STAINLESS STEEL SHEET AND STRIP FROM THE FEDERAL REPUBLIC OF GERMANY AND FRANCE AND STAINLESS STEEL SHEET AND STRIP AND PLATE FROM THE UNITED KINGDOM

Determinations of the Commission in Investigations Nos. 701-TA-195 and 701-TA-196 (Final) Under Section 705 of the Tariff Act of 1930, Together with the Information Obtained in the Investigations

Determinations of the Commission in Investigations Nos. 731-TA-92 and 731-TA-95 (Final) Under Section 735 of the Tariff Act of 1930, Together with the Information Obtained in the Investigations

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Note.--Information which would reveal the confidential operations of individual concerns may not be published and, therefore, has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 731-TA-92, 731-TA-95, 701-TA-195, and 701-TA-196 (Final)

STAINLESS STEEL SHEET AND STRIP FROM THE FEDERAL REPUBLIC OF GERMANY AND FRANCE AND STAINLESS STEEL SHEET AND STRIP AND PLATE FROM THE UNITED KINGDOM

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, pursuant to sections 735(b)(1) and 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. §§ 1673d(b)(1) and 1671d(b)(1)), that--

> an industry in the United States is materially injured by reason of imports of stainless steel sheet and strip 2/ from the Federal Republic of Germany (investigation No. 731-TA-92 (Final)) and France (investigation No. 731-TA-95 (Final)) which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV);
>
> an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports of stainless steel sheet and strip from the United Kingdom (investigation No. 701-TA-195 (Final)) which have been found by the Department of Commerce to be subsidized by that Government; and
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> an industry in the United States is materially injured by reason of imports of stainless steel plate 3/ from the United Kingdom (investigation No. 701-TA-196 (Final)) which have been found by the Department of Commerce to be subsidized by that Government.

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

2/ For purposes of these investigations, stainless steel sheet is provided for in items 607.7610, 607.9010, and 607.9020 of the Tariff Schedules of the United States Annotated (1983) (TSUSA) and stainless steel strip is provided for in items 608.4300 and 608.5700 of the TSUSA.

3/ For purposes of these investigations, stainless steel plate is provided for in items 607.7605 and 607.9005 of the TSUSA.

Background

The Commission instituted investigation No. 731-TA-92 (Final) effective December 17, 1982, following a preliminary determination by the Department of Commerce that imports of stainless steel sheet and strip from the Federal Republic of Germany were being, or were likely to be, sold in the United States at LTFV. Investigation No. 731-TA-95 (Final) was instituted effective December 9, 1982, following a similar determination by the Department of Commerce concerning imports of stainless steel sheet and strip from France. Investigations Nos. 701-TA-195 and 701-TA-196 (Final) were instituted effective February 10, 1983, following preliminary determinations by the Department of Commerce that imports from the United Kingdom of stainless steel sheet and strip and stainless steel plate were being subsidized by the Government of that country.

Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing them in the Federal Register as shown below:

Investigation No.	Federal Register
731-TA-92 (Final):	
Instituted----------	January 5, 1983 (48 F.R. 538)
Hearing rescheduled---	February 24, 1983 (48 F.R. 7825)
731-TA-95 (Final):	
Instituted----------	January 5, 1983 (48 F.R. 539)
Hearing rescheduled---	February 24, 1983 (48 F.R. 7824)
701-TA-195 and 196 (Final):	
Instituted----------	March 2, 1983 (48 F.R. 8876)

The hearing in connection with these investigations was held in Washington, D.C. on May 4, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION

Our final determinations in these four investigations are part of a series of antidumping and countervailing duty investigations involving stainless steel and tool steel products. 1/ Two of the present investigations concern less-than-fair-value (LTFV) sales of stainless steel sheet and strip imported from the Federal Republic of Germany and France; two concern subsidized imports of stainless steel sheet and strip and stainless steel plate from the United Kingdom.

In these views, we first discuss the question of like product and domestic industry, concluding that there are two domestic industries. We then examine the condition of the industries, finding both to be materially injured. Finally, we consider whether the necessary causal connection exists between the condition of the domestic industries and the subject imports. In making our determinations, the focus of our analysis is on causation because material injury to the domestic industries is clearly present.

Based on this analysis, we conclude that the domestic stainless steel sheet and strip industry is materially injured by LTFV imports of stainless steel sheet and strip from the Federal Republic of Germany and France. However, the domestic stainless steel sheet and strip industry is not materially injured by subsidized imports of stainless steel sheet and strip from the United Kingdom. In addition, we conclude that the domestic stainless

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1/ See Hot-Rolled Stainless Bar, Cold-Formed Stainless Steel Bar and Stainless Steel Wire Rod from Spain, Inv. No. 701-TA-176 through 178 (Final), USITC Pub. No. 1333(1983); Certain Tool Steels from Brazil, Inv. No. 701-TA-187 (Final); Certain Tool Steels from the Federal Republic of Germany 701-TA-100 (Final); Hot-Rolled Stainless Steel Bar, Cold-Formed Stainless Steel Bar, and Stainless Steel Wire Rod from Brazil, Inv. Nos. 701-TA-179 through 181 (Final).

steel plate industry is materially injured by subsidized imports of stainless steel plate from the United Kingdom.

Domestic industries

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as "the domestic producers as a whole of a like product or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 2/ "Like product" is defined 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 under this subtitle." 3/ The imported products that are the subject of these investigations are: stainless steel sheet and strip imported from the Federal Republic of Germany (Germany), France, and the United Kingdom, and stainless steel plate imported from the United Kingdom. 4/

Stainless steel is an alloy steel which contains by weight less than 1 percent carbon and over 11.5 percent chromium. 5/ Varying types and amounts of alloying elements, such as molybdenum and nickel, are added to the steel depending upon the specific physical and mechanical properties required. American Iron and Steel Institute (AISI) grade numbers define these properties. 6/

2/ 19 U.S.C. § 1677(4)(A).
3/ 19 U.S.C. § 1677(10).
4/ Stainless steel sheet, strip, and plate will be referred to as sheet, strip, and plate.
5/ See report at A-8.
6/ Id. at A-10 & n. 1. Sheet and strip are available in a range of grades from 200 grades, which have a high chromium content, to 300 and 400 grades. These investigations have focused on 300 and 400 grades because they are representative of the large majority of imports from these countries. Although the differences in grade do not warrant separate like product analysis, the Commission collected and compared pricing data for specific grades since specific alloy content affects the price of a product. See discussion infra at 12-13, 15-16.

Sheet and strip are metallurgically identical and are generally produced on the same machinery and in the same facilities. Both sheet and strip are under 0.1875 inch in thickness and differ only in width. Manufacturers or service center customers often produce strip by slicing or slitting sheet into strip. 7/

Sheet and strip are sold as a finished product in both hot-rolled and cold-rolled forms. In contrast to carbon steel products, hot-rolled sheet and strip is used primarily in the production of cold-rolled products. 8/ Moreover, hot-rolled sheet and strip constituted only 4.2 percent of the imports from Germany and 2 percent of imports from France during 1981. 9/ Thus, we find that sufficient distinctions do not exist between hot and cold-rolled products to warrant separate like product treatment.

Plate is thicker than sheet and strip and is used in applications requiring greater strength. Plate is used primarily in the production of industrial equipment in the chemical, oil and gas-processing, and rubber producing industries, 10/ whereas sheet and strip is used more extensively in the production of consumer durable goods. 11/ Finally, the production process for plate differs from that for sheet and strip. Plate is generally rolled piece by piece on reversing mills, while sheet and strip are rolled in coils by a continuous rolling process. 12/

7/ Id. at A-9.
8/ Id.
9/ Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92 (Preliminary), USITC Pub. No. 1252 at A-6, A-9 Table 2 (1982); Stainless Steel Sheet and Strip from France, Inv. No. 731-TA-95 (Preliminary), USITC Pub. No. 1264 at A-7, A-9 Table 2 (1982).
10/ Id. at A-12.
11/ Id. at A-63; Commission hearing transcript (TR) at 42, 47-48.
12/ Id. at A-12; petitioners' posthearing brief at 9, 10.

U.S. firms manufacture all of the grades and specifications subject to these investigations. 13/ Furthermore, within each grade and specification, the imported and domestic products are essentially the same in terms of metallurgical composition, sizes, and quality.

For these reasons, we conclude that there are two distinct like products, stainless steel sheet and strip, and stainless steel plate, which are the subject of these investigations. Thus, we find two separate domestic industries, one consisting of the nine U.S. firms producing sheet and strip, and a second domestic industry consisting of the twelve U.S. firms producing plate. 14/

Condition of the domestic industries

Our examination of the condition of the respective domestic industries reveals that the domestic producers of sheet and strip, and plate, are clearly experiencing material injury. All of the important economic indicators show the significantly weakened conditions of these industries. During the course of these investigations, as well as the recent section 201 investigation, 15/ the Commission has collected extensive information on these industries. We base our analysis of these indicators on industry data for 1979 through the first quarter of 1983 when such data is available. The year 1979 was the last

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13/ Report at A-15-A-17, A-62. Although Crucible, the domestic company supplying Texas Instruments with grade 434 sheet, went out of business in March 1982, grade 434 is manufactured in the United States and domestic manufacturers are currently being qualified as suppliers to Texas Instruments. Id. at A-17, appx. D, A-95. See note 6, supra, for a discussion of grade differences.

14/ Id. at A-14, A-17.

15/ Stainless Steel and Alloy Tool Steel, Inv. No. TA-201-48, USITC Pub. No. 1377 (1983).

one in which the domestic industry exhibited a robust economic performance. It also was the last full year in which import relief was in effect. 16/

Sheet and Strip industry--U.S. production of sheet and strip decreased from 739,000 tons in 1979 to 580,000 tons in 1980, increased to 643,000 tons in 1981, and declined sharply to 487,000 tons in 1982. 17/ This represents a decline of 34 percent in production from 1979 to 1982. Capacity utilization decreased from 81 percent in 1979 to 63 percent in 1980 and 66 percent in 1981. Despite a 12 percent reduction in capacity from 1981 to 1982, capacity utilization declined to 56 percent in 1982. 18/ Shipments during 1979-1982 followed these same trends, as year-end inventories remained stable. 19/

Employment has fluctuated over the period under investigation. The number of production and related workers decreased from 8,233 in 1979 to 6,929 in 1980, increased to 7,306 in 1981, and then declined to its lowest level of 6,531 workers in 1982. 20/ Although the rate of hourly compensation increased over the period under investigation, total compensation paid is at its lowest level in the last four years. 21/

The financial experience of the domestic industry has declined severely from 1979 to 1982. Net sales fell to their lowest level in the last four years in 1982. 22/ Operating profit declined from $173 million in 1979 to $56 million in 1980 and $17 million in 1981. In 1982 the domestic sheet and strip industry reported an operating loss of $14 million. 23/

16/ Report at A-6.
17/ Id. at A-25 Table 6.
18/ Id. at A-25 Table 6, A-26.
19/ Id. at A-28-29.
20/ Id. at A-28 Table 10.
21/ Id. at A-31.
22/ Id.
23/ Id. at A-37 Table 14, A-38.

Plate industry--The domestic industry producing stainless steel plate is also clearly experiencing material injury. U.S. production decreased from 143,000 tons in 1979 to 124,000 tons in 1980 and 122,000 tons in 1981. Production declined further in 1982 to 96,000 tons. This represents a decline of 33 percent in production from 1979 to 1982. Capacity utilization declined from 62 percent in 1979 to 54 percent in 1980 and 53 percent in 1981. Despite a 19 percent decrease in capacity from 1981 to 1982, capacity utilization declined to 47 percent in 1982. 24/ Shipments during 1979-82 followed these same trends, as year-end inventories remained stable. Shipments fell further in January-March 1983 from the comparable period in 1982. 25/

Employment and hours worked have steadily declined throughout the period from 1979 to 1982. 26/ Wages paid and total compensation paid to production and related workers have also reached their lowest level in the last five years in 1982. 27/

The financial experience of the domestic stainless steel plate industry has declined from 1979 to 1982. Net sales declined to their lowest level in the last four years in 1982. 28/ Operating profits decreased from $25 million in 1979 to $24 million in 1980 and $15 million in 1981. The industry then experienced an operating loss of $12 million in 1982. 29/

24/ In 1982, Crucible went out of business, thus capacity figures are lower for 1982. Jones & Laughlin purchased the Crucible plants and equipment in 1983, thus platemaking capacity was increased for the first quarter of 1983.
25/ Id. at A-25 Table 6, A-28.
26/ Id. at A-30 Table 10.
27/ Id. at A-31 Table 11.
28/ Id. at A-35.
29/ Id. at A-35, A-36 Table 16.

Effect of imports on the domestic industries

The focus of these investigations centers on the role that the subject imports have had in creating the situation faced by U.S. producers. 30/ We have found a sufficient causal nexus between imports and difficulties experienced by the domestic industries with respect to LTFV imports of sheet and strip from the FRG and France and subsidized imports of plate from the United Kingdom. However, subsidized imports of sheet and strip from the United Kingdom have not caused material injury to the domestic industry; nor do they threaten to do so. In reaching these conclusions, we considered among other factors, the volume of imports, underselling by imports, and lost sales information. 31/ Furthermore, we have found it appropriate to analyze the question of causation on an individual country basis. 32/ 33/

30/ There are many causes of injury to the domestic industries in these investigations other than LTFV or subsidized imports. However, the legislative history to sections 705 and 735 cautions against the Commission weighing causes of injury. S. Rep. No. 249, 96th Cong., 1st Sess. 57, 74 (1979). The question is whether the subject imports have caused material injury to the U.S. industry.

31/ Commissioner Stern also specifically considered the LTFV and subsidy margins found by the Department of Commerce (Commerce) in evaluating the link between material injury and the potentially unfair practices of dumping and subsidization. See "Views of Paula Stern" in Carbon Steel Wire Rod from Trinidad and Tobago, Inv. Nos. 731-TA-113-14 (Preliminary), USITC Pub. No. 1316 (1982) at 5-24.

32/ Commissioner Stern does not believe it is appropriate to aggregate the impact of subsidized imports with that of LTFV imports. The two potentially unfair practices are covered by different statutes, one focusing on a governmental action (provision of a subsidy), and the other on an essentially private commercial decison (selling at less than fair value). These actions differ in nature and may differ in their effect on the domestic industry. Furthermore, their effects may be analyzed independently with the aid of the respective margins provided by Commerce.

33/ Chairman Eckes and Commissioner Haggart note that sufficient information was developed in the course of these investigations to make determinations on a case-by-case basis. They did not cumulate the impact of imports of sheet and strip from the United Kingdom with that of imports from Germany and France because imports from the United Kingdom were not a contributing cause of material injury. In each investigation, they did consider imports from other sources and their impact on the condition of the domestic industries as factors and conditions of trade.

Imports of sheet and strip from the Federal Republic of Germany--Total imports of sheet and strip from Germany have increased both in absolute and relative terms. Imports decreased from 3,844 tons in 1979 to 305 tons in 1980 and then increased to 15,489 tons in 1981 and 19,884 tons in 1982. 34/ Market penetration went from 0.5 percent in 1979 to less than 0.1 percent in 1980 and then grew to 2.2 percent in 1981 and 3.5 percent in 1982. 35/ In addition, importers' inventories of sheet and strip increased substantially from 1981 to 1982, both absolutely and as a percentage of U.S. apparent consumption. 36/ Thus, it appears that these imports entered the U.S. market at a rate beyond the ability of the importers to sell them, even at a substantial discount from U.S. prices.

Importers provided pricing data for 1981 and 1982 on both 300 and 400 grade products. This information shows a consistent pattern of underselling in all grades and sizes. 37/ For one grade, there were significant margins of underselling throughout 1981 and 1982. For another grade, the margins were large in 1981, but declined in 1982 as U.S. producers reduced prices at a faster rate than did importers. 38/

With respect to lost sales, sixteen firms verified that they had purchased sheet from Germany. These firms' responses show that the German price was lower than the domestic price for 12 of the purchasing firms. 39/ These prices were lower for both 300 and 400 grade sheet. Four firms cited

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34/ Report at A-53 Table 25. The Commission examined German import trends for 1979 through the first quarter of 1983. Although the penetration of imports declined in 1983, a single quarter's data are not as reliable as the overwhelming trends for the three preceeding years. Id. at A-56, Table 29.
35/ Id. at A-56.
36/ Id. at A-47.
37/ Id. at A-67 Table 35, A-68 Table 36, A-69.
38/ Id. at A-69.
39/ Id. at A-80.

price as the sole reason for purchasing German steel. Purchasers cited quality, availability, and the desire to have an alternate source as other reasons for their purchase of German sheet. 40/

Therefore, we conclude that the domestic stainless steel sheet and strip industry is being materially injured by LTFV imports of stainless steel sheet and strip from the Federal Republic of Germany.

Imports of sheet and strip from France--Imports from France increased both in absolute and relative terms. Imports increased from 7,676 tons in 1979 to 21,522 tons in 1982, an increase of 180 percent. 41/ Market penetration increased from 1.0 percent in 1979 to 1.1 percent in 1980 to 2.0 percent in 1981, and then nearly doubled to 3.8 percent in 1982. 42/

40/ Id. at A-80-A-83. Commissioner Stern notes that the LTFV sales on German sheet and strip have caused material injury. Their weighted average LTFV margin on sheet (which accounts for 98 percent of German imports of sheet and strip) was found by Commerce to be 7.4 percent, a substantial figure when compared with the margins of underselling. See report at A-7, A-67 Table 35, A-68 & Table 36, A-69.

41/ Id. at A-56 Table 29.

42/ Id. A French producer, Ugine Gueugnon, argues that imports of 400 grades, which represent the majority of imports from France, are not injurious to the domestic industry. It is claimed that the quality of 400 grades from France is better than that of comparable domestic products. However, any quality differences have, by the testimony of Ugine Gueugnon, existed for many years and therefore cannot account for the rapid increase in imports in 1981 and 1982; nor do they explain the substantial margins of underselling by these imports during these years.

Ugine Gueugnon also argues that U.S. producers are seen by U.S. purchasers as inconsistent sources of supply for 400 grades. U.S. producers allegedly desire to supply these products only during periods of weak demand, turning to more attractive products when demand picks up. This argument would lead us to expect U.S production of 400 grades to increase in a poor year such as 1982, while imports of these products declined. In fact, however, U.S production of 400 grades declined sharply while imports from France increased.

Lastly, Ugine Gueugnon argues that sales of 434 cladding grade sheet to Texas Instrument were not injurious because no U.S. producer was able to supply this product to Texas Instrument, during much of 1982 and early 1983. However, the substantial volume and upward trend of imports in other grades nonetheless support an affirmative determination.

Inventories of French sheet have also increased both absolutely and as a percent of U.S. apparent consumption. 43/ Thus, as noted with respect to imports from Germany, it appears that these imports have entered the U.S. market faster in 1982 than the importers could sell them, despite substantial price undercutting.

The Commission received price data for grade 430 for the period from 1980 through 1982. 44/ Data for grade 434 and the 300 grades was provided from 1981 through 1982. This information shows a consistent pattern of underselling in all of the grades and specifications. 45/

Fourteen firms verified that they had purchased French stainless steel in 1981-1982. Twelve of the firms paid a lower price for the French product. In addition to price, purchasers cited quality and availability as the reasons for their decisions. 46/

Therefore, we conclude that the domestic stainless steel sheet and strip industry is being materially injured by the LTFV imports of stainless steel sheet and strip from France.

43/ Report at A-47.

44/ Counsel for importers argues that since the majority of French imports are in the 400 grade series, the Commission should analyze the causation issue on a grade by grade basis. The French, however, have not argued in the final investigation, nor have we concluded, that each grade should be considered a separate like product.

45/ Id. at A-70 Table 37, A-71 Table 38. Commissioner Stern notes that the LTFV sales of French sheet and strip are causing material injury. The weighted average LTFV margin on sheet (which accounts for 94 percent of French imports of sheet and strip) was found by Commerce to be 4.3 percent, a substantial figure when compared with the margins of underselling. See report at A-7, A-70 Table 71, A-71 Table 38, A-72.

46/ Id. at A-83-86.

Imports of sheet and strip from the United Kingdom--In contrast to the LTFV imports from Germany and France, subsidized imports of sheet and strip from the United Kingdom have remained stable at very low levels from 1981 through 1982. In absolute terms, imports decreased from 1,094 tons in 1979 to 643 tons in 1980 and then increased to 3,840 tons in 1981 and to 4,203 tons in 1982. 47/ Imports have remained stable for the first quarter of 1983 as compared with the corresponding period in 1982. 48/ Market penetration increased from 0.1 percent in 1979 and 1980 to 0.6 percent in 1981 and then remained essentially stable in 1982, increasing to 0.7 percent. 49/ In addition, British Steel Corporation (BSC) does not maintain inventories. 50/

The Commission received pricing information for three products: 36" to 48" grade 304 sheet; 36" to 48" grade 316 sheet; and 60" grade 304 sheet. 51/ For 36" to 48" wide grade 304 sheet, the imported product oversold the domestic product in late 1981 and 1982. Information on 36" to 48" grade 316 sheet indicates that the imported product undersold the domestic product in 1981. For the 60" grade 304 sheet, the imported product undersold the domestic product. 52/ However, the price of the imported 60" sheet was approximately the same in most periods as the price of the imported 36" to 48"

47/ We note that an extended steel strike in the United Kingdom is reflected in data for 1980.

48/ Id. at A-54 Table 29.

49/ Id.

50/ Id. at A-62. BSC accounts for virtually all of the subject imports from the United Kingdom.

51/ Id. at 72. During 1981 and 1982, a substantial portion of these imports consisted of 60" wide sheet, which is produced by only one domestic firm, Republic Steel Corporation (Republic). We have placed particular emphasis on information regarding 60" sheet in our analysis of causation.

52/ Id. at A-72-74.

grade 304 sheet which was consistently higher than that of the domestic product. The price of the domestic 60" sheet is substantially higher than the U.S. price for the same product in widths of 36" to 48". 53/ The fact that the imported 36" to 48" product oversells the comparable domestic product while the imported 60" sheet undersells domestic 60" sheet is the result of the difference in U.S. prices for these two products. There is nothing in the record to account for the considerable difference in price between these products.

Three purchasers which the Commission contacted stated that lower price was the primary reason for their decision to buy British steel. Another stated that favorable payment terms affected his decision and a fifth firm did purchase sheet at prices slightly lower than domestic producers' prices. 54/ However, this information is outweighed by the small volume of imports, the stability of import levels over the last two years, and the limited nature of underselling by the imports.

With respect to threat of material injury, in addition to the above factors, data concerning foreign production, capacity utilization, and exports to the United States remained essentially unchanged in 1982. During this period imports also remained at essentially the same levels. In the first quarter of 1983, imports remained at the same level as in the corresponding period of 1982.

53/ The only difference between the two products is width.
54/ Id. at A-86.

Thus, the domestic industry is not materially injured nor threatened with material injury by reason of subsidized imports of stainless steel sheet and strip from the United Kingdom.

Imports of plate from the United Kingdom--Unlike sheet and strip, subsidized imports of plate from the United Kingdom play a significant role in the U.S. market and have caused material injury to the U.S. industry. Imports of plate decreased from 610 tons in 1979 to 273 tons in 1980 and then increased to 2,985 tons in 1981 and 3,607 tons in 1982. 55/ Market penetration decreased from 0.4 percent in 1979 to 0.2 percent in 1980 and then increased to 2.5 percent in 1981 and 3.4 percent in 1982. In 1982, the level of plate imports was the highest since 1970. 56/

Imports of plate from the United Kingdom undersold the domestic product in all four specifications for which BSC provided data. 57/ Underselling occurred throughout 1980-1982 with the exception of one quarter in one specification. 58/

The Commission contacted eight firms which had purchased British plate and one firm which stated that it had used a price quote from BSC to negotiate a more favorable price from a U.S. producer. 59/ Four firms gave price as the primary reason for purchasing British plate. Two other firms stated that favorable credit terms or the availablity of a refund of duties on its own exports were the reason for its purchase. One firm stated that the primary

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55/ Id. at A-56. & Table 29.
56/ Id. at A-87 & Table 30.
57/ Id. at A-75.
58/ Id. at A-76 Table 41, A-77 Table 42.
59/ Id. at A-87.

reason that it purchased British plate was the availability of smaller tonnage orders without paying a premium. 60/

Thus, we conclude that subsidized imports of stainless steel plate from the United Kingdom are causing material injury to the domestic stainless steel plate industry.

60/ Id. at A-87-88. Commissioner Stern notes that the subsidies provided by the British government have had a role in enabling the imports of plate from the United Kingdom to cause material injury. The subsidy for British Steel Corporation which accounts for 99 percent of plate imports under investigation was found to be 19.3 percent, a susbstantial figure when compared with the margins of underselling. See report at A-8, A-75, A-76 Table 41, A-77 & Table 42.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

Stainless steel sheet and strip from West Germany (investigation No. 731-TA-92 Final))

On April 26, 1982, a petition was filed with the U.S. International Trade Commission and the U.S. Department of Commerce by members of the Tool and Stainless Steel Industry Committee (since renamed Specialty Steel Industry of the United States) 1/ and the United Steelworkers of America. The petition alleged that imports from West Germany of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated (TSUSA) are being, or are likely to be, sold in the United States at less than fair value (LTFV) and that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of such merchandise. Accordingly, effective April 26, 1982, the Commission instituted preliminary antidumping investigation No. 731-TA-92 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) to determine whether there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of the subject imports. On June 10, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports in that investigation (47 F.R. 27157).

On November 22, 1982, Commerce made a preliminary dumping determination with respect to stainless steel sheet and strip from West Germany on the basis of the best information available, which was the information contained in the petition. On December 2, 1982, Krupp commenced an action in the Court of International Trade to enjoin the Commerce Department from publishing its preliminary determinations. The Court issued an order temporarily suspending publication of the notice. The Court dismissed Krupp's action on December 13, 1982.

On December 17, 1982, Commerce published in the Federal Register its preliminary determination that there was a reasonable basis to believe or suspect that certain stainless steel sheet and strip products from West Germany are being sold, or are likely to be sold, in the United States at LTFV within the meaning of section 731 of the act (47 F.R. 56529, Dec. 17, 1982). Effective that date, the Commission instituted investigation No. 731-TA-92 (Final), pursuant to section 735(b) of the act (19 U.S.C. § 1673d(b)), to determine whether an industry in the United States is materially injured, or is threatened with materially injury, by reason of imports of such merchandise into the United States (48 F.R. 538).

1/ Petitioning firms included Allegheny Ludlum Steel Corp.; Armco, Inc.; Carpenter Technology Corp.; Crucible Materials Group (Colt Industries, Inc.); Eastern Stainless Steel Co.; Guterl Special Steel Corp.; Jones & Laughlin Steel, Inc.; Republic Steel Corp.; Universal-Cyclops Specialty Steel Division, Cyclops Corp.; and Washington Steel Corp.

On February 3, 1983, upon request by West German exporters who accounted for a significant proportion of exports, Commerce extended the period for its final dumping determination by 60 days until May 2, 1983. The extension was granted in accordance with section 735(a)(2)(A) of the Act (19 U.S.C. § 1673d(a)(2)(A)) (48 F.R. 4864).

On May 2, 1983, Commerce made a final determination, in accordance with section 735(a) of the act, that certain stainless steel sheet and strip products from West Germany are being sold in the United States at LTFV within the meaning of section 731 of the act. For a complete description of Commerce's investigation and determination, see 48 F.R. 20459 in appendix A.

The Commission is required by statute to render its final injury determination not later than 45 days after Commerce's final determination. 1/ In connection with the Commission's investigation, a public hearing was held in the Commission's hearing room in Washington, D.C., on May 4, 1983. Notice of the public hearing was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 24, 1983 (48 F.R. 7825). 2/ 3/ The Commission voted on this investigation, as well as those involving stainless steel sheet and strip from France and from the United Kingdom, on June 2, 1983.

Stainless steel sheet and strip from France (investigation No. 731-TA-95) (Final))

On May 10, 1982, a petition was filed with the Commission and the U.S. Department of Commerce by members of the Tool and Stainless Steel Industry Committee and the United Steelworkers of America. The petition alleged that imports from France of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300 and 608.5700 of the TSUSA, are being, or are likely to be, sold in the United States at LTFV and that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of such merchandise. Accordingly, effective May 10, 1982, the Commission instituted preliminary antidumping investigation No. 731-TA-95 (Preliminary) under section 733(a) of the act (19 U.S.C. § 1673b(a)) to determine whether there was a reasonable indication that an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of the subject imports. On June 24, 1982, the Commission determined that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports in that investigation (47 F.R. 28486).

1/ The Commission has set an administrative deadline of June 9, 1983, for completion of this investigation.

2/ Copies of the Commission's and Commerce's notices regarding the antidumping investigation of stainless steel sheet and strip from West Germany are presented in app. A.

3/ A list of witnesses appearing at the public hearing is presented in app. B.

On December 9, 1982, Commerce published in the Federal Register a preliminary determination that there was a reasonable basis to believe or suspect that certain stainless steel sheet and strip products from France are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the act (47 F.R. 55404). Effective that date, the Commission instituted investigation No. 731-TA-95 (Final), pursuant to section 735(b) of the Act (19 U.S.C. § 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of such merchandise into the United States (48 F.R. 539).

On January 13, 1983, upon request by French exporters who accounted for a significant proportion of exports, Commerce extended the period for its final dumping determination by 60 days until April 25, 1983. The extension was granted in accordance with section 735(a)(2)(A) of the Act (19 U.S.C. § 1673d(a)(2)(A)) (48 F.R. 1529).

On April 29, 1983, Commerce published in the Federal Register its final determination reached in accordance with section 735(a) of the act, that certain stainless steel sheet and strip products from France are being sold in the United States at LTFV within the meaning of section 731 of the act. For a complete description of Commerce's investigation and determination, see 48 F.R. 19441, presented in appendix C.

The Commission is required to render its final injury determination not later than 45 days after Commerce's final LTFV determination. 1/ In connection with the Commission's investigation, a public hearing was held in the Commission's hearing room in Washington, D.C., on May 4, 1983. Notice of the public hearing was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 24, 1983 (48 F.R. 7824). 2/ 3/

Stainless steel sheet and strip and plate from the United Kingdom (investigations Nos. 701-TA-195 and 196 (Final))

On October 7, 1982, a petition was filed with the Commission and the U.S. Department of Commerce on behalf of members of the Specialty Steel Industry of the United States and the United Steelworkers of America, pursuant to section 702 of the act (19 U.S.C. § 1671a), alleging that the U.S. stainless steel sheet and strip and plate industries are being materially injured, or are threatened with material injury, by reason of subsidized imports from the United Kingdom of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the TSUSA, and plate, provided for in items 607.7605 and 607.9005 of the TSUSA.

1/ The Commission has set an administrative deadline of June 9, 1983, for completion of this investigation.

2/ Copies of the Commission's and Commerce's notices regarding the antidumping investigation of stainless steel sheet and strip from France are presented in app. C.

3/ A list of witnesses appearing at the public hearing is presented in app. B.

Accordingly, effective October 7, 1982, the Commission instituted countervailing duty investigations Nos. 701-TA-195 and 196 (Preliminary) to determine, pursuant to section 703(a) of the act (19 U.S.C. § 1671b(a)), whether there was a reasonable indication than an industry in the United States was materially injured, or was threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of the subject imports. On November 22, 1982, the Commission determined, pursuant to section 703(a) of the act, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of imports in these investigations (47 F.R. 54180).

On December 17, 1982, Commerce declared these preliminary countervailing duty investigations extraordinarily complicated and postponed its preliminary determinations until not later than February 4, 1983 (47 F.R. 56527).

On February 10, 1983, Commerce issued its preliminary determination that there was reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the act are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet and strip and plate (48 F.R. 6146, Feb. 24, 1983). Accordingly, the Commission instituted investigations Nos. 731-TA-195 and 196 (Final), pursuant to section 705(b) of the act (19 U.S.C. § 1671d(b)), to determine whether an industry in the United States is materially injured, or is threatened with material injury, by reason of imports of such merchandise (48 F.R. 8876).

On April 27, 1983, Commerce published in the Federal Register its final determination that certain benefits that constitute subsidies within the meaning of secton 701 of the act are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet and strip and plate. For a complete description of Commerce's investigation and determination, see 48 F.R. 19048, presented in appendix D.

The Commission is required to render its final injury determinations not later than 45 days after Commerce's final subsidy determination. 1/ In connection with the Commission's investigations, a public hearing was held in the Commission's hearing room in Washington, D.C., on May 4, 1983. Notice of the public hearing was duly given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on March 2, 1983 (48 F.R. 8876). 2/ 3/

1/ The Commission has set an administrative deadline of June 9, 1983, for completion of these investigations.

2/ Copies of the Commission's and Commerce's notices regarding the countervailing duty investigations of stainless steel sheet, strip, and plate from the United Kingdom are presented in app. D.

3/ A list of witnesses appearing at the public hearing is presented in app. B.

Prior and Concurrent Investigations Involving Stainless Steel

Current action under the Trade Act of 1974

Stainless steel sheet and strip and plate have been the subject of six investigations under the Trade Act of 1974. The most recent investigation involved a petition filed on behalf of the U.S. specialty steel industry pursuant to section 301 of the Trade Act of 1974 (19 U.S.C. § 2411 (Supp. III 1979)). This petition, filed on December 2, 1981, alleged that the Governments of Austria, Belgium, Brazil, France, Italy, Sweden, and the United Kingdom had bestowed unreasonable and discriminatory subsidies on stainless steel sheet and strip, plate, bar, wire rod, and alloy tool steel. The petition further alleged that these subsidies violated the General Agreement on Tariffs and Trade (GATT), (specifically arts. 8 and 11 of the Agreement on Interpretation and Application of arts. VI, XVI, and XXII of the GATT), and caused a dramatic increase in the import penetration of specialty steel products, including stainless steel sheet, strip, and plate. These increased imports allegedly burdened or restricted U.S. commerce and caused, or threatened to cause, injury to the U.S. industry.

On the basis of the allegations contained in this petition and another petition concerning Belgium, the United States Trade Representative (USTR) initiated investigations with respect to all of the named countries except Brazil. 1/ On November 16, 1982, the President issued a determination directing the USTR to (1) request the Commission to conduct an expedited investigation under section 201 of the Trade Act of 1974 with regard to the five specialty steel products subject to the section 301 investigations, (2) initiate multilateral and/or bilateral discussions aimed at the elimination of all trade-distortive practices in the specialty steel sector, and (3) monitor imports of specialty steel products subject to the section 201 proceeding. 2/

Pursuant to the President's determination under section 301(a)(2)(A) (19 U.S.C. § 2411(a)(2)(A)), the USTR requested that the Commission institute an investigation under section 201 of the Trade Act of 1974.

The Commission instituted investigation No. TA-201-48, Stainless Steel and Alloy Tool Steel, on December 9, 1982, and on March 24, 1983, determined that certain stainless steel and alloy tool steel (including stainless steel sheet and strip and plate) was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 3/ The Commission voted on remedy on April 25, 1983, and the final report was sent to the President on May 6, 1983. 4/

1/ 47 F.R. 10107.
2/ 47 F.R. 51717.
3/ Commissioner Stern dissenting with respect to stainless steel plate.
4/ Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-201-48. . ., USITC Publication 1377, 1983.

The remedies recommended by the Commission to the President for calendar years 1983-85 are presented in the following tabulation:

	Stainless steel sheet and strip imports restricted to--	Stainless steel plate imports restricted to--
Commissioners Haggart and Stern	8 percent of consumption but not less than 62,900 tons per year	10 percent of consumption but not less than 10,700 tons per year
Chairman Eckes	7.3 percent of consumption but not less than 56,887 tons per year	4.8 percent of consumption but not less than 5,919 tons per year

Prior actions under the Trade Act of 1974

In January 1976, the Commission determined in investigation No. TA-201-5 that certain stainless steel and alloy tool steel products (bars, wire rods, plate, and sheet and strip) were being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles. 1/ In June 1976, the President imposed quotas on these items for a 3-year period. Subsequently, at the request of the USTR, the Commission conducted two section 203 investigations into the probable economic effect of modifying the import relief granted in June 1976. 2/ The President modified the relief granted in 1976 after both section 203 investigations. 3/ The Commission conducted a third section 203 investigation on stainless and alloy tool steel for the purpose of advising the President as to the probable economic effect on the domestic industry of the scheduled termination of import relief. 4/ The President extended the temporary quantitative limitations through February 13, 1980. 5/ Import relief terminated on February 14, 1980.

1/ Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-201-5, USITC Publication 756, 1976.

2/ Presidential Proclamations Nos. 4509 (1977) and 4559 (1978).

3/ Certain Alloy Tool Steel: Report to the President on Investigation No. TA-203-2. . ., USITC Publication 805, 1977; Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-203-3. . ., USITC Publication 838, 1977.

4/ Stainless Steel and Alloy Tool Steel: Report to the President on Investigation No. TA-203-5. . ., USITC Publication 968, 1979.

5/ Presidential Proclamation No. 4665 (1979).

Nature and Extent of Sales at LTFV and of Subsidies

Stainless steel sheet and strip from West Germany (investigation No. 731-TA-92 (Final))

On May 2, 1983, Commerce made its final affirmative LTFV determination in this investigation by comparing foreign-market value, based on home-market sales, with the U.S. price. Commerce investigated Krupp, Thyssen, and VDM, because these three companies manufacture and export virtually all the subject products from West Germany to the United States. The investigation covered the period from July 1, 1981, to March 31, 1982.

On the basis of its calculations, Commerce found margins on sheet ranging from 0.05 percent to 106.37 percent, with an overall weighted average of 7.4 percent. Margins for strip ranged from 0.07 to 243.72 percent, with an overall weighted average of 2.98 percent. 1/ Sheet accounted for 97.5 percent of 1982 imports of stainless steel sheet and strip from West Germany; strip accounted for 2.5 percent.

Stainless steel sheet and strip from France (investigation No. 731-TA-95 (Final))

On April 29, 1983, Commerce published its final affirmative LTFV determination in this investigation. For Usinor (Chatillon) and Peugot-Loire and for certain sales by Ugine Gueugnon, Commerce calculated foreign-market value based on home-market sales, which was then compared with U.S. price. For other home-market sales of Ugine Gueugnon, Commerce found that sales were made at less than cost over an extended period of time. Consequently, for these home-market sales of Ugine Gueugnon, Commerce used constructed value as the basis for the foreign-market value. The constructed value is based on costs of production reported by Ugine Gueugnon; these costs were for materials and fabrication, including general, selling, and administrative expenses. Since general expenses were below the 10-percent minimum, Commerce applied the 10-percent minimum to the costs reported; furthermore, Commerce used the statutory 8-percent minimum profit because information submitted by Ugine-Gueugnon indicated a profit less than that amount. On the basis of these calculations, Commerce found margins on sheet from France ranging from 0.01 to 46.5 percent, with an overall weighted-average margin of 3.4 percent (reduced from 3.6 percent 2/ on May 27, 1983). For strip, margins ranged from 0.1 percent to 55.3 percent, with an overall weighted average of 5.3 percent (reduced from 6.5 percent 2/ on May 27, 1983). 3/ Sheet accounted for 94.3 percent of 1982 imports from France, and strip accounted for 5.7 percent.

1/ 48 F.R. 20459.
2/ 48 F.R. 19441 (Apr. 29, 1983), shown in app. C.
3/ 48 F.R. 25244 (June 6, 1983), shown in app. C.

Stainless steel sheet and strip and plate from the United Kingdom (investigation Nos. 701-TA-195 and 196 (Final))

On February 4, 1983, Commerce issued preliminary countervailing duty determinations in these cases. Programs found to confer subsidies were (1) public dividend capital and new capital, (2) National Loans, Fund loans and loan conversions, and (3) Iron and Steel Industry Training Board grants. 1/ Other programs, however, were preliminarily determined either not to constitute subsidies or were not used in facilities producing the subject merchandise. These programs are the Industrial Investment loans from the European Coal and Steel Community, and Transportation Assistance. The preliminary net subsidy found for British Steel Corp. was 19.31 percent ad valorem on both stainless steel sheet and plate. Commerce preliminarily found no subsidy on stainless steel strip manufactured by Arthur Lee and Sons, Ltd. (Lee Steel); this company accounts for approximately 1 percent of sheet and strip imports from the United Kingdom, and it does not produce or export plate to the United States. All other producers, not excluded from these determinations of stainless steel sheet and strip and plate, had net subsidies of 19.31 percent.

On April 27, 1983, Commerce published its final subsidy determinations, which were the same as those reported on the preliminary determinations. 2/

The Product

Description and uses

Stainless steel is an alloy steel which contains by weight less than 1 percent of carbon and over 11.5 percent of chromium (headnote 2(h)(iv), subpt. A, pt. 2, schedule 6, of the TSUSA). It is manufactured by melting scrap metal together with the appropriate amounts of alloying elements (chromium, molybdenum, nickel, and so forth) in an electric furnace. The molten metal is decarburized in argon-oxygen decarburization (AOD) vessels and poured or cast into semifinished products (ingots, slabs, or sheet bars). Stainless steel must meet certain special quality tests and requirements, and the production of such steel requires exacting steelmaking practices and/or extensive testing prior to shipment, or both.

In 1982, according to American Iron & Steel Institute (AISI) statistics, stainless steel shipments accounted for 1.3 percent of all steel shipments. In turn, approximately 65 percent of total shipments of stainless steel products were composed of sheet and strip, and 11 percent were composed of plate. Sheet and strip and plate together are called "flat-rolled" products (as opposed to the "long products" (bar and rod)).

1/ 48 F.R. 6146 (Feb. 10, 1983), shown in app. D.
2/ 48 F.R. 19048 (Apr. 27, 1983), shown in app. D.

Stainless steel sheet and strip.--Stainless steel sheet and strip are flat-rolled products produced by reheating semifinished stainless steel slabs or sheet bars to a red-hot state in a reheating furnace, and passing them through a series of reducing rolls in continuous (hot-strip) or hand mills. In this process, the semifinished products are reduced in thickness and rolled into coil form (hot band). The hot band is still considered a semifinished product. The hot band is then annealed, either through a continuous or batch anneal process, descaled, and further cold-rolled/reduced to obtain improved surface and mechanical properties and lighter gages. The product may undergo additional annealing, pickling, polishing, or buffing, depending on its specifications. The finished coils are generally produced in widths from 24 to 60 inches. If a narrower width (strip) is desired, the finished coil is slit into the specified size; the slitting is the last step in the manufacturing process of strip.

Unlike carbon steel sheet and strip, stainless steel sheet and strip are usually shipped as cold-rolled products. In 1982, hot-rolled sheet and strip accounted for only 3 percent of U.S. producers' total shipments of stainless steel sheet and strip.

Stainless steel sheet and strip are distinguished from other flat-rolled products by their dimensions. The TSUSA defines sheets as "flat-rolled products whether or not corrugated or crimped, in coils or cut to length, under 0.1875 inch in thickness and over 12 inches in width," and strip as "a flat-rolled product whether or not corrugated or crimped, in coils or cut to length, under 0.1875 inch in thickness, and, if cold-rolled, over 0.50 inch but not over 12 inches in width, or, if not cold-rolled, not over 12 inches in width."

The industry and the TSUSA differ in their definitions of sheet and strip. The industry defines strip as widths up to 24 inches and sheet as above 24 inches in width. The TSUSA, on the other hand, defines strip as widths up to 12 inches only; widths above 12 inches are classified in the TSUSA as sheet. Because comparable data on imports and U.S. production are not available, separate statistics for sheet and strip are not presented in this report.

Further, domestic industry and TSUSA definitions for the chemical composition of stainless steel also differ. The TSUSA requires chromium content to exceed 11.5 percent for the product to be called stainless; the U.S. industry requires only 10 percent chromium. A significant demand has developed for less expensive (i.e., lower chromium) "stainless" products for uses where high corrosion resistance, but no particular appearance requirements, are called for (e.g., automotive exhaust system and catalytic converter material). In response to this demand, the stainless steel industry developed grade 409 steel, which generally contains 10.5 percent chromium and costs less than higher chromium stainless steel. Grade 409 quickly became popular and accounted for 12 to 17 percent of all stainless shipments during 1978-82. Grade 409 in widths less than 12 inches now falls in the heat-resisting steel category of the TSUSA (4 to 11.5 percent chromium); in wider sizes, it falls in the alloy steel category. Thus, grade 409 stainless

is not included within the scope of these investigations, and statistical data in this report for domestic producers have been adjusted to exclude operations on this material whenever possible.

Depending on the amount and type of alloying elements added at the melting stage, and depending on the annealing, rolling, and other manufacturing processes used, stainless sheet and strip products have a wide range of physical and mechanical properties, which are defined by AISI "grade" numbers. Generally, 300 grades are high in corrosion resistance, and 400 grades have an increased strength and/or a nicer appearance. 1/ Most industries that use stainless sheet and strip use both 300 and 400 grades (fig. 1). For example, the side panels of an appliance may be made of 300 grade stainless sheet and the visible front panels and trim of 400 grades; automobiles require both 300 and 400 grade steels.

Uses of stainless steel include a very wide variety of consumer, industrial, and defense 2/ products. Figure 1 lists some of the major uses of stainless steels.

Although quality differences are sometimes alleged between imported and domestically produced stainless steel sheet and strip, they are fungible products when produced in the same grade and to the same specifications. Stainless sheet and strip are sold in widths from 1 to 72 inches. The bulk of the shipments are in 36- to 48-inch widths. Most widths are sold in coil forms, although the wider sheets are sometimes sold in cut-to-length form.

1/ There are two essential factors to consider in the decision to purchase stainless steels: corrosion resistance and strength of the alloy. Chromium and nickel are added to stainless steels in order to provide corrosion resistance, and carbon is provided to strengthen the alloy.

In general, 200 and 300 grade stainless steel have higher chromium and nickel content (above a combined 20 percent) and lower carbon content (below 0.15 percent) and are used in those applications where corrosion resistance is paramount, such as in the food processing and oil- and chemical-processing industries.

On the other hand, 400 grade stainless steel (below grade 430) usually has low chromium and nickel content (generally below a combined 16 percent) and higher carbon content (generally 0.15 percent or over) and are used in those applications where corrosion resistance is less important and strength is more important, as in certain non critical automotive and aerospace structural members.

In many applications, increased strength, greater resistance to corrosion, and mirror-finish appearance are all equally important. To satisfy this demand, certain 400 grades (430 and above) are available. These grades all have combined chromium and nickel content above 16 percent and high carbon content, and are widely used as structural members in the aerospace industry and in marine atmospheres, where both strength and resistance to corrosion caused by harsh environments are critical. They are also used as visible trim material on appliances, automobiles, and so forth.

2/ U.S. purchases of foreign stainless steel sheet and strip for use in U.S.-produced military equipment are prohibited by the Specialty Metals Provision of the Defense Appropriations Act (Public Law 97-377, section 723). The Administration has recently submitted legislation to Congress requesting relief from the Specialty Metals Provision.

Figure 1--Major Uses For Various Grades of Stainless Steel

Uses	Grades																							
	200's			300's									400's											
	201	202	301	302	303	304	305	309	310	316	321	347	403	410	416	420	430	431	434	436	440
Aerospac :																					
Jet engine rings									X		X	X	X	X	X			X			
Aircraft exhaust stacks											X	X									
Aircraft fittings					X																
Aircraft stress members																		X			
Appliances:																	X				
Heating elements for appliances			X	X		X											X				
Household appliances	X	X		X		X		X	X								X				
Trim			X	X		X					X						X		X	X	
Automotive:																	X				
Engines																	X				
Exhaust systems											X									X	
Stampings			X	X		X	X			X	X			X						X	
Trim	X	X															X		X	X	
Food Processing:																					
Brewing equipment, tanks				X		X															
Cooking utensils, cutlery	X	X		X										X		X	X			X	
Dairy equipment milk handling	X	X		X	X	X				X											
Food processing equipment				X		X				X							X				
Food serving and handling equipment			X	X		X				X							X				
Refrigeration equipment				X													X				
Oil and Chemical Processing:																					
Chemical tanks, pipe, equipment	X					X		X		X	X						X				
Heat exchangers						X			X	X											
Oil refinery equipment and																					

Source: Stainless and Heat Resisting Steels, Steel Products Manual, American Iron and Steel Institute, December 1974, and Data submitted in response to questionnaires of the U.S. International Trade Commission

Stainless steel plate.--The TSUSA defines plates as "flat-rolled products, whether or not corrugated or crimped, in coils or cut to length, 0.1875 inch or more in thickness and, if not cold-rolled, over 8 inches in width, or, if cold-rolled, over 12 inches in width. The manufacturing process for stainless steel plate is similar to that of stainless steel sheet and strip, i.e., it is hot-rolled from slabs and then usually annealed and pickled. Stainless steel plate differs from sheet and strip in that it is generally not cold-rolled before shipment.

Most stainless plate is sold in widths ranging from 48 to 96 inches. However, some mills are able to produce nonstandard widths such as 120 and 130 inches. The most popular grades sold are 304 and 316. Because plate is thicker than sheet and therefore more difficult to coil, most plate is sold in cut-to-length form. Most mills cannot coil material thicker than one-quarter inch. Two U.S. mills, however, can coil material up to one-half inch in thickness.

Some of the principal uses of stainless steel plate are for industrial equipment in the chemical, oil- and gas-processing, and rubber-producing industries (tanks, pipes, heat exchangers, fuel liners, and so forth). In the food-processing industry, plate is used for brewery tanks and equipment, wine vats, milk-holding tanks, and so forth. In the pulp- and paper-processing industries, plate is used for tanks and pipes.

U.S. tariff treatment

Imports of the stainless steel sheet and strip and plate subject to these investigations are classified for tariff purposes under items 607.7610, 607.9010, 607.9020, 608.4300, 608.5700 (sheet and strip) and 607.7605 and 607.9005 (plate) of the TSUSA. The current column 1 (most-favored-nation) rates of duty 1/ and column 2 duty rates 2/ are shown in table 1.

1/ The col. 1 rates are most-favored-nation (MFN) 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.

2/ The rates of duty in col. 2 apply to imported products from those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

Table 1.--Stainless steel sheet and strip and plate: U.S. rates of duty, by TSUS or TSUSA items, as of Jan. 1, 1983

TSUSA item No.		Article	Rates of duty 1/	
1978-79	1980-83		Col. 1	Col. 2
		Sheet and strip		
608.8540	607.7610	Stainless steel sheets, not pickled and not cold-rolled, not coated or plated with metal, not clad	9.5% ad val. + additional duties.	28% ad val. + additional duties.
608.8840 (pt.-1979); 608.8841 (pt.-1978); 608.8843 (pt.-1978)	607.9010	Stainless steel sheets, pickled but not cold-rolled, not coated or plated with metal, not clad	10% ad val. + additional duties.	0.2¢ per lb + 28% ad val. + additional duties.
608.8840 (pt.-1979); 608.8841 (pt.-1978); 608.8843 (pt.-1978)	607.9020	Stainless steel sheets, cold-rolled, not coated or plated with metal, not clad	10% ad val. + additional duties.	0.2¢ per lb + 28% ad val. + additional duties.
609.0720	608.4300	Stainless steel strip, over 0.01 but not over 0.05 inch in thickness.	10.5% ad val. + additional duties.	33% ad val. + additional duties.
609.0820	608.5700	Stainless steel strip, over 0.05 inch in thickness.	11.5% ad val. + additional duties.	33% ad val. + additional duties.
		Plate		
608.8510	607.7605	Stainless steel plates, not pickled and not cold-rolled, not coated or plated with metal, not clad	9.5% ad val. + additional duties.	28% ad val. + additional duties.
608.8810	607.9005	Stainless steel plates, pickled and not cold-rolled, not coated or plated with with metal, not clad	10% ad val. + additional duties.	0.2¢ per lb + 28% ad val. + additional duties.

1/ Stainless steel sheet, strip, and plate are also subject to additional cumulative duties of alloy contents as follows:

TSUSA item No.		Article	Additional duties	
1977-79	1980-83		Col. 1	Col. 2
607.01	606.00	Chromium content over 0.2 percent by weight.	0.1% ad val.	1% ad val.
607.02	606.02	Molybdenum content over 0.1 percent by weight.	0.3% ad val.	1% ad val.
607.03	606.04	Tungsten content over 0.3 percent by weight.	0.4% ad val.	1% ad val.
607.04	606.06	Vanadiun content over 0.1 percent by weight.	0.2% ad val.	1% ad val.

The rates of duty for imports of stainless steel sheet and strip and plate, which are currently dutiable at column 1 rates ranging from 9.5 percent to 11.5 percent ad valorem plus additional duties on alloy content, 1/ have remained virtually unchanged since 1977. Imports of these items are not eligible for duty-free treatment under the Generalized System of Preferences (GSP), 2/ nor are least developed developing countries (LDDC's) granted preferential rates of duty. 3/

U.S. Producers

U.S. producers of stainless steel sheet and strip

Nine U.S. firms are known to currently produce the stainless steel sheet and strip subject to these investigations. Table 2 shows the domestic producers and each firm's share of total U.S. shipments of stainless steel sheet and strip in 1978-82.

1/ Schedule 6, pt. 2, subpt, B, headnote 4.

2/ The GSP, under title V of the Trade Act of 1974, provides 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.

3/ The preferential rates of duty in the "LDDC" column reflect the full U.S. Multilateral Trade Negotiations concession rates implemented without staging for particular items which are products of least developed developing countries, enumerated in general headnote 3(d) of the TSUSA. Where no rate of duty is provided in the "LDDC" column for an item, the rate of duty provided in col. 1 applies.

Table 2.--Stainless steel sheet and strip: Percentage distribution of U.S. producers' shipments, by firms, 1978-82 1/

* * * * * * *

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

As indicated, domestic shipments of stainless steel sheet and strip are highly concentrated, with the five largest producers, * * *. Domestic production facilities are concentrated in Pennsylvania, Ohio, and Maryland. Brief descriptions of some U.S. producers' plants follow.

Allegheny Ludlum melts and hot rolls at its Brackenridge, Pa., works and subsequently cold-finishes at Brackenridge, New Castle, Ind. and West Leechburg, Pa.

Jones & Laughlin's stainless steel melt shop is in Warren, Mich.; its hot-strip mill is in Cleveland; and its cold-finishing facilities are in Detroit (acquired from McLouth in July 1981) and Louisville, Ohio. 1/ On February 23, 1983, Jones & Laughlin received approval from the Department of Justice to proceed with the purchase of the assets at the Crucible plant in Midland, Pa., which ceased operations in March 1982. Jones & Laughlin expects to operate the electric furnaces, AOD refining vessel, and continuous caster, but not, at least initially, the cold-rolling (finishing) facility at the Crucible plant. Further processing will be performed at Jones & Laughlin's cold-finishing facilities in Detroit and Louisville. The company announced that it would suspend stainless steel melting at its Warren, Mich., plant when the Midland melt shop is started. Jones & Laughlin began melting at Midland in April 1983.

Armco has its stainless sheet and stripmaking facilities in Butler, Pa. Washington Steel's melting and casting facilities are located in Houston, Pa., and its hot-strip mill and cold-rolling facilities, in Washington, Pa. Republic melts steel in Canton, Ohio, and in Chicago; it rolls slabs and makes hot band in Cleveland and Warren, Ohio, on hot-strip mills; and has cold-rolling facilities in Massillon, Cleveland, and Warren, Ohio.

Ability of U.S. producers to produce the imported sheet and strip.--Purchasers' questionnaires indicate that most of the stainless steel sheet and strip imported from France and West Germany consists of 304, 316, 430, and 434 stainless steel grades. U.S. purchases were asked to report such purchase-transactions of imported stainless sheet and strip that occured because there was no domestically produced merchandise available. In telephone conversations with purchasers that reported such transactions the Commission staff established that all 304 and 316 grade sheet and strip purchased by these firms from West German suppliers could have been sourced domestically. Purchasers' questionnaires indicated that of the 304 and 316 grades being imported, the 48-inch X 144-inch sheet was often imported in

1/ Jones & Laughlin sold its Youngstown, Ohio, strip mill in November 1980.

these transactions. Conversations with officials of those firms who purchased imported sheet indicated that Allegheny Ludlum, Jones & Laughlin, and Republic Steel could supply this material from stock.

Some importers of 430 and 434 grade stainless sheet stated in phone conversations and in purchasers' questionnaires that their decision to import was based on the inability or unwillingness of U.S. producers to supply this material in sufficient quantity to meet their requirements. Two U.S. purchasers advised that they could not buy domestic grade 430 in 36-, 48-, and 60-inch widths in 1981 and 1982; therefore, they imported from West Germany * * * short tons in 1981 and * * * short tons in 1982. 1/ To counter these and similar arguments made in the past, the domestic industry argues that it has the ability and availability of capacity to produce all requested 400 grade stainless steel. 2/ 3/

Counsel for French and West German producers argued against cumulation on the bases that French exports to the United States are primarily 400 grades and West German exports are 300 grades. The foreign producers and U.S. importers were asked to provide data on exports and imports to the United States by grades. The following tabulation shows the responses:

* * * * * * *

The United Kingdom did not export 400 grade stainless steel to the United States in 1978-82, and British Steel Corp. (BSC) has only recently begun production of 400 grade for its home market. Previously, all 400 grades were imported into England from primarily France and West Germany. 4/

The domestic industry's production of 300 and 400 grade stainless steel sheet and strip is shown in the following tabulation 5/:

Year	Percentage distribution of production	
	300 grades	400 grades
1978	80	20
1979	83	17
1980	86	14
1981	85	15
1982	89	11

1/ Data obtained from purchasers' questionnaires of the U.S. International Trade Commission and from followup phone conversations between Vincent DeSapio of the Commission staff and Messrs. * * *, Mar. 29, 1983.

2/ Transcript of the hearing, investigations Nos. 731-TA-92 (Final), 731-TA-95 (Final), and 701-TA-195 and 196 (Final), May 4, 1983, pp. 49 and 50.

3/ Petitioners' posthearing brief, p. 4.

4/ BSC's posthearing brief, app. A, p. 6 and transcript of the hearing, pp. 103 and 194.

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

The data in the previous tabulations and information received in purchasers' questionnaires indicate competition among French, West German, British, and domestic 300 grade stainless steel sheet and strip and among French, West German, and domestic 400 grade stainless steel sheet and strip. 1/

The French producer Ugine-Gueugnon and Texas Instruments, a U.S. purchaser of French stainless steel sheet, allege that no U.S. stainless steel sheet producer is able to supply grade 434 stainless sheet of the quality required by this purchaser. Texas Instruments uses this product to make automotive trim and notes increased concern by the automobile industry for high-quality and price-competitive products (see related article from Fortune, May 16, 1983, presented in app. E). The U.S. producers of grade 434 sheet, however, claim that they are able and willing to produce this product. The Commission staff visited the plants that make and use this product and obtained information from the market participants. The findings are presented in appendix F.

U.S. producers of stainless steel plate.--Twelve firms are known to have produced stainless steel plate in the United States in 1982, * * *. Table 3 shows the major domestic producers and each firm's share of total U.S. shipments of stainless steel plate in 1978-82.

Table 3.--Stainless steel plate: Percentage distribution of U.S. producer's shipments, by firms, 1978-82

*	*	*	*	*	*	*

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

Capital expansions by U.S. producers of stainless steel sheet and strip, and plate.--A number of stainless steel producers have recently completed or embarked upon major capital-spending projects. Others have postponed such projects. Allegheny Ludlum completed a * * * capital-spending program in 1979 to add a continuous caster for sheet and stripmaking. A plan to spend an additional * * * to add another continuous caster for sheet and stripmaking has been postponed pending an upturn in the demand for stainless steel. In 1980, Eastern Stainless Steel completed a * * * capital-spending program which increased flat-rolled stainless steel capacity by * * * percent * * *. Armco spent nearly * * * on increasing continuous casting capability at its Butler, Pa., plant in 1982, but has no other announced expansion or modernization plans due to low stainless steel demand. Washington Steel completed a * * * expansion program in 1980, which included the addition of a continuous caster that increased its casting capacity by * * * percent. Prior to that, the last continuous caster was installed in the United States in 1974.

1/ See also petitioners' posthearing brief, invs. Nos. 731-TA-92, 95 (Final) and 701-TA-195 and 196 (Final), p. 6.

Washington Steel also added a hot-strip mill for the production of stainless sheet and strip in 1976. Prior to that, the last U.S. hot-strip mill for stainless sheet and strip was built in 1970. Carpenter had planned the construction of a * * * hot-strip mill, which would have represented a significant expansion and modernization (the average age of U.S. hot-strip mills is about 21 years 1/) of the U.S. hot-rolling capacity; however, this program has been postponed due to the deterioration of the stainless business.

U.S. industry representatives testified that the basic hot-strip mill technology is not changing, and, thus, there is no need to build new hot-strip mills. Most modernizations involve the addition of computerized controls that significally improve the mill-operations (transcript of the hearing, pp. 54-56).

U.S. Importers

Importers of stainless steel sheet and strip from West Germany

The net import file maintained by the U.S. Customs Service identified * * * importers of stainless steel sheet and strip from West Germany during October 1980-September 1981, and * * * importers during October 1981-September 1982. 2/ The smaller importers are most often U.S. end users that purchase directly from the foreign sources; however, the majority of stainless steel sheet and strip imports, * * * shown in the following tabulation:

Firm	Approximate share of imports of stainless steel sheet and strip from West Germany (percent)	
	Oct. 1980-Sept. 1981	Oct. 1981-Sept. 1982
* * *	* * *	* * *

Importers of stainless steel sheet and strip from France

The net import file identified * * * importers of stainless steel sheet and strip from France during October 1980-September 1981 and * * * importers during October 1981-September 1982. Most of the importers, both large and

1/ The average age was calculated by weighing the ages of U.S. mills used for specialty steel producing by their capacity. Age and capacity data were published in 33 Metal Producing Magazine, January 1982, p. 68.

2/ The net import file is kept on the Government's fiscal-year basis, i.e., October-September.

small, are service centers/distributors. The following tabulation shows the distribution of imports among the importers:

Firm	Approximate share of imports of stainless steel sheet and strip from France (percent)	
	Oct. 1980-Sept. 1981	Oct. 1981-Sept. 1982
* * *	* * *	* * *

Importers of stainless steel sheet and strip from the United Kingdom

The net import file identified * * * importers of stainless steel sheet and strip from the United Kingdom during October 1980-September 1981 and * * * importers during October 1981-September 1982. The overwhelming majority of imports were accounted for by BSC of Houston. * * *. The following tabulation shows the distribution of imports:

Firm	Approximate share of imports of stainless steel sheet and strip from the United Kingdom (percent)	
	Oct. 1980-Sept. 1981	Oct. 1981-Sept. 1982
* * *	* * *	* * *

Counsel for BSC compared BSC's corporate data with official U.S. statistics and stated that there may be approximately 400 tons of non-BSC imports included in the January-March 1983 official statistics, (transcript of the hearing, pp. 168 and 169) The Commission staff obtained updated net import files after the hearing, which covered January 1983. No new importer from the United Kingdom was listed. Commission staff also contacted Lee Steel, the only other producer of stainless sheet and strip in the United Kingdom; Lee Steel's U.S. affiliate * * * in January-March 1983. 1/

Importers of stainless steel plate from the United Kingdom

The net import file identified * * * importers of stainless steel plate from the United Kingdom during October 1980-September 1981 and * * * importers

1/ Telephone conversation of Messrs. Vastagh of the Commission staff and Coward, executive vice president of Lee Steel, May 20, 1983.

during October 1981-September 1982. British Steel accounts for virtually all the imports, as shown in the following tabulation:

Firm	Approximate share of imports of stainless steel plate from the the United Kingdom (percent)	
	Oct. 1980-Sept. 1981	Oct. 1981-Sept. 1982
* * * * * * *		

U.S. Market

Apparent U.S. consumption

Stainless steel sheet and strip.--Apparent U.S. consumption of stainless steel sheet and strip fluctuated during 1978-82, as shown in table 4. It reached a period high of 752,000 tons in 1979 and a period low of 563,000 tons in 1980. Consumption in 1982 was 565,000 tons. Some industry members opine that 1979 was the best year ever for the stainless steel industry or at least as good as 1974 (transcript of the hearing, p. 51).

Shipments of sheet and strip were up by 3 percent in January-March 1983 from those in the corresponding period of 1982. The increased shipments are attributed by industry members partly to improving economic activity and partly to the rebuilding of depleted inventories. 1/ Stainless steel shipments are historically higher in the first half of the calendar year than in the second half (transcript of the hearing, pp. 29-31). Improvements in the automobile, housing, and other consumer-goods industries would bring about increased stainless steel sheet and strip consumption.

1/ Petitioners' posthearing brief, investigation Nos. 731-TA-92 and 95 (Final) and 701-TA-195 and 196 (Final), p. 10.

Table 4.--Stainless steel sheet and strip and plate: U.S. producers' shipments, imports for consumption, exports of domestic merchandise and apparent U.S. consumption, 1978-82, January-March 1982, and January-March 1983

(In thousands of short tons)

Period	Shipments		Imports		Exports		Apparent consumption	
	Sheet and strip	Plate	Sheet and strip	Plate	Sheet and strip	Plate	Sheet and strip	plate
1978	647	114	80	11	36	5	692	120
1979	743	146	61	7	52	12	752	141
1980	609	124	37	3	83	16	563	111
1981	665	122	71	8	44	10	692	120
1982	505	98	86	13	26	5	565	107
Jan.-Mar.								
1982	128	28	29	3	6	1	151	30
1983	132	23	18	2	6	1	144	24

Source: Sheet and strip shipments, (AISI) data modified by data obtained in response to questionnaires of the U.S. International Trade Commission to exclude shipments of grade 409 products; plate shipments, AISI data; import and export data compiled from official statistics of the U.S. Department of Commerce (totals may not add due to rounding).

Stainless steel plate.--Apparent U.S. consumption of stainless steel plate also fluctuated during 1978-82, as did that of sheet and strip. The fluctuation was not as great, however, because the plate industry serves the capital-goods market as opposed to the consumer-goods markets. (transcript of the hearing, p. 42). The yearly changes of apparent consumption are shown in the following tabulation (in percent):

Period	Change in apparent U.S. consumption of stainless steel--	
	Sheet and strip	Plate
1978 to 1979	8.7	17.5
1979 to 1980	-25.1	-21.3
1980 to 1981	22.9	8.1
1981 to 1982	-18.4	-10.8

Shipments of stainless plate were down by about 15 percent and plate consumption was down by 20 percent in January-March 1983 compared with such data for the corresponding period of 1982. Since plate is used almost exclusively in capital goods markets, the plate industry's recovery will be tied to the recovery of such markets, which generally lag behind sheet and strip's consumer markets by 6 to 9 months (transcript of the hearing, p. 48).

s of distribution

the U.S. market, sales of stainless steel sheet and strip by domestic
-s and importers are made to end users directly or to steel service
'distributors, which in turn sell to end users. The major markets for
ally produced stainless steel sheet and strip and plate in 1982 are
table 5. These markets are identified on the basis of periodic
g by U.S. producers to the AISI. The producers identify the major
-use markets of those shipments that are sent by them directly to U.S.
;. Such shipments constitute only 51 percent of all sheet and strip
; and 48 percent of all plate shipments. On the basis of those data,
iown in table 5, the largest single end-use markets for stainless
et and strip were the automotive and the appliances, utensils, and
ndustries, which accounted for 18 and 6 percent, respectively, of
11 purchases in 1982. The machinery and equipment market was the
nd-use market for plate in 1982, with 14 percent of the total.

.ce centers/distributors accounted for 44 percent of the total for
strip and 47 percent of the total for plate shipments. Service
y material directly from the stainless steel producers and may
e material by cutting, forming, and coating according to customer
ions before reselling it to end users. These end users tend to be
ers, ones whose stainless needs are not large enough or predictable
)uy directly from the producers in "mill-run" (around 10 tons or
:ities. The service centers do not keep records on what their

-Stainless steel sheet, strip, and plate: Percentage distribution
domestic producers' shipments to major U.S. markets in 1982

Market	Sheet and strip	Plate
ers/distributors	44	47
	18	1
	5	3
ndustrial equipment, and tools	3	14
itensils, and cutlery	6	1/ -
	5	5
	19	30
	100	100

1 0.5 percent.

ipiled from data of the American Iron & Steel Institute and from
stics of the U.S. Department of Commerce.

customers produce from their stainless steel purchases. Accordingly, no data are available as to the end-use markets for stainless steel sheet and strip and plate sold by service centers. 1/

The U.S. stainless flat-rolled markets are concentrated in the Midwest and Northeast, with only 5 to 10 percent of consumption estimated as taking place on the west coast. Transportation costs to the West Coast are estimated to represent about 5 to 6 percent of the average delivered cost of domestic stainless steel (transcript of the hearing, pp. 39-41).

West German, French, and British stainless steel sheet and strip are generally distributed through the same channels of distribution as domestic products (transcript of the hearing, pp. 113-116).

The following tabulation shows the shares of stainless steel sheet and strip shipments to service centers and directly to end users (in percent) 2/:

Source	Share of shipments in 1982 to-- Service centers/ distributors	End users
United States	44	56
West Germany	***	***
France	***	***
United Kingdom	***	***

Consideration of Material Injury to an Industry in the United States

U.S. production, capacity, and capacity utilization

Capacity in this section refers to finishing capacity for flat-rolled products (i.e., hot- or cold-rolling facilities and attendant annealing, pickling and polishing facilities, but not melting, blooming, or casting capacity). Because a company has a certain level of flat-rolled finishing capacity does not imply that it necessarily also possesses equal or greater casting and hot-rolling capacities. Although all U.S. stainless producers have melt shops, they do not all have hot-strip mills, or blooming mills, both of which are used in producing semifinished forms of stainless steel and both of which require large capital investments that can only be justified by the larger producers. That is why a smaller producer, such as Eastern Stainless, does not have a hot-strip mill. Eastern melts its own steel and cast its own slabs or ingots, but sends these semifinished products to a "converter," a company with a hot-strip mill, for conversion into sheet bars or hot-bands that are then returned to Eastern's finishing mills for flat-rolling into sheets, strips, or plates.

1/ Ibid., p. 8.

2/ Source: for U.S. data: table 5; for all other data: questionnaires of the U.S. International Trade Commission.

Stainless steel sheet and strip.--Domestic producers' production capacity, and utilization of that capacity for the products under investigation are shown in table 6. U.S. producers' aggregate capacity to manufacture stainless steel sheet and strip increased by 83,000 tons from 1978 to 1981, or by an average of 3 percent annually. In March 1982, before Crucible ceased operations, aggregate production capacity for sheet and strip producing (i.e., finishing capacity) stood at 977,000 tons. * * *, total U.S. capacity as of January 1, 1983, was 817,000 tons per year, the lowest during 1978-82, or 8 percent below the 1978 level. Jones & Laughlin purchased Crucible's assets and began to operate the melt shop and continuous caster in mid-April 1983. Although J&L has neither manned nor announced whether or not it will reactivate Crucible's finishing facilities, that finishing capacity has been returned to the aggregate finishing capacity of the U.S. stainless steel sheet and strip industry as of April 1, 1983 (table 6).

Table 6.--Stainless steel sheet and strip and stainless steel plate: U.S. produ
tion, practical capacity, 1/ and capacity utilization, 1978-82 and Apr. 1, 198

Item	1978	1979	1980	1981	1982	Apr. 198
Stainless steel sheet and strip:						
Production 2/						
1,000 short tons--	679	739	580	643	487	3/
Capacity----------do----	886	914	928	969	4/ 857	5/
Capacity utilization--percent--	77	81	63	66	57	3/
Stainless steel plate:						
Production 6/						
1,000 short tons--	124	138	121	118	90	3/
Capacity----------do----	221	222	223	224	4/ 193	5/
Capacity utilization--percent--	56	62	54	53	47	3/

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked t consider, among other factors, a normal product mix and an expansion of operation that would be reasonably obtained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation (generally reported to be 144-160 hours per week, 50 weeks per year).

2/ Sheet and strip producers reporting to the Commission accounted for 95 perce of all 1982 shipments that were reported by AISI.

3/ Not available.

4/ In March 1982, Crucible ceased operations. The company's reported productiv sheet and strip capacity was * * * percent of the total U.S. industry's capacity, its plate capacity was * * * percent of the total industry's. The company reporte production and shipments for the first quarter only, the plant was abandoned unti Jones & Laughlin received approval from the U.S. Department of Justice to purchas its assets, in late February 1983. Therefore only * * * percent of Crucible's annual capacities are included in the data for 1982.

5/ In April, Jones and Laughlin reactivated portions of the Crucible plant. Although that plants finishing capacity has been neither manned nor reactivated b J&L, its capacity has been returned in these data to that of the U.S. industry's total, consistent with the Commission's definition of capacity, which takes physical plant into account rather than employment levels. The prehearing report stated lower U.S. capacity as of Jan. 1, 1983, i.e., prior to J&L's taking possession of the physical plant.

6/ Plate producers reporting to the Commission accounted for 93 percent of all 1982 stainless steel plate shipments that were reported by the AISI. These are t producers that submitted usable data for calculating capacity utilization rates.

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

Production data for January-March 1983 are not available. If shipments are used as a proxy for production, U.S. producers' capacity utilization data were as follows (in percent):

	Stainless steel sheet and strip	Stainless steel plate
1978	73	52
1979	81	66
1980	66	57
1981	69	54
1982	59	51
January-March 1983	60	45

Capacity utilization for stainless steel sheet and strip increased from 77 to 81 percent during the last two quota years (1978 and 1979). As a result of a 24-percent drop of production from 1981 to 1982, however, capacity utilization dropped from 66 percent in 1981 to 57 percent in 1982, despite the 12-percent reduction in total capacity. Although calculated capacity utilization was only 81 percent in 1979, the industry apparently operated at or near capacity that year (transcript of the hearing, p. 52). Concurrent with and following the good years of 1978 and 1979, the industry installed significant melting and casting capacities that required 2 to 3 years before reaching their full producing potential in 1981 to 1983. Thus, although finishing capacity did not appreciably increase from 1981 to 1983 (table 6), according to testimony, the melting capacity has increased and its cost effectiveness has improved (transcript of the hearing, p. 52). Investments were made in computerized process control of the melting operations, which are significant because during melting, about 45 percent of the value of stainless steel is added (transcript of the hearing, p. 35).

Table 7 indicates the major capacity changes for each of the reporting U.S. stainless steel sheet and strip producing companies during 1978-82.

Table 7.--Stainless steel sheet and strip: Major changes in producing capacities of U.S. producers, 1978-82

* * * * * * *

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

Stainless steel plate.--Total production capacity for U.S. stainless plate has been virtually unchanged since 1978 (221,000 tons per year in 1978 and 224,000 tons per year in 1981) (table 6). * * *. As of April 1, 1983, J&L owned Crucible's total physical plants and equipment, and its platemaking capacity was added back to the U.S. aggregate as of that date.

Table 8 shows total U.S. production of stainless steel plate, which remained relatively stable from 1978 to 1981, and then dropped from 125,000 tons in 1981 to 96,000 tons in 1982, or by 22 percent. This drop in production was greater than the decrease in capacity (caused by Crucible's going out of business) and caused capacity utilization by the U.S. industry to decrease from 53 percent in 1981 to 47 percent in 1982 (table 6).

Table 8.--Stainless steel plate: Total U.S. production, 1978-82

(In thousands of tons)

Year	U.S. production 1/
1978	127
1979	143
1980	127
1981	123
1982	96

1/ Producers submitting data accounted for 100 percent of plate shipments in 1982.

Source: Compiled from data in response to questionnaires of the United States International Trade Commission.

U.S. producers' shipments 1/

The following tabulation shows U.S. producers' shipments of stainless steel sheet and strip and stainless steel plate:

	Sheet and strip shipments		Plate shipments	
Period	Quantity (1,000 tons)	Change (percent)	Quantity (1,000 tons)	Change (percent)
1978	647	N/A	114	N/A
1979	743	15	146	28
1980	609	-18	124	-15
1981	665	9	122	-2
1982	505	-24	98	-20
Jan.-Mar.--				
1982	128	N/A	28	N/A
1983	132	3	23	-18

1/ Shipments to domestic or foreign service centers and end users. Shipments do not include intercompany or intracompany shipments or shipments of grade 409 products.

Shipments of sheet and strip increased from 647,000 tons in 1978 to 743,000 tons in 1979, or by 15 percent; some industry sources call 1979 their best year ever. Production decreased in 1980 by 18 percent; rose again in 1981, and then fell by 24 percent in 1982. Shipments of stainless steel plate also increased from 1978 to 1979, but fell each succeeding calendar year and continued to fall through January-March 1983. Shipments of both products reached period lows in 1982.

U.S. producers' inventories

Although end users and service centers/distributors perform much of the inventory function in the domestic market for stainless steel products, end-of-period inventories reported by U.S. producers in response to the Commission's questionnaires were significant, as shown in table 9. These inventory levels are similar to the inventory levels of the 1970's.

Table 9.--Stainless steel sheet and strip and stainless steel plate: U.S. producers' 1/ year-end inventories, 1977-82

Item	1977	1978	1979	1980	1981	1982
Stainless steel sheet and strip						
1,000 tons	169	184	178	160	158	157
Days' supply in inventory 2/	N/A	99	96	107	94	120
Stainless steel plate						
1,000 tons	16	19	18	21	19	18
Days' supply in inventory	N/A	55	50	64	57	69

1/ Producers reporting accounted for about 95 percent of 1982 shipments reported by AISI.

2/ Based on all shipments of the previous period except intercompany shipments.

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

There are no data available on the levels of inventories held by service centers; petitioners believe that the service centers generally avoid holding large inventories in case of a sudden drop in demand, as happened in 1975. 1/

1/ Petitioners' posthearing brief, p. 10.

U.S. employment, wages, and productivity

Data on U.S. producers' employment and wages are presented in tables 10 and 11. The reporting producers include all sheet and strip producers and all but one plate producer. * * *. This producer, * * * percent of total industry shipments. The increases of labor productivity (in table 10) in the production of sheet and strip is explained partly by technological improvements made during the period. 1/ It may also be partly explained by the general theory that, in a contraction phase, industries are characterized

Table 10.--Production and related workers employed in U.S. producers' establishments producing stainless steel sheet and strip and plate, 1/ hours paid to production and related workers, 2/ and labor productivity, 3/ 1978-82

Year	Employment of production and related workers producing--		Hours paid to production and related workers producing--		Labor productivity	
	Stainless steel sheet and strip	Stainless steel plate	Stainless steel sheet and strip	Stainless steel plate	Stainless steel sheet and strip	Stainless steel plate
	--Number of persons--		--Thousand hours--		---Tons per hour---	
1978	8,029	1,744	16,296	3,666	0.042	0.035
1979	8,233	2,011	16,596	4,362	0.045	0.033
1980	6,929	1,874	12,581	3,748	0.046	0.034
1981	7,306	1,814	13,332	3,564	0.048	0.035
1982	6,531	1,542	9,830	2,740	0.050	0.035

1/ U.S. producers submitting usable data accounted for 95 percent of total shipments of stainless steel sheet and strip and for 97 percent of total shipments of stainless steel plate that were reported by the American Iron & Steel Institute in 1982.

2/ Includes hours worked plus hours of paid leave time.

3/ Production per hours worked.,

Source: Compiled from data submitted in response to questionnaires of the United States International Trade Commission and from shipments in table 4.

1/ Id., p. 8-9.

Table 11.--Wages and total compensation 1/ paid to production and related workers producing stainless steel sheet and strip and plate, hourly compensation, and unit labor costs, 1978-82

Year	Wages paid to production and related workers producing--		Total compensation paid to production and related workers producing--		Hourly compensation		Unit labor costs	
	Stainless steel sheet & strip	Stainless steel plate	Stainless steel sheet & strip	Stainless steel plate	Stainless steel sheet & strip	Stainless steel plate	Stainless steel sheet & strip	Stainless steel plate
	Million dollars						Per ton	
1978	184	40	241	50	$14.79	$13.64	$354	$393
1979	208	53	265	66	15.97	15.13	359	462
1980	178	51	237	66	18.84	17.61	409	520
1981	208	53	281	69	21.08	19.36	437	561
1982	169	42	235	58	23.91	21.17	483	604

1/ The difference between total compensation and wages is an estimate of workers' benefits.

2/ U.S. producers submitting usable data accounted for 95 percent of total shipments of stainless steel sheet and strip and for 97 percent of total shipments of stainless steel plate that were reported by the American Iron & Steel Institute in 1982.

Source: Compiled from data received in response to questionnaires of the United States International Trade Commission.

by increased cost consciousness of management under the increasing profit squeeze; the employees that remain after lay offs place more value on their jobs when the jobs are scarce; voluntary turnover drops, and, as a result, productivity generally starts upward before aggregate demand begins to increase. 1/

Stainless steel sheet and strip.--Employment trends followed those of shipments, reaching a period high of 8,233 persons in 1979, and a period low of 6,531 in 1982. Not only has the number of persons employed declined since 1979, but the average number of hours paid per person has shown an even greater decline, as shown in the following tabulation:

1/ John W. Kendrick, "Understanding productivity," The Johns Hopkins University Press, 1977, pp. 87-88.

Year	Average number of hours paid per production and related worker
1978	2,029
1979	2,016
1980	1,816
1981	1,825
1982	1,505

Average hours worked declined from about 2,000 hours per year in 1978 and 1979, to 1,505 in 1982, or by about 25 percent over the period.

Stainless steel plate.--The number of production and related workers producing stainless steel plate fell each year from a period high of 2,011 in 1979 to a period low of 1,542 in 1982, and, average hours worked reached a period low in 1982, as shown in the following tabulation:

Year	Average number of hours paid per production and related worker
1978	2,102
1979	2,169
1980	2,000
1981	1,965
1982	1,777

U.S. exports

Exports of stainless steel sheet, strip, and plate, as reported by the U.S. Department of Commerce, are shown in table 12. Exports fluctuated from 5.1 to 13.6 percent of U.S. producers shipments of sheet and strip, and from 4.4 to 12.9 percent of U.S. producers' shipments of plate during 1978-82.

Table 12.--Stainless steel sheet and strip and plate: U.S. exports and ratio of exports to U.S. producers' shipments, 1978-82

Period	Stainless steel sheet & strip		Stainless steel plate	
	U.S. exports	Ratio of exports to U.S. producers' shipments	U.S. exports	Ratio of exports to U.S. producers' shipments
	1,000 tons	Percent	1,000 tons	Percent
1978	36	5.6	5	4.4
1979	52	7.0	12	8.2
1980	83	13.6	16	12.9
1981	44	6.6	10	8.2
1982	26	5.1	5	5.1
Jan.-Mar.--				
1982	6	4.7	1	3.5
1983	6	4.5	1	4.3

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

Major export markets for U.S. stainless flat-rolled products were Canada, Mexico, and Taiwan. It appears that the major export markets are those countries where U.S. companies have either manufacturing subsidiaries or contract manufacturing. The following tabulation shows the shares of U.S. stainless flat-rolled exports received by the major export markets (in percent):

Market	Stainless steel sheet and strip		Stainless steel plate	
	1980 1/	1982 2/	1980 1/	1982 2/
Canada	20	49	19	25
Mexico	53	15	53	16
United Kingdom	3	3	3	1
Taiwan	4	11	3/	11
Venezula	2	1	3	6
Hong Kong	2	2	3/	3
Pakistan	2	4	5	8
West Germany	1	2	1	3/
France	0.5	3/	3/	3/
All other	12	12	14	29
Total	100	100	100	100

1/ Highest of the periods for which data are presented in this report.
2/ Lowest of the period presented.
3/ Less than 0.5 percent.

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

U.S. exports of stainless sheet and strip reached a period high in 1980 of 83,000 tons, and then declined to a period low of 26,000 tons in 1982. U.S. exports of stainless plate reached a period high of 16,000 tons in 1980 and then decreased to 5,000 tons in 1982.

Except for Canada, the U.S. stainless steel producers generally export to nonindustrialized countries where no local stainless production exists. U.S. exports also tend to rise during periods when world demand is high, e.g., in 1980. U.S. industry representatives further testified that once a local industry is established (e.g., Mexico in 1982), exports from the United States are no longer in demand. A small portion of U.S. exports are of types of steel that are not produced in the receiving country (transcript of the hearing, pp. 37-38).

The following tabulation indicates that the United States exports a much smaller share of its production than the countries under investigation, as compiled from data in tables 4, 6, and 22-24 of this report:

	Percent of production exported to all destinations			
	Stainless steel sheet and strip			
Exporter	1979	1980	1981	1982
United States	7	14	7	5
West Germany	58	51	53	1/
France	1/	57	61	54
British Steel Corp	***	2/ ***	***	***
	Stainless steel plate			
United States	9	13	8	6
British Steel Corp	***	2/ ***	***	***

1/ Not available.
2/ 3-month strike from early January to early April.

Comparisons of U.S. imports and U.S. exports as a share of U.S. producers' shipments of stainless steel sheet and strip and plate presented in the following tabulation (in percent):

	Stainless sheet and strip		Stainless plate	
	U.S. imports	U.S. exports	U.S. imports	U.S. exports
1978	12.4	5.6	9.6	4.4
1979	8.2	7.0	4.8	8.2
1980	6.1	13.6	2.4	12.9
1981	10.7	6.6	6.6	8.2
1982	17.0	5.1	13.3	5.1
Jan.-Mar.				
1982	22.7	4.7	10.7	3.5
1983	13.6	4.5	8.7	[illegible]

The United States was a net importer of sheet and strip in 1978, 1979, 1981, 1982, and in January-March 1983, but a net importer of stainless plate only in 1978 and 1982 and in January-March 1983.

Financial experience of U.S. producers

Overall stainless steel operations.--Fourteen producers of stainless steel products provided the Commission with financial data relative to their overall stainless steel operations. These producers together accounted for 92 percent of U.S. producers' shipments of stainless steel products in 1982. These data are presented in table 13.

Aggregate net sales for overall stainless steel operations fell from $2.6 billion in 1979 to $2.3 billion in 1980, and then rose to $2.5 billion in 1981. Net sales in 1982 dropped by 27 percent to $1.8 billion compared with sales in 1981, and by 11 percent compared with sales of $2.0 billion in 1978.

Aggregate operating profit increased from $180 million in 1978 to $278 million in 1979, or by 54 percent, and dropped sharply thereafter to $147 million in 1980 and $97 million in 1981. The stainless steel industry reported an aggregate operating loss of $53 million in 1982. The ratio of operating profit to net sales paralleled the trend in dollar profits by increasing from 9.0 percent in 1978 to 10.9 percent in 1979 and then declining to 6.3 percent in 1980 and 4.0 percent in 1981. The operating loss was 3.0 percent of net sales in 1982. The number of firms reporting operating losses during 1978-81 fluctuated between one in 1979 and five in 1981. In 1982, 10 out of 14 reporting firms sustained operating losses on their overall stainless steel operations.

Table 13.--Selected financial data of 14 U.S. producers on their overall stainless steel and/or stainless steel products operations, 1/ 1978-82 2/

Item	1978	1979	1980	1981	3/ 1982
Net sales-------million dollars--	1,995	2,555	2,346	2,451	1,785
Cost of goods sold---------do----	1,714	2,161	2,078	2,211	1,706
Gross profit--------------do----	281	394	268	240	79
General, selling, and administrative expenses-million dollars--	101	116	121	143	132
Operating profit or (loss)-do----	180	278	147	97	(53)
Other income or (expense) 4/ do----	2	(14)	(14)	(22)	(24)
Net profit or (loss) before income taxes-------------do----	182	264	133	75	(77)
Depreciation and amortization expense included above 5/ million dollars--	38	42	43	47	45
Cash flow or (deficit) from operations 5/------------do----	220	306	176	122	(32)
As a share of net sales:					
Gross profit or (loss) percent--	14.1	15.4	11.4	9.8	4.4
Operating profit or (loss) do----	9.0	10.9	6.3	4.0	(3.0)
Net profit or (loss) before income taxes--------percent--	9.1	10.3	5.7	3.1	(4.3)
Number of firms reporting operating losses----------	2	1	3	5	10
Number of firms reporting net losses----------	2	1	4	5	11

1/ 14 firms reporting, accounting for 92 percent of U.S. shipments in 1982. Data reported in this table represent stainless steel operations only.

2/ Al Tech reported data on its fiscal year ending Mar. 31 of 1978-80 and on a calender year basis for 1981 and 1982. Washington and Eastern reported data on their fiscal year ending Feb. 28, and July 1, respectively. All other producers reported data on a calender-year basis.

3/ Crucible reported data for its Midland, Pa., plant for the first 3 months of 1982 because of its management decision to dispose of that plant.

4/ U.S. Steel and Jones & Laughlin did not provide interest expense and other income or expense for 1978-82.

5/ U.S. Steel and Jessop did not report depreciation expense for 1978-82. Hence, depreciation and amortization expense and cash flow or deficit from operations are somewhat understated.

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

Stainless steel sheet and strip operations.--Financial data on stainless steel sheet and strip operations were received from 10 producers, accounting for 95 percent of U.S. producers' shipments in 1982 that were reported by the AISI. These data are presented in table 14.

Table 14.--Selected financial data of 10 U.S. producers on their stainless steel sheet and strip operations, 1/ 1978-82 2/

Item	1978	1979	1980	1981	3/ 1982
Net sales-------million dollars--	1,099	1,393	1,203	1,313	966
Cost of goods sold---------do----	951	1,174	1,103	1,242	933
Gross profit---------------do----	148	219	100	71	33
General, selling, and administrative expenses-million dollars--	40	46	44	54	47
Operating profit or (loss)-do----	108	173	56	17	(14)
Other income or (expense) 4/ do----	2	(4)	(3)	(6)	(5)
Net profit or (loss) before income taxes-------------do----	110	169	53	11	(19)
Depreciation and amortization expense included above 5/ million dollars--	23	24	25	27	22
Cash flow or (deficit) from operations 5/------------do----	133	193	78	38	3
As a share of net sales:					
Gross profit or (loss) percent--	13.5	15.7	8.3	5.4	3.4
Operating profit or (loss) 6/ do----	9.8	12.4	4.7	1.3	(1.4)
Net profit or (loss) before income taxes--------percent--	10.0	12.1	4.4	0.8	(2.0)
Number of firms reporting operating and net losses----------	1	1	3	4	5

1/ 10 firms reporting, accounting for 95 percent of U.S. shipments in 1982.

2/ Washington and Eastern reported data on their fiscal year ending Feb. 28 and July 1, respectively. All other producers reported data on a calendar year basis.

3/ Crucible reported data for its Midland, Pa., plant for the first 3 months of 1982 because of its management decision to dispose of that plant.

4/ U.S. Steel and Jones & Laughlin did not provide interest expense and other income or expense for 1978-82.

5/ U.S. Steel and Jessop did not report depreciation expense for 1978-82. Hence depreciation and amortization expense and cash flow or deficit from operations are somewhat understated.

6/ * * *.

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

Net sales of stainless steel sheet and strip increased by 27 percent, from $1.1 billion in 1978 to $1.4 billion in 1979, before dropping to $1.2 billion in 1980. Such sales amounted to $1.3 billion in 1981 and then dropped by 26 percent to $966 million in 1982.

Operating profit increased by 60 percent from $108 million, or 9.8 percent of net sales, in 1978 to $173 million, or 12.4 percent of net sales, in 1979. Operating profit then fell sharply to $17 million, or 1.3 percent of net sales, in 1981, or by 84 percent compared with operating profit in 1978. The 10 U.S. producers reported an aggregate operating loss of $14 million, or 1.4 percent of net sales, in 1982. Table 15 shows the rank in sales and operating profit margins of the 8 largest U.S. producers of the stainless sheet and strip products subject to these investigations. Two of these firms sustained losses in 1980, three in 1981, and four in 1982.

Table 15.--Stainless steel sheet and strip: Selected U.S. producers' rankings in size of sales and operating profit margins, 1978-82 1/

Producer	1978		1979		1980		1981		1982	
	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit
*	*		*		*		*		*	

1/ * * *.

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

Stainless steel plate operations.--Financial data on stainless steel plate operations were received from nine producers, accounting for 99 percent of U.S. producers' shipments in 1982. These data are presented in table 16.

Net sales of stainless steel plate increased by 54 percent, from $212.0 million in 1978 to $326.2 million in 1981. Most of the increase in net sales occured in 1979. In 1982, net sales dropped by 32 percent, to $223.5 million, compared with net sales in 1981.

Operating profit increased from $13.8 million, or 6.5 percent of net sales, in 1978 to $24.7 million, or 8.2 percent of net sales, in 1979. Thereafter, operating profit declined, despite a nominal increase in net sales, to $15.1 million in 1981, and then turned into operating losses of $12.5 million in 1982. The ratio of operating profit or loss to net sales fell from a positive 8.2 percent in 1979 to a negative 5.6 percent in 1982. Gross profit margins and net profit or loss margins before income taxes followed the same trend as did the operating profit margins.

Table 16.--Selected financial data of 9 U.S. producers on their stainless steel plate operations, 1/ 1978-82 2/

Item	1978	1979	1980	1981	3/ 1982
Net sales---------1,000 dollars--	211,967	299,865	304,164	326,229	223,465
Cost of goods sold---------do----	189,059	262,775	267,068	295,197	220,034
Gross profit--------------do----	22,908	37,090	37,096	31,032	3,431
General, selling, and administrative expenses---1,000 dollars--	9,129	12,420	13,319	15,891	15,920
Operating profit or (loss)-do----	13,779	24,670	23,777	15,141	(12,489)
Other income or (expense) 4/ do----	(2,593)	(3,673)	(5,745)	(7,135)	(6,716)
Net profit or (loss) before income taxes----------do----	11,186	20,997	18,032	8,006	(19,205)
Depreciation and amortization expense included above 5/ 1,000 dollars--	3,542	3,686	3,635	3,124	3,439
Cash flow or (deficit) from operations 5/----------do----	14,728	24,683	21,667	11,130	(15,766)
As a share of net sales:					
Gross profit or (loss) percent--	10.8	12.4	12.2	9.5	1.5
Operating profit or (loss) do----	6.5	8.2	7.8	4.6	(5.6)
Net profit or (loss) before income taxes--------percent--	5.3	7.0	5.9	2.5	(8.6)
Number of firms reporting operating losses----------	1	0	1	2	5
Number of firms reporting net losses----------	2	0	2	2	6

1/ 9 firms reporting, accounting for 99 percent of U.S. shipments in 1982.

2/ Washington and Eastern reported data on their fiscal year ending Feb. 28 and July 1, respectively. All other producers reported data on a calendar-year basis.

3/ Crucible reported data for its Midland, Pa., plant for the first 3 months of 1982 because of its management decision to dispose of that plant.

4/ U.S. Steel and Jones & Laughlin did not provide interest expense and other income or expense for 1978-82.

5/ U.S. Steel and Jessop did not report depreciation expense for 1978-82. Hence, depreciation and amortization expense and cash flow or deficit from operations are somewhat understated.

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

Table 17 shows rankings in terms of plate sales and operating profit margins for the 8 largest U.S. producers of the stainless plate products subject to these investigations. None of these producers suffered operating losses during 1979-80. One producer sustained operating losses in 1981, and four producers sustained operating losses in 1982.

Table 17.--Stainless steel plate: The 8 largest U.S. producers' rankings in terms of sales and operating profit margins, 1978-82

Producer	1978		1979		1980		1981		1982	
	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit	Rank in sales	Operating profit
*	*	*	*	*	*	*	*	*	*	*

1/ * * *.

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

Flat-rolled stainless steel products.--Financial data on stainless flat-rolled products were received from 12 producers, accounting for about 96 percent of U.S. producers' shipments in 1982. These data are presented in table 18.

Table 18.--Selected financial data of 12 U.S. producers on their flat-rolled stainless steel products (sheet, strip, and plate combined) operations, 1/ 1978-82 2/

Item	1978	1979	1980	1981	3/ 1982
Net sales-------million dollars--	1,311	1,693	1,507	1,639	1,189
Cost of goods sold---------do----	1,140	1,437	1,370	1,537	1,153
Gross profit--------------do----	171	256	137	102	36
General, selling, and administrative expenses-million dollars--	49	58	57	70	63
Operating profit or (loss)-do----	122	198	80	32	(27)
Other income or (expense) 4/ do----	(1)	(8)	(9)	(13)	(11)
Net profit or (loss) before income taxes------------do----	121	190	71	19	(38)
Depreciation and amortization expense included above 5/ million dollars--	27	28	29	30	25
Cash flow or (deficit) from operations 5/----------do----	148	218	100	49	(13)
As a share of net sales:					
Gross profit or (loss) percent--	13.0	15.1	9.1	6.2	3.0
Operating profit or (loss) do----	9.3	11.7	5.3	2.0	(2.3)
Net profit or (loss) before income taxes--------percent--	9.2	11.2	4.7	1.2	(3.2)
Number of firms reporting operating losses----------	2	1	2	4	7
Number of firms reporting net losses----------	2	1	4	4	7

1/ Reporting firms together accounted for 96 percent of U.S. shipments in 1982.

2/ Washington and Eastern reported data on their fiscal year ending Feb. 28 and July 1, respectively. All other producers reported data on a calendar-year basis.

3/ Crucible reported data for its Midland, Pa. plant for only the first 3 months of 1982 because of its management decision to dispose of that plant.

4/ U.S. Steel and Jones & Laughlin did not provide interest expense and other income or expense for 1978-82.

5/ U.S. Steel and Jessop did not report depreciation expense for 1978-82. Hence, depreciation and amortization expense and cash flow or deficit from operations are somewhat understated.

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

Net sales of these flat-rolled products increased by 29 percent, from $1.3 billion in 1978 to $1.7 billion in 1979, before dropping to $1.5 billion in 1980. Such sales amounted to $1.6 billion in 1981 and then dropped by 27 percent to $1.2 billion in 1982.

Operating profit increased by 62 percent from $122 million, or 9.3 percent of net sales, in 1978 to $198 million, or 11.7 percent of net sales, in 1979. Operating profit then declined precipitously to $32 million, or 2.0 percent of net sales, in 1981, or by 74 percent compared with the operating profit in 1978. Twelve U.S. producers reported an aggregate operating loss of $27 million, or 2.3 percent of net sales, in 1982. Gross profit margins and pretax net profit margins followed the same trend as did the operating profit margins. Seven firms out of the 12 sustained operating losses in 1982, compared with 4 firms in 1981, 2 firms in 1978 and 1980, and 1 firm in 1979.

Table 19 presents the shares of total net sales and operating profit or loss on all stainless steel operations that are accounted for by sheet and strip and plate. During 1978-82, stainless steel sheet and strip revenues were the highest among all products, and all flat-rolled products combined (sheet, strip, and plate) accounted for over 72 percent of total revenues of all products. The share of flat-rolled products in the total operating profit peaked at about 80 percent in 1979 and then started declining, dropping to 42 percent in 1981. The flat-rolled products' operating losses accounted for over 50 percent of the total operating losses of all products in 1982.

Table 19.--Stainless steel products: Percentage distribution of net sales and operating profit or loss, by types, 1978-82

Item	1978	1979	1980	1981	1982
Net sales:					
Stainless steel:					
Sheet and strip	63.1	61.9	57.4	59.8	60.4
Plate	12.2	13.3	14.5	14.8	14.0
Flat-rolled, subtotal	75.3	75.2	71.9	74.6	74.4
Long products 1/	24.7	24.8	28.1	25.4	25.6
Total	100.0	100.0	100.0	100.0	100.0
Operating profit or (loss):					
Stainless steel:					
Sheet and strip	69.2	69.5	41.5	22.4	(28.0)
Plate	9.0	10.0	17.8	19.7	(24.0)
Flat-rolled, subtotal	78.2	79.5	59.3	42.1	(52.0)
Long products	21.8	20.5	40.7	57.9	(48.0)
Total	100.0	100.0	100.0	100.0	100.0

1/ Bar and rod.

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

Investment in productive facilities

Data provided by U.S. producers on their investment in productive facilities employed in the production of all stainless steel, stainless steel sheet and strip, and stainless steel plate are presented in table 20.

Investment in stainless steel sheet and strip facilities, valued at original cost, increased from $535.7 million in 1978 to $654.7 million in 1982, or by 22 percent. The book value of these facilities increased by $59.2 million during this period. Stainless steel plate investment increased from $62.8 million in 1978 to $87.6 million in 1982, valued at original cost. The book value increased by $8.7 million from 1978 to 1982.

To provide an additional measure of profitability, the ratios of operating profit or loss to original cost and book value of fixed assets are also presented in table 20.

Table 20.--Investment in productive facilities by U.S. producers for their operations producing stainless steel, 1978-82

Item	1978	1979	1980	1981	1982
Stainless steel: 1/					
Original cost---1,000 dollars--	987,659	1,068,977	1,132,738	1,236,669	1,312,55
Book value----------do----	449,638	495,679	520,194	612,608	644,68
Ratio to operating profit or (loss) of--					
Original cost-------percent--	17.3	24.9	11.9	7.0	(3.3)
Book value----------do----	38.0	53.7	26.0	14.2	(6.7)
Stainless steel sheet and strip: 2/					
Original cost---1,000 dollars--	535,679	558,027	574,809	642,447	654,67
Book value----------do----	220,960	231,095	230,317	283,451	280,20
Ratio to operating profit or (loss) of--					
Original cost-------percent--	17.0	27.3	8.1	0.8	(3.1)
Book value----------do----	41.3	65.9	20.1	1.7	(7.3)
Stainless steel plate: 3/					
Original cost---1,000 dollars--	62,832	67,803	73,802	80,735	87,578
Book value----------do----	30,080	31,657	33,365	37,222	38,799
Ratio of operating profit or (loss) to--					
Original cost-------percent--	13.2	31.3	29.6	14.0	(9.8)
Book value----------do----	27.6	67.0	65.4	30.4	(22.1)

1/ Data provided by 12 U.S. producers.
2/ Data provided by 7 U.S. producers.
3/ Data provided by 6 U.S. producers.

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

These ratios for both stainless steel sheet and strip and plate followed the same trend as did the ratios of operating profit or loss to net sales. Original cost and book-value calculations are somewhat distorted by the time period during which the investments were made.

Capital expenditures and research and development

All stainless steel products.--Eleven domestic producers' capital expenditures in connection with their stainless steel operations are presented in the following tabulation:

	Capital expenditures
1978	$ 54,051,000
1979	71,681,000
1980	83,688,000
1981	135,400,000
1982	88,065,000

Total capital expenditures rose from $54.1 million in 1978 to $135.4 million in 1981 and then dropped to $88.1 million in 1982. * * *. The size of Carpenters' planned (postponed from 1983 to 1988) $400 million capital expenditure can be fully appreciated when viewed in comparison with capital expenditures of the whole stainless steel industry during 1978-82.

Stainless steel sheet and strip.--Capital expenditures and research and development expenses of seven domestic producers'; accounting for * * * percent of 1982 shipments, in connection with their stainless steel sheet and strip operations are presented in the following tabulation:

	Capital expenditures (1,000 dollars)	Ratio of capital expenditures on sheet and strip to capital expenditures on all stainless products (percent)	Research and development expenses (1,000 dollars)
1978	20,490	38	3,850
1979	18,018	25	4,231
1980	28,420	34	5,174
1981	68,501	51	5,690
1982	18,063	21	4,598

Total capital expenditures increased from $20.5 million in 1978 to $68.5 million in 1981 and then fell to $18.1 million in 1982. The large increase in total capital expenditures in 1981 reflects the acquisition of the Detroit plant for about * * * by Jones & Laughlin and installation of a new anneal-and-pickle line and a new cold-rolling facility for producing stainless steel sheet at a cost of about * * * by Eastern. Research and development expenditures increased steadily from $3.9 million in 1978 to $5.7 million in 1981, and then dropped to $4.6 million in 1982.

Stainless steel plate.--Capital expenditures of five domestic producers, accounting for * * * percent of 1982 shipments, and four producers' research and development expenses relative to their stainless steel plate operations are presented in the following tabulation:

	Capital expenditures (1,000 dollars)	Ratio of capital expenditures on plate to capital expenditures on all stainless products (percent)	Research and development expenses (1,000 dollars)
1978----------	2,256	4	196
1979----------	3,102	4	268
1980----------	4,411	5	450
1981----------	5,315	4	651
1982----------	3,594	4	506

The plate industry's share of total stainless steel capital expenditures has remained very stable as opposed to the share held by sheet and strip, which fluctuated between 21 and 51 percent (see previous tabulation). Total capital expenditures increased steadily from $2.3 million in 1978 to $5.3 million in 1981, and then fell to $3.6 million in 1982. Total reported research and development expenditures increased from $196,000 in 1978 to $651,000 in 1981, but then declined to $506,000 in 1982.

Capital investment projects

Ten U.S. producers of specialty steel reported specific capital investment projects undertaken to compete with imports. The capital investment projects were primarily aimed at cutting costs, and only two firms undertook projects which would result in significant increases in production capacity. Another firm stated that it has delayed an investment project which would significantly increase its capacity because of import competition.

Major investment projects aimed at cutting costs and increasing efficiency include investments in additional AOD and continuous-casting equipment. Other efforts include investments to decrease energy costs and cut raw material and labor costs through computerization of the melting and rolling processes (transcript of the hearing, 52 and 53).

Most capital investment projects envisioned by the specialty steel industry involve the modernization of existing equipment and small additions to melting, refining, and rolling facilities in order to provide a better balance between melt-shop and rolling-mill capacities. Except for the delayed * * * million project by Carpenter Technology, Inc., for an additional hot-strip mill, no major investment projects to expand stainless-steel-producing capacities were reported.

Impact of imports on U.S. producers' growth, investment, and ability to raise capital

The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of the products subject to these investigations on their firms' growth, investment, and ability to raise capital. Their responses are presented in appendix G.

Consideration of the Threat of Material Injury to an Industry in the United States

In its examination of the question of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the trends of allegedly subsidized or LTFV imports, the rate of increase of U.S. market penetration by such imports, the amounts of such imports held in inventory in the United States, and the capacity of producers in the subject foreign countries to generate exports (including the availability of export markets other than the United States). A discussion of the trends of imports of stainless steel sheet and strip and plate and of their U.S. market penetration is presented in the section entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and Subsidized or LTFV Imports." Discussions of importers' inventories and foreign producers' capacity to generate exports follow.

U.S. importers' inventories

Importers (companies that control the steel as it crosses the U.S. border) generally hold less inventory of stainless steel products than domestic producers or domestic distributors. Importers often operate as agents/brokers, although some buy on their own account. When an importer acts as an agent, it generally does not inventory the product; moreover, it often does not even pay the foreign producers/exporters until the U.S. purchaser has paid them. In those cases, the costs of longer credit terms and of consignment arrangements are borne not by the importers, but by the foreign producers/exporters. The commission of the agent/importer is generally about 5 percent.

When the importer buys on its own account, it will keep inventories of its own. The major importers that do buy on their own account and keep inventories of the foreign-produced stainless steel sheet and strip and plate subject to these investigations are generally affiliated with or fully owned by the foreign producers/exporters.

Much of the total inventory of imported products is held by local distributors/service centers. Such data are not included in the figures below with the exception of one U.S. end user, * * *.

Stainless steel sheet and strip.--End-of-period inventories of the principal importers are shown in table 21. Their inventories from all countries decreased from 1978 to 1980 and then rose in 1981 and 1982, generally following the trends of total imports of stainless steel and strip. The rate of inventory buildup from 1980 to 1982, and particularly from 1981

Table 21.--Stainless steel sheet and strip: End-of-period inventories of importers from all sources and of principal importers from selected sources, 1978-82

* * * * * * *

Source: Data submitted on questionnaires of United States International Trade Commission.

to 1982, is much greater than the corresponding increase of imports. Such inventories more than tripled from * * * tons at end of 1981 to * * * at the end of 1982.

Inventories of importers of stainless steel sheet and strip from West Germany increased from * * * over those of the previous year.

Inventories of importers of sheet and strip from France increased from * * *.

Stainless steel plate.--End-of-year inventories of stainless plate from all countries and from the United Kingdom, as reported by importers responding to the Commission's questionnaire, are shown in the following tabulation:

* * * * * * *

Similar to stainless steel sheet and strip, importers' total inventories of stainless steel plate also increased * * *.

The following tabulation shows the ratio of U.S. importers' inventories of stainless steel sheet and strip to apparent U.S. consumption:

* * * * * * *

Foreign Producers

West German producers' capacity to generate exports and the availability of export markets other than the United States.--The West German stainless steel sheet and strip industry consists of three major producers and five smaller producers. The three major producers are Krupp Stahl AG, Thyssen Edelstahlwerke AG, and Vereinige Deutsche Metallwerke (VDM). These companies, which account for the bulk of West German stainless steel sheet and strip production, also produce numerous other stainless steel products. Krupp produces plate, bar, and wire; Thyssen produces plate, bar, tube, wire rod, and wire; and VDM produces plate, tube, and wire.

In August 1981, the West German Government approved a $558 million aid package for its domestic steel industry. The aid package, which is to run from 1982 to 1985, included a plan under which steel companies that planned major restructuring and modernization programs could be eligible for grants equal to 10 percent of the investment cost. The West German Government specified that although restructuring would be permitted, expansion of steelmaking capacity would not.

In January 1983, Krupp Stahl and Thyssen Edelstahlwerke began talks on the establishment of a joint company combining their specialty steel operations. The combination of these companies, with combined output of around 500,000 short tons per year would create the world's largest stainless steel producer; together, these companies account for 90 percent of West Germany's stainless steel production. The companies said that the merger would be aimed at improving their ability to compete internationally in the stainless steel market, and not at achieving a reduction in capacity. Both Krupp and Thyssen have filed applications in Bonn for state assistance with their investment plans.

Data on West German production, capacity, and capacity utilization for the products subject to these investigations are presented in table 22. Aggregate West German production of stainless steel products declined during 1980-82 (table 22).

Table 22.--Certain stainless steel products 1/: West German production, capacity, capacity utilization, and exports, 1979-82

Item	1979	1980	1981	1982
Production----------short tons--	435,487	459,743	438,795	429,580
Capacity----------do----	698,000	698,000	698,000	698,000
Capacity utilization-----percent--	62	66	63	62
Exports to--				
United States-------short tons--	1,987	779	17,000	23,000
Western Europe 2/---------do----	174,704	189,778	161,311	3/
All other----------do----	77,059	45,432	53,666	3/
Total exports----------do----	253,750	235,989	231,977	244,680

1/ Includes hot- and cold-rolled sheet, plate, hoop, and strip.
2/ Includes France, Belgium, Luxembourg, Netherlands, Italy, United Kingdom, Ireland, Denmark, Greece, Norway, Sweden, Finland, Switzerland, Austria, Portugal, Spain, Yugoslavia, and Turkey.
3/ Not available.

Source: Production, obtained from U.S. Department of State; total 1980 export data, obtained from World Stainless Steel Statistics, 1981 edition. Export data for 1981 and 1982, estimated by staff of the U.S. International Trade Commission. Capacity, obtained from Stainless Steel: An International Survey and Directory, 1982 Edition.

Data on West Germany's exports of stainless steel sheet and strip alone are also not available; however, exports of certain flat-rolled products 1/ increased 1.7 percent, from 235,989 tons in 1980 to 244,680 tons in 1982. West German exports to Western Europe declined 15 percent, from 189,778 short tons in 1980 to an estimated 161,311 short tons in 1981; West German exports to the United States increased from 779 short tons in 1980 to an estimated 23,000 short tons in 1982. The United States accounted for less than 1 percent of West German exports in 1980, but over 9 percent of these exports in 1982.

French producers' capacity to generate exports and the availability of export markets other than the United States.--According to information provided by the U.S. Department of State, there are three known French producers of stainless steel sheet and strip: Ugine-Gueugnon, Peugeot Loire, and the Chatillon Division of Usinor. Ugine-Gueugnon produces numerous stainless steel products and was the principal exporter of French stainless steel sheet and strip during 1980-1982. Peugeot Loire is a small producer of cold-rolled sheet and strip, and Chatillon produces slabs and cold-rolled sheet. Total French stainless capacity is about half of total U.S. capacity.

In June 1982, the French Government announced a $4.3 billion aid plan for the country's nationalized steel industry to be made available between 1982 and 1985. 2/ Approximately $2.5 billion will be used as direct investments in plant modernization. Another $900 million will be provided to steelmakers in the form of capital and as funds to help reduce company debt. A portion of this sum was dedicated to expanding and upgrading specialty steel facilities. Government officials indicated that spending for steel production facilities is to be completed by mid-1985, in time to meet the cutoff date set by the European Community (EC) Commission on Government-financed aid to member nation's steel industries. The Government is also studying projects for the expanded use of electric-arc furnaces. In December 1982, the French Government granted Sacilor and Usinor, the nation's two largest steelmakers, a sum of $942 million to modernize steelmaking operations in both the carbon and specialty steel sectors.

France's production of stainless steel sheet and strip declined by 12 percent, from 330,974 short tons in 1979 to 290,114 short tons in 1982. Utilization of France's capacity to produce stainless steel sheet and strip also declined, from 68 percent in 1979 to 60 percent in 1982. As shown in table 23, France exported 54 to 59 percent of the stainless steel sheet and strip it produced during this period. Total exports declined 14 percent, from 182,532 short tons in 1979 to 156,739 short tons in 1982. However, exports to the United States increased 482 percent, from 3,408 short tons in 1979 to 19,835 short tons in 1982; exports to EC countries declined 55 percent from 95,777 short tons in 1979 to 43,358 short tons in 1982.

1/ Includes hot- and cold-rolled sheet, plate, hoop, and strip.
2/ American Metal Market, June 11, 1982.

Table 23.--Stainless steel sheet and strip: France's production, capacity, capacity utilization, and exports, 1979-82

Item	1979	1980	1981	1982
Production----------short tons--	330,974	325,493	279,124	290,114
Capacity----------do----	486,000	486,000	486,000	486,000
Capacity utilization------percent--	68	67	57	60
Exports to--				
United States--------short tons--	3,408	6,853	18,164	19,835
European Community---------do----	95,777	93,422	67,953	43,358
All other----------do----	83,347	85,473	77,463	93,546
Total exports----------do----	182,532	185,748	163,580	156,739

Source: Production and export data, obtained by the U.S. Department of State from the French Stainless Producers' Assocation. Capacity, obtained from Stainless Steel: An International Survey and Directory, 1982 ed.

Counsel for Ugine-Geugnon argues that Ugine's 1982 capacity was lower due to a reduction of work-force. A similar argument was made first by counsel for BSC; therefore, it is discussed in more detail in connection with BSC's capacity in the next section. A representative of Ugine testified that its rolling capacity has remained unchanged for about 10 years, and that they employ only enough people to use about two-thirds of their total capacity. He further stated that if the market improved, Ugine could produce more than it does now (transcript of the hearing, p. 81).

United Kingdom producers' capacity to generate exports and the availability of export markets other than the United States.--Sources of supply for the stainless steel sheet and strip and plate consumed in the United Kingdom are shown in the following tabulation: 1/

* * * * * * *

BSC improved and upgraded its facilities in the late 1970's and early 1980's and developed new capability to produce 400 grade steel in an effort to recapture home-market sales from imports from France and West Germany (transcript of the hearing, p. 194). The Government-owned British Steel Corp. had capacity to produce 182,000 tons of stainless sheet and strip and 52,000 tons of stainless plate in 1982. When compared with U.S. stainless steel producers, BSC would rank as the third largest sheet and strip producer and the largest plate producer.

Approximately $4.5 billion was spent on new equipment for BSC during 1975-80. 1/ In February 1981, the British Government announced the granting to British Steel Corp., for both carbon and specialty operations, a subsidy

1/ Business Week, May 5, 1980, p. 49.

equivalent to $1.96 billion through March 1982. In addition, the Government announced that it would forgive debts of $7.81 billion. In return, BSC offered a survival plan for the company which calls for large-scale dismissals, plant closures, and general corporate reorganization. In June 1982, the British Government cut the amount of subsidy to British Steel for fiscal 1982 to the equivalent of $650 million.

According to data provided to the Commission by counsel for BSC, that company's production of stainless steel sheet and strip * * * in 1982. 1/ However, utilization of BSC's capacity to produce stainless steel sheet and strip * * * in 1982. This resulted from increased stainless sheet and strip-making capacity during this period. BSC exported an average of * * * percent of the stainless steel sheet and strip it produced during 1979-82. The major export market was the EC, which accounted for * * * percent of exports in 1979 and * * * percent of exports in 1982. Exports to the United States * * * in 1981, but declined to * * * in 1982. The share of BSC's stainless steel sheet and strip exports destined for the United States * * * in 1981 and * * * in 1982.

BSC's production of stainless steel plate * * * in 1982, or by * * * percent. Utilization of BSC's capacity to produce stainless steel plate * * * in 1982. Unlike stainless steel sheet and strip, however, * * * capacity utilization over the period resulted principally from * * * as BSC's capacity to produce the product * * * from 1979 to 1982 (table 24).

Table 24.--Stainless steel sheet and strip and stainless steel plate: British Steel Corp.'s production, capacity, capacity utilization, and exports, 1979-82

*	*	*	*	*	*	*

Source: Compiled from information submitted by counsel for British Steel Corp.

Counsel for BSC argued that the manned capacity (which is lower than physical plant capacity) should be used for calculation of BSC's capacity utilization. In these investigations, capacity has been defined as being generally independent of employment levels; this practice was applied to the U.S. industry data presented earlier and is also applied to the calculation of BSC's capacity data presented above.

BSC's * * * export market for stainless steel plate was the European Community. Exports to the United States * * * between 1979 and 1981, with the share of BSC's stainless steel plate exports destined for the United States * * * to percent in 1982.

1/ Data concerning British Steel Corp. for 1980 are affected by a 3-month steel strike in the early part of the year.

The BSC strike lasted from early January to early April 1980. As shown in table 24, BSC exported * * * quantities of both sheet and plate products to the United States during the year before the strike and in the strike year. Plate exports * * * in 1981 and 1982.

Outlook for the stainless steel market in the EC

According to petitioners' testimony, aggregate economic growth in the EC is expected to be approximately 0.4 percent in 1983; the levels of growth in the United Kingdom and France are expected to be at the same level as the aggregate, but West Germany's gross domestic product is expected to decline (transcript of the hearing, p. 18). Counsel for Peugeot-Loire shared the modest optimism with respect to France (transcript of the hearing, p. 111). Ugine's representative was less optimistic and predicted that the European market would go down (transcript of the hearing, p. 81). Exports to the United States by the countries under investigation were countercyclical to the level of demand in the EC. In 1980, the demand in the EC and in other world markets was high, and exports to the United States were lower than in the following years, when the EC steel market deteriorated and exports to the United States by the countries under investigation increased while their exports to the EC markets declined (tables 22, 23, 24, and transcript of the hearing, p. 128)

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

Imports from all sources; trends of imported quantities

Petitioners testified during the public hearing that although different foreign producers "target" different product lines and different grades of steel within those product lines, all of the producers and countries under investigation emphasize the so-called commodity grades (transcript of the hearing, p. 9). The Commission's purchasers' questionnaires tend to confirm this statement; responses indicated that imported steel rarely competes for business in the noncommodity grades.

As the U.S. market improved and consumption increased from 1978 to 1979, reaching 1974 levels in 1979 (transcript of the hearing, p. 51), total imports decreased. Imports from West Germany and France also decreased. Sheet and strip from the United Kingdom increased, but plate imports decreased. From 1979 to 1980, total U.S. imports continued to decrease as world markets strengthened. In 1981, imports from all three countries began to increase again and reached record levels in 1982, while U.S. producers' shipments and U.S. consumption were at or near their lowest levels (tables 4 and 25).

Stainless steel sheet and strip.--Total imports of the subject products from all sources averaged 71,867 tons during 1970-75. During the quota years 1976-79, they averaged 72,628 tons. By 1980, imports declined to less than half of their 1978 level, but they rose in 1982 to 85,914 tons, the highest level since 1978 (table 25). The 1979-82 period includes the highs and lows of both imports and shipments; average imports during this period were 61,101 tons.

Table 25.--Stainless steel sheet and strip: U.S. imports for consumption, by selected sources, 1978-82, January-March 1982, and January-March 1983

(In short tons)

Period	West Germany	France	United Kingdom	All other	Total
1978	8,558	9,113	906	61,866	80,443
1979	3,844	7,676	1,094	48,685	61,299
1980	305	6,187	643	30,084	37,219
1981	15,489	13,805	3,840	37,497	70,631
1982	19,884	21,522	4,203	40,305	85,914
Jan.-Mar.--					
1982	7,001	6,194	2,237	13,190	28,622
1983	747	4,541	2,228	10,065	17,581

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

Total imports of sheet and strip increased by 90 percent from 1980 to 1981 and by 21 percent from 1981 to 1982. Imports from all sources in January-March 1983 fell by 39 percent from those in the corresponding period of the previous year.

As the 1982 end-of-year inventories of importers * * *, the drop of imports in the first 3 months of 1983 may indicate the drawing on those inventories rather than a decrease in foreign stainless steel sheet and strip participation in the U.S. market. For example, imports from France and West Germany were sharply down in January-March 1983, and importers from these two countries reported * * * inventories in 1982; imports from the United Kingdom, whose importers had almost no inventory at the end of 1982, remained virtually unchanged in January-March 1983.

Suspension of liquidation and requirements of cash deposits as a result of Commerce's preliminary determinations took effect on the dates shown in the following tabulation:

Country	Effective date	Preliminary Margins (percent)
West Germany	Dec. 17, 1982	27 to 43
France	Dec. 9, 1982	5.5 to 18
United Kingdom	Feb. 10, 1983	19.31

Table 26 shows the distribution of imports of stainless steel sheet and strip, by principal sources. In 1982, France was the largest supplier, West Germany, the second largest, and the United Kingdom, the seventh, behind Japan, Spain, Canada, and Sweden. Total imports from all sources more

Table 26.--Stainless steel sheet and strip: U.S. imports for consumption, by principal sources, 1978-82, January-March 1982, January-March 1983

(In short tons)

Period	West Germany	France	United Kingdom	Japan	Spain	Canada
1978	8,558	9,113	906	40,048	-	8,502
1979	3,844	7,676	1,094	35,260	15	2,387
1980	305	6,187	643	15,365	96	6,794
1981	15,489	13,805	3,840	14,287	5,003	6,493
1982	19,884	21,522	4,203	13,053	8,387	5,271
January-March--						
1982	7,001	6,194	2,237	4,310	1,979	1,155
1983	747	4,541	2,228	4,376	2,834	868

Period	Sweden	South Korea	Belgium & Lux'g	Finland	All other	Total
1978	8,931	2,468	306	1,196	415	80,443
1979	7,079	1,354	122	1,412	1,056	61,299
1980	4,801	66	1,188	1,690	85	37,219
1981	2,926	3,062	1,484	3,592	650	70,631
1982	4,488	2,998	2,552	1,924	1,633	85,914
January-March--						
1982	1,824	1,337	1,612	677	296	28,622
1983	711	523	154	189	410	17,581

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

than doubled, from 37,219 tons in 1980 to 85,914 tons in 1982; the increase of imports of stainless steel sheet and strip from the three countries under investigation accounted for 79 percent of the increase of total imports. In 1982, the combined imports from West Germany, France, and the United Kingdom represented 53 percent of the total imports (France, 25 percent; West Germany, 23 percent; United Kingdom, 5 percent).

Stainless steel plate.--Total imports of stainless steel plate from all sources averaged 12,900 tons during 1970-77. In 1978, these total imports were 11,411 tons; they fell drastically during the next 2 years, reaching 2,976 tons in 1980--less then half the level of the next lowest import level during the 1970's. As shown in table 27, the increases in imports in 1981 and 1982 where even sharper than the declines in the previous 2 years. In 1982, imports of stainless steel plate reached their highest levels since 1976, at 13,268 tons.

Table 27.--Stainless steel plate: U.S. imports for consumption, by principal sources, 1978-82, January-March 1982, and January-March 1983

(In short tons)

Period	United Kingdom	West Germany	Japan	Canada	Sweden	Spain
1978	2,679	1,631	5,467	33	1,115	-
1979	610	340	4,114	7	1,270	-
1980	273	140	1,325	133	635	-
1981	2,985	1,422	803	29	631	50
1982	3,607	6,261	1,505	432	785	255
January-March--						
1982	1,097	1,253	582	19	138	64
1983	354	829	589	4	110	46

Period	South Africa	France	Belgium & Lux'g	Austria	All other	Total
1978	335	75	-	3	73	11,411
1979	622	-	34	8	27	7,032
1980	112	-	352	-	5	2,976
1981	152	1,469	110	89	11	7,750
1982	173	141	70	34	5	13,268
January-March--						
1982	71	47	-	10	-	3,280
1983	227	42	-	45	-	2,246

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

Rates of change in imports of stainless steel sheet and strip and plate.--During 1978-82, import trends of sheet and strip and of plate showed no relationship to apparent U.S. consumption trends and an inverse relationship to U.S. exports (table 28).

Table 28.--Stainless steel sheet and strip and plate: Annual changes in apparent U.S. consumption, imports, and exports, 1/ 1979-82

(In percent)

Period	Apparent U.S. consumption		U.S. imports		U.S. exports	
	Sheet and strip	Plate	Sheet and strip	Plate	Sheet and strip	Plate
1978 to 1979	9	18	-24	-36	44	140
1979 to 1980	-25	-21	-40	-57	60	33
1980 to 1981	23	8	92	167	-44	-38
1981 to 1982	-18	-12	21	63	-41	-50

1/ Percentage change from previous year; previous year used as base for percentage calculation.

Source: Based on data in table 4 of this report.

As shown in the U.S. export section, the recipient countries of the majority of U.S. sheet, strip, and plate exports were different from the countries that are the chief sources of U.S. imports of the same products.

Market penetration

Stainless steel sheet and strip.--Market penetration of imports from France was stable during 1978-80, although consumption and shipments fluctuated (table 29). In 1981, penetration increased from 1.1 to 2.0 percent, and it almost doubled to 3.8 percent in 1982.

Market penetration of imports from West Germany increased to 2.2 percent in 1981, and further increased to 3.5 percent in 1982. West Germany and France together accounted for 48 percent of all imports from all countries in 1982.

Table 29.--Stainless steel sheet and strip: U.S. imports for consumption, 1978-82

Period	France	West Germany	United Kingdom	All other	Total
	Quantity (short tons)				
1978	9,113	8,558	906	61,866	80,443
1979	7,676	3,844	1,094	48,685	61,299
1980	6,187	305	643	30,084	37,219
1981	13,805	15,489	3,840	37,497	70,631
1982	21,522	19,884	4,203	40,305	85,914
Jan.-Mar.--					
1982	6,194	7,001	2,237	13,190	28,622
1983	4,541	747	2,228	10,065	17,581
	Ratio of imports to apparent U.S. consumption (percent)				
1978	1.3	1.2	0.1	9.0	11.6
1979	1.0	.5	.1	6.5	8.2
1980	1.1	.1	.1	5.3	6.6
1981	2.0	2.2	.6	5.4	10.2
1982	3.8	3.5	.7	7.1	15.2
Jan.-Mar.--					
1982	4.1	4.6	1.5	8.7	18.9
1983	3.1	0.5	1.5	7.0	12.2

Source: Compiled from official statistics of the U.S. Department of Commerce, from data of the American Iron & Steel Institute, and from data submitted in response to questionnaires of the United States International Trade Commission.

Market penetration of imports from the United Kingdom also held steady in 1978-80, but it increased from 0.1 percent in 1980 to 0.6 percent in 1981. From 1981 to 1982, penetration stabilized again.

Stainless steel plate.--Import penetration for imports from the United Kingdom followed the same trend as imports from the other countries, as shown in table 30. The rate of increase of import penetration from 1981 to 1982 from the United Kingdom, however, is lower than that of other countries; nevertheless, the level of imports from the United Kingdom in 1982 was the highest since 1970.

Table 30.--Stainless steel plate: U.S. imports for consumption from the United Kingdom and from all countries, 1978-82, January-March 1982, and January-March 1983

Period	United Kingdom	Imports from all other countries	Total
	Quantity (short tons)		
1978	2,679	8,732	11,411
1979	610	6,422	7,032
1980	273	2,703	2,976
1981	2,985	4,765	7,750
1982	3,607	9,661	13,268
January-March--			
1982	1,097	2,183	3,280
1983	354	1,892	2,246
	Percent of total apparent U.S. consumption		
1978	2.2	7.3	9.5
1979	0.4	4.6	5.0
1980	0.2	2.4	2.7
1981	2.5	4.0	6.5
1982	3.4	9.0	12.4
January-March--			
1982	3.7	7.3	10.9
1983	1.5	7.9	9.4

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Quarterly penetration rates for stainless plate are presented in table 31. Quarterly imports and penetration rates of plate from the United Kingdom declined in 1982. Such imports also declined to 354 tons in January-March 1983 from 1,097 tons in the corresponding period in 1982.

Table 31.--Stainless steel plate: U.S. imports for consumption from the United Kingdom and from all other sources, by quarters, January 1980-March 1983

Period	United Kingdom	All other	Total
	Quantity (short tons)		
1980:			
January-March	62	1,288	1,350
April-June	60	696	756
July-September	61	476	537
October-December	90	242	332
1981:			
January-March	392	405	797
April-June	885	1,382	2,267
July-September	1,051	1,191	2,242
October-December	657	1,787	2,444
1982:			
January-March	1,097	2,183	3,280
April-June	1,532	1,790	3,322
July-September	588	3,531	4,119
October-December	390	2,157	2,547
1983:			
January-March	354	1,892	2,246
	Percent of total apparent U.S. consumption		
1980:			
January-March	.2	4.4	4.6
April-June	.2	2.3	2.5
July-September	.2	1.8	2.0
October-December	.3	.9	1.2
1981:			
January-March	1.4	1.4	2.8
April-June	2.4	3.7	6.1
July-September	3.5	4.0	7.5
October-December	2.6	7.1	9.7
1982:			
January-March	3.7	7.3	10.9
April-June	5.3	6.1	11.4
July-September	2.4	14.1	16.5
October-December	1.7	9.5	11.1
1983:			
January-March	1.5	7.9	9.4

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Comparison of stainless steel sheet and strip with stainless steel plate.--Import penetration trends of stainless sheet and strip, as measured by the ratio of U.S. imports to apparent U.S. consumption, have been very similar to the import penetration trends of stainless steel plate, as shown in table 32.

Table 32.--Stainless steel sheet and strip and plate: Ratio of U.S. imports to U.S. producers' shipments and to apparent U.S. consumption, 1978-82

(In percent)

Year	Ratio of U.S. imports to U.S. producers' shipments		Ratio of U.S. imports to apparent U.S. consumption	
	Stainless steel sheet & strip	Stainless steel plate	Stainless steel sheet & strip	Stainless steel plate
1978	12.4	9.6	11.6	9.2
1979	8.2	4.8	8.2	5.0
1980	6.1	2.4	6.6	2.7
1981	10.7	6.6	10.2	6.7
1982	17.0	13.3	15.2	12.1

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

For sheet and strip, import penetration fell from 11.6 percent in 1978 to a period low of 6.6 percent in 1980. However, since 1980, import penetration increased rapidly, and by 1982, it had more than doubled to 15.2 percent.

For plate, import penetration fell to a period low of 2.7 percent in 1980 and then more than quadrupled by 1982 to 12.1 percent. The average import penetration rate during 1978-82 was 7.2 percent.

Imports from West Germany

West Germany was the largest source of imports of stainless steel sheet and strip in 1981; it fell to the second largest, behind France, in 1982. Counsel for producers of West German stainless steel sheet and strip contend that the increase in imports of such material in the last quarter of 1981 and the first quarter of 1982 was the result of a miscalculation of the strength of the U.S. market which occurred in mid-1981. To support their contention that imports from West Germany would decline in the remainder of 1982, counsel submitted data on orders placed with West German producers in January-March 1982 by the two largest U.S. importers of West German material (1,240 short tons), as well as anticipated imports by these firms in April-December 1982 (3,460 short tons).

Actual imports from West Germany were 12,883 tons in April-December 1982, as shown in table 33.

Table 33.--Stainless steel sheet and strip: U.S. imports for consumption, by selected sources and by quarters, January 1980-March 1983

(In short tons)

Period	West Germany	France	United Kingdom	All other	Total
1980:					
Jan.-Mar-----	35	1,799	63	10,542	12,439
Apr.-June----	132	1,835	77	7,278	9,322
July-Sept----	81	1,137	255	5,846	7,319
Oct.-Dec-----	57	1,416	248	6,418	8,139
1981:					
Jan.-Mar-----	1,173	2,427	482	6,224	10,306
Apr.-June----	3,197	3,018	941	9,716	16,872
July-Sept----	6,187	4,490	1,110	8,848	20,635
Oct.-Dec-----	4,932	3,870	1,308	12,708	22,818
1982:					
Jan.-Mar-----	7,001	6,194	2,236	13,191	28,622
April-June---	3,910	4,031	971	7,426	16,338
July-Sept----	7,035	4,477	313	9,878	21,703
Oct.-Dec.----	1,938	6,820	683	9,810	19,251
1983:					
Jan.-Mar.----	4,541	747	2,228	10,065	17,581

Source: Compiled from official statistics of the U.S. Department of Commerce and from data of the American Iron & Steel Institute.

Counsel for Krupp emphasizes in its posthearing brief the sharp decline of imports from West Germany in January-March 1983 and suggests again that there will be less than 3,000 tons of such imports in all of 1983. 1/ As a result of Commerce's preliminary finding on December 17, 1982, imports from West Germany in January-March 1983 were not being liquidated and were subject to a cash deposit or bond in the amount of 27 to 43 percent, which may also have had a chilling effect on the volume of imports (transcript of hearing, pp. 136 and 137).

No quality differences were alleged by counsel for importers between West Germany and U.S. stainless steel sheet and strip in either the 300 grades or the 400 grades.

1/ Posthearing brief of Krupp, investigation No. 731-TA-92 (Final), pg. 4.

Imports from France

France was the third largest foreign supplier of stainless steel sheet and strip to the United States in 1981, and the largest in 1982. Imports from France declined slightly, from 7,676 tons in 1979 to 6,187 tons in 1980, and then increased to 13,805 tons in 1981, and further increased, by 56 percent, to 21,522 tons in 1982.

Counsel for French producers stated at the Commission staff conference that the high levels of imports from France in 1981 and January-March 1982 were due to the miscalculation of the expected performance of the U.S. economy. He further stated that due to the 14- to 20-week leadtime, the French producers cannot quickly react to changes in the marketplace. 1/ As shown in table 33, quarterly imports in 1982 decreased by 35 percent from January-March to April-June; they increased, however, by 11 percent from April-June to July September and by 52 percent from July-September to October-December.

One of the products imported from France, grade 434 stainless sheet for Texas Instruments, is claimed by both counsel for French producers and by Texas Instruments not to be available from domestic sources in the quality required by the purchaser. Domestic producers assert their ability and willingness to produce same (app. F). Imports of this product represented * * *.

French exporters claim that the French 400 grade products have a consistently better quality because they, particularly Ugine, concentrate in those grades, whereas the domestics are "in and out" of these grades (transcript of the hearing, 85 and 86). Ugine's representative stated that his company is one of the world's leading producers of 430 and 434 grades (transcript of the hearing, p. 80) and although their production methods are the same, their quality is better.

French exporters also claim that they consistently provide sufficient quantities of the 400 grade steels for their U.S. customers, whereas U.S. producers do not always assure adequate supply of the market. 2/

Petitioners claim that decreasing U.S. production of 400 grades was due to severe price competition from imports, and that U.S. producers have served and can serve the 400 grade market. 3/ 4/

1/ Transcipt of the Commission staff conference, investigation No. 731-TA-95 (Preliminary), pp. 83 and 84.

2/ Ugine's posthearing brief, investigation No. 731-TA-95 (Final), p. 4.

3/ Petitioners' posthearing brief, pp. 4-6.

4/ See also discussion in the U.S. Producers section of this report.

Imports from the United Kingdom

From June 1976 to February 1980, imports of stainless steel sheet, strip, and plate, as well as other stainless steel products, were subject to quantitative restrictions. These restrictions, as well as the 3-month strike against British Steel Corp. in early 1980, may have suppressed the level of stainless steel imports from the United Kingdom during this period. However, imports of both stainless sheet and strip and of stainless plate increased from 1981 to 1982, by 9 and by 21 percent, respectively. Imports of sheet and strip continued their increase in January-March 1983, when they surpassed 50 percent of the entire previous year's imports (table 25).

With respect to sheet and strip, BSC's counsel stated that importers of United Kingdom stainless steel sheet and strip generally concentrate sales in 60-inch stainless steel cold-rolled sheet, a product which can only be made by Republic Steel Corp. in the United States. 1/ A representative of Republic stated in the petitioner's postconference statement that it possessed sufficient capacity to supply the entire U.S. demand for this product. 2/ Republic's representative later added that demand for the 60-inch sheet accounts for only about 2 percent of the total sheet and strip demand and it is quite predictable from a scheduling standpoint. This Republic employee, however, also admitted that they prefer to sell coil-size orders (10 to 12 tons), do not ship less than half-coil orders, and do not inventory the finished product. 3/ BSC does not keep inventories either. Two purchasers of 60-inch stainless steel sheet from the United Kingdom were also contacted by the Commission staff. These purchasers were identified by counsel for BSC at the Commission staff's request. It was learned that besides BSC and Republic, 60-inch sheet is supplied to the U.S. market from West Germany, Sweden, Finland, and France. One of the purchasers stated that the need for less than coil-size orders and need for quick delivery are not the reasons for purchasing foreign 60-inch wide sheet. Rather, the reasons are the need to establish alternate sources besides the single U.S. producer, the easier availability of certain sizes from BSC, and even more importantly, to buy at lower prices. The second purchaser stated that price is its main reason for buying British 60-inch wide sheet, although sometimes it needs smaller than half-coil orders as well. 4/ * * * the greater availability of special alloys and BSC's particular responsiveness to the needs of their customers are also reasons to buy 60-inch wide sheet from BSC. (transcript of hearing, p. 170). Counsel for the BSC reported that 60-inch sheet accounted for 77 percent of BSC's sales of stainless steel sheet in 1979, 100 percent in 1980, 40 percent in 1981, and 52 percent in 1982.

1/ Postconference submission of British Steel Corp., pp. 7 and 8.

2/ Postconference submission of petitioners, exhibit A.

3/ Telephone conversation between Stephen Vastagh of the U.S. International Trade Commission and Republic spokesman, Mar. 31, 1983.

4/ * * *.

Counsel for BSC stated in a post postconference submission that imports of stainless steel plate from the United Kingdom are concentrated in the 316 (molybdeum bearing) grades, for which U.S. producers allegedly maintain artificially high prices. 1/ Petitioners dispute such contentions, asserting that the cost of producing stainless steel plate, including grade 316 plate, has risen significantly since 1979. 2/ Additional discusssion of this issue is contained in the pricing section below.

Counsel for BSC suggested that the Commission evaluate trends in quantities of stainless steel sheet, strip, and plate imports from the United Kingdom not on a calendar-year basis, but from April to March because of lingering effects of the 1980 strike in January-March 1981 (transcript of hearing, p. 162). Such data may be examined in tables 31 and 33.

Counsel for BSC introduced the concept of cost of purchase vs. purchase price in connection with the leadtime for BSC's sales, maintaining that other costs associated with its long leadtimes offset the lower price of the BSC steel. 3/ Petitioners counter by questioning why any firm would pay more to receive delivery later. 4/

Prices of stainless steel sheet and strip

Demand factors affecting price.--Demand for stainless steel sheet and strip 5/ depends on the level of business activity in user industries. The automotive sector is the largest single user, accounting for 18 percent of sheet and strip purchases in 1982. Other large user markets include machinery, industrial equipment, tools and electrical equipment, construction and contractors' products, and appliances, utensils and cutlery. Compared with other stainless steel products (plate, bar, and rod), sheet and strip are used more extensively in consumer durable-goods industries. In 1982, 44 percent of U.S.-produced sheet and strip reached users through service centers/distributors rather than directly from the mill. 6/

Changes in the market for stainless steel are demonstrated by indexes of business activity. A business activity index often used as an indicator of aggregate demand for stainless steel is the index of industrial production for durable manufactures. 7/ The index, presented in the following tabulation compiled from the Bureau of Labor Statistics index of industrial production of durable manufactures, shows that industrial production steadily decreased from January-March 1979 to July September 1980 by 11.8 percent. The index of

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1/ BSC's postconference brief, investigations Nos. 701-TA-195 and 196 (Preliminary), pp. 9-11.

2/ Petitioners' postconference brief, investigations Nos. 701-TA-195 and 196 (Preliminary), pp. 6 and 7.

3/ BSC's prehearing brief, p. 12; posthearing brief, pp. 6 and 7.

4/ Petitioners' posthearing brief, p. 1.

5/ In the remainder of this section, all references to sheet and strip will mean stainless steel sheet and stainless steel strip.

6/ Table 5 above.

7/ Because there are diverse markets for sheet and strip, a different business activity indicator should ideally be used for each market for stainless steel.

production increased from 88.2 in July-September 1980 to 96.9 in April-June 1981, or by 8.7 percent, before declining to 81.1 in October-December 1982, or by 15.8 percent from the April-June 1981 level.

Period	Index (Jan.-Mar. 1979=100.0)
1979:	
January-March	100.0
April-June	99.3
July-September	98.8
October-December	98.5
1980:	
January-March	97.7
April-June	90.7
July-September	88.2
October-December	93.8
1981:	
January-March	95.7
April-June	96.9
July-September	96.6
October-December	91.1
1982:	
January-March	86.9
April-June	85.4
July-September	84.5
October-December	81.1
1983: January-March	83.8

An increase or decrease in the business activity of user industries has generally resulted in a correspondingly greater increase or decrease in stainless steel consumption. 1/ Testimony indicated that this could be due to changes in inventory positions between producers and distributors or end users. 2/ In a recessionary market, stainless steel purchasers may postpone the replacement of stainless steel inputs by drawing down existing inventories.

U.S. producers' prices.--U.S. producers of stainless steel sheet and strip publish list prices on an f.o.b. mill basis. Base prices depend on the alloy content of the stainless steel, with chromium a necessary addition, and nickel and molybdenum two metals which are often added. There are extra charges for sheet and strip cut to length rather than coiled, for nonstandard widths, for special edging, for smaller quantities, and for packaging. Actual market prices may vary from list prices, depending on market conditions.

1/ Preliminary regression analyses for investigation No. TA-201-8 show that business activity elasticities for the specialty steel industry range from 1.6 to 1.8. This means that a 1-percent increase or decrease in the business activity of specialty steel user industries would lead to a 1.6- to 1.8-percent increase or decrease in stainless steel consumption.

2/ Transcript of the conference, investigation No. 731-TA-92 (Preliminary), May 17, 1982, pp. 108 and 109.

The Commission requested data on average net selling prices for specific stainless steel sheet and strip products from domestic producers and from importers. The Commission asked domestic producers and importers for their average net selling prices for specific types of stainless steel sheet and stainless steel strip. Price data on stainless steel sheet were received from six domestic producers for five sample specifications of sheet. For four of the five specifications, U.S. producers' prices declined from January-March 1980 to October-December 1980 by an average of 7 percent for sales to service centers/distributors (table 34). 1/ The price decline was greatest for grade 316 sheet and strip, which declined from $3,898 to $3,396 per ton, or by 13 percent, during 1980. The grade 430 sheet and strip prices declined from an average of $1,754 per ton to $1,689 per ton, or by 4 percent, over the period. The price of 60-inch wide grade 304 sheet * * *.

Table 34.--Stainless steel sheet and strip: Weighted-average net selling prices by U.S. producers for sales to service centers/distributors, by grades, and by quarters, 1980-82

(Dollars per ton)

Period	36 through 48 inches wide			AISI grade 304, 60 inches wide 1/	AISI grade 430, 12 to under 24" wide
	AISI grade 304	AISI grade 316	AISI grade 430		
1980:					
January-March	$1,759	$3,898	$1,754	***	$1,786
April-June	1,718	3,749	1,768	***	1,672
July-September	1,667	3,630	1,752	***	1,815
October-December	1,636	3,396	1,689	***	1,722
1981:					
January-March	1,698	3,499	1,800	***	1,772
April-June	1,728	3,399	1,765	***	1,865
July-September	1,775	3,173	1,869	***	1,976
October-December	1,733	3,037	1,900	***	1,981
1982:					
January-March	1,642	2,767	1,939	***	1,869
April-June	1,580	2,600	1,829	***	1,825
July-September	1,607	2,501	1,815	***	1,940
October-December	1,539	2,417	1,618	***	1,795

1/ These prices are for the only U.S. producer of this product, Republic Steel.

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

1/ Since U.S. producers provided prices primarily for sales to service centers/distributors, and importers provided prices only for sales to service centers/distributors, only price competition in this market will be discussed. The exception is price competition in the 434 claddable strip market, which will be discussed separately.

With the improvement in business activity in 1981, U.S. producers' prices for four of the five specifications also improved. Prices of 430 sheet and strip increased throughout 1981, and the average 1981 price was 10 percent higher than the average 1980 price for the various sizes of this grade. The price of the 60-inch wide grade 304 sheet * * *. The price of 36-inch through 48-inch wide grade 304 sheet increased from $1,698 per ton in January-March 1981 to $1,733 per ton in October-December 1981. The price of grade 316 sheet improved slightly in January-March 1981, but in general, such price continued the decline that began in 1980. The average 1981 price for 316 sheet was 11 percent lower than that in 1980.

Business activity began to decline in July-September 1981, and domestic producers' prices also began to decline in late 1981 and declined through the end of 1982. The price of 36-inch through 48-inch wide grade 430 sheet declined from $1,939 per ton in January-March 1982 to $1,618 per ton in October-December 1982, or by 17 percent. The price of 12-inch to 24-inch wide grade 430 strip declined from $1,981 per ton in October-December 1981 to $1,795 per ton in October-December 1982, or by 9 percent. The price of grade 316 sheet declined from $3,173 per ton in July-September 1981 to $2,417 per ton in October-December 1982, or by 24 percent. The price of 60-inch wide grade 304 sheet * * *. The price of 36-inch through 48-inch wide grade 304 sheet declined from $1,775 per ton in July-September 1981 to $1,539 per ton in October-December 1982, or by 13 percent.

U.S. producers testified that their stainless steel sheet and strip prices had declined some in January-March 1983 compared with October-December 1982 prices. However, they also testified that demand for sheet and strip had improved in early 1983, and import prices had stabalized (transcript of hearing, p. 47).

Prices of imports from West Germany.--Prices of stainless steel sheet and strip imported from West Germany were provided by three importers that together accounted for about * * * percent of sheet and strip imports from West Germany in 1982. Two of the importers, Krupp and Phillip Overseas, compete with U.S. producers mostly in sales to service centers. The other importer, Thyssen, which accounted for about * * * percent of these imports in 1982, is itself also a service center/distributor in the United States and sells mostly to end users. Thus, Thyssen competes with U.S. producers in sales to some larger end users and also competes with other service centers in the smaller end-user market. In addition to importing sheet and strip, Thyssen also purchases substantial amounts of sheet and strip from U.S. producers and resells same to smaller end users. * * *. For these reasons, Thyssen's sales prices cannot be compared directly with U.S. producers' sales prices, and the price data in tables 35 and 36 are for sales by Krupp and Phillip Overseas only.

Table 35.--Stainless steel sheet and strip: Weighted-average net selling prices for sales service centers/distributors by U.S. producers and by importers of grade 430 sheet and st from West Germany, and margins of underselling, by quarters, 1980-82

Period	AISI grade 430, 36 through 48 inches wide				AISI grade 430, 12 through under 24 inches wide			
	United States	West Germany 1/	Margins of underselling		United States	West Germany 1/	Margins of underselli	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Perce
1980:								
Jan.-Mar--	$1,754	2/	-	-	$1,786	2/	-	
Apr.-June-	1,768	2/	-	-	1,672	2/	-	
July-Sept-	1,752	2/	-	-	1,815	2/	-	
Oct.-Dec--	1,689	2/	-	-	1,722	2/	-	
1981:								
Jan.-Mar--	1,800	***	***	***	1,772	2/	-	
Apr.-June-	1,765	***	***	***	1,865	2/	-	
July-Sept-	1,869	***	***	***	1,976	2/	-	
Oct.-Dec--	1,900	2/	-	-	1,981	2/	-	
1982:								
Jan.-Mar--	1,939	***	***	***	1,869	2/	-	
Apr.-June-	1,829	***	***	***	1,825	***	***	
July-Sept-	1,815	***	***	***	1,940	***	***	
Oct.-Dec--	1,618	***	***	***	1,795	2/	-	

1/ Prices of West German imports represent sales only by Krupp and Phillip Overseas. Thyssen's sales prices are not comparable as explained in the text above.

2/ Not available.

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

Table 36.--Stainless steel sheet and strip: Weighted-average net selling prices for sales to service centers/distributors by U.S. producers, and by importers of grade 316 sheet from the West Germany, and margins of underselling, by quarters, 1980-82

Period	AISI grade 316, 36 through 48 inches wide			
	United States	West Germany 1/	Margins of underselling	
	---Per ton---	---Per ton---	Per ton	Percent
1980:				
January-March	$3,898	1/	-	-
April-June	3,749	1/	-	-
July-September	3,630	1/	-	-
October-December	3,396	1/	-	-
1981:				
January-March	3,499	***	***	***
April-June	3,399	1/	-	-
July-September	3,173	***	-	-
October-December	3,037	1/	-	-
1982:				
January-March	2,767	***	***	***
April-June	2,600	***	***	***
July-September	2,501	1/	-	-
October-December	2,417	1/	-	-

1/ Not available.

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

Prices of stainless steel sheet from West Germany were provided only for 1981 and 1982. 1/ The price for the 36-inch through 48-inch wide grade 430 specification * * * per ton in January-March 1981 to * * * per ton in April-June 1981. The price for this specification * * * per ton in July-September 1981 and * * * through April-June 1982. This price * * * in the last half of the year, to * * * per ton in July-September 1982 and to * * * per ton in October-December 1982. Prices for the 12- to 24-inch grade 430 specification were provided for only two quarters in 1982, and were * * * per ton in April-June 1982 and * * * per ton in July-September 1982. The prices for the grade 316 specification * * * per ton in January-March 1981 to * * * per ton in April-June 1982, or by * * * percent. Price data supplied by a purchaser showed that in July-September 1982, grade 316 prices had * * * per ton.

1/ Price data for 1980 are expected to be sparse since total imports of sheet and strip from West Germany in 1980 were only 306 short tons.

Prices of stainless steel sheet imported from West Germany were consistently lower than U.S. producers' prices. For the 36- through 48-inch wide grade 430 specification, the margin of underselling averaged * * *. For the 12- to 24-inch wide grade 430 specification, the margin of underselling averaged * * * in the two quarters for which price data were provided. For the grade 316 specification, the margin of underselling averaged * * *. The decrease in the margin of underselling in 1982 was primarily attributable to the decrease in the U.S. producers' price.

Prices of imports from France.--Price data were received from two importers for sales to service centers/distributors 1/ of French stainless steel sheet and strip. These importers accounted for over * * * percent of imports of French stainless steel sheet and strip from 1979 to 1982. A complete price series for 1980-82 was available only for 36-inch through 48-inch wide grade 430 sheet. These prices * * * per ton in January-March 1980 to * * * per ton in January-March 1981, or by * * *. With the exception of an * * * in January-March 1982, prices for this specification * * * per ton in October-December 1982 (table 37). In contrast, importers' prices for 12-inch to 24-inch wide grade 430 strip generally * * * although prices in the middle two quarters of 1982 were * * * than prices in the first or fourth quarters of that year. 2/ 3/

Importers' prices for the other specifications were available for 1981 and 1982. Importers' prices for grade 316 sheet * * * per ton in January-March 1981 to * * * per ton in April-June 1982, or by * * * percent (table 38). Importers' prices for 60-inch wide grade 304 sheet declined in 1982 to an average of * * * per ton, compared with an average of * * * per ton in 1981.

1/ Importers provided no price data for sales of sheet and strip to end users. In 1982, * * * percent of sales from the importers were to service centers/distributors.

2/ Approximately 80 percent of French exports of sheet and strip to the U.S. market are in the 400 series grades.

3/ Price data collected from purchasers indicated that import prices for this specification more generally fall in the * * * per ton range.

Table 37.--Stainless steel sheet and strip: Weighted-average net selling prices for sales to service centers/distributors by U.S. producers and by importers of grade 430 sheet and strip from France, and margins of underselling, by quarters, 1980-82

Period	AISI grade 430, 36 through 48 inches wide				AISI grade 430, 12 through under 24 inches wide			
	United States	France	Margin of underselling		United States	France	Margins of underselling	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Percent
1980:								
Jan.-Mar--	$1,754	***	***	***	$1,786	1/	-	-
Apr.-June-	1,768	***	***	***	1,672	***	***	***
July-Sept-	1,752	***	***	***	1,815	1/	-	-
Oct.-Dec--	1,689	***	***	***	1,722	1/	-	-
1981:								
Jan.-Mar--	1,800	***	***	***	1,772	1/	-	-
Apr.-June-	1,765	***	***	***	1,865	***	***	***
July-Sept-	1,869	***	***	***	1,976	***	***	***
Oct.-Dec--	1,900	***	***	***	1,981	***	***	***
1982:								
Jan.-Mar--	1,939	***	***	***	1,869	***	***	***
Apr.-June-	1,829	***	***	***	1,825	***	***	***
July-Sept-	1,815	***	***	***	1,940	***	***	***
Oct.-Dec--	1,618	***	***	***	1,795	***	***	***

1/ Not available.

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

Table 38.--Stainless steel sheet and strip: Weighted-average net selling prices for sales t service centers/distributors by U.S. producers, and by importers of grade 304 and 316 shee from France, and margins of underselling, by quarters, 1980-82

Period	AISI grade 316, 36 through 48 inches wide				AISI grade 304, 60 inches wide			
	United States 1/	France	Margin of underselling		United States	France	Margin of underselling	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Percer
1980:								
Jan.-Mar--	$3,898	2/	-	-	***	2/	-	
Apr.-June-	3,749	2/	-	-	***	2/	-	
July-Sept-	3,630	2/	-	-	***	***	***	
Oct.-Dec--	3,396	2/	-	-	***	***	***	
1981:								
Jan.-Mar--	3,499	***	***	***	***	***	***	
Apr.-June-	3,399	***	***	***	***	***	***	
July-Sept-	3,173	***	***	***	***	***	***	
Oct.-Dec--	3,037	***	***	***	***	***	***	
1982:								
Jan.-Mar--	2,767	***	***	***	***	***	***	
Apr.-June-	2,600	***	***	***	***	***	***	
July-Sept-	2,501	2/	-	-	***	***	***	
Oct.-Dec--	2,417	2/	-	-	***	***	***	

1/ These prices represent sales from the only U.S. producer of this product, Republic Stee
2/ Not available.

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

With a few exceptions, importers' prices were * * * than U.S. producers' prices for sales to service centers/distributors. Margins of underselling were generally greater for the grade * * * although the imported product was * * * for the 12- to 24-inch specification in October-December 1982. The margin of underselling averaged * * * in 1982 for the grade 430, 36- through 48 inch specifications. These margins were * * * in October-December 1982, primarily because U.S. producers' prices declined significantly in that quarter. For the grade 304 (60-inch) and 316 specifications, the margin of underselling averaged * * *.

Prices of grade 434 cladding sheet.--Prices provided by Texas Instruments, the major end user of this product, are presented below for October-December 1981 and for 1982. The delivered price of the French product was * * * per ton throughout the period. The price of this material supplied by Crucible was * * * per ton in October-December 1982 and in January-March 1981. The price declined to * * * per ton for the rest of the year, as shown in the following tabulation:

* * * * * * *

The imported product was * * * percent, lower priced than the U.S.-produced steel through most of 1982. In addition, Texas Instruments * * *.

Prices of imports from the United Kingdom.--The most complete price series for stainless steel sheet imported from the United Kingdom was provided for 60-inch wide grade 304 sheet. 1/ The importer's price for this product * * * (table 39). The importer's price * * *. Prices for 36- through 48-inch wide grade 304 sheet were provided only from July-September 1981. The price for this specification * * * per ton in July-September 1981 to * * * per ton in October-December 1982, or by * * * percent. Prices for the grade 316 specification were provided only for 1981. During this year, prices * * * per ton in January-March 1981 to * * * per ton in October-December 1981, or by * * * percent (table 40).

Stainless steel sheet imported from the United Kingdom was * * * priced than U.S. sheet for the 60-inch wide grade 304 specification and the 36- and 48-inch wide grade 316 specification. Margins of underselling ranged from * * * for the 60-inch wide grade 304 sheet, and averaged * * * in 1982. The importer's prices for the grade 316 specification were an average of * * * than U.S. producers' prices in 1981. Margins of underselling generally * * * since U.S. producers' prices declined at a faster rate than the importer's prices.

1/ Prices were collected for five specifications of stainless steel sheet and strip. However, there were no imports of grade 430 sheet and strip from the United Kingdom, and therefore, only prices of the three 300 series specifications are discussed.

Table 39.--Stainless steel sheet and strip: Weighted-average net selling prices for sales to service centers/distributors by U.S. producers and by importers of grade 304 sheet from the United Kingdom, and margins of underselling, by quarters, 1980-82

Period	AISI grade 304, 36 through 48 inches wide				AISI grade 304, 60 inches wide			
	United States	United Kingdom	Margin of underselling		United States 1/	United Kingdom	Margin of underselling	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Percent
1980:								
Jan.-Mar--	$1,759	2/	-	-	***	2/	-	-
Apr.-June-	1,718	2/	-	-	***	***	***	***
July-Sept-	1,667	2/	-	-	***	***	***	***
Oct.-Dec--	1,636	2/	-	-	***	2/	-	-
1981:								
Jan.-Mar--	1,698	2/	-	-	***	***	***	***
Apr.-June-	1,728	2/	-	-	***	***	***	***
July-Sept-	1,775	***	***	***	***	2/	-	-
Oct.-Dec--	1,733	***	***	***	***	***	***	***
1982:								
Jan.-Mar--	1,642	***	***	***	***	***	***	***
Apr.-June-	1,580	***	***	***	***	***	***	***
July-Sept-	1,607	***	***	***	***	***	***	***
Oct.-Dec--	1,539	***	***	***	***	***	***	***

1/ These prices are for sales from the only U.S. producer of this product, Republic Steel.
2/ Not available.

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

Table 40.--Stainless steel sheet and strip: Weighted average net selling prices for sales to service centers/distributors by U.S. producers, and by importers of grade 316 sheet from the United Kingdom, and margins of underselling, by quarters, 1980-82

Period	AISI grade 316, 36 through 48 inches wide			
	United States	United Kingdom	Margins of underselling	
	Per ton	Per ton	Per ton	Percent
1980:				
January-March	$3,898	1/	-	-
April-June	3,749	1/	-	-
July-September	3,630	1/	-	-
October-December	3,396	1/	-	-
1981:				
January-March	3,499	***	***	***
April-June	3,399	***	***	***
July-September	3,173	***	***	***
October-December	3,037	***	***	***
1982:				
January-March	2,767	1/	-	-
April-June	2,600	1/	-	-
July-September	2,501	1/	-	-
October-December	2,417	1/	-	-

1/ Not available.

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

Importer's prices were consistently * * * than U.S. producers' prices for the 36- and 48-inch wide grade 304 specification. In 1982, this specification of imported sheet sold for an average of * * * the average domestic price of $1,589 per ton.

Prices of stainless steel plate

U.S. producers and BSC provided price data for four specifications of stainless steel plate for sales to service centers/distributors (tables 41 and 42). U.S. producers' prices for all specifications remained relatively steady in 1980, at an average price of $1,916 per ton for the two grade 304 specifications and at an average price of $3,264 per ton for the grade 316 and 316L specifications. U.S. producers' prices than increased through the second or third quarter of 1981, before generally declining in 1982. U.S. producers' prices were an average of 11 percent lower in 1982 than in 1981. U.S. producers testified that their stainless steel plate prices have continued to decline in 1983, the decline being much more dramatic than for stainless steel sheet. In the past, this has been the result of the fact that plate is used more in the capital goods industry, which would tend to lag the improvement in the durable-goods sector which began in early 1983 (transcript of hearing, p. 47).

Table 41.--Stai.. el plate: Weighted-average net selling prices for sales to service centers/distribut.. by U.S. producers and by importers of grade 304 plate from the United Kingdom, and margins of underselling, by quarters, 1980-82

Period	AISI grade 304, 1/4 inch thick				AISI grade 304, 1/2 inch thick			
	United States	United Kingdom	Margin of underselling		United States	United Kingdom	Margin of underselling	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Percen
1980:								
Jan.-Mar---	$1,913	***	***	***	$1,897	***	***	
Apr.-June--	1,953	***	***	***	1,853	1/	-	
July-Sept--	1,924	1/	-	-	1,884	1/	-	
Oct.-Dec---	1,947	***	***	***	1,884	***	***	
1981:								
Jan.-Mar---	2,019	***	***	***	1,963	***	***	
Apr.-June--	2,074	***	***	***	2,038	***	***	
July-Sept--	2,106	***	***	***	2,080	***	***	
Oct.-Dec---	2,077	***	***	***	2,023	***	***	
1982:								
Jan.-Mar---	1,552	***	***	***	1,950	***	***	
Apr.-June--	1,774	***	***	***	1,912	***	***	
July-Sept--	1,917	***	***	***	1,862	***	***	
Oct.-Dec---	1,913	***	***	***	1,848	***	***	

1/ Not available.

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

Table 42.--Stainless steel plate: Weighted-average net selling prices for sales to service centers/distributors by U.S. producers and by importers of grade 316 plate from the United Kingdom, and margins of underselling, by quarters, 1980-82

Period	AISI grade 316L 1/4 inch thick				AISI grade 316, 1/2 inch thick			
	United States	United Kingdom	Margins of underselling		United States	United Kingdom	Margins of underselling	
	Per ton	Per ton	Per ton	Percent	Per ton	Per ton	Per ton	Percent
1980:								
Jan.-Mar--	$3,445	1/	-	-	$3,080	1/	-	-
Apr.-June-	3,226	1/	-	-	3,240	1/	-	-
July-Sept-	3,539	1/	-	-	3,091	1/	-	-
Oct.-Dec--	3,410	***	***	***	3,149	***	***	***
1981:								
Jan.-Mar--	3,562	***	***	***	3,160	1/	-	-
Apr.-June-	3,657	***	***	***	3,320	***	***	***
July-Sept-	3,715	***	***	***	3,120	***	***	***
Oct.-Dec--	3,574	***	***	***	3,180	1/	-	-
1982:								
Jan.-Mar--	3,346	***	***	***	2,980	***	***	***
Apr.-June-	3,345	***	***	***	2,900	***	***	***
July-Sept-	3,083	***	***	***	2,720	1/	-	-
Oct.-Dec--	3,124	***	***	***	2,600	1/	-	-

1/ Not available.

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

BSC provided 1980 prices for only the 304 grade plate, which * * * from January-March 1980 to October-December 1980. The importer's prices for all specifications * * *. The importer's price for grade 304 plate was an average of * * * in 1982 compared to 1981. The importer's price for grade 316 and 316L plate was an average of * * * in 1982.

Imports of stainless steel plate from the United Kingdom undersold the domestic product for all four plate specifications for which prices were collected. Margins of underselling ranged from * * * below domestic prices for grade 304 plate, although the imported product was * * * for one of the grade 304 specifications. Margins of underselling were generally * * * in 1982 than in 1981 for this grade, primarily because of substantial price declines of the U.S. product.

For the grade 316 and 316L plate specifications margins of underselling ranged from * * * per ton, or from * * * percent. In 1982, margins of underselling averaged * * * for the 316L grade, and * * * for the 316 grade.

The molybdenum price issue.--The respondents to this investigation have claimed that domestic producers are charging artificially high prices for grade 316 (molybdenum content) stainless steel plate. 1/ They base their argument on the observation that the large price differential that exists between domestic producers' prices for grade 304 (no molybdenum content) plate and grade 316 plate cannot be accounted for by the additional cost of molybdenum in the grade 316 product. They further claim that while molybdenum prices had fallen, the price difference between grade 304 and grade 316 plate did not narrow, and therefore, domestic producers were not passing cost savings on to customers. The respondent claimed that BSC has passed these cost savings on to customers, and that this accounts for some of the price differences between U.S.-produced grade 316 plate and grade 316 plate imported from the United Kingdom.

In its hearing exhibit, the respondent compares the price difference between 1/4-inch grade 304 and grade 316L plate, by quarters, from 1980 to 1982 2/ These data show that the difference between the two grades remained relatively constant through April-June 1982, and only declined in July-December 1982.

1/ Transcript of the staff conference, investigations Nos. 701-TA-195 and 196 (Preliminary), pp. 78-81.

2/ Hearing exhibits of British Steel Corp., exhibit 5.

If price differences between the two grades are analyzed for the three largest U.S. plate producers individually, the data show that the price difference did decrease in 1980 by an average of 9 percent for 1/4 inch plate and by an average of 13 percent for 1/2-inch plate. If analyzed by firm, the price difference between the two grades increased again in early 1981, but declined significantly in 1982. The U.S. industry stated in its hearing brief (app. I, p. 3) that the declines in molybdenum prices have not offset the recent increases in the prices of other factors of production such as labor and energy.

Credit terms.--Purchasers were asked the credit terms for their purchases of U.S.-produced, German, and French stainless steel sheet and strip. Responses show that net payment in 30 days is the normal payment period. Some purchasers were also given a discount of from 0.5 to 1 percent if payment was within 10 days.

For purchasers that are service centers, * * * percent of the quantity of purchases from U.S. producers were subject to 30-day terms. * * * percent were subject to 60-day terms, and * * * percent were subject to 45-day terms. For service center purchases of French steel, * * * percent were subject to 30-day terms, * * * percent were subject to 60-day terms, and * * * percent were subject to 45-day terms. For purchase of West German steel, * * * percent were subject to 30-day terms, and * * * percent were subject to 60-day terms.

For end-user purchasers, * * * percent of the quantity of purchases from U.S. producers were subject to 30-day terms, * * * percent were subject to 60-day terms, and * * * percent were subject to 45-day terms. For end-user purchasers of French steel, * * * percent were subject to 30-day terms, and * * * percent were subject to 45-day terms. For purchases of West German steel, * * * percent were for 30-day terms, and * * * percent were for 45 day terms.

Purchasing factors

Purchasers were asked to indicate the importance of 10 factors in their purchasing decisions on a scale of 5 (high) to 1 (low). Fifty-four purchasers of stainless steel sheet and strip responded to this question, indicating that quality (4.9) was the most important factor, followed by net price and reliability of the vendor firm (both scoring 4.7), availability of preferred size or finish (4.2), availability of product on shorter notice (4.0), technical assistance by producer (3.7), proximity of vendor firm (3.0), ability to inspect the product during manufacturing (2.2), availability of product consignment (1.7), and availability of metric sizes (1.1). Other factors that were listed as important by individual purchasers were consistent finish, favorable credit terms, continuation of business relationship, prompt assistance, and lack of surface defects.

Exchange-rate fluctuations

Table 43 shows exchanges rates for the German, French, and British currencies relative to the U.S. dollar from 1979 to 1982.

In nominal terms, the dollar depreciated against all three currencies from January-March 1979 through July-September 1980, and generally appreciated against all currencies thereafter, reaching its peak in October-December 1982. In real terms, the dollar appreciated relative to the West German mark and the French franc from 1979 to 1980, and depreciated relative to the British pound. The dollar appreciated against all three foreign currencies, in real terms, from July-September 1980 to October-December 1982.

Table 43.--Index of nominal and real exchange rates for currencies of West Germany, France, and the United Kingdom, by quarters, 1979-82

(foreign currency per U.S. dollar; Jan.-March 1979=100)

Period	Nominal exchange rates			Real exchange rates		
	West Germany	France	United Kingdom	West Germany	France	United Kingdom
1979:						
Jan.-Mar.	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June	102.2	102.3	96.0	104.2	102.3	95.0
July-Sept.	98.4	99.1	90.0	101.9	99.8	87.5
Oct.-Dec.	95.7	97.0	92.0	100.9	99.1	90.0
1980:						
Jan.-Mar.	95.7	97.2	68.0	102.3	100.7	85.0
Apr.-June	97.8	98.6	88.0	105.1	102.6	82.5
July-Sept.	96.2	96.5	84.0	106.0	103.7	80.0
Oct.-Dec.	103.2	103.5	84.0	114.0	109.8	80.0
1981:						
Jan.-Mar.	113.0	113.8	86.0	125.6	122.7	97.5
Apr.-June	123.2	126.9	96.0	137.2	134.2	92.5
July-Sept.	131.4	136.1	108.0	143.7	138.6	102.5
Oct.-Dec.	121.1	132.3	106.0	131.6	131.6	97.5
1982:						
Jan.-Mar.	127.0	140.3	108.0	136.3	137.7	97.5
Apr.-June	128.6	147.1	112.0	137.2	140.5	100.0
July-Sept.	134.1	162.5	116.0	142.8	153.6	102.5
Oct.-Dec.	135.1	165.6	122.0	142.8	154.8	107.5
1983 Jan-Mar	129.8	161.4	130.0	136.5	148.7	113.3

Source: Compiled from data of the International Monetary Fund, International Financial Statistics. Real exchange rates were computed by multiplying the nominal exchange rate by the ratio of U.S. inflation to foreign inflation, as measured by the wholesale price index in each country.

A portion of the decline in prices in 1981 and 1982 for stainless steel sheet and plate imports from these countries may reflect the depreciation of these currencies relative to the U.S. dollar. Although the stronger dollar may also have the effect of increasing the foreign producers' cost for imported raw material and energy that are denominated in dollars, it will still exert downward pressure on the dollar price of imports, since a portion of foreign producers' costs are still denominated in their home currency.

Lost sales

A large proportion of the firms named in U.S. producers' lost sales allegations had been sent purchasers' questionnaires. Where possible, information from a questionnaire was used to analyze the lost sales allegation. When necessary, telephone calls were made to supplement questionnaire information.

West Germany.--Six U.S. producers provided lost sales allegations, involving 21 individual firms. The transactions listed in the allegations generally occurred from mid-1981 to early 1983. The total quantity of sales alleged to have been lost to competition from West German imports was 2,069 tons, although for a number of allegations, no specific quantities or dates were provided.

Sixteen of the firms verified that they had purchased German stainless steel sheet during 1981 and 1982. For 12 of these firms, the price of the West German steel was lower than the price of U.S.-produced steel for comparable specifications. Margins of underselling were * * *. For the 300 series grades, the price difference ranged from * * * percent. Although West German steel was lower priced for these 16 firms, only 4 of the firms listed the lower price as the sole reason for their decision to purchase West German steel. Other factors that were also given were quality, availability, and the desire to have an alternate source. The quality issue was particularly relevant for purchasers of grade 430 bright-annealed sheet, where the customers claimed that the German steel had superior surface finish than U.S.-produced steel. The quality difference did not generally exist for the 300 series sheet.

Of the four firms that stated West German steel was not lower priced, one purchased in order to have an alternate source. For another firm, quality was the primary purchasing factor, and for the third firm, the availability of 60-inch wide sheet from West Germany was the primary purchasing factor. For the fourth firm, * * *. Details concerning the allegations are given below:

Purchaser 1.--This firm purchased grade 304 and 316 sheet from West Germany during 1980-82. Total purchases by this firm of West German sheet were * * *. Prices of grade 316 sheet from West Germany were * * * in 1981 and * * * in 1982. For 60-inch wide grade 304 sheet, West German prices were * * * percent lower in October-December 1981, * * * in 1982.

Purchaser 2.--U.S. producers alleged that they lost * * * tons of stainless steel sheet sales to this firm by reason of competition from West German imports. However, this firm reported that it has never purchased stainless steel produced in West Germany.

Purchaser 3.--* * *. The purchaser verified that it had bought about * * * tons of West German steel in April of 1981, and none thereafter. The "primary reason was lower price," since the West German steel was about * * * percent lower than U.S. producers prices for this grade.

Purchaser 4.--U.S. producers alleged that they had lost * * * tons of sales of grade 430 sheet to this firm by reason of competition from West German imports. Questionnaire data from this firm shows that it purchased * * * tons of West German sheet in 1980, * * * tons in 1981, and * * * tons in 1982. 1/ As a percentage of this firm's total purchases, West German steel accounted for * * *. Price data provided by this firm show that West German prices were about * * * percent lower than U.S.-producers' prices in 1982.

Purchaser 5.--U.S. producers alleged that they lost * * * tons of grade 304 sheet sales to this firm from West German import competition in 1981. The firm reported that it had purchased * * * tons of West German steel in 1981 and * * * tons in 1982. The firm reported that West German steel was about * * * percent lower priced than U.S.-produced steel in 1981.

Purchaser 6.--U.S. producers alleged that they lost * * * tons of grade 430 sheet sales to this firm from West German import competition in 1981. This firm reported that it had bought * * * tons of West German steel in 1981, but none thereafter. This firm stated * * * that the price was actually no more favorable than prices available from U.S. producers. This firm emphasized the superior surface quality of West German grade 430 sheet, but still buys primarily from U.S. producers.

Purchaser 7.--* * *. The firm reported that it had bought * * * tons of West German grade 430 sheet in 1981. Price was rated as the primary purchasing factor, and the difference was * * *. The firm also stated that the superior surface finish of the West German product was an important factor in its purchasing decision.

Purchaser 8.--* * *. The purchaser reported that it had purchased * * * tons of West German steel in 1981 and * * * tons in 1982. This firm cited two reasons for purchasing West German steel. The first was that since this firm exports

1/ These are for purchases of all grades, not just grade 430.

a certain tonnage of steel each year, it is eligible for a refund of duties paid on the same tonnage of imports. Therefore, a certain tonnage of West German steel is less costly to this company since the duty is refunded. Second, * * * the firm wanted to have an alternative source.

Purchaser 9.--U.S. producers * * * stated that sales were lost in 1982. This firm stated that they had bought a small quantity of West German grade 334 sheet in 1982 because of its lower price. However, this firm did not provide additional details over the telephone.

Purchaser 10.--* * *. This firm reported that it has never purchased the type of steel that is the subject of this investigation.

Purchaser 11.--U.S. producers * * * stated that the lost sale occurred in 1982. The purchaser verified that it had bought * * * tons of West German grade 430 steel in 1982 and stated that the primary reason for its purchase was that it was not available at that time from U.S. producers. Prices reported by this firm indicate that the price of the West German steel was about * * * lower than prevailing U.S. producers' prices for a comparable specification of steel.

Purchaser 12.--U.S. producers * * * tons of grade 430 steel sheet by reason of competition from imports from West Germany. This purchaser reported that it had bought * * * tons of West German steel in 1981 and * * * tons in 1982. This firm reported that import prices were * * * percent lower than U.S. producers' prices for this grade of steel.

Purchaser 13.--* * *. The purchaser reported that it had bought * * * tons of West German steel in 1981 and * * * tons in 1982 and stated that the primary reason for its purchases was that the West German steel was a "quality product and was competitively priced." Prices reported by this firm show that the West German product was about * * * percent lower priced in late 1981 and through June 1982. This firm stated that late in 1982, another domestic source of this product became price competitive, other U.S. suppliers also lowered their prices, and West German steel became higher priced for this grade.

Purchaser 14.--U.S. producers * * * reported that it involved grade 304 sheet. This purchaser reported that it had bought * * * tons of 60-inch wide West German sheet in 1981, and stated that the primary reason for its purchase was that it was unavailable from U.S. sources in the quantity desired.

Purchaser 15.--U.S. producers alleged that they lost sales of * * * tons of grade 304 sheet by reason of competition from imports from West Germany. This purchaser stated that it had bought * * * tons of West German grade 304 sheet in 1981, primarily because of lower price.

Purchaser 16.--This allegation concerned * * * tons of grade 300 series sheet. The firm's spokesman said that it had purchased this amount because U.S. firms tried to raise their prices to unacceptable levels in mid-1981. The firm therefore purchased lower priced steel offshore. By the first quarter of 1982, domestic mills had lowered their prices, and the firm once again purchased from U.S. sources.

Purchaser 17.--* * *. This purchaser reported that it had bought * * * tons of West German steel in each of the years 1981 and 1982. The primary reason for the purchase of this steel was -stated the purchaser- that it was of a "superior quality."

France.--Six U.S. producers provided lost sales allegations involving 15 individual firms. Questionnaire responses from these firms indicated that they accounted for at least 50 percent of purchases of imported stainless steel sheet and strip from France in 1982. The transactions listed in the allegations generally occurred from mid-1981 to the end of 1982. The total quantity of sales alleged to have been lost by reason of competition from French imports was 4,950 tons. However, for a number of the lost sales allegations specific quantities or dates were not provided. All of the firms named in the allegations returned questionnaires and/or were contacted by Commission staff.

Fourteen of the fifteen firms verified that they had purchased French stainless steel during 1981 and 1982. One firm was not sure of the origin of the stainless steel it had purchased, because it purchased from a service center and the origin of the steel was not specified. Purchases of French stainless steel by these firms were highly concentrated in the 430 grade. One firm had bought a significant quantity of grade 434 sheet, and two firms had purchased grade 304 sheet from France.

Price, quality, and availability were the three factors most often cited as reasons for purchasing French stainless steel. There was a general consensus among purchasers that the surface quality of French grade 430 sheet was generally superior to U.S.-produced sheet of this grade. A number of purchasers also stated that they had problems obtaining this grade from U.S. mills, although U.S. producers became more responsive to their needs in 1982. For 12 of the 15 firms, the price of the French product was lower than prices of U.S.-produced steel. Margins of underselling ranged from * * * percent, but most often fell in the * * * percent range. For some specific purchases, some firms had paid a premium for French stainless steel. Firms differed on their assessment of whether the additional lead time to buy French steel was an added cost for their firm. For example, one firm stated that since it can accurately forecast its inventory needs, the additional lead time for imports imposes no cost, and may be a benefit since their future price is predictable for that purchase. Other firms stated that the additional lead time for imported steel involved an added risk, and therefore was a cost that had to be compensated for by some discount. Details concerning each allegation follow.

Purchaser 1.--This allegation * * * in the last quarter of 1981. This firm reported that it had purchased small quantities of French stainless steel in 1981, but provided no specific details. The firm's spokesman stated that the U.S. producers were not price competitive in the smaller quantities that this firm wanted to purchase, being from * * * percent higher priced. The superior quality of the French product was also another reason for purchasing the imported steel. This firm reported that it has increased its purchases of French stainless steel in 1982 and 1983.

Purchaser 2.--* * *. This purchaser reported that it had bought * * * tons of French stainless in 1980, * * * tons in 1981, and * * * tons in 1982. The prices it reported showed that French steel was about * * * lower in price than U.S.-produced steel in late 1982.

Purchaser 3.--* * *. This firm reported that it does obtain steel from the importer on consignment terms, * * *. This firm purchased * * * tons of French steel in 1980, * * * tons in 1981, and * * * tons in 1982. Prices it reported show that French 430 grade sheet was about * * * lower priced than U.S.-produced steel in 1982. This purchaser also emphasized the superior quality of the French steel.

Purchaser 4.--This allegation concerned a purchase of * * * tons of French 430 grade sheet * * *. The purchaser reported that it has never purchased this grade of sheet from French sources, although it has purchased 60-inch wide grade 304 sheet produced in France.

Purchaser 5.--* * *. This purchaser reported that it had bought * * * tons of French stainless steel sheet in 1980, * * * tons in 1981, and * * * tons in 1982. This firm stated that it purchases most of its 430 grade requirements from France because of its superior quality, and also because 60-inch wide 430 sheet was not generally available from U.S. sources. Price was also cited as an important purchasing factor, and price data reported by this firm show that French stainless steel was about * * * lower price than U.S.-produced steel.

Purchaser 6.--This allegation involved purchases of * * * tons of French grade 430 sheet * * *. This purchaser reported that it had bought * * * tons of French steel in 1980, * * * tons in 1981, and * * * tons in 1982. This purchaser rated price and quality equally, and stated that it had paid a premium for French steel in the first quarter of 1982 because of superior quality. In 1981, the French sheet was about * * * lower in price than U.S.-produced sheet for this firm.

Purchaser 7.--* * *. This purchaser reported that it had bought * * * tons of French steel in 1981 and * * * tons in 1982, primarily grade 430. A major reason for purchasing the French steel was 60-day credit terms as opposed to 30-day credit terms for purchases from U.S. mills. The French steel was * * * lower in price in 1982 than U.S.-produced steel.

Purchaser 8.--This allegation concerned * * * French grade 430 sheet. The purchaser reported that it had purchased * * * tons of French stainless steel in 1980, * * * tons in 1981, and * * * tons in 1982. Prices of the French product were * * * percent lower in the third quarter of 1982 than U.S. producers' prices.

Purchaser 9.--* * *. This purchaser reported that it had bought * * * tons of French steel in 1980, * * * tons in 1981, and * * * tons in 1982. This purchaser stated that the major reason for purchasing the French steel was the superior quality of the product. This purchaser has traditionally bought most of its stainless steel from France.

Purchaser 10.--* * * French grade 430 sheet in 1982. This purchaser reported that it had bought * * * tons of French steel in 1980, * * * tons in 1981, and * * * tons in 1982, and stated that the primary reason for purchasing French steel was the superior quality of the product; prices of the French product were * * * of U.S. producers' prices, and higher in some instances.

Purchaser 11.--This allegation * * * French grade 430 sheet * * *. The purchaser reported that it had purchsed * * * tons of French stainless steel in 1981 and * * * tons in 1982, and stated that the primary reason for buying French steel was the superior quality of the product and "problems" with obtaining the product from domestic suppliers. The price of the French product was about * * * lower than U.S. producers' prices.

Purchaser 12.--This allegation concerned a purchase of * * * French grade 430 sheet during 1982. The purchaser reported that it buys steel from a service center and does not know the origin of the product. However, the purchaser said it believes that foreign grade 430 sheet is better quality than U.S.-produced, and also sells for about * * * percent less.

Purchaser 13.--* * *.

Purchaser 14.--* * * this allegation, * * * concerned purchases of grade 430 sheet from France in 1982. This purchaser reported that it had bought no French steel in 1981, and * * * tons in 1982. This firm cited both the superior surface finish of the French product together with a favorable price as its reason for buying the French steel. The price of the French product was * * * percent lower than U.S. producers' prices. This firm also stated that the additional lead time was not an additional cost, since it could accurately predict its future inventory needs.

Purchaser 15.--This lost sales allegation concerned the purchase of * * * tons of grade 430 French steel * * *. The purchaser reported that it had bought * * * tons of French steel in 1980, * * * tons in 1981, and * * * tons in 1982. Price, quality, and availability were reported as primary factors in its purchasing decision. The firm also reported that prices of foreign-produced grade 430 sheet were * * * percent below U.S. producers' prices in 1981 and 1982.

United Kingdom, stainless steel sheet.--U.S. producers provided 10 allegations of lost sales and/or lost revenue by reason of competition from imported stainless steel sheet from the United Kingdon. These allegations involved a total of about 1,500 tons, although many of the allegations provided no actual quantity. All 10 firms were contacted by Commission staff.

Of these 10 firms, 5 stated that they had not purchased stainless steel sheet produced in the United Kingdom nor used a price quotation by British Steel to negotiate a more favorable price from U.S. producers. 1/ Of the five firms that had purchased British stainless steel sheet, four did so because of a more favorable price, and one purchased because of more favorable terms. Details concerning the purchases by these five firms follow.

Purchaser 1.--This allegation concerned * * * tons of British stainless steel sheet * * *. The purchaser reported that it had bought * * * tons of grade 304 and 304L stainless steel sheet and plate in late 1982 and early 1983. It did not separate out the mix of this order between sheet and plate. The purchaser stated that the primary reason for its purchase was favorable terms of 5 months.

Purchaser 2.--This firm reported that it had bought about * * * tons of British grade 304 sheet in 1982 because of lower price.

1/ Many of the allegations were general, and included several countries, including the United Kingdom. Many of these purchasers that did not purchase sheet produced in the United Kingdom had purchased sheet produced in one of the other countries named in the allegation.

Purchaser 3.--This firm reported that it had purchased British grade 304 and 316 sheet in 1982, but provided no details on the quantity of its purchase. Its primary reason for purchasing was lower price, and this firm stated that underselling was greater in the grade 304 than in the 316 grade sheet.

Purchaser 4.--This firm purchased * * * tons of grade 304 sheet in 1981, at prices slightly lower than U.S. producers' prices.

Purchaser 5.--This purchaser reported that it had purchased stainless steel sheet from British steel, but not plate. It had purchased * * * tons of 60-inch wide grade 304 sheet from BSC in late 1982 and early 1983, with price the primary reason. Price was about * * * percent less than that of U.S. producers.

United Kingdom, stainless steel plate.--U.S. producers provided 12 allegations of lost sales/and or lost revenues by reason of competition of imported stainless steel plate from the United Kingdom. Commission staff contacted 10 of these firms, of which eight reported that they had purchased British stainless steel plate. One reported that although it had not purchased British stainless steel plate, it had used a price quotation from British Steel to negotiate a more favorable price from a U.S. producer. One reported no purchase of plate but it had purchased sheet.

Many customers stated that the reliability of delivery of British plate was poor, and this required that the British steel be lower in price in order to be competitive. One producer estimated that the necessary discount for his firm was 15 percent. Several customers observed that the price difference was * * *. Two customers stated that subsequent to placing large orders in late 1982, BSC informed them that * * *.

Details of the conversation with each firm follow:

Purchaser 1.--This purchaser reported that it had bought British stainless steel plate in 1981 and 1982, but provided no details concerning the quantity of its purchases. The primary reason for purchasing British plate was that they also export steel, and this firm can get a refund on duties for an equivalent amount of imports. Therefore, imported steel from the United Kingdom is cost competitive for this reason.

Purchaser 2.--This purchaser reported that it had bought * * * tons of stainless steel plate in mid-1982 from British Steel. For grade 304 plate, prices were * * * percent less than U.S. producers' price, and for grade 316 plate, prices were * * * percent lower. This purchaser placed another order in late 1982 for delivery in 1983 of a combination of * * * tons of plate and sheet. In this instance, British and U.S. producers' prices were comparable, but the British offered 5-month terms, which made the purchase attractive. This firm had ordered more than * * * tons initially, but BSC * * *.

Purchaser 3.--This purchaser bought primarily 60-inch wide plate from BSC, but it did not provide the quantity of its purchases. The primary reason for its purchasing from BSC was that it could not obtain smaller tonnage orders from the one domestic mill that produced this product, except by paying a premium. This purchaser stated that he had problems with the delivery and quality of the British material. * * *.

Purchaser 4.--This purchaser stated that it has bought British stainless steel plate. For the 72-inch and 96-inch wide plate it purchased, prices were from * * * percent lower for the BSC product. However, this firm also stated that the British steel had to sell for at least 15 percent less to be competitive, given the longer delivery time. Prices are also lower for the British 60-inch wide plate, but this purchaser believes that U.S. producers charge an unusually high extra for this width of plate.

Purchaser 5.--This purchaser stated that it has never bought British stainless steel plate. However, it did report that in 1982, it had used a price quote by British Steel to negotiate a more favorable price from a U.S. producer. This firm would provide no additional details over the telephone.

Purchaser 6.--This purchaser reported that it had bought * * * tons of British stainless steel plate in * * *. The primary reason for the purchase was favorable price, although by the time the steel arrived in the United States, U.S. producers' prices were lower. This purchaser has never used a price quote by British Steel to negotiate a more favorable price from U.S. producers.

Purchaser 7.--This purchaser reported that it had bought * * * tons of British stainless steel plate in 1982. The primary reason for purchasing this steel was its lower price.

Purchaser 8.--This purchaser reported that it had bought * * * tons of grade 316 and 316L plate in 1982 and * * * tons in 1983. For 60-inch wide plate the two factors were have an alternate source and price. For standard widths, the primary reason for purchasing was lower price.

APPENDIX A

FEDERAL REGISTER NOTICES ON STAINLESS STEEL SHEET AND STRIP FROM WEST GERMANY

Commission's Preliminary Injury Determination (47 F.R. 27157)
Commerce's Preliminary Dumping Determination (47 F.R. 56529)
Commission's Institution of Final Injury Investigation (48 F.R. 538)
Commerce's Extension of Final Dumping Investigation (48 F.R. 4864)
Commission's Rescheduling Public Hearing on Injury (48 F.R. 7825)
Commerce's Final Dumping Determination (48 F.R. 20459)

[Investigation No. 731-TA-92 (Preliminary)]

Stainless Steel Sheet and Strip From West Germany

Determination

On the basis of the record[1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from West Germany of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated, which are alleged to be sold, or likely to be sold, in the United States at less than fair value (LTFV).[2]

Background

On April 26, 1982, petitions were filed with the Commission and the Department of Commerce by members of the Tool and Stainless Steel Industry Committee[3] and the United Steelworkers of America alleging that imports of stainless steel sheet and strip from West Germany are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673). Accordingly, effective April 26, 1982, the Commission instituted preliminary antidumping investigations under section 733(a) of the Act (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise from West Germany.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the **Federal Register** of May 5, 1982 (47 FR 19488). The conference was held in Washington, D.C. on May 17, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Introduction

After considering the record in this investigation, we determine, pursuant to section 733(a) of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury[4] by reason of imports of stainless steel sheet and strip from the Federal Republic of Germany which are allegedly being sold or are likely to be sold at less than fair value. Our determination is based primarily upon the deteriorating condition of the domestic industry, the growing market share of imports of West German sheet and strip, and the preliminary indications of underselling by these imports.[5]

In the following analysis, we first define the domestic industry, then examine the state of the domestic industry in terms of the relevant economic indicators. Finally, we consider the causal relationship between the state of the domestic industry and the allegedly dumped imports from West Germany.

Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[6] Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the article under investigation.[7]

The products being imported are stainless steel[8] sheet and strip. These are flat-rolled stainless steel products produced by passing slabs or sheet bars through a series of reducing rolls on continuous or hand mills. They are principally used in applications requiring resistance to oxidation and/or corrosion and are produced with a wide range of tolerances and finishes, depending on application. Stainless sheet and strip are generally considered to be finished products.

Stainless steel sheet and strip products imported from West Germany and domestic products of the same grades and specifications are essentially identical in metallurgical composition, sizes, and quality. There are generally no stainless steel products that are imported from West Germany that are not produced by domestic producers.[9] Nor generally are there stainless steel products that are imported from West Germany that are not produced in sufficient quantity by domestic producers to satisfy consumer demand within the United States.[10]

Stainless steel sheet is often fabricated into food processing equipment, chemical fertilizer tanks, liquid gas storage tanks, hospital equipment, and various defense applications. Stainless steel strip is used in automobiles, appliances, industrial equipment and various defense applications.[11]

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[1] The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Chairman Alberger and Commissioners Frank and Haggart determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

[3] Member firms included Allegheny Ludlum Steel Corp., Armco Inc., Carpenter Technology Corp., Colt Industries, Inc. (Crucible Materials Group), Eastern Stainless Steel Co., Guterl Special Steel Corp., Jones & Laughlin Steel, Inc., Republic Steel Corp., Universal-Cyclops Speciality Steel Division, Cyclops Corp., and Washington Steel Corp.

[4] Chairman Alberger and Commissioner Haggart, having found material injury, do not reach the issue of threat of material injury.

[5] 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 injury, threat thereof or material retardation. H.R. Rep. No. 96-317, 96th Cong., 1st sess., 52 (1979).

[6] 19 U.S.C. 1677(4)(A).

[8] Stainless steel is an alloy steel containing by weight less than 1 percent of carbon and over 11.5 percent of chromium. Although the alloy mix generally includes nickel, molybdenum, and manganese, which improve its performance under chemical or temperature stress, it is primarily