brought about "significant" undercutting, depression or suppression

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*/ Section 771(7)(C)(i) states: "In evaluating the volume of imports of merchandise the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."

of domestic prices. */ Finally, the impact on the affected industry is to be judged on the basis of "all relevant economic factors" including output, sales, market share, profits, productivity, return on investments, capacity utilization, and factors affecting domestic prices, cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. **/ The record in these investigations contains some information on virtually all these factors; a detailed compilation may be found in the Report.

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*/ Section 771(7)(C)(ii) states: "In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether -- (i) there has been significant price undercutting by the imported merchandise as compared with the price of like products of the United States, and (ii) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree."

**/ Section 771(7)(C)(iii) enumerates these factors as follows: "In examining the impact on the affected industry, the Commission shall evaluate all relevant economic factors which have a bearing on the state of the industry, including, but not limited to -- (i) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (ii) factors affecting domestic prices, and (iii) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment."

Condition of the Domestic Industry

In preliminary investigations Commission practice is to gather data for three full years plus the partial current year. Such questionnaire data is supplemented by publicly available information and in cases such as the present one, material gathered by the Commission in previous investigations of the same industry. Because the scope of the sheet industry in this investigation follows industry practices in defining sheet rather than TSUS numbers, the information gathered in the current investigation is not directly comparable to that found in the previous Commission report. */ This second detailed look at the steel industry in less than two years confirms my earlier general judgments. But now the same continuing problems have been exacerbated by the heightened macroeconomic difficulties of the U.S. economy. In short, despite a temporary partial recovery in many of the economic indicators of the industry's performance for the first nine months of this year compared to those for the like period of 1980, the domestic hot-rolled steel sheet industry remains unhealthy. **/

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*/ Accompanying Report at A-2.

**/ Except as otherwise noted, data below are collected by the Commission's staff from nine questionnaire respondents covering approximately 87 percent of U.S. hot-rolled sheet shipments in 1980.

U.S. production of hot-rolled sheet has been irregular but generally at troubling levels over the period of investigation. From 11.3 million and 12.2 million short tons in 1978 and 1979, it fell to 9.5 million tons in 1980. Data for the first nine months of 1981 show a growth to 8.8 million tons from the 6.5 million tons recorded in the like period of 1980. What the fall of 1981 will look like is not yet clear; however, there are strong indications that the fourth quarter of 1981 will show a sharp reduction in output as the prolonged and deepening recession in the U.S. automobile industry continues to affect adversely the demand for hot-rolled sheet. */

Capacity in the industry remained relatively stable over the period. From 17.4 million tons in 1978, it grew to 19.0 million tons in 1979 before falling off to 18.4 million tons in 1980. Partial year data for 1981 indicate a capacity level for this year will be at the 1979 level again. Capacity utilization declined from 64 percent in 1978 to 52 percent in 1980 and then increased to 61 percent in January-September 1981. In view of the sharp decline apparently occurring in the fourth quarter of 1981, the capacity utilization for the full year may well be close to the depressed level recorded in 1980.

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*/ The automobile industry is one of the major customers of hot-rolled sheet. At this stage, it remains unclear what effect, if any, the increased demand for pipe and tube is having on hot-rolled sheet. Should this case return, more information on the structure of demand would be helpful.

Caution must be used in evaluating these capacity and capacity utilization figures. Hot-rolled carbon sheet is produced in hot-strip mills that use equipment common to the production of carbon steel plate. Thus, an allocation of a plant's total capacity must be made to obtain figures for specific product lines. As the report notes, the integrated nature of all steelmaking facilities results in steel companies altering their mix of product lines in order to keep the primary production facilities (common to all the lines) operating at high capacity levels. */ This freedom of operation normally requires excess capacity at rolling and finishing mills. There is general agreement that capacity utilization in the production of raw steel is a better indicator of performance for both the broad industry and the individual firm. The capacity for raw steel production in the United States declined slowly from 157.9 million tons in 1978 to 153.7 million tons in 1980. However, U.S. production fell sharply to 111.8 million tons in 1980 from the approximately 137 million ton level of 1978 and 1979. The result was a decline in capacity utilization in raw steel from 87 percent in 1978 to 73 percent in 1980.

Shipments by U.S. producers followed a course similar to that followed by domestic production -- a slight increase from 1978 to 1979, followed by a sharp decline in 1980. The first nine months of 1981 saw a noticeable increase over the same period of 1980.

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*/ Report at A-16.

U.S. exports of hot-rolled sheet are not significant, having never exceeded one percent of shipments. They rose irregularly from 77.9 thousand tons in 1978 to 92.4 thousand tons in 1980. Partial year data shows exports down sharply in January-September 1981 from the equivalent period in 1980.

End-of-period inventories declined by 14 percent from 1978 to 1980 before rising by 42 percent as of September 30, 1980, compared to one year earlier. Although inventories stood at five to six percent of shipments from 1978 through 1980, they rose to over seven percent of nine-month shipments in 1981.

Employment attributed to production of hot-rolled sheet declined irregularly from 21,500 in 1978 to 18,500 in 1980 before increasing to 20,300 in January-September 1981. The trend in manhours employed in this product line was similar. Wages and total compensation allocated to workers producing hot-rolled sheet followed a pattern similar to that of employment. However, compared to employment, wages and total compensation increased by a greater percentage in 1979 and declined by a smaller percentage in 1980. Average hourly compensation */ increased dramatically from $14.29 in 1978 to $19.68 for the first nine months of 1981. Meanwhile, labor productivity was relatively stable between 1978 and 1980 before increasing in January-September 1981. Only in 1981 did unit labor costs actually fall. **/

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*/ This includes wages and all fringe benefits. See Report at A-23.

**/ Report at A-23. Over a period as short as three years, the behavior of labor productivity in an industry with extensive capital facilities most frequently reflects the degree of capacity utilization.

The clearest overall picture of the condition of the industry producing hot-rolled sheet emerged from the data on financial performance. Of nine reporting firms, five sustained operating losses in 1978, four in 1979, eight in 1980, and five in the partial accounting year ending in September 1981. Aggregate net operating profit declined from $168 million in 1978 to $95 million in 1979. In 1980 these profits turned to net operating losses of $234 million. Data for partial-year 1981 indicate further losses of $58 million as of September 30. As a share of net sales, operating profit declined from 5.0 percent in 1978 to a negative 7.6 percent in 1980.

The conclusions I have reached on the condition of this industry are similar in form and substance to those Izmade in the previous cases. */ The relevant indicators have worsened. Modest profits have become losses. The industry's gains from its most recent upswing -- which now appears ended -- will not be sufficient to sustain a rate of investment necessary to modernize adequately the industry. **/

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*/ See "Views of Commissioner Paula Stern," Certain Carbon Steel Products at 59-60.

**/ Testimony at the Conference pointed to a capital replacement cycle in steel that was moving toward a fifty year period compared to a desirable one of fourteen years. See Conference Transcript at 109.

I, therefore, have found that there is a reasonable indication of material injury to the domestic hot-rolled sheet industry. It is now necessary to examine the question of whether there is a reasonable indication that the allegedly subsidized French imports are causing a material portion of this injury.

Causation

The link between the French imports and the injury the industry is experiencing has not been definitively established. Furthermore, there are other factors which contribute significantly to any reasonable explanation of the industry's problems. Notwithstanding these serious reservations, the "reasonable indication" standard prescribed by statute was satisfied and I have concluded that this case should not be terminated at this stage.

In reaching my conclusions on causation, I have concentrated on those parts of the record bearing on the volume of subject imports, price effects of the import competition, and lost sales by domestic producers. Furthermore, I have considered whether other explanations of the steel industry's problems could account for the material injury from which the industry suffers.

Imports of hot-rolled sheet from France declined from 694,000 short tons in 1978 to 395,000 in 1980 and then increased from 271,000 tons in January-September 1980 to 298,000 tons in the comparable

period of 1981. As a share of consumption, they declined from 4.0 percent in 1978 to 2.7 percent in January-September 1981. This remains a significant import share in the sheet market. In general, France remains the largest European exporter of hot-rolled sheet to the United States, having been replaced by Japan as the largest exporter to the United States in 1979. Although the role of French imports is smaller than it has been, France remains a definite factor in the market. Furthermore, there is no indication that France is withdrawing from the U.S. market. */

Comparative data on steel prices -- though far more complete in this preliminary investigation than the previous ones -- have proved to be inconclusive. Pricing data in this industry are notoriously complex. Domestic firms followed no uniform methods in calculating, recording, and reporting transaction prices. Adjustments for different transportation costs are difficult and for different product quality inherently subjective. The data showed that imports were frequently higher in price than the domestic product. **/

Lost sales information, though far more complete in its coverage, seemed to contradict the comparative price data. In a random selection from lost sales allegations by domestic producers, over 70 percent were confirmed. The principal reason cited for buying the French product was price. Only one instance was turned up where a customer

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*/ Monthly data indicate that October 1981 was a particularly high month for French imports. In making my determination, I have avoided relying on monthly data because they tend to be so volatile.

**/ Report at A-37 through A-39.

paid a premium for French sheet. These lost sales examples, while few in number, are definitely comparable because they each involve a single customer and compare actual delivered prices.

Without weighing other causes against those of the alleged LTFV imports, I believe it is important in closing to note the factors which have kept the costs of the steel industry from falling to a point at which adequate profits might be earned even at the prevailing prices in the subject product lines.

Partly as a result of a very effective cost-of-living adjustment negotiated by the United Steel Workers of America and the unexpected increase in the rate of inflation during the last decade, there has been an accelerating growth of wages at a rate far higher than in general manufacturing. By 1980 steel wages stood at 153 percent of those in general manufacturing. By 1980 this number had grown to 175 percent. The wages of French steel workers have remained considerably below those of their U.S. counterparts. In 1980 the French average hourly compensation in steel was less than 60 percent of that in the United States. */

Significant portions of the total investment that has been undertaken has gone to satisfying stricter mandatory standards for environmental protection. Further investment funds have gone into diversification beyond the traditional bounds of the steel industry. While these investments may be socially desirable or economically sound, they have not added in the short run to productivity in the steel industry.

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*/ Report at A-23.

Additionally, foreign producers not the subject of this investigation, including some of the world's most efficient and low-cost steelmakers, are influential participants in the U.S. market. In hot-rolled sheet, Japan is the single largest foreign supplier. Without adequate comparable data for all significant foreign suppliers, I have been unable to dismiss the possibility that some other foreign producer stands to gain if the subject imports are reduced. The allegedly subsidized imports may be hurting foreign suppliers rather than domestic producers.

Citing these other possible causes of injury does not ipso facto imply that the subject imports have failed to contribute in a material way to injury for which they may not be primarily responsible. Even a relatively small market share captured by subsidized imports can result in injury by price depression if the product in question is inelastically demanded (and has a price which is very sensitive to small changes in supply). However, there is no information on the record to suggest that steel's price in any line is unusually price-sensitive to changes in supply.

There is ample evidence that the steel market is quite competitive; sales can be made or lost on the basis of small price differences. */

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*/ Report at A-39.

Thus, there remains the possibility that, even without significant underselling and price depression or suppression, loss of volume by the domestic industry to subsidized imports can be injurious.

The previous investigation was conducted when raw steel capacity utilization had just peaked at 88 percent (1979). At that time I concluded that:

> . . . with raw steel operating at what amounts to almost full capacity, it does not appear that the solution to these problems can be found in selling more steel. Rather, the problems of all product lines and the larger industry appear to lie in the price at which the steel is sold and the costs at which it is made, not the quantity produced. */

At present, raw steel capacity utilization has fallen to 82 percent for the first nine months of 1981. **/ Furthermore, capacity utilization has been declining steadily since mid-1981 and volume has become a serious problem. French imports must be considered in this context.

In the previous cases, I made my findings "in the absence of systematic consumer surveys and comparable price data crucial to linking the alleged LTFV imports to any material injury of the domestic industry." ***/ The Commission's staff has under severe time constraints given an unusually full picture of a rather complex industry. We have better price information than before, but it has not resolved the causal questions we must answer. In preliminary

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*/ "Statement of Reasons," Certain Carbon Steel Plate, at 59-60.

**/ American Metal Market, October 7, 1981.

***/ "Statement of Reasons," Certain Carbon Steel Products, at 41.

cases, my determination is necessarily based as much on what information the Commission has not been able to gather (but has expectations of developing in a full scale investigation) as on the information I have before me.

Also not resolved has been the role of the alleged subsidies in the competition between French and domestic hot rolled sheet. There is no reasonable basis for denying the potential impact such subsidies could be having on the French ability to sell sheet in the U.S. market. All French sheet comes from the Solmer facility */ (established 1975) at Fos and the Usinor facility **/ (established 1963) at Dunkirk. Both are modern, primarily using the continuous casting process. This may account for the high reputation exported French sheet enjoys. Solmer is jointly owned by Usinor and Sacilor. ***/ All three entities receive subsidies from the government of France. Some of the subsidies date to a 1978 French rescue plan whose purpose, Commerce states, was to avert bankruptcy of the French steel industry. Only in 1977 had the Solmer facility succeeded in attaining full production. There is a reasonable indication that the mere presence -- however reduced it may be -- of French sheet in the U.S. market may be due to these and other subsidies.

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*/ Société Lorraine et Méridionale de Laminage Continu.

**/ Union Siderungique du Nord et de l'Est de la France.

***/ Acieries et Laminoirs de Lorraine.

I have concluded that there is a reasonable indication that the allegedly subsidized imports from France are a cause of material injury to the domestic hot-rolled sheet industry. Needless to say, should this case return, I would expect to base any final determination on more complete demand information, comparable pricing data, a full analysis of the extent and impact of any subsidies, and a better analysis of other factors influencing the state of the U.S. steel industry. Having discussed aspects relating to threat throughout, I close by noting that there is a reasonable indication that French imports will continue to cause material injury to the domestic industry.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On November 18, 1981, the U.S. International Trade Commission received advice from the U.S. Department of Commerce that it was initiating a countervailing duty investigation on hot-rolled carbon steel sheet (hereafter referred to as hot-rolled sheet) from France. 1/ Accordingly, on November 18, 1981, the Commission, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), instituted preliminary countervailing duty investigation No. 701-TA-85 (Preliminary) 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 France of hot-rolled carbon steel sheet upon which bounties or grants are alleged to be paid. The statute directs that the Commission make its determination within 45 days after its receipt of advice from Commerce--in this case by January 4, 1982. 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 November 25, 1981 (46 F.R. 57785). 2/ The public conference was held in Washington, D.C., on December 14, 1981 3/. The Commission's vote in the investigation was taken on December 22, 1981.

Description and Uses 4/

Hot-rolled carbon steel sheet is a flat-rolled product that is produced by passing heated carbon steel slabs through a series of reducing rolls in a hot-strip mill. Sheet is considered to be a finished product, and is distinguished from other flat-rolled products by its dimensional characteristics. For the purpose of this investigation, hot-rolled carbon steel sheet is defined as hot-rolled sheets and plates, of other than alloy iron steel, whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to nonrectangular shape; not coated or plated with metal and not clad; over 12 inches in width and in coils or if not in coils under 0.1875 inch in thickness; as provided for in items 607.6610,

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1/ Copies of Commerce's letter of notification, notice of investigation, and background memorandum to the Commission are presented in app. A.

2/ A copy of the Commission's notice of the investigation and conference and a list of witnesses appearing at the conference are presented in app. B.

3/ The conference in these investigations was held concurrently with the conference held in investigations No. 701-TA-83 and 84 (Preliminary), and No. 731-TA-51 (Preliminary).

4/ A detailed discussion of the steelmaking process and the relative significance of hot-rolled sheet compared with all carbon steel products is presented in Certain Carbon Steel Products from Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands, and the United Kingdom: Determinations of the Commission in Investigations Nos. 731-TA-18-24 (Preliminary) . . ., USITC Publication 1064, pp. A-5 through A-9 and A-47.

607.6700, 607.8320, or 607.8342 of the Tariff Schedules of the United States Annotated (1981)(TSUSA).

For the purpose of this investigation, "hot-rolled sheet" includes certain products classified and described as "plate" in the Tariff Schedules of the United States (TSUS). This discrepancy is due to technical differences between the U.S. industry definition and the TSUS definition with respect to flat-rolled products over 12 inches in width and 0.1875 inch or more in thickness, shipped in coils. Such products are considered "sheet" by the U.S. industry, but they meet the TSUS definition of "plate".

The Department of Commerce preferred the U.S. industry definition in defining the scope of this investigation.

As a flat-rolled product, sheet possesses qualities that distinguish it from other rolled steel shapes and forms. It is produced on rolls with smooth rather than cut or grooved surfaces, and with a ratio of width to thickness which is generally much greater than that for other rolled steel products. In the hot-strip mill, slabs are heated to a rolling temperature of about 2,200 degrees Fahrenheit. The slabs are sent into a scale breaker to remove furnace scale, roughed down to a predetermined intermediate thickness in rough stands, and then sent to a series of finishing stands where further reductions are made. A typical continuous mill for hot-rolling will have four or five roughing stands and five to seven finishing stands. As the product is reduced in thickness, it is increased in length, with each succeeding set of rolls being rotated at a higher rate of speed to compensate for the elongated sheet. Water sprays at various locations cool the metal and remove oxide from the hot sheet surface. Upon reaching final thickness, the hot-rolled sheet has cooled to about 1,200 degrees Fahrenheit. The product is then coiled or cut in shorter lengths and stacked. If desired, the sheet may then be cleaned, or pickled, in a bath of sulfuric or hydrochloric acid to remove surface oxide formed during hot-rolling.

The automotive industry and steel service centers and distributors are the largest consumers of hot-rolled sheets, each accounting for slightly less than 30 percent of total shipments in 1980. Hot-rolled sheets are also used in the construction industry, and in the making of pipes and tubes, appliances, electrical equipment, and a variety of other products.

U.S. Tariff Treatment

For the purpose of this investigation, hot-rolled sheet is classifiable under items 607.6610, 607.6700, 607.8320, and 607.8342 of the TSUSA. 1/ The current rates of duty for these products are shown in table 1. Concessions granted by the United States at the Tokyo round of Multilateral Trade Negotiations (MTN), will result in incremental reductions in column 1 rates 2/

1/ For the purpose of this investigation, hot-rolled sheet includes some products classified as carton steel plate (items 607.6610 and 607.8320).

2/ The rates of duty in col. 1 are most-favored-nation rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Table 1.--Hot-rolled sheet: U.S. rates of duty as of Jan. 1, 1981, Jan. 1, 1982, and Jan. 1, 1987

1978-79 TSUSA item No.	1980-81 TSUSA item No.	Article	Rate of duty 1/			
			Col. 1			Col. 2
			Jan. 1, 1981	Jan. 1, 1982	Jan. 1, 1987	
608.8410	607.6610	Carbon steel plate, in coils, not coated or plated with metal, not pickled and not cold rolled.	7.5% ad val.	7.3% ad val.	6.0% ad val.	20% ad val.
608.8440	607.6700	Carbon steel sheets, not coated or plated with metal, not pickledand not cold rolled.	7.5% ad val.	7.1% ad val.	4.9% ad val.	20% ad val.
608.8720	607.8320	Carbon steel plates, not coated or plated with metal, pickled.	8.0% ad val.	7.5% ad val.	5.1% ad val.	0.2¢ per lb. + 20% ad val.
608.8742	607.8342	Carbon steel sheets, not coated or plated with metal, pickled but not cold rolled.	8.0% ad val.	7.5% ad val.	5.1% ad val.	0.2¢ per lb. + 20% ad val.

1/ Col. 2 rates of duty apply to most Communist-dominated countries. Col. 1 rates apply to products of all other countries.

beginning on January 1, 1982. The final concession rates (also shown in the table) will become effective on January 1, 1987. Imports of hot-rolled sheet are dutiable at rates ranging from 7.1 to 7.5 percent ad valorem as of January 1, 1982. This product is not eligible for duty-free treatment under the Generalized System of Preferences (GSP), 1/ and imports from the least developed developing countries (LDDC's) are not granted preferential rates. 2/

1/ The GSP, under title V of the Trade Act of 1974, provided duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is expected to remain in effect until January 1985.

2/ LDDC rates are preferential rates (reflecting the full U.S. MTN concession rate for a particular item without staging) applicable to products of those LDDC's designated in general headnote 3(d) of the TSUS which are not granted duty-free treatment under the GSP.

In addition to import duties, imports of hot-rolled sheet are subject to the Buy American Act. 1/

Nature and Extent of the Alleged Bounties or Grants

The advice received from the Commerce Department contains allegations that the Government of France provides its manufacturers/exporters of hot-rolled sheet with numerous incentive programs which may constitute bounties or grants under the countervailing duty law. 2/ The two chief benefit programs, which are in the form of preferential financing under the French Government's 1978 Rescue Plan and other loans, are estimated to have provided French manufacturers/exporters with a benefit of $38.15 per metric ton produced in 1981. Commerce has not estimated the value of the other benefit programs under investigation, although it stated that the total of such benefits "could be quite substantial." 3/ Of the various benefit programs cited in its background memorandum, only two, listed under the heading of "Programs apparently available to sheet producers that may constitute subsidies" provided benefits based specifically on export performance. These are in the form of preferential financing to guarantee and finance exports.

U.S. Producers

Total U.S. raw steel production in 1980 was 112 million tons, of which hot-rolled sheet production accounted for 11 million tons, or 10 percent of the total. Hot-rolled sheet was the second largest finished carbon steel product manufactured by the U.S. steel industry.

The eight largest producers of raw steel, which accounted for about 73 percent of total U.S. production of raw steel in 1980, are shown in table 2.

There are about 31 facilities producing hot-rolled sheet in the United States. A large majority (25) of these facilities are located in Pennsylvania, Ohio, Michigan, and Indiana. In addition, facilities are located in Illinois, Alabama, Utah, California, West Virginia, Maryland, and Kentucky. Firms producing hot-rolled sheet, together with the location of their facilities, are shown on page A-6.

1/ The Buy American Act, 41 U.S.C. 10a-10d (1978), is the primary Congressionally mandated legislative preference for U.S. goods. Under this Act, U.S. Government agencies may purchase products of foreign origin for delivery in the United States only if the cost of the domestic product exceeds the cost of the foreign product, including duty, by 6 percent or more. This difference rises to 12 percent if the low domestic bidder is situated in a labor-surplus area, and to 50 percent if the purchase is made by the Department of Defense. The preferences may be waived in the public interest, however. For a more complete discussion of "Buy American" restrictions, see USITC Publication 1064.

2/ See background memorandum, app. A, for enumeration of these programs.

3/ Ibid., p. 1.

Table 2.--Raw steel and hot-rolled sheet: U.S. production, by firms, 1980

Firm	Raw steel	Hot-rolled sheet
	Million short tons	Million short tons
United States Steel Corp	Est. 23.2	***
Bethlehem Steel Corp	15.0	***
Jones & Laughlin Steel Corp/Youngstown	9.7	***
Republic Steel Corp	8.5	***
National Steel Corp	7.6	***
Armco Steel Corp	7.3	***
Inland Steel Corp	7.0	***
Ford Motor Co	2.8	***
All other	30.7	***
Total	111.8	10.9

Source: Total, American Iron & Steel Institute, Statistical Report Division; other, 1980 annual reports for the firms indicated and questionnaire responses.

Company	Location
U.S. Steel Corp----------	Dravosburg, Pa. Fairfield, Ala. Gary, Ind. Fairless Hills, Pa. Geneva, Utah
Republic Steel Corp----------	Gadsden, Ala. Cleveland, Ohio Warren, Ohio
Jones & Laughlin Steel Corp------	East Chicago, Ind. Cleveland, Ohio Aliquippa, Pa.
National Steel Corp----------	Granite City, Ill. Ecorse, Mich. Weirton, W. Va.
Bethlehem Steel Corp----------	Burns Harbor, Ind. Sparrows Point, Md.
Armco Steel Corp----------	Ashland, Ky. Middletown, Ohio Butler, Pa.
Inland Steel Corp----------	East Chicago, Ind.
Kaiser Steel Corp----------	Fontana, Calif.
Ford Motor Co----------	Dearborn, Mich.
McLouth Steel Corp----------	Trenton, Mich.
Wheeling-Pittsburgh Steel Corp.--	Steubenville, Ohio
Interlake Inc----------	Riverdale, Ill.
Ingersoll-Johnson Steel Co-------	New Castle, Ind.
Laclede Steel Co----------	Alton, Ill.
Sharon Steel Corp----------	Sharon, Pa.
Cyclops Corp----------	Mansfield, Ohio
Crucible Inc----------	Midland, Pa.
Teledyne-Vasco----------	Monaca, Pa.

Producers in France

The French steel industry consists of two major steel groups, Usinor (Union Siderurgique du Nord et de l'Est de la France) and Sacilor (Acieries et Laminoirs de Lorraine). Usinor and Sacilor produce a wide range of steel products and engage in a wide range of business activities. With Usinor's and Sacilor's holdings in two major affiliates, Solmer (Societe Lorraine et Meridionale de Laminage Continu) and Sollac (Societe Lorraine de Laminage Continu), they account for about 75 percent of total French steel production.

Commerce's advice in this investigation notes that controls by the French Government and investment programs under various economic plans left the industry heavily indebted and with large excess capacity, and by 1977 it faced bankruptcy. The French Government responded with the 1978 Rescue Plan, which focused on firms in the nonspecialty-steel-producing sector. Usinor, Sacilor, and other firms received substantial state funds, designed to enable them to achieve profitability by 1980. 1/ In spite of the Government support, Usinor and Sacilor incurred losses in 1980, and have trimmed 30,000 jobs from their payrolls in the past 18 months. 2/ The second phase of the restructuring plan, which intends to incorporate the speciality steel companies into the two main groups, began with the merger of the speciality steel interests of the Usinor and Creusot Loire groups in 1981.

Of the two major steel producers in France, Usinor is the largest, with production of 6.8 million metric tons of raw steel in 1980; Sacilor's production amounted to 3 million metric tons. Only these two firms produced significant quantities of hot-rolled sheet in France. Usinor maintains two facilities in which it produces hot-rolled sheet, and, in addition, shares ownership with Sacilor of Solmer, which accounts for much of total French hot-rolled sheet production. Usinor and Sacilor each own 47.5 percent of Solmer.

U.S. Market and Channels of Distribution

U.S.-produced hot-rolled sheet

In the U.S. market, sales of hot-rolled sheet are made either directly to end users or to service centers/distributors which, in turn, sell to end users. In 1980, 29 percent of the 11 million tons of domestically produced hot-rolled carbon sheet went to service centers/distributors, and the remaining 71 percent was shipped to end users. The largest end-users were the automotive and construction industries, which accounted for about 29 percent and 16 percent, respectively, of total domestic hot-rolled sheet shipments. Other end users included wire, pipe, and tube manufacturing, 13 percent; machinery and industrial equipment manufacturing, 3 percent; and electrical equipment manufacturing, 2 percent. Sixty-three percent of hot-rolled sheet shipments went to destinations within the four States where the bulk of it is produced--Pennsylvania, Ohio, Illinois, and Michigan. Other major

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1/ The Mitterand Government has announced its intention to nationalize the French steel industry.

2/ Background memorandum, app. A., p. 1.

destinations for hot-rolled sheet include Indiana, Texas, Missouri, and Wisconsin. Currently five U.S. producers operate their own service centers--United States Steel, Inland, National Steel, Florida Steel, and Alleghany-Ludlum.

Hot-rolled sheet imported from France

Although 25 U.S. firms imported hot-rolled sheet from France in 1980, over * * * percent of the product was imported and distributed by Usinor Corp. and Franco Steel Corp., both of which are headquartered in New York City.

Usinor Corp. is a subsidiary of Usinor of France. The New York firm acts as a U.S. sales agent for Usinor and distributes hot-rolled sheet either directly to independent U.S. service centers/distributors, or to a wholly owned subsidiary, Toledo Pickling & Steel Co. In 1981, about * * * of Usinor's import shipments were sold through Toledo Pickling & Steel Co.

The other major U.S. importer, Franco Steel Corp., along with its subsidiary, Daval Steel Products of New York, are wholly owned by Sacilor of France. Franco distributes approximately * * * percent of its imported hot-rolled sheets directly to independent U.S. service centers/distributors, with the remainder going directly to end users.

Apparent U.S. consumption

Apparent U.S. consumption of hot-rolled sheet in the period January 1978-September 1981 is shown in table 3.

Apparent consumption of hot-rolled sheet remained relatively stable from 1978 to 1979, before dropping by 27 percent from 1979 to 1980. Apparent consumption increased by 19 percent in January-September 1981 compared with that in the corresponding period of 1980. The domestic industry supplied an increasing share of apparent consumption throughout January 1978-September 1981 as imports declined in each period relative to both domestic shipments and apparent consumption.

Regional Market Considerations

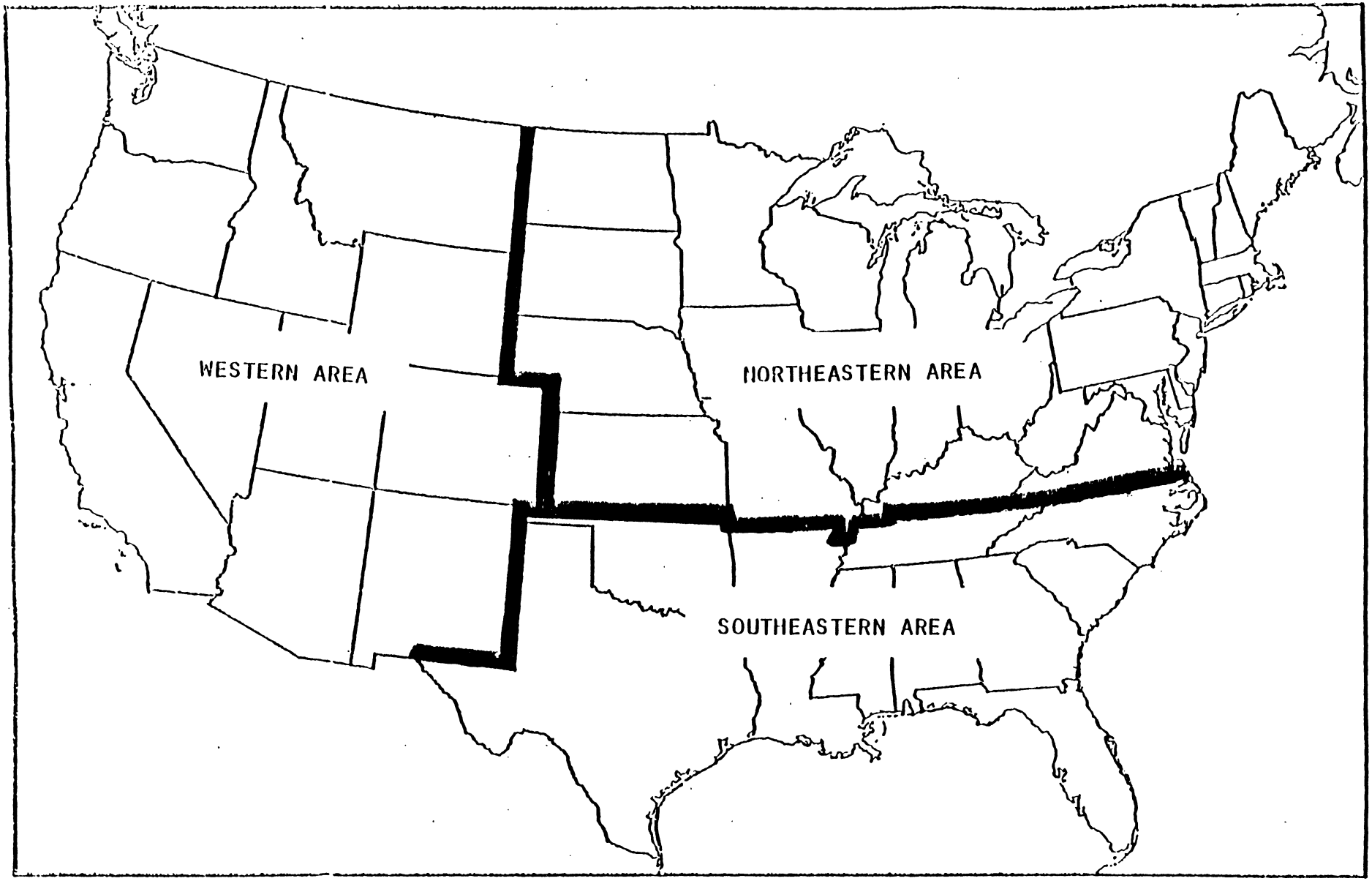
In appropriate circumstances, the Commission may examine the question of material injury on a regional basis (19 U.S.C. 1677(4)(C)). At the outset of this investigation, three possible "regions" were identified on the basis of an examination of available secondary source data concerning the location of U.S. producers of hot-rolled sheet, the location of their customers, and the ports of entry through which imports of hot-rolled sheet from France were entered during 1980 and January-September 1981. The three areas are identified on a map presented on page A-10 and are referred to as the Northeastern, Southeastern, and Western areas. This section presents data developed during the course of the investigation that relate to economic factors relevant to a determination of whether any of the identified areas

Table 3.--Hot-rolled sheet: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1978-80, January-September 1980, and January-September 1981

Period	U.S. producers shipments	Imports	Exports	Apparent consumption	Ratio of imports to--	
					Shipments	Consumption
	Short tons				Percent	
1978	14,114,460	3,343,023	77,895	17,379,588	23.7	19.2
1979	14,493,905	2,675,854	68,961	17,100,798	18.5	15.6
1980	10,870,271	1,936,592	92,427	12,714,436	17.8	15.2
January-September						
1980	7,740,552	1,495,029	77,737	9,157,844	19.3	16.3
1981	9,601,238	1,386,835	58,646	10,929,427	14.4	12.7

Source: Shipments compiled from the American Iron & Steel Institute, Statistics Division; imports and exports compiled from official statistics of the U.S. Department of Commerce.

Figure 1.--Map showing areas discussed in this report.



Source: U.S. International Trade Commission

merit treatment as "regions" within the meaning of section 771(4)(C) of the Tariff Act of 1930. That section states 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 if--
>
> (i) the producers within such market sell all or almost all of their production of the like product in question in that market, and
>
> (ii) the demand in that market is not supplied, to any substantial degree, by producers of the product in question located elsewhere in the United States.
>
> In such appropriate circumstances, material injury, the threat of material injury, or material retardation of the establishment of an industry may be found to exist with respect to an industry even if the domestic industry as a whole, or those producers whose collective output of a like product constitutes a major proportion of the total domestic production of that product, is not injured, if there is a concentration of subsidized or dumped imports into such an isolated market and if the producers of all, or almost all, of the production within that market are being materially injured or threatened by material injury, or if the establishment of an industry is being materially retarded, by reason of the subsidized or dumped imports.

The following discussion addresses the considerations set forth in section 771(4)(C) as they relate to hot-rolled carbon steel sheet.

Data from public sources on the costs of rail shipments provide a general idea of the significance of the costs of transporting hot-rolled sheet. Although many steel products are shipped by truck, rail is more important for the longer hauls that are likely to be involved in cross-regional shipments. 1/

Table 4 shows the cost of shipping a ton of steel sheet 1 mile and the cost of a shipment of average length for movements between the Official territory, which includes the major steel-producing States, and four other

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1/ Data from 1977 indicate that 39.4 percent of the ton miles traveled by iron and steel sheet and strip movements are on rail, 59.5 percent are on truck, and 1.1 percent are on water. The average length of haul for rail is 308.4 miles and for truck, 164.7 miles. See Bureau of the Census, Census of Transportation 1977, vol. 1, Washington, D.C., 1980, p. 207.

Table 4.--Costs of shipments from the Official territory for iron or steel sheet, October 1981

Destination territory	Cost per ton mile	Average length of haul	Cost of average haul	
	Cents	Miles	Per ton	Percent of price 1/
Southern	4.02	730	$29.35	7.8
Southwestern	4.35	1,114	48.46	12.9
Western Trunk	5.38	591	31.80	8.5
Mountain Pacific	4.17	2,321	96.79	25.7

1/ Price is defined as $376 per ton, the average of domestic producers' carbon steel sheet prices to end users in the Northeastern area during July-September 1981. This price is the arithmetic average of the prices of the 3 types of sheet for which data were collected.

Source: U.S. Department of Transportation, Carload Waybill Statistics 1979 Washington, D.C., December 1980, p. 146. The Bureau of Labor Statistics index of rail rates for primary iron and steel products was used to adjust the 1979 cost data to reflect the level of rates in October 1981. The Department of Transportation data refer to standard transportation commodity code 33123 (Iron or Steel Sheet and Strip). This category includes some products not involved in this investigation.

territories. 1/ There are large steel mills outside the Official territory, but this table focuses on that territory because producers in the Northeastern area ship the largest share of their shipments to other areas. The Official and Western Trunk territories roughly correspond to the Northeastern area, the Mountain-Pacific territory roughly corresponds to the Western area, and the Southwestern and Southern territories roughly correspond to the Southeastern area.

1/ The territories, as defined by the U.S. Department of Transportation, are:

Official.--New England, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia, Illinois, Ohio, Indiana, the lower Peninsula of Michigan, the southeastern carrier of Wisconsin, and northern Virginia;

Western Trunk.--Missouri, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, Kansas, eastern Colorado, eastern Utah, and the rest of Wisconsin;

Southwestern.--Texas, Oklahoma, Arkansas, Louisiana west of the Mississippi River, and eastern New Mexico;

Southern: Kentucky, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina, North Carolina, Louisiana east of the Mississippi River and southern Virginia; and

Mountain-Pacific, the area west of the Southwestern and Western Trunk territories.

These data only give the average costs for all steel shipments between the specified territories. The cost of actual shipments will vary with the specific origin and destination involved. However, these data do indicate that movements from the Northeastern area to the Western or Southeastern areas involve substantial transportation costs, which may be large enough to consider one of these areas as a separate and identifiable region.

These transportation costs, however, may be counterbalanced by regional differences in production costs. Steel production is heavily concentrated in the Northeastern area, and particularly in the steel belt: Pennsylvania, Ohio, Indiana, and Illinois. 1/ Production may be concentrated in these States because the cost of producing steel is lower in this area than in other parts of the United States. If the Northeastern producers have a production cost advantage, they may be able to effectively compete with local producers in areas where they have a substantial transportation cost disadvantage. Under this assumption, steel belt producers are able to ship steel throughout the country, and no area will be separate and isolated.

Questionnaire data on the destination of shipments of U.S.-produced hot-rolled sheet may indicate whether Northeastern producers can effectively compete in the other regions. These data are summarized in table 5. 2/

Table 5.--Hot-rolled sheet: U.S. producers' shipments across regional boundaries, January-September 1981

(In percent)

Region	Share of sales shipped from other regions	Share of shipments shipped to other regions
Southeastern	86.5	5.6
Northeastern	0.2	15.7
Western	15.6	-

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

These data indicate that Northeastern producers supply almost all the domestically supplied sheet sold within that area. These producers ship 15.7 percent of their domestic shipments to other regions; they supply 86.5 percent of the domestic shipments of sheet to Southeastern purchasers and 15.6 percent

1/ In 1980 these 4 States shipped 61.1 percent of the tonnage shipped under census code 33123 (hot-rolled sheet and strip including tin mill products). This code includes products that are not the subject of this investigation. See U.S. Bureau of the Census, Current Industrial Reports: Steel Mill Products, 1980, Washington, D.C., September 1981, p. 11. The Commission asked for data on production by region in its questionnaire, but the responses were insufficient to justify presentation.

2/ These data are incomplete. In particular, * * *.

of domestic shipments of sheet to Western purchasers. 1/

The concentration of imports may be considered in either absolute or relative terms. Absolute concentration can be measured by each area's share of total imports. Table 6 presents data on these shares. The data used to construct table 6 assign imports to the area of their port of entry. However, imports may enter in one area but then be shipped to a purchaser in another area. Therefore, the Commission asked importers for data on the destination of their shipments of imported hot-rolled sheet. Table 7 summarizes these data. The distributions of imports shown in the two tables are very similar. However, the data do indicate that the Northeastern area's share of imports is consistently greater if imports are classified by purchaser's location rather than by port of entry.

Table 6.--Hot-rolled sheet: Percentage distribution of U.S. imports from France, by areas of entry, 1978-80, January-September 1980, and January-September 1981

(In percent of total imports)

Area of entry	1978	1979	1980	Jan.-Sept. 1980	Jan.-Sept. 1981
Northeastern	54.8	68.4	29.7	21.3	46.2
Southeastern	28.0	23.2	42.8	44.8	28.5
Western	17.0	8.4	27.5	34.0	25.3
Total	100.0	100.0	100.0	100.0	100 0

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

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

Table 7.--Hot-rolled sheet: Percentage distribution of U.S. imports from France, by locations of purchasers, 1978-80, January-September 1980, and January-September 1981

(In percent of total purchases)

Area	1978	1979	1980	Jan.-Sept. 1980	Jan.-Sept. 1981
Northeastern	***	***	***	***	***
Southeastern	***	***	***	***	***
Western	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

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

1/ Southeastern producers report no shipments to the West.

The data in table 7 show that purchasers in the Northeastern area generally receive the largest share of imports of hot-rolled sheet from France. Their share of these imports has fluctuated greatly in recent years, from a high of * * * percent in 1979 to a low of * * * percent in 1980. In January-September 1981, the Northeastern purchasers' share of imports was higher than in 1980 but not as high as it was in 1978 or 1979. Purchasers in the Southeastern area receive the second largest share of these imports, and Western purchasers receive the smallest share.

The geographic distribution of imports can also be measured in relation to the regional distribution of other sources of supply. Relative import concentration can be measured by each area's import penetration level, as shown in table 8. These data show that while the Northeastern area gets the largest share of imports of hot-rolled sheet from France, it has the lowest penetration by those imports. The Northeastern area receives a large share of these imports because it accounts for most of the demand for hot-rolled sheet in the United States. Imports of hot-rolled sheet from France do not appear to be concentrated in the Northeastern area if their distribution is compared with the distribution of domestic shipments and imports from countries other than France.

Table 8.--Hot-rolled sheet: Percentage distribution of U.S. sales, by areas and sources of supply, 1978-80

(In percent of total sales)

Area and source of supply	1978	1979	1980
Northeastern area:			
Domestic producers	***	***	***
Imports from countries other than France	***	***	***
Imports from France	***	***	***
Total	100.0	100.0	100.0
Southeastern area:			
Domestic producers	***	***	***
Imports from countries other than France	***	***	***
Imports from France	***	***	***
Total	100.0	100.0	100.0
Western area:			
Domestic producers	***	***	***
Imports from countries other than France	***	***	***
Imports from France	***	***	***
Total	100.0	100.0	100.0

Source: Domestic producers shipments' are from confidential data of the American Iron & Steel Institute (AISI). Data on imports from France are from responses to questionnaires of the U.S. International Trade Commission. Data on other imports are from official statistics of the Department of Commerce. The Commerce data allocate imports to regions by port of entry.

In 1979, imports of hot-rolled sheet from France made their greatest penetration in the Southeastern area; in 1978 and 1980, their greatest penetration was in the Western area. The geographic pattern of penetration resembles the pattern set by imports from all other countries. Total import penetration by imports from France is consistently lowest in the Northeastern area and highest in the Western area.

Import penetration may differ among areas because of the high cost of transporting steel within the United States. High transportation costs will hamper the efforts of producers in the steel belt to compete with imports. Therefore, import penetration may be highest in the Western area and lowest in the Northeastern area because of differences in the domestic producers' cost of shipping steel overland to purchasers in these areas.

The Question of Material Injury

U.S. production, capacity, and capacity utilization

Data on U.S. production of hot-rolled sheet, the capacity of U.S. firms to produce hot-rolled sheet, and the utilization of such capacity for the period January 1978 to September 1981 are provided in table 9.

Caution should be used in evaluating these capacity utilization figures, as discussed in the companion report to this investigation (Hot-Rolled Carbon Steel Plate from Belgium, Brazil, and Romania, USITC publication 1207).

Questionnaire respondents' production of hot-rolled sheet declined from 11.3 million tons in 1978 to 9.5 million tons in 1980, or by 16 percent, before rebounding somewhat in January-September 1981, compared with the

Table 9.--Hot-rolled sheet: U.S. production and practical capacity, 1/ 1978-80, January-September 1980, and January-September 1981

Item	1978	1979	1980	January-September--	
				1980	1981
Production 2/					
1,000 short tons--	11,297	12,159	9,495	6,524	8,822
Capacity 2/---------do----	17,430	18,964	18,390	13,915	14,374
Ratio of production to capacity-------percent--	64.8	64.1	51.6	46.9	61.4

1/ Capacity is defined as the greatest level of output a firm can achieve within the framework of a realistic work pattern.

2/ U.S. producers submitting usable data accounted for approximately 87 percent of total shipments in 1980 as reported by the AISI.

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

corresponding period of 1980. Capacity utilization remained steady from 1978 to 1979, but declined by 20 percent in 1980, reflecting the 16-percent decline in production rather than any significant change in capacity. As with production, capacity utilization increased in January-September 1981 compared with that in January-September 1980.

U.S. producers' shipments

U.S. producers' total shipments of hot-rolled sheet for the period January 1978-September 1981, as reported by questionnaire respondents and the AISI, were as follows:

Item	1978	1979	1980	Jan.-Sept.	
				1980	1981
Respondents----------1,000 tons--	11,161	12,209	9,461	6,641	8,750
AISI----------do----	14,114	14,494	10,870	7,741	9,601
Ratio of repondents' shipments to to AISI shipments---------percent--	79	84	87	86	91

Shipment data reported by both questionnaire repondents, which generally represent the larger steelmaking firms, and AISI generally followed the trends in production discussed above--slight increases from 1978 to 1979, followed by sharp declines in 1980. Shipments as reported in both sets of data increased noticeably in January-September 1981, compared with those in the corresponding period of 1980.

U.S. exports

Exports of hot-rolled sheet decreased from 78,000 tons in 1978 to 69,000 tons in 1979, but then rebounded sharply to 92,000 tons in 1980. Exports in January-September 1981 declined by 25 percent compared with those in January-September 1980 (table 10).

The principal market for U.S. exports of hot-rolled sheet in 1980 was Mexico. Exports of hot-rolled sheet to France were negligible throughout the period.

U.S. producers' inventories

U.S. producers' inventories of hot-rolled sheet, as reported by questionnaire respondents, for the periods ending December 31, 1978, 1979, and 1980, and for the periods ending September 30, 1980, and 1981, are given in table 11.

Table 10.--Hot-rolled sheet: U.S. exports of domestic merchandise, by selected markets, 1978-80, January-September 1980, and January-September 1981

Market	1978	1979	1980	January-September--	
				1980	1981
	Quantity (short tons)				
Mexico	6,328	8,036	21,586	12,662	9,992
Canada	33,569	53,500	10,880	7,115	38,600
France	8	-	6	6	-
Italy	11	37	17,438	17,438	1
Greece	16,462	-	11,952	11,952	-
Portugal	-	-	16,564	16,608	-
All other	21,517	7,382	13,995	11,956	10,053
Total	77,895	68,961	92,427	77,737	58,646
	Value (1,000 dollars)				
Mexico	$2,142	$3,292	$8,892	$4,959	$5,152
Canada	10,649	16,139	4,191	2,739	15,607
France	3	-	2	2	-
Italy	8	108	4,534	4,534	5
Greece	4,167	-	2,765	2,765	-
Portugal	-	-	4,905	4,905	-
All other	6,459	3,361	5,564	4,250	5,154
Total	23,428	22,900	30,853	24,154	25,918
	Unit value (per ton)				
Mexico	$338	$409	$412	$392	$516
Canada	317	302	385	385	404
France	409	-	333	333	-
Italy	712	2,880	260	260	4,972
Greece	250	-	231	231	-
Portugal	-	-	296	295	-

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

Table 11.--Hot-rolled sheet: U.S. producers' end-of-period inventories and shipments, 1978-80, January-September 1980, and January-September 1981

Period	Producers' inventories	Producers' shipments	Ratio of inventories to shipments
	1,000 tons		Percent
Dec. 31--			
1978	672	11,161	6.0
1979	602	12,209	4.9
1980	581	9,461	6.2
Sept. 30--			
1980	458	6,641	6.9
1981	651	8,750	7.4

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

End-of-period inventories of respondents declined by 14 percent from 1978 to 1980, but rose sharply (by 42 percent) as of September 30, 1981, compared with those held on September 30, 1980. Inventories held at between 5 to 6 percent of full-year shipments in 1978, 1979, and 1980, and at about 7 percent of 9-month shipments in 1980 and 1981.

Employment, wages, and productivity

The average number of all employees and production and related workers in U.S. establishments producing hot-rolled carbon steel sheet increased in 1979, and declined in 1980 (table 12). Employment of all persons continued to fall in January-September 1981, but, over the same period, employment of production and related workers producing all products and hot-rolled carbon steel sheet products increased. The average number of employees and hours paid to them, compiled on a regional basis in table 13, generally follow the national trend.

During January 1978-September 1981, both the number of employees producing hot-rolled sheet and the number of hours paid for production of hot-rolled sheet generally changed more than the average employment of all persons and the hours paid for production of all products. Because hot-rolled sheet is heavily used in the automobile and energy industries, employment fluctuations closely follow market conditions in those industries.

Although wages and total compensation paid to workers who produced hot-rolled sheet followed a pattern similar to that of employment, wages and total compensation increased by a greater percentage in 1979 and declined by a smaller percentage in 1980 than employment. A summary of wage and total compensation data reported to the Commission is presented in table 14. The difference between total compensation and wages is an estimate of workers' benefits.

Table 12.--Average number of employees, total and production and related workers, in U.S. establishments producing hot-rolled sheet, and hours paid 1/ for the latter, 1978-80, January-September 1980, and January-September 1981

Item	1978	1979	1980	January-September--	
				1980	1981
Average employment:					
All persons----------number--	197,331	215,609	180,560	209,868	190,007
percentage change--	2/	9.3	(16.3)	2/	(9.5)
Production and related workers producing--					
All products-------number--	167,535	181,386	149,293	146,826	158,882
percentage change--	2/	8.3	(17.7)	2/	8.2
Hot-rolled carbon steel sheet----------number--	21,491	23,599	18,449	16,935	20,262
percentage change--	2/	9.8	(21.8)	2/	19.6
Hours paid for production and related workers producing--					
All products----1,000 hours--	339,602	366,480	288,870	213,105	239,516
percentage change--	2/	7.9	(21.2)	2/	12.4
Hot-rolled carbon steel sheet---------1,000 hours--	42,934	45,247	34,149	24,433	29,145
percentage change--	2/	5.4	(24.5)	2/	19.3

1/ Includes hours worked plus hours of paid leave time.
2/ Not available.

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

Table 13.--Average number of production and related workers producing hot-rolled sheet and hours paid 1/ for them, by areas, 1978-80, January-September 1980, and January-September 1981

Item	1978	1979	1980	January-September--	
				1980	1981
Southeastern area:					
Average number employed------	621	586	479	456	523
percentage change--	2/	(5.6)	(18.3)	2/	14.7
Hours paid--------thousands--	1,230	1,142	849	602	725
percentage change--	2/	(7.2)	(25.7)	2/	20.4
Northeastern area:					
Average number employed------	16,466	18,422	14,316	13,095	15,150
percentage change--	2/	11.9	(22.3)	2/	15.7
Hours paid--------thousands--	32,403	34,583	26,040	18,783	21,417
percentage change--	2/	6.7	(24.7)	2/	14.0
Western area:					
Average number employed------	0	0	0	0	0
percentage change--	2/	-	-	2/	-
Hours paid--------thousands--	0	0	0	0	0
percentage change--	2/	-	-	2/	-

1/ Includes hours worked plus hours of paid leave time.
2/ Not available.

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

Note.--Does not include data for * * *.

Table 14.--Wages and total compensation 1/ paid to production and related workers in establishments producing hot-rolled sheet, 1978-80, January-September 1980, and January-September 1981

Item	1978	1979	1980	January-September--	
				1980	1981
Wages paid to production and related workers producing--					
All products:					
Value-------1,000 dollars--	3,767,123	4,495,703	4,012,394	2,933,156	3,591,417
Pecentage change----------	2/	19.3	(10.8)	2/	22.4
Hot-rolled carbon steel sheet:					
Value-------1,000 dollars--	483,341	569,434	485,822	343,915	447,035
Percentage change----------	2/	17.8	(14.7)	2/	30.0
Total compensation paid to production and related workers producing--					
All products:					
Value-------1,000 dollars--	4,778,124	5,695,699	5,211,364	3,823,242	4,644,223
Percentage change----------	2/	19.2	(8.5)	2/	21.5
Hot-rolled carbon steel:					
Value-------1,000 dollars--	613,414	719,134	634,420	452,342	573,710
Percentage change----------	2/	17.2	(11.8)	2/	26.8

1/ Includes wages and contributions to Social Security and other employee benefits.
2/ Not available.

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

Note.--Does not include data for * * *.

Labor productivity, hourly compensation, and unit labor costs for the production of hot-rolled sheet are presented in table 15. Labor productivity remained relatively stable between 1978 and 1980. It increased sharply, however, in January-September 1981, and offset the increase in hourly compensation. During the same period, unit labor costs actually declined by 6 percent.

Table 15.--Labor productivity, hourly compensation, and unit labor costs in the production of hot-rolled sheet, 1978-80, January-September 1980, and January-September 1981

Item	1978	1979	1980	January-September--	
				1980	1981
Labor productivity:					
Quantity---tons per hour	0.2632	0.2688	0.2780	0.2670	0.3027
Percentage change	1/	2.1	3.4	1/	13.4
Hourly compensation:					
Value---per hour	$14.29	$15.89	$18.58	$18.51	$19.68
Percentage change	1/	11.2	16.9	1/	6.3
Unit labor costs:					
Unit cost---per ton	$54.28	$59.13	$66.83	$69.34	$65.03
Percentage change	1/	8.9	13.0	1/	(6.2)

1/ Not available.

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

Hourly compensation, which includes wages and all fringe benefits, is compared for United States and French production and related workers in the following tabulation:

	U.S. workers	French workers
1978	$14.29	$8.11
1979	15.89	9.53
1980	18.58	11.12

These data show U.S. workers received an average of $6.67 more in hourly compensation than their French counterparts over the 3-year period. From 1978 to 1980, U.S. workers compensation increased 30 percent, while the compensation of French workers increased 37 percent.

Financial experience of U.S. producers

Overall operations.--Profit-and-loss data were received from nine producers accounting for about 87 percent of total U.S. shipments in 1980.

The financial data presented in this section reflect U.S. producers' overall operations of their establishments or divisions within which hot-rolled carbon steel sheet is produced. Net sales of hot-rolled sheet, the product under investigation, represented between 17 to 19 percent of net sales of total establishments or divisions during the period January 1978 to September 1981.

As shown in table 16, net sales of steel mill products produced in those establishments increased by 18 percent, from $17.4 billion in 1978 to $20.7 billion in 1979, before dropping to $17.7 billion in 1980. In the partial accounting year ending September 30, 1981, net sales increased by 27 percent compared with net sales in the corresponding period of 1980 ($16.3 billion from $12.8 billion). The aggregate gross profit and operating profit on overall operations declined precipitously, from a gross profit of $796 million and an operating profit of $380 million in 1978 to a gross loss of $490 million and an operating loss of $956 million in 1980. In the partial accounting year ending September 30, 1981, the profit picture improved to a gross profit of $262 million and an operating loss of $134 million, compared with a gross loss of $510 million and an operating loss of $862 million in the corresponding period of 1980. The ratios of gross profit or (loss) and operating profit or (loss) to net sales followed the same trend.

Hot-rolled sheet.--As shown in table 17, net sales of hot-rolled sheet increased by 19 percent, from $3.4 billion in 1978 to $4.0 billion in 1979, before declining to $3.1 billion in 1980. In the partial accounting year ending September 30, 1981, net sales increased by 46 percent to $3.2 billion, compared with net sales of $2.2 billion in the corresponding period of 1980. Aggregate gross profit of U.S. producers on their hot-rolled sheet operations declined sharply, from $251 million in 1978 to $189 million in 1979, despite an increase in net sales. U.S. producers experienced a gross loss of $143 million in 1980 as a result of steadily increasing costs of production. The ratio of gross profit or (loss) to net sales declined from a positive 7.5 percent in 1978 to a negative 4.6 percent in 1980, as the ratio of cost of goods sold to net sales increased from 92.5 percent to 104.6 percent. The gross profit picture improved from a gross loss of $133 million in the partial accounting year ending September 30, 1980, to a gross profit of $27 million in the corresponding period of 1981. During the same period, the ratio of gross profit or loss to net sales improved from a negative 6.1 percent to a positive 0.9 percent, while the ratio of cost of goods sold to net sales declined from 106.1 percent to 99.1 percent.

Aggregate operating profit followed the same trend as did gross profit, declining from $168 million in 1978 to an operating loss of $234 million in 1980. The ratio of operating profit or (loss) to net sales dropped from a positive 5.0 percent in 1978 to a negative 7.6 percent in 1980, as selling and administrative expenses increased by 10 percent. The ratio of selling and administrative expenses to net sales fluctuated from 2.5 percent in 1978 to 2.3 percent in 1979, and 3.0 percent in 1980, as a result of fluctuating net sales during the period. The industry reported a smaller operating loss of $58 million in the partial accounting year ending September 30, 1981, compared with the operating loss of $200 million in the corresponding period of 1980. During the same period the ratio of operating loss to net sales declined to 1.8 percent from 9.2 percent in January-September 1980.

Table 16.--Profit-and-loss experience of 9 U.S. producers on the overall operations of their establishments or divisions within which hot-rolled sheet is produced, accounting years 1978-80, partial accounting year ending Sept. 30, 1980, and partial accounting year ending Sept. 30, 1981

Item	1978	1979	1980	Partial accounting year ending Sept. 30, 1980	Partial accounting year ending Sept. 30, 1981
Net sales million dollars--	17,429	20,650	17,738	12,842	16,348
Cost of goods sold---do----	16,633	20,059	18,228	13,352	16,086
Gross profit or (loss) do----	796	591	(490)	(510)	262
Selling and administrative expenses million dollars--	416	455	466	352	396
Operating profit or (loss) do----	380	136	(956)	(862)	(134)
Ratio of gross profit or (loss) to net sales percent--	4.6	2.9	(2.8)	(4.0)	1.6
Ratio of operating profit or (loss) to net sales percent--	2.2	.7	(5.4)	(6.7)	(.8)
Ratio of cost of goods sold to net sales percent--	95.4	97.1	102.8	104.0	98.4
Ratio of selling and administrative expenses to net sales----percent--	2.4	2.2	2.6	2.7	2.4
Net sales of hot-rolled carbon steel sheet million dollars--	3,352	3,998	3,083	2,167	3,160
Ratio of hot-rolled carbon steel sheet net sales to total establishment or division net sales percent--	19.2	19.4	17.4	16.9	19.3
Number of firms reporting operating losses---------	1	4	7	8	4

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

Table. 17--Profit-and-loss experience of 9 U.S. producers on their operations producing hot-rolled sheet, accounting years 1978-80, partial accounting year ending Sept. 30, 1980, and partial accounting year ending Sept. 30, 1981

Item	1978	1979	1980	Partial accounting year ending Sept. 30, 1981	Partial accounting year ending Sept. 30, 1981
Net sales					
million dollars--	3,352	3,998	3,083	2,167	3,160
Cost of goods sold--do----	3,101	3,809	3,226	2,300	3,133
Gross profit or (loss) do----	251	189	(143)	(133)	27
Selling and administrative expenses					
million dollars--	83	94	91	67	85
Operating profit or (loss): million dollars--	168	95	(234)	(200)	(58)
Ratio of gross profit or (loss) to net sales percent--	7.5	4.7	(4.6)	(6.1)	.9
Ratio of operating profit or (loss) to net sales percent--	5.0	2.4	(7.6)	(9.2)	(1.8)
Ratio of cost of goods sold to net sales percent--	92.5	95.3	104.6	106.1	99.1
Ratio of selling and administrative expenses to net sales-percent--	2.5	2.3	3.0	3.1	2.7
Number of firms reporting operating losses--------	5	4	8	9	5

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

All respondents except * * * reported operating losses in 1980, whereas the number of responding firms reporting losses totaled 5 and 4 in the years 1978 and 1979, respectively. In the partial accounting year ending September 30, 1981, the number of responding firms reporting such losses declined to 5 from all 9 firms in the corresponding period of 1980.

The ratios of operating profit or (loss) to net sales reported in questionnaires by U.S. producers on their hot-rolled sheet and overall operations are compared with those compiled by the Federal Trade Commission for all iron and steel companies and for all manufacturing companies in table 18.

Table 18.--Ratios of operating profit or (loss) to net sales for hot-rolled sheet producers on their hot-rolled sheet and overall operations, for all iron and steel company operations, and for all manufacturing company operations, 1978-80 and January-September 1981

(In percent)

Item	Ratio of operating profit or (loss) to net sales--			
	1978	1979	1980	January-September 1981
Hot rolled sheet producers:				
Hot-rolled sheet operations	7.5	4.7	(4.6)	0.9
Overall operations	2.2	0.7	(5.4)	(.8)
All iron and steel 1/	5.6	5.5	3.8	2/ 5.9
All manufacturing 1/	8.1	7.7	6.8	2/ 7.2

1/ Derived from data published in Quarterly Financial Reports, Federal Trade Commission.

2/ Ratio in 1981 based on January-June data.

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

The preceding table shows producers of hot-rolled sheet generally receiving lower returns as a percentage of net sales than either all iron and steel companies or all manufacturing companies. Returns on sales of hot-rolled sheet have especially lagged behind producers of other products in 1980 and 1981, which perhaps can be attributed to the continued slump in the U.S. auto industry, the principal consumer of hot-rolled sheet products.

Investment in productive facilities.--To provide an additional measure of profitability, the ratios of net operating profit or (loss) to original cost and book value of fixed assets employed in the production of hot-rolled sheet are presented in table 19. These ratios followed the same trend as did the ratios of net operating profit or (loss) to net sales.

Capital expenditures and research and development.--Domestic producers' capital expenditures in connection with their hot-rolled sheet operations were compiled by the staff from questionnaire data. Total capital expenditures increased by 27 percent, from $257.7 million in 1978 to $326.8 million in 1979, but then fell to $297.0 million in 1980. The majority of capital expenditures were incurred for machinery and equipment. Over * * * percent of total capital expenditures were incurred by one producer, * * *. Three of the eleven repondents reported they incurred no capital expenditures for the period 1978-80.

Table 19.--Investment in productive facilities by U.S. producers of hot-rolled sheet as of the end of accounting years 1978-80, and as of Sept. 30, 1981 1/

Item	1978	1979	1980	Sept. 30, 1981
Original cost-------million dollars--	2,989	3,154	3,318	3,208
Book value----------do----	1,229	1,311	1,417	1,432
Net sales----------do----	2,556	3,141	2,486	2,211
Operating profit or (loss)-----do----	97	67	(171)	(70)
Ratio of operating profit or (loss) to--				
Net sales----------percent--	3.8	2.1	(6.9)	(3.2)
Original cost----------do----	3.2	2.1	(5.2)	2/ (2.2)
Book value----------do----	7.9	5.1	(12.1)	2/ (4.9)

1/ Data are for 7 firms for 1978-80, and 6 firms for 1981.
2/ These ratios for 9-month data are not comparable to ratios based on 12-month data.

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

Nine domestic producers reported research and development expenses for their hot-rolled sheet operations, which are presented in the following tabulation:

	Value (1,000 dollars)
1978----------	$6,159
1979----------	6,294
1980----------	7,271
1981 (January-September)----------	8,075

Total reported research and development expenditures increased from $6.2 million in 1978 to $7.3 million in 1980, and further increased to $8.1 million, in January-September 1981. Over 80 percent of these expenditures were incurred by three firms: * * *.

The Question of the Causal Relationship Between the Allegedly Subsidized Imports and Material Injury

U.S. imports

Data on U.S. imports of hot-rolled sheet from France and other major sources are presented in table 20.

Table 20.--Hot-rolled sheet: U.S. imports for consumption, by major sources, 1978-80, January-September 1980, and January-September 1981

Source	1978	1979	1980	January-September--	
				1980	1981
	Quantity (short tons)				
France	693,613	528,606	395,351	270,506	297,903
Federal Republic of Germany	674,383	545,353	338,331	290,159	225,620
Netherlands	321,841	268,777	189,418	124,839	120,641
Japan	616,079	769,845	639,830	501,286	388,470
All other	1,037,107	563,273	373,662	308,239	354,201
Total	3,343,023	2,675,854	1,936,592	1,495,029	1,386,835
	Value (1,000 dollars)				
France	162,179	142,409	109,064	75,648	89,020
Federal Republic of Germany	151,119	142,776	90,420	77,140	69,603
Netherlands	82,566	76,233	51,192	34,035	38,975
Japan	157,880	226,917	200,167	156,385	127,625
All other	220,031	148,493	106,344	86,806	109,655
Total	773,775	736,828	557,187	430,014	434,878
	Unit value (per ton) 1/				
France	$232.82	$269.41	$275.87	$279.66	$298.82
Federal Republic of Germany	224.08	261.80	267.25	265.86	308.50
Netherlands	256.54	283.63	270.26	272.63	323.07
Japan	256.27	294.76	312.84	311.97	328.53
Total	231.46	257.36	287.72	287.63	313.58

1/ Quantity and value of imports are rounded; unit values are calculated on the basis of unrounded U.S. import data.

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

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

U.S. imports of hot-rolled sheet enter the United States under TSUSA item Nos. 607.6610, 607.6700, 607.8320, and 607.8342. Japan is the largest exporter of hot-rolled sheet to the United States, accounting for 33 percent of the total quantity of imports in 1980. France had been the largest exporter of hot-rolled sheet to the United States in 1978, but fell to third largest exporter behind Japan and West Germany in 1979. France has remained the largest exporter of hot-rolled sheet from the European Community (EC) to

the United States for most of the period of January 1978-September 1981, accounting for 37 percent of total EC imports of the product in that period, followed by West Germany with 34 percent.

The total quantity of U.S. imports declined from 3.3 million tons in 1978 to 1.9 million tons in 1980, or by 42 percent. The quantity of total imports continued to decline in January-September 1981, dropping by 7 percent from the some period in 1980. Imports of hot-rolled sheet from France followed a somewhat similar trend, declining by 43 percent from 1978 to 1980, but increasing by 10 percent in January-September 1981 compared with the corresponding period of 1980. Imports from France in October 1981 rose to 64,695 tons, the highest monthly level reported for 1981. A comparison of imports from France during the most recent 3-month period for which data are available (August-October 1981) and the corresponding period of 1980 shows an increase from 90,083 tons in 1980 to 149,832 tons in 1981.

The average unit value of imports of hot-rolled sheet from France increased steadily from 1978 to 1980, and again in January-September 1981 compared with the corresponding period of 1980, a trend exhibited by all major suppliers. The average unit value of imports from France was around $23 lower per ton than that of Japan, the benchmark country of the TPM program, in 1978. This margin increased to $37 per ton in 1980, but declined to $30 per ton in January-September 1981.

Detailed from data on the quantity and value of imports of hot-rolled sheet from France are given in table 21.

Table 21 shows TSUSA item 607.6700, described in the TSUS as "carbon steel sheets, not coated or plated with metal, not pickled and not cold-rolled," as composing 60 percent of the total quantity of imports of hot-rolled sheet from France from 1978 to 1980. Imports entering under TSUSA item 607.8320 made up less than 1 percent of total imports of hot-rolled sheet in this same period.

Market penetration by imports from France

The quantity of imports of hot-rolled sheet from France as a share of apparent U.S. consumption fell from 4.0 percent in 1978 to 3.1 percent in 1980, representing a decline of 22 percent. The share of hot-rolled sheet from France in apparent U.S. consumption declined further, to 2.7 percent, in January-September 1981, as shown in table 22.

The ratio of imports of hot-rolled sheet from France to U.S. producers' shipments of hot-rolled sheet followed a similar trend, falling from 4.9 percent in 1978 to 3.6 percent in 1979 and 1980. The comparable ratios for January-September 1980 and January-September 1981 were 3.5 percent and 3.1 percent, respectively. Because of the increase of imports from France in October 1981, the ratio of imports from that country to U.S. producers' shipments for January-October 1981 rose to 3.5 percent. Market penetration data for January-October 1981 are not available because export data have not yet been compiled.

Table 21.--Hot-rolled sheet: U.S. imports for consumption from France, by TSUSA items, 1978-80, January-September 1980, and January-September 1981

TSUSA item No.	1978	1979	1980	January-September--	
				1980	1981
	Quantity (short tons)				
France:					
607.6610 1/	186,195	104,958	101,868	69,978	73,520
607.6700 2/	404,339	333,775	229,852	157,342	191,260
607.8320 3/	2,703	1,333	1,459	746	3,481
607.8342 4/	100,377	88,541	62,171	42,440	29,641
Total	693,614	528,607	395,350	270,506	297,902
	Value (1,000 dollars)				
607.6610	44,203	28,376	30,534	22,198	22,072
607.6700	94,279	89,270	60,667	41,236	56,776
607.8320	766	362	460	263	1,093
607.8342	22,932	24,401	17,402	11,952	9,079
Total	162,179	142,409	109,064	75,648	89,020
	Unit value (per ton)				
607.6610	$237	$270	$299	$317	$300
607.6700	233	267	264	262	297
607.8320	283	271	316	352	314
607.8342	228	276	280	282	306

1/ Corresponds to TSUSA item 608.8410 in 1978-79.
2/ Corresponds to TSUSA item 608.8440 in 1978-79.
3/ Corresponds to TSUSA item 608.8720 in 1978-79.
4/ Corresponds to TSUSA item 608.8742 in 1978-79.

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

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

Table 22.--Hot-rolled sheet: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1978-80, January-September 1980, and January-September 1981

Period	Shipments	Total imports	Imports from France	Exports	Apparent consumption	Ratio of imports from France to	
						shipments	consumption
	Short tons					Percent	
1978	14,114,460	3,343,023	693,613	77,895	17,379,588	4.9	4.0
1979	14,493,905	2,675,854	528,606	68,961	17,100,798	3.6	3.1
1980	10,870,271	1,936,592	395,351	92,427	12,714,436	3.6	3.1
January-September							
1980	7,740,552	1,495,029	270,506	77,737	9,157,844	3.5	3.0
1981	9,601,238	1,386,835	297,903	58,646	10,929,427	3.1	2.7

Source: Shipments compiled from the American Iron & Steel Institute, Statistics Division; imports and exports compiled from official statistics of the U.S. Department of Commerce.

Prices

Steel prices are influenced strongly by market conditions that affect industries which require steel as an input. Market conditions in industries such as automobiles, construction, energy, and utilities have long been a factor in the trend of prices in the steel industry. For example, the auto industry has experienced declining demand for large cars and has begun to produce smaller, lighter cars. These factors have reduced the demand for steel sheet, and have in turn had a dampening effect on prices.

Steel sheet prices are fixed f.o.b. mill (freight is charged to the account of the customer) and usually quoted from published lists in terms of dollars per ton. Prices are determined for each product on a base unit plus additional charges for extras for variations from the base description in length, width/thickness, chemistry, etc. Typically, price increases are announced by a single firm on the base or extras (or combination of both), and are adopted by all firms in the industry.

The Bureau of Labor Statistics (BLS) reports that the Producer Price Indexes (PPI's) for steel sheet are based primarily on reports of list prices rather than actual transaction prices. During a period of declining market demand it is not unusual for domestic firms to offer discounts from published prices in order to sell their products. 1/ Industry sources have indicated that this practice has been relatively frequent since January-March 1981.

According to the PPI's published by BLS, prices of steel sheet--both pickled and nonpickled--have been rising since January 1, 1979 (table 23 and figure 2). The greatest increase in prices occurred between July-September 1980 and July-September 1981.

The appreciation of the dollar.--The recent strength of the U.S. dollar has led to claims that foreign steel producers have increased in competitiveness vis-a-vis U.S. steel producers. Indeed, because the dollar now buys more foreign currency than before, the appreciation should have made imported steel less expensive to U.S. purchasers. 2/ However, there are

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1/ Freight equalization is another common discounting practice that is not restricted solely to periods of market decline. Under this practice, to remain competitive a producer that supplies a customer who is located closer to a competing producer will absorb any differences in freight costs.

2/ Further, in contrast to the depreciation of the home currencies of many countries that export steel products to the United States, the Japanese yen appreciated by 4.9 percent from January-March 1980 to July-September 1981. As the exchange rate is a factor used by the Department of Commerce in the calculation of trigger prices, the appreciation of the yen, as reflected in trigger price modifications, also theoretically increased the competitive advantage of those countries whose currency had depreciated against the dollar during this period.

Table 23.--Hot-rolled sheet: Indexes of producer prices, tigger prices, and unit values of imports from France, by quarters, January 1979-September 1981

(January-March 1979=100)

Period	Producer price indexes		Trigger price	Foreign value of imports from France	
	pickled	Not pickled		pickled	Not pickled
1979:					
January-March	100.0	100.0	100.0	100.0	100.0
April-June	100.0	100.0	100.0	100.5	105.6
July-September	105.0	105.2	98.6	109.8	107.5
October-December	105.0	105.2	98.6	110.3	106.9
1980:					
January-March	105.0	105.2	101.8	110.7	99.5
April-June	109.8	110.4	1/	124.2	108.8
July-September	105.4	105.4	1/	114.4	133.8
October-December	109.9	110.1	113.9	109.6	104.6
1981:					
January-March	117.3	117.0	115.0	114.6	112.1
April-June	119.9	117.9	118.2	118.4	117.5
July-September	126.7	124.8	118.2	130.3	120.0
October-December	126.7	126.7	118.2	-	-

1/ The trigger price was suspended.

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

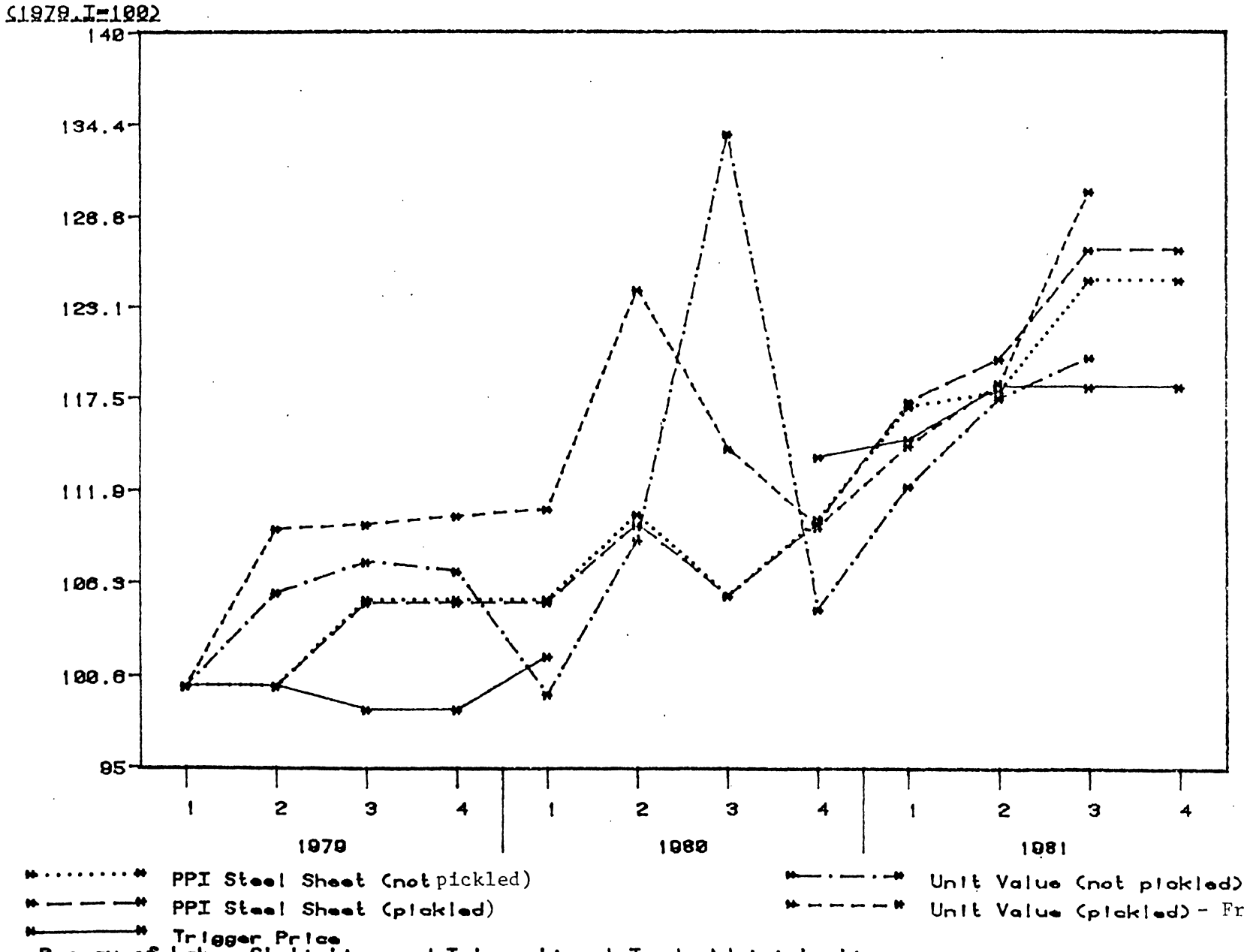
Note.--Indexes are presented for comparisons of trends; index levels are not comparable.

several reasons why the increase in price competitiveness of foreign steel may not have been as great as the percentage appreciation of the dollar. First, if foreign producers import raw materials from the United States or from countries whose currencies are tied to the dollar, a portion of their costs will rise with the dollar. Second, if raw material imports of foreign steel producers are denominated in dollars and fixed by contracts, their costs will rise with the dollar for the duration of the contracts.

Third, the Trigger-Price Mechanism may make importers reluctant to reduce their prices. 1/ If foreign producers were already selling their steel near the trigger price, they may not wish to lower their prices despite the depreciation of their home currency. Because the trigger price is based on the costs of Japanese producers, the trigger price might not be affected by an appreciation of the dollar versus other steel-producers' home currencies.

1/ Information from purchasers indicate that some French sheet sales were made with the assurance from the French supplier that although the sales price was below the trigger price, it was at fair value.

Figure 2.--Hot rolled steel sheet: selected price indexes, by quarters, January 1979-September 1981.



Source: Bureau of Labor Statistics and International Trade Administration.
Note.--Indexes are presented for comparisons of trends; index levels are not comparable.

Finally, foreign producers may choose to increase their per unit profits by lowering their dollar prices by less than the depreciation would allow. By not passing on the full cost reduction to consumers, they could increase their sales volume or their per-unit profits.

Table 24 shows how much the currencies of the 4 largest hot-rolled sheet suppliers have changed vis-a-vis the dollar from January-March 1980 to July-September 1981. The percentage changes given in table 24 show the maximum amount that foreign producers could have lowered the dollar price of their steel and kept their profit margins constant, assuming they had no dollar-denominated costs.

Table 24.--Movements of foreign currencies versus the dollar, January-March 1980 to July-September 1981

Country	Exchange rate 1/ in January-March 1980	Exchange rate 1/ in July-September 1981	Percentage Change
Netherlands	$0.5120	$0.3699	-27.8
France	.2410	.1722	-28.5
West Germany	.5639	.4111	-27.1
Japan	.0041	.0043	+ 4.9

1/ The exchange rates given are period averages and are in terms of U.S. dollars per unit of foreign currency.

Source: Compiled from official statistics of the International Monetary Fund.

Data on import prices of sheet from France, as reflected in a sample of special steel survey invoices (SSSI's), appear to indicate that such products were imported at or very near trigger price. Consequently, little if any of the exchange rate advantage created by the appreciation of the dollar vis-a-vis France's currency would be translated into lower dollar prices. Nevertheless, the U.S. market became more attractive to French exporters in terms of the increased return in exporting country currency that stemmed from the stronger dollar.

A temporary exchange rate advantage in pricing may have resulted from the fact that the Trigger Price Mechanism was suspended for the last three quarters of 1980 while the dumping investigations against the EC were underway. It is not known to what extent, if any, prices were adjusted downward during that period.

The appreciation of the dollar did trigger a request by some of the European producers for "preclearance" of steel imports at prices below trigger price. This action was in effect an effort to obtain exemption from the Trigger Price Mechanism based on the argument that the appreciation of the

dollar made European costs of production lower than the levels set by trigger prices, which are based on Japanese costs of production.

According to domestic trade sources, importers of sheet from France used the application for preclearance as a marketing tool to promote sales of the imported product. A survey of sample SSSI's turned up a number of references to below-trigger-price entries which were explained by the importer as based on the application for preclearance. No imports of hot-rolled sheet from France have been granted preclearance as of November 1981.

Transaction prices.--Eight domestic producers and the two importers (both related parties to supplying mills in France) provided delivered price data. The data reported show that prices of imports were frequently higher than domestic prices by 1 percent to 24 percent. Telephone contacts with a sample of representative purchasers suggested that the superior quality of French steel sheet may occasionally justify a price premium, but that the suggested premium would not be more than 5 percent. 1/

Another possible reason for import prices being greater than domestic prices involves alleged difficulties in reporting delivered prices paid by purchasers. Several domestic producers explained that they were unable to provide actual delivered price data because freight charges were a cost to the customer and were not specifically known by the vendor. For example, U.S. Steel calculated an average freight charge for each price submitted, but noted in its response that the resulting delivered price "has only limited usefulness in making comparisons with other producers' delivered prices." Inland Steel provided only f.o.b. mill prices, which could not be compared with delivered prices of imports. Two other domestic producers estimated freight charges that were used to provide delivered prices.

Domestic producers also pointed out that the size of the regions is such that there are inherent problems in comparing delivered prices to two distant points within a region because of the large differences in freight costs that may be involved. The producers felt that delivered prices to two distant points within a region may be different because of large differences in freight costs. For both these reasons, margins of underselling that are computed from reported delivered price data of domestic producers may be inaccurate.

Prices of a representative type of hot-rolled carbon steel sheet are presented in table 25. The Commission requested quarterly net delivered selling prices for domestic producers' and importers' largest quarterly sale of hot-rolled carbon steel sheet to both end-users and service center-distributors for the period January-March 1980 through July-September 1981. Delivered prices were requested for three areas--Northeastern, Southeastern, and Western.

1/ John S. Reilly of ICF Inc., appearing at the conference on behalf of Usinor, presented results of a price survey of purchasers which indicated that the price of imports of hot-rolled sheet from France was greater than the price of the comparable domestic product (transcript pp. 155-158).

Table 25.--Hot-rolled sheet, 1/ commercial quality, 0.1210-0.1799 inches in thickness and over 36 inches through 72 inches in width: Ranges and weighted average net delivered selling prices for the largest sales of imports from France and domestic products and the average margin by which imports from France undersold domestic products, by types of customers, areas of sale, and quarters, January 1980-September 1981

Period	Prices to end-user customers						Prices to service center/distributor customers					
	Imports from France		Domestic product		Average margin of underselling of imports from France		Imports from France		Domestic product		Average margin of underselling of imports from France	
	Range	Weighted average	Range	Weighted average			Range	Weighted average	Range	Weighted average		
	Per short ton					Percent	Per short ton					Percent
Northeast area: 2/												
1980:												
January-March	***	***	***	***	$5	3	***	***	***	***	-$36	-12
April-June	***	***	***	***	-	-	***	***	***	***	-33	-10
July-September	***	***	***	***	5	1	***	***	***	***	-52	-16
October-December	***	***	***	***	7	2	***	***	***	***	-14	-5
1981:												
January-March	***	***	***	***	-	-	***	***	***	***	-83	-24
April-June	***	***	***	***	-21	-6	***	***	***	***	-30	-9
July-September	***	***	***	***	-9	-2	***	***	***	***	-18	-5
Southeast area: 2/												
1980:												
January-March	***	***	***	***	-	-	***	***	***	***	-15	-6
April-June	***	***	***	***	-	-	***	***	***	***	-46	-16
July-September	***	***	***	***	14	4	***	***	***	***	-2	-1
October-December	***	***	***	***	-	-	***	***	***	***	-53	-18
1981:												
January-March	***	***	***	***	-	-	***	***	***	***	-54	-15
April-June	***	***	***	***	23	6	***	***	***	***	-21	-6
July-September	***	***	***	***	-	-	***	***	***	***	-	-
Western area: 2/												
1980:												
January-March	***	***	***	***	15	4	***	***	***	***	12	4
April-June	***	***	***	***	69	17	***	***	***	***	-75	-21
July-September	***	***	***	***	-	-	***	***	***	***	-27	-8
October-December	***	***	***	***	-	-	***	***	***	***	-26	-8
1981:												
January-March	***	***	***	***	-	-	***	***	***	***	-	-
April-June	***	***	***	***	55	13	***	***	***	***	-3	-1
July-September	***	***	***	***	-60	-19	***	***	***	***	-14	-4

1/ In coils, carbon 0.25 maximum, not pickled.
2/ See map on page A-10.

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

Delivered prices of carbon steel sheet 0.1210"-0.1799" in thickness to end-user customers in the Northeast and Southeast areas increased between the first quarter of 1980 and the third quarter of 1981 (table 25). For these areas and customers, importers undersold domestic producers in 5 of the 7 quarters by margins of * * *, or 1 to 6 percent. Prices of imports were higher than domestic prices in 2 of the 7 quarters.

Prices of imports to end-user customers in the Western area increased over the period, while domestic prices fluctuated. For end-user customers in the Western area, imports undersold domestic products in 3 of 4 quarters by margins of 4 to 17 percent. Prices of imports exceeded domestic prices in July-September 1981 by * * *, or 19 percent.

Although prices for imports and domestic sheet products that were paid by service center/distributor customers fluctuated in all three areas, they were higher in July-September of 1981 than in January-March 1980. According to the data reported, importers undersold domestic producers in only one quarter in one of the three geographical areas. This occurred in the January-March quarter of 1980 in the Western area by a margin of 4 percent. In the other 18 instances where data were reported, the price of French hot-rolled sheet was greater than the price of domestic hot-rolled sheet by margins ranging from * * * to * * *, or by 1 to 24 percent.

Lost sales

Five domestic producers provided a total of 86 allegations of lost sales of hot-rolled sheet to imports of competing sheet from France. These lost sales allegations amounted to 171,000 tons of hot-rolled sheet, with claimed lost revenue of about $60 million. In order to verify these allegations of lost sales, 17 purchasers identified by domestic producers were randomly selected and contacted by the staff. Lost sales allegations were confirmed in 12 instances and the principal reason cited by purchasers for their decision in favor of the French product was lower price. Two allegations of lost sales to French sheet were found to have been lost to imports from Japan and one lost sale was simply denied. In two instances, imported sheet did result in a lost sale, but the purchasing firm did not know the country of origin of the imported product.

Attempts to verify lost sales turned up only one example of French sheet purchased at a premium price, i.e., a price above that of the competing domestic product. Another purchaser queried stated that French sheet had been priced above domestic price levels early in 1980, but that more recently, French sheet prices and domestic prices were about the same. Several other purchasers also noted that the price of sheet imported from France was about the same as the domestic price. Two firms stated that quality was the reason for their purchase of French sheet. Repeatedly, purchasers verified that the French product was of better quality and had a lower percentage of rejects, but added that they did not pay a premium for that quality, but rather, were able to purchase the imported French sheet at prices below the competing domestic product. In two instances, purchasers noted that the reason for buying the French product was lack of availability of thin gauge sheet from

domestic producers. One purchaser bought small quantities of French sheet to insure a second source, if needed. In summary, lower prices coupled with a quality product are the prime factors that caused lost sales to imports of hot-rolled sheet from France.

Price suppression/depression

Six producers provided allegations of price reductions from actual quotations 1/ they had made to purchasers in order to prevent lost sales to competing offers of hot-rolled sheet imported from France. These data are aggregated in table 26. There are 27 examples of such reductions that total approximately 90,000 tons. 2/ Lost revenue from these allegations amounts to about $2.5 million. The degree of price depression/suppression as measured by lost revenue ranged from a low of about 5 percent to a high of 12 percent. In order to verify the allegations of price reductions, three randomly selected firms were contacted. Price reductions were confirmed in all three of the instances investigated by the staff.

The Question of a Reasonable Indication of Threat of Material Injury

Rate of increase of imports and market penetration

As part of its consideration of the question of a reasonable indication of threat of material injury, the Commission may examine the rate of increase, if any, of allegedly subsidized exports to the U.S. market, and the rate of increase of market penetration of such exports. In the case of hot-rolled sheet from France, imports and market penetration from 1978 to 1980, and in January-September 1980 and 1981, were as follows:

Period	Imports from France (1,000 tons)	Share of imports from France in apparent U.S. consumption (Percent)
1978	693,613	4.0
1979	528,600	3.1
1980	395,351	3.1
January-September--		
1980	270,506	3.0
1981	297,903	2.7

The quantity of imports of hot-rolled sheet from France declined steadily from 1978 to 1980, before rising somewhat in January-September 1981 compared

1/ Initial quotations reported were actual offer prices, not published prices. As mentioned earlier, recent price quotations have typically been discounted from published prices.

2/ * * * did not provide tonnage figures. Based on the dollar amounts involved, the staff estimates these examples totaled about * * * tons.

Table 26.--Hot-rolled sheet: Examples of price suppression/depression alleged by U.S. producers as instances in which they were forced to reduce prices to avoid losing sales to competitors selling sheet imported from France, by producers, 1980 and January-November 1981

Domestic producer and period	Number of examples	Total quantity	Initial rejected quotation	Accepted quotation 1/	Price depression/suppression as measured by lost revenue		Verified	Quotation on imported material
		Short tons	1,000 dollars			Percent		1,000 dollars
Jones and Laughlin Inc:								
1980 (January-November)--	***	***	***	***	***	***		***
1981 (January-November)--	***	***	***	***	***	***		***
Inland Steel Corp:								
1981 (January-November)--	***	***	***	***	***	***		***
Republic Steel Corp:								
1981	***	***	***	***	***	***	***	***
Bethlehem Steel:								
1980	***	***	***	***	***	2/ ***		***
	***	***	***	***	***	2/ ***		***
1981 (January-November)--	***	***	***	***	***	2/ ***		***
								***
	***	***	***	***	***	***		***
	***	***	***	***	***	***		***
Ford Motor Co. Steel Div:								
1980	***	***	***	***	***	***	***	***
U.S. steel:								
1980	***	***	***	***	***	***	***	***
1981 (January-November)--	***	***	***	***	***	***	***	***

1/ * * *.

2/ Estimated.

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

with the quantity in the corresponding period of 1980. As a share of apparent U.S. consumption, such imports dropped from 4.0 percent in 1978 to 3.1 percent in 1979, and remained at that level in 1980. The share declined somewhat, to 2.7 percent, in January-September 1981.

Importers' inventories

Of the two U.S. importers which account for the vast bulk of imports of hot-rolled sheet from France, * * *.

* * * * * * *

Capacity of producers in France to generate exports and the availability of other export markets 1/

French production of crude steel in 1980 was 23.2 million tons. This represented a slight decrease from the 1979 level of 23.4 million tons, and was significantly below the peak-year performance in 1974 of 27.0 million tons. 2/ Production for January-September of 1981 was 16 million tons, compared with 18 million tons in the corresponding period of 1980. 3/

French basic steel capacity reached a peak of 33.3 million tons in 1976 before declining to 32.7 million tons in 1978. During July-December 1979, Usinor closed facilities with a total capacity of 1.65 million tons, and from August 1980 to August 1981, facilities with an additional 1.5 million tons of capacity were closed. The scheduled closure by Sacilor of a 700,000-ton plant in 1983 would reduce French capacity to about 28 million tons.

Capacity utilization rates have improved since 1976 as facilities have closed. EC sources estimate the French steel industry capacity utilization at 76 percent in 1980. In response to inquiries, French industry sources indicated that at present neither of the two major steel producers are planning investment in new facilities.

French exports of steel sheet declined slightly, from 2.6 million tons in 1978 to 2.4 million tons in 1979, and remained at that level in 1980. Exports to the United States declined sharply, from 414,000 tons in 1978 to 126,000 tons in 1980, or by 70 percent. Shipments to the U.S. market accounted for 5

1/ Data in this section are reported in metric tons and should not be compared directly with data found in other sections of the report. The statistical product categories used by the United Nations, the source of this raw data, do not compare directly with the product groupings used elsewhere in this report. The data in this section are used to display the relative magnitudes of the various participants in the world steel market but are not meant to be used for more than that specific purpose.

2/ Quarterly Iron and Steel Bulletin, Eurostat, 1981.

3/ Office for Official Publications of the European Communities, Iron and Steel-Monthly Bulletin, October 1981, p. 7.

percent of all French exports of steel sheet products in 1980. Data on French exports of steel sheet products are given in table 27.

Table 27.--Steel sheet products: French exports, by principal markets, 1978-80 1/

(In thousand of metric tons)

Market	1978	1979	1980
United States	414	281	126
EC:			
Belgium/Luxembourg	106	121	106
West Germany	509	467	521
Greece	10	9	12
Ireland	13	15	10
Italy	357	384	416
Netherlands	35	26	42
United Kingdom	132	104	140
Subtotal	1,162	1,126	1,247
World total	2,656	2,443	2,484

1/ Data include exports of cold-rolled and galvanized sheet products.

Source: United Nations, Statistics of World Trade in Steel, 1978, 1979, 1980.

Specific data relating to hot-rolled sheet production and production capacity of Usinor and Sacilor were gathered by the Commission's staff, and are presented in table 28.

Table 28.--Hot-rolled sheet: Production, capacity, and capacity utilization of Usinor and Sacilor, 1979-80, and January-September 1981 1/

Firm	Production			Capacity			Ratio of production to capacity		
	1979	1980	Jan.-Sept. 1981	1979	1980	Jan.-Sept. 1981	1979	1980	Jan.-Sept. 1981
	1,000 metric tons						Percent		
Usinor	***	***	2/***	***	***	***	***	***	***
Sacilor	***	***	***	***	***	***	***	***	***
Total	***	***	2/***	***	***	***	***	***	***

1/ Data on Usinor includes production and capacity for facilities at Dunkirk, Denain, and 47.5 percent of the production and capacity of Solmer. Data for Sacilor include production and capacity for 47.5 percent of Solmer only. Solmer is the only source of Sacilor's hot-rolled sheet production.

2/ Estimated, based on annual 1981 projections for Usinor.

The preceding table shows production and capacity to produce hot-rolled sheet * * * for both Usinor and Sacilor from 1979 to 1980. Utilization of productive capacity * * * by * * * percent over the same period. However, if trends reported by the two companies for January-September 1981 hold for the remainder of 1981, production and capacity to produce hot-rolled sheet will * * * from those data reported for 1980.

APPENDIX A

COMMERCE'S LETTER OF NOTIFICATION, NOTICE OF INVESTIGATION, AND BACKGROUND MEMORANDUM

Hot Rolled Carbon Steel Sheet From France; Initiation of Countervailing Duty Investigation

AGENCY: International Trade Administration, Commerce.

ACTION: Initiation of countervailing duty investigation.

SUMMARY: On the basis of information currently before it, the U.S. Department of Commerce is initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters of hot rolled carbon steel sheet from France receive subsidies within the meaning of section 771(5) of the Tariff Act of 1930, as amended. We are notifying the U.S. International Trade Commission of this action so that it may preliminarily determine whether imports of this merchandise from France are materially injuring or threatening to materially injure a U.S. industry.

EFFECTIVE DATE: November 18, 1981.

FOR FURTHER INFORMATION CONTACT: Mary S. Clapp, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, D.C. 20230, (202) 377-2438.

SUPPLEMENTARY INFORMATION:

Background

On December 6, 1977, the President approved implementation by the Treasury Department of the Trigger Price Mechanism ("TPM"), applicable to imports of certain steel mill products. As stated in the Federal Register of December 30, 1977 (42 FR 65214), the TPM consisted of four major parts: (1) The establishment of trigger price for basic steel mill products imported into

the United States; (2) the use of a Special Summary Steel Invoice ("SSSI") applicable to imports of all basic steel mill products; (3) the continuous collection and analysis of data concerning (a) the cost of production and prices of basic steel mill products exported to the United States, and (b) the condition of the domestic steel industry; and, (4) where appropriate, the expedited initiation and disposition of proceedings under the antidumping law with respect to imports below the trigger prices.

Responsibility for administration of the antidumping and countervailing duty laws and the TPM was transferred to the Department of Commerce on January 2, 1980, as part of Reorganization Plan No. 3 of 1979.

The original TPM was designed as a substitute for major antidumping petitions by the domestic industry. On March 21, 1980, antidumping petitions involving basic steel mill products from seven European countries were filled with the Department of Commerce. As a result of those petitions, the Department suspended the TPM. On October 8, 1980, following withdrawal of the antidumping complaints against the European steel producers, the Department of Commerce announced its intention to reinstate the TPM in modified form (45 FR 66833). The present TPM, however, still incorporates the four principles described above.

The TPM, as reinstated, is designed to promote the elimination of injurious dumping and subsidization of imported basic steel mill products and thereby to moderate the adverse effects on the domestic industry that can result from unfair import competition. The Department's administration of the TPM includes the collection and analysis of information about government subsidization of steel industries in foreign countries.

Initiation of Countervailing Duty Investigation

The Department of Commerce has determined that an investigation is warranted to determine whether the Government of France is providing bounties or grants with respect to the manufacture, production, or exportation of hot rolled carbon steel sheet. The countervailing duty investigation is being initiated under section 702(a) of the Tariff Act of 1930, as amended (the "Act") (19 U.S.C. 1671a(a)). This initiation is based on the Department's monitoring of hot rolled sheet imports and on its analysis of the French steel industry. There is also evidence indicating that these imports may be having an injurious effect upon the U.S. steel industry. Imports of French sheet may be causing depressed conditions in the U.S. industry including suppressed prices.

The Department of Commerce will investigate whether French hot rolled sheet manufacturers, producers, or exporters receive, directly or indirectly, countervailable subsidies. The International Trade Commission (ITC) will determine whether these imports are materially injuring, or threatening to materially injure, U.S. hot rolled sheet manufacturers. If the ITC finds injury and the Department finds that a subsidy exists, countervailing duties will be imposed, equal to the amount of the net subsidy.

Scope of the Investigation

Hot rolled carbon steel sheet is a finished steel mill product that is used in automotive and other transportation-related industries. The product is also used in the production of appliances and tubular products.

For the purposes of this investigation, the term "hot rolled carbon steel sheet" covers steel not alloyed; not cold rolled; whether or not pickled; not coated or plated with metal and not clad; over twelve inches in width; and in coils, or if not in coils under 0.1875 inch in thickness, as currently provided for in items 607.6610, 607.6700, 607.8320, or 607.8342 of the *Tariff Schedules of the United States Annotated.*

The programs the Department intends to investigate include: preferential government financing, the recapitalization of the carbon steel sector under the 1978 Rescue Plan, interest rate subsidies or rebates, European Coal and Steel Community preferential loans or grants, and regional development benefits. Other government programs which may provide countervailable benefits to the production or exportation of carbon steel sheet will be investigated as warranted.

Notification to International Trade Commission

Pursuant to section 702(d) of the Act we are notifying the U.S. International Trade Commission and making available to it all non-privileged and non-confidential information we used in reaching our decision to initiate.

We will also allow the ITC access to all privileged and confidential information in our files, provided it 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.

The ITC will make its preliminary determination on whether there is a reasonable indication that imports of hot rolled carbon steel sheet from France are materially injuring or are threatening to materially injure a U.S. industry within 45 days after it receives notice of this initiation.

If the ITC's preliminary determination is positive, we will issue a preliminary determination by February 11, 1982 unless the investigation is extended.

Dated: November 12, 1981.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 81-33261 Filed 11-17-81; 8:45 am]

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

701

November 18, 1981

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

#772

Dear Chairman Alberger:

We have determined that a countervailing duty investigation of hot rolled carbon steel sheet from France is warranted under section 702(a) of the Tariff Act of 1930, as amended ("the Act"). Pursuant to section 702(d) of the Act, I hereby formally advise you of this determination. The basis for this determination is specified in the attached copy of the Federal Register notice.

Pursuant to section 355.25(b), Commerce Regulations, we will give you full access to all non-privileged and non-confidential information in our files. We will make all privileged and confidential information in the files 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 the express written consent of the Deputy Assistant Secretary for Import Administration.

Sincerely,

Gary N. Horlick
Deputy Assistant Secretary
for Import Administration

Injury Considerations -- France

Increases in U.S. imports of hot rolled carbon steel sheet from France have increased absolutely and relative to domestic consumption and may have affected the domestic industry's production, employment, and prices.

Hot Rolled Carbon Steel Sheet, AISI Category 25

Hot rolled carbon steel sheet is a finished steel mill product that is used in the automotive and other transportation-related industries. The product is also used in the production of appliances and tubular products.

For the purposes of this investigation, the term "hot rolled carbon steel sheet" covers steel not alloyed; not cold rolled; whether or not pickled; not coated or plated with metal and not clad; over twelve inches in width; and in coils, or if not in coils under 0.1875 inch in thickness, as currently provided for in items 607.6610, 607.6700, 607.8320, or 607.8342 of the Tariff Schedules of the United States Annotated.

Domestic Industry

Apparent U.S. consumption of hot rolled carbon steel sheet for the first eight months of 1981 amounted to 9,468,071 net tons compared to the first eight-month 1980 level of 7,819,064 net tons, an increase of 21.1 percent (Attachment I). Domestic shipments of hot rolled carbon steel sheet also increased. Shipments in the first eight months of 1980 totalled 6,858,009 net tons, compared to 8,637,032 net tons in the first eight months of 1981, an increase of 25.9 percent.

During recent months, domestic raw steel capability utilization declined steadily from 88.6 percent in March 1981 to 75.9 percent in September 1981. For the week ending October 31, 1981, the capability utilization rate was 65.0 percent. This drop in the utilization rate reflects the slowdown in new orders currently being booked by the industry. The average number of hourly employees in the domestic steel industry has fallen from 297,000 during the first eight months of 1980 to 294,000 for the first eight months in 1981. As a result of recent layoffs, the average number of hourly employees for August was 292,783, and has fallen further since then.

Imports

Imports of hot rolled carbon steel sheet from France increased from 177,378 net tons during the first eight months of 1980 to 196,348 net tons during the first eight months of 1981, an increase of 10.7 percent.[1/] Total U.S. imports excluding France declined 20.3

1/ During January-August 1981, over 60,000 net tons of hot rolled carbon steel plate was imported into the United States from France. A large amount of this type plate was produced on facilities that produced hot rolled carbon steel sheet.

percent from 855,916 net tons during January-August 1980 to 682,160 net tons in the same 1981 period.

Table 1

U.S. Imports of Hot Rolled Carbon Steel Sheet, France and Total

	1st 8 Months 1980 (Net Tons)	1st 8 Months 1981 (Net Tons)	Percent Change
France	177,378	196,348	+10.7
Total U.S. Imports	1,033,294	878,508	-15.0
Total Less France	855,916	682,160	-20.3

In 1979, hot rolled carbon steel sheet imports from France represented 19.6 percent of total U.S. hot rolled carbon steel sheet imports; in 1980, this percentage decreased to 18.8 percent. In the first eight months of 1981, imports of hot rolled carbon steel sheet from France represented 22.4 percent of the total U.S. hot rolled carbon steel sheet imports compared to 17.2 percent during January-August 1980.

France has increased its share of the U.S. hot rolled carbon steel sheet market both in absolute terms and in terms of market penetration. Attachment II shows these increasing import penetration levels. The most marked growth pattern began in May 1981 and has continued through August 1981. Although the import penetration ratio for France decreased from 2.3 percent in the first eight months of 1980 to 2.1 percent in the first eight months of 1981, the May-August I/P ratio was 3.2 percent (Table 2).

Table 2

Comparison of Apparent U.S. Hot Rolled Carbon Steel Sheet Consumption and Imports from France

1st 8 Months	Apparent Consumption (Net Tons)	France (Net Tons)	Import Penetration Ratio (In Percent)
1980	7,819,064	177,378	2.3
1981	9,468,071	196,348	2.1
May-August 1981	4,891,753	154,769	3.2

Price Levels and Unit Values

Domestic wholesale list prices for hot rolled carbon steel sheet[2/] as reported by the U.S. Bureau of Labor Statistics (BLS), averaged $458.60 per net ton in the first eight months of 1981, compared to $361.86 per net ton in the same period of 1980, an increase of 26.7 percent. Hot rolled carbon steel sheet imported from France entered the U.S. market at average unit values[3/] considerably lower than U.S. producers' prices. During August 1981, French hot rolled carbon steel sheet entered the United States with an average unit value of $302.37 per net ton, which is substantially below the U.S. producers' price of $425.24 per net ton. Since May 1981, U.S. producers have had to discount substantially from their list prices.

Conclusion

The preceding information and data suggest that an industry is being materially injured, or threatened with material injury, by reason of less than fair value imports of hot rolled carbon steel sheet from France.

2/ Sheets, Hot Rolled Carbon Steel, .0710" minimum (theoretical mimimum weight), coil, pickled and oiled, cut edge, base chemistry, commercial quality, base packaging, base quantity (40,000 lbs. or over of an item). Mill to user, F.O.B. mill.

Sheets, Hot Rolled Carbon Steel, commercial quality, cut lengths, .1271" minimum (theoretical minimum weight), 48" wide x 120" long, cut edge, not pickled, base chemistry, base quantity (40,000 or over of an item). Mill to user, F.O.B. mill.

Sheets, Hot Rolled Carbon Steel Bands, 14 gauge and heavier, 24"-72" width, base chemistry, 40,000 lbs. or more, shipped directly off the mill without processing, manufactured to standard tolerances, not edge trimmed, end chopped, temper rolled or further processed in any manner. Mill to user, F.O.B. mill.

3/ U.S. Department of Commerce, Bureau of the Census, IM 146. Unit value is "dutiable value," which does not include transportation or insurance.

Hot Rolled Carbon Steel Sheet: Domestic Shipments, Exports, Imports, Apparent Consumption, and Import Penetration Ratios, January 1979 - August 1981

	Domestic Shipments (Net Tons)	Exports (Net Tons)	Imports (Net Tons)	Apparent Consumption (Net Tons)	Import Penetration Ratio (In Percent)
1979					
Jan	1,171,044	3,010	155,271	1,323,305	11.7
Feb	1,189,934	4,501	122,998	1,308,431	9.4
Mar	1,524,781	4,748	101,539	1,621,572	6.3
Apr	993,038	2,884	114,542	1,104,696	10.4
May	1,517,436	3,838	229,986	1,743,584	13.2
Jun	1,393,195	4,581	153,197	1,541,811	9.9
Jul	1,267,681	3,683	192,773	1,456,771	13.2
Aug	1,229,213	8,488	215,616	1,436,341	15.0
Sep	1,076,960	2,123	242,001	1,316,838	18.4
Oct	1,161,330	1,789	260,443	1,419,984	18.3
Nov	996,598	1,699	203,773	1,168,672	17.4
Dec	996,472	27,616	161,337	1,100,193	14.7
Total	14,457,682	68,960	2,153,476	16,542,198	13.0
1980					
Jan	1,039,629	1,273	147,588	1,185,944	12.5
Feb	979,442	2,358	191,530	1,168,614	16.4
Mar	1,210,124	3,265	97,488	1,304,347	7.5
Apr	959,709	1,615	120,783	1,078,877	11.2
May	691,302	3,331	185,464	873,435	21.2
Jun	688,294	35,725	85,191	737,760	11.5
Jul	611,636	19,855	78,913	670,694	11.8
Aug	677,873	4,817	126,337	799,393	15.8
Sep	882,567	5,500	105,404	982,471	10.7
Oct	964,973	7,786	122,237	1,079,424	11.3
Nov	1,001,226	3,874	83,406	1,080,758	7.7
Dec	1,148,192	3,032	135,024	1,280,184	10.5
Total	10,854,967	92,431	1,479,365	12,241,901	12.1
1981					
Jan	1,075,910	3,065	81,522	1,154,367	7.1
Feb	963,462	2,731	62,546	1,023,277	6.1
Mar	1,132,401	3,375	50,599	1,179,625	4.3
Apr	1,121,198	6,645	104,496	1,219,049	8.6
May	1,114,578	4,765	123,196	1,233,009	10.0
Jun	1,211,800	8,248	133,043	1,336,595	10.0
Jul	1,025,305	7,312	132,598	1,150,591	11.5
Aug	992,378	11,328	190,508	1,171,558	16.3
Total	8,637,032	47,469	878,508	9,468,071	9.3

Sources:
Imports: U.S. Department of Commerce, Bureau of the Census.
Exports: U.S. Department of Commerce, Bureau of the Census.
Shipments: American Iron and Steel Institute AISI 10, data reflect net shipments, excluding shipments to reporting companies.

ATTACHMENT II

Hot Rolled Carbon Steel Sheet: Apparent Consumption, Imports from France and Import Penetration Ratio, January 1979 - August 1981

	Apparent Consumption (Net Ton)	Imports (Net Ton)	Import Penetration Ratio (In Percent)
1979			
Jan	1,323,305	47,927	3.6
Feb	1,308,431	10,133	0.8
Mar	1,621,572	10,353	0.6
Apr	1,104,696	6,761	0.6
May	1,743,584	72,172	4.1
Jun	1,541,811	11,792	0.8
Jul	1,456,771	47,077	3.2
Aug	1,436,341	4,968	0.3
Sep	1,316,838	85,442	6.5
Oct	1,419,984	51,486	3.6
Nov	1,168,672	43,412	3.7
Dec	1,100,193	30,792	2.8
Total	16,542,198	422,315	2.6
1980			
Jan	1,185,944	1,691	0.1
Feb	1,168,614	21,822	1.9
Mar	1,304,347	23,587	1.8
Apr	1,078,877	20,985	1.9
May	873,435	47,072	5.4
Jun	737,760	21,056	2.9
Jul	670,694	10,528	1.6
Aug	799,393	20,551	2.6
Sep	982,471	17,988	1.8
Oct	1,079,424	30,637	2.8
Nov	1,080,758	11,392	1.1
Dec	1,280,184	50,213	3.9
Total	12,241,901	277,522	2.3
1981			
Jan	1,154,367	12,360	1.1
Feb	1,023,277	8,679	0.8
Mar	1,179,625	3,212	0.3
Apr	1,219,049	17,328	1.4
May	1,233,009	36,865	3.0
Jun	1,336,595	51,829	3.9
Jul	1,150,591	33,158	2.9
Aug	1,171,558	32,917	2.8
Total	9,468,071	196,348	2.1

Sources:

Imports: U.S. Department of Commerce, Bureau of the Census

French Government Assistance to Sheet Producers

I. FRENCH PRODUCERS OF HOT ROLLED SHEET

Active government involvement has characterized the French steel industry throughout the postwar period. Traditionally composed of smaller private concerns, it is now a semi-nationalized industry,1/ with two major steel groups, Usinor and Sacilor. Each group covers a range of general and specialist activities; together they account for 75 percent of total steel production.

Government controls on steel prices (until 1970), coupled with ambitious investment programs under the Fifth, Sixth, and Seventh five-year economic plans, left the industry heavily indebted and with large excess capacity. By 1977, the industry faced bankruptcy.

The government responded with the 1978 Rescue or Restructuring Plan, covering the non-specialty steel sector, namely: Usinor, Sacilor, Sollac, Solmer, and Chatillon-Neuves-Maisons. The plan created the two main groups (Usinor and Sacilor) and injected substantial state funds to return the industry to profit by the end of 1980. Notwithstanding this support, Sacilor and Usinor continue to incur losses -- Fl.9b and Fl.2b, respectively, in 1980 -- and together have trimmed 30,000 jobs from their payrolls during the last 18 months. A second phase of the Restructuring Plan, aimed at incorporating the specialty steel companies into the two main groups, began this year with the merger of the special steel interests of the Usinor and Creusot Loire groups.

Our statistics indicate that the two major producers of hot rolled sheet, Sacilor and Usinor (including their subsidiary, Solmer), accounted for 99 percent (* and * percent, respectively) of shipments of hot rolled sheet from France to the United States during the period January through September 1981.

II. GOVERNMENT ASSISTANCE TO SHEET PRODUCERS

The following chart sets forth the information available to us at this time on assistance provided to French hot rolled sheet producers. Attached to the list is a quantification of benefits received in the form of preferential financing under the 1978 Rescue Plan and FDES loans in 1979/80. We do not at this time have enough information to estimate the value of other benefit programs, which could be quite substantial.

1/ The Mitterrand government recently slated the steel industry for complete nationalization.

ASSISTANCE TO FRENCH STEEL INDUSTRY

I. Programs used by sheet producers that appear to constitute subsidies

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
1. Fonds de Developpement Economique et Social (FDES):	Loan under Fifth Plan (1965-71)	F2.7b; 3% interest for 5 years, 4% for 20
- Special Treasury account - Resources determined annually - French government grants loans on preferential terms (at about 2% below prevailing money market rates) to encourage industrial investment for the conversion and adaptation of industrial structures - Funds usually available only for projects of special public interest that are difficult to finance by normal means.	Loans under Sixth Plan (1971-75)	F1.85b. (for construction of Solmer) at 6.7%; 12 years deferment of principal. Prime in period 8.5-14.5%
	Loans, 1973, 1975	F 800m (1973); F1400m (1975) for construction at Fos. Solmer discontinued paying suppliers in 1973
	Loans under Seventh Plan (1976-80)	Total FDES loans F2050M, F1427m to steel to cover 40% of total investments in steel sector. One-half of loan to Sacilor's Lorraine plant and to double Usinor's heavy plate capacity at Dunkirk. More than 3/4 of Loan at 9.5% rate over 10-15 years.

ASSISTANCE TO FRENCH STEEL INDUSTRY

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
1. FDES, cont.		In 1976 FDES funds actually distributed amounted to Fl,568m
	Loan under "Plan Acier", 1977-78	New "Plan Acier" to give steel industry Fl.3b in 1977; additional F500m in first quarter 1978. Of Fl.3b, F500m to Usinor, F800m to Sacilor. Interest rate 2% for 8 years, 9.5% thereafter. Commercial rates then at 11.5%
	Preferential loan to Sacilor (1979-80)	Fl.1b, at .1% interest for 5 years, 1% interest thereafter. (Prime in Aug. 1980, 13.7% on 5-7 yr. loans)
	Preferential loan to Usinor (1979-80)	F2b loan at .1% interest for 5 years, 1% interest thereafter.

ASSISTANCE TO FRENCH STEEL INDUSTRY

	PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
2.	1978 Rescue Plan:	FDES loan conversions,	F11b. in loans converted to "participatory" loans at .1% interest 1979-83; from 1984 on interest rate of 1%, other terms unknown
	Restructuring plan for carbon steel industry, limited to five producers: Usinor, Sacilor, Sollac (Sacilor ownership), Solmer (Sacilor and Usinor ownership), and CNM		
	- Plan involved reduction of enormous debt burden of five companies	GIS, Credit National, etc., loan conversions	F13b. converted to .1% interest for 5 years. Difference between .1% and regular rate to be paid by CAPA
	- Government required various creditors (through "concordant" and/or legislation where necessary) to bear cost	Steel companies relieved of payment of service charges on debts to French banks,	French government required banks to forego F80m. interest yearly (1979-83) and to pledge not to seek repayment of principal for 5 years
	- Government established the Steel Amortization Fund (CAPA) to implement the program		
	- CAPA, with state financing, responsible for repayment of principal and payment of interest on bonded debt of companies to lenders	Loans from original steel company owners forgiven	Government required owners to abandon loans of F.3b., F125m. Interest converted to .1% for 5 years, 1% thereafter with no fixed obligation to repay principal

II. Programs used by sheet producers that may constitute subsidies

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
1. 1978 Rescue Plan (see section I above for full description) - State guaranteed bonds issued to public in return for the conversion into equity of government loans to the steel companies, effectively semi-nationalizing firms	Reconstitution of funds, i.e., conversion of debt into capital investment	- Steel companies reduce capital stock from Fl.429m to F476m. (Usinor) and from F432m. to F216m. (Sacilor) - Two new finance companies created to control each group. - In exchange for capital reductions, finance companies take participation in steel companies; creditors also assured a majority participation in two distinct holding companies (each holding a portion of the capital of the steel companies in question), and a portion of the stock that their parents own in other companies

ASSISTANCE TO FRENCH STEEL INDUSTRY

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
2. Government direct and indirect subsidization of loans from the Groupement de l'Industrie Siderurgique (GIS) - Corporate entity owned by 47 French steel companies (95% of steel sector) - Facilitates borrowing by the collective steel companies from the public on the financial market	Direct government subsidization of interest rates, called interest "bonification," 1964	Credit National absorbed some interest on GIS loans ("bonification"). Other public and quasi-public bodies (e.g., Caisse des Depots et Consignations) subscribed to loans at below market returns
	Indirect subsidization of interest rates, 1966 on	Interest up to F500/year deductible for investors in GIS bonds
	Government guarantees of GIS loans under Fifth Plan (1966-71)	Fl.5b guaranteed by state

ASSISTANCE TO FRENCH STEEL INDUSTRY

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
3. ECSC Subsidies (selected examples)		
- Preferential loans	F2.9b., 1957-76	ECSC secures loans at prime (guaranteed) rate and then offers them to members at approx. 2 percentage points below prevailing market rates
	F72m. to Sacilor for rationalization of blast furnace at Gandrange, 1979	
	F317m. to Usinor for restructuring, 1979	"
	$98.64m. to Sollac (flat-rolled products), 1978	"
	F550,000 to French iron and steel industry, 1979	"
	F5.2m. to French iron and steel, 1979	"
	F1.2b., 1978-80	Long-term housing loan at a rate of 1%
- Readaptation loans and grants	$9.3m to French steel industry, 1980	Unknown

ASSISTANCE TO FRENCH STEEL INDUSTRY

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
4. Exoneration of VAT on purchase of fixed assets	Solmer recovered VAT paid during construction of plant at Fos (early 70s)	VAT rate approx. 20% during period; cost of capital equipment for Fos F5b.
5. Provision of low-cost land	Land on which plant was built at less than market value	Solmer paid for land in 1978 at 1972 prices (paid no rent over period 1972-78)
6. Infrastructure development	Area surrounding Fos plant developed with local taxes and national subsidies	Port Authority at Fos invested about Flb. in infrastructure

ASSISTANCE TO FRENCH STEEL INDUSTRY

III. Programs apparently available to sheet producers that may constitute subsidies

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
1. FSAI: short-term industrial adaptation fund, established 1978, F3b. endowment - Promotes job creation and industrial diversification in France's steel, textile, shipbuilding, and coal areas	Grants	Grants of 25% of investment, if investment F5m. or more and at least 50 jobs created
	Preferential loans	Loan for 25% of investment (see above) for 20 years, 3-5 year grace period followed by 15-17 equal annual repayments of principal. Interest 8% (fixed) plus a variable rate adjusted according to company's performance
2. Labor "subsidies" to steel industry; estimated F7b. cost	Government financing of retirements, 1977-81	Workers over 55 retired on 70% of previous salary; those between 50-55 in certain jobs retired on 79% of salary (12,000-12,500 fall in these categories). Monthly minimum of F2400.
	Retraining provisions	When pay in new job is 15% lower than former salary, F10,000 grant. More than 30,000 have left industry since restructuring plan went into effect.

ASSISTANCE TO FRENCH STEEL INDUSTRY

PROGRAMS	ASSISTANCE TO INDUSTRY UNDER PROGRAM	TERMS
3. Industrial Incentives	Regional development grants	Vary depending on the region and the nature of the activity
	Tax incentives, e.g. accelerated depreciation, exemption from local property taxes	"
	R & D grants	"
	"Non-industrial activities" grants	"
4. Export incentives - Facilities are available to guarantee and finance exports through the Compagnie Francaise d'Assurance pour le Commerce Exterieur, the Interministerial Committee for Export Guarantees and Credit, and the Banque Francaise du Commerce Exterieur	Suppliers' credit: exporter (with bank financing), grants credits to foreign buyer	Export credits are usually granted on more favorable terms than other forms of credit, due to a government concern to promote foreign trade. In July 1981 official French interest rate on export credits was 7.75% (vs. prime rate of 14.5%)
	Buyer's credit: exporter's bank grants credit (medium- and long-term only) directly to foreign buyers	

III. QUANTIFICATION OF BENEFITS

Sacilor's and Usinor's annual reports list "loans of special characteristics" as a separate line item in their balance sheets. In 1980 these loans amounted to:

Usinor:	12,474.9 million francs
Sacilor:	10,903.6 million francs
	23,378.5 million francs

Our research indicates that "loans of special characteristics" are long-term loans granted at 0.1 percent interest for five years, one percent thereafter, with no fixed obligation to repay principal.

Since these loans represent debt converted under the 1978 Rescue Plan, and FDES loans in 1979/80, the 0.1 percent interest rate would apply to the full amount until 1983. Based on a prime interest rate in France of 14 percent, the yearly interest saving on the total amounts to 3249.6 million francs.

Assuming that the two companies' production statistics in 1981 do not vary significantly from 1980 (in million metric tons, 10.768 and 6.27, respectively) the benefit per metric ton[2/] of these two programs alone in 1981 can be calculated as follows:

$$\frac{3249.6 \text{ million francs}}{17.038 \text{ million tons}} = 190.73 \text{ francs/metric ton}$$

= $38.15 (based on an exchange rate of F5:$1)

2/ We believe that this estimate is conservative, in that we could not, without knowing the lengths of the loans, include any benefit accruing to the companies as a result of the deferral (or possibly non-payment) of principal payments.

APPENDIX B

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

[Investigation No. 701-TA-85 (Preliminary)]

Hot-Rolled Carbon Steel Sheet From France; Countervailing Duty Investigation and Conference

AGENCY: International Trade Commission.

ACTION: Institution of a preliminary countervailing duty investigation and scheduling of a conference to be held in connection with the investigation.

SUMMARY: The U.S. International Trade Commission hereby gives notice of the institution of investigation No. 701-TA-85 (Preliminary) to determine, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), 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 France of hot-rolled carbon steel sheet upon which bounties or grants are alleged to be paid. For purposes of this investigation, hot-rolled carbon steel sheet is defined as hot-rolled sheets and plates, of other than alloy iron or steel, whether or not corrugated or crimped and whether or not pickled; not cold rolled; not cut, not pressed, and not stamped to nonrectangular shape; not coated or

plated with metal and not clad; over 12 inches in width and in coils or if not in coils under 0.1875 inch in thickness; as provided for in items 607.6610, 607.6700, 607.8320, or 607.8342 of the Tariff Schedules of the United States Annotated (1981).

EFFECTIVE DATE: November 18, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Lynn Featherstone, Office of Investigations, U.S. International Trade Commission; telephone 202-523-0242.

SUPPLEMENTARY INFORMATION:

Background.— This investigation is being instituted following receipt of advice from the U.S. Department of Commerce on November 18, 1981, that it was initiating a countervailing duty investigation on hot-rolled carbon steel sheet from France pursuant to section 702(a) of the Tariff Act of 1930 (19 U.S.C. 1671a(a)). The Commission must make its determination in this investigation within 45 days after the date of notification from Commerce, or by January 4, 1982 (19 CFR 207.17). The investigation will be subject to the provisions of Part 207 of the Commission's Rules of Practice and Procedure (19 CFR Part 207, 44 FR 76457), and particularly Subpart B thereof.

Written submissions.— Any person may submit to the Commission on or before December 16, 1981, a written statement of information pertinent to the subject matter of the investigation. A signed original and nineteen copies of such statements must be submitted.

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of § 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 Commissions has scheduled a conference in connection with this investigation for 9:30 a.m., e.s.t., on December 14, 1981, at the U.S. International Trade Commission Building, 701 E Street, NW., Washington, D.C. Parties wishing to participate in the conference should contact the supervisory investigator for the investigation, Mr. Lynn Featherstone, telephone 202-523-0242, not later than December 7, 1981, to arrange for their appearance. The conference in this investigation will be held concurrently with that for investigations Nos. 731-TA-51 (Preliminary), hot-rolled carbon steel plate from Romania, and 701-TA-83 and 84 (Preliminary), hot-rolled carbon steel plate from Belgium and Brazil. Parties in support of the imposition of antidumping or countervailing duties in these cases will be collectively allocated two hours within which to make an oral presentation at the conference. Parties in opposition to the imposition of such duties will also be collectively allocated two hours, with one-half hour each for representatives of Romania, Belgium, Brazil, and France.

For further information concerning the conduct of the investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Supparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR part P01). Further information concerning the conduct of the conference will be provided by Mr. Featherstone.

This notice is published pursuant to § 207.12 of the Commission's Rules of Practice and Procedure (19 CFR 207.12).

Issued: November 19, 1981

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 81-34127 Filed 11-24-81; 8:45 am]

BILLING CODE 7020-02-M

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-51 and 701-TA-83 through 85 (Preliminary)

HOT-ROLLED CARBON STEEL PLATE FROM ROMANIA
HOT-ROLLED CARBON STEEL PLATE FROM BELGIUM AND BRAZIL
HOT-ROLLED CARBON STEEL SHEET FROM FRANCE

Those listed below appeared as witnesses at the United States International Trade Commission conference held in connection with the subject investigations on Monday, December 14, 1981, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, D.C.

United States Department of Commerce

Lionel Olmer, Under Secretary of Commerce

In support of the imposition of antidumping or countervailing duties

Law Offices of Eugene L. Stewart--Counsel
Washington, D.C.
on behalf of

Bethlehem Steel Corp.

Laird D. Patterson, General Attorney

Eugene L. Stewart)
Terence P. Stewart) --OF COUNSEL

Law Offices of Eugene L. Stewart--Counsel
Washington, D.C.
on behalf of

Armco, Inc.

Eugene L. Stewart)
Terence P. Stewart) --OF COUNSEL

United States Steel Corp.
Pittsburgh, Pa.

D.B. King, Assistant General Counsel
J.J. Mangan, General Attorney, International Trade
L. Ranney, Attorney
D.L. Armstrong, Senior Vice President, Commercial Sales
P.L. Fidel, Manager, Special Services, Import and Domestic

In support of the imposition of antidumping or countervailing duties--Continued

United Steelworkers of America

John J. Sheehan, Assistant to the President

Cravath, Swaine & Moore--Counsel
New York, N.Y.
on behalf of

Republic Steel Corp.
Inland Steel Co.
Jones & Laughlin Steel Corp.
National Steel Corp.
Cyclops Corp.

Alan J. Hruska)
David Boies)--OF COUNSEL

In opposition to the imposition of antidumping or countervailing duties

Mudge, Rose, Guthrie & Alexander--Counsel
Washington, D.C.
Law Offices of Robert M. Gottschalk, P.C.--Counsel
New York, N.Y.
on behalf of

Usinor, S.A. (France)

Robert W. Crandall, Senior Fellow, Brookings Institution
John Reilly, Economic Analyst, ICF, Inc.

Joel Davidow)
Robert M. Gottschalk)--OF COUNSEL
William N. Walker)

Windels, Marx, Davies & Ives--Counsel
New York, N.Y.
on behalf of

Sacilor (Acieries et Laminoirs de Lorraine) (France)

Pierre de Ravel d'Esclapon--OF COUNSEL

In opposition to the imposition of antidumping or countervailing duties--Continued

Graubard, Moskovitz & McCauley--Counsel
Washington, D.C.
on behalf of

Fabrique de Fer de Charleroi (Belgium)
Fabrique de Fer de Charleroi (USA)

Alfred R. McCauley)
Beatrice A. Brickell) --OF COUNSEL

Graubard, Moskovitz, McGoldrick, Dannett & Horowitz--Counsel
New York, N.Y.
on behalf of

Cockerill-Sambre S.A., of Charleroi (Belgium)

Michael H. Greenberg)
Charles L. Rosenzweig) --OF COUNSEL

Law Offices of Robert M. Gottschalk, P.C.--Counsel
New York, N.Y.
on behalf of

Forges de Clabecq (Belgium)

Robert M. Gottschalk)
Richard E. Hull)--OF COUNSEL
Roger L. Levy)

Leva, Hawes, Symington, Martin & Oppenheimer--Counsel
Washington, D.C.
on behalf of

Metalimportexport (Romania)

Joe Price)
Simeon Kriesberg) --OF COUNSEL

In opposition to the imposition of antidumping or countervailing duties--Continued

Arter, Hadden & Hemmendinger--Counsel
Washington, D.C.
on behalf of

Companhia Siderurgica, Paulista (Cosipa) (Brazil)
Usinas Siderurgicas de Minas Gerais, SA (Usiminas) (Brazil)

William Barringer--OF COUNSEL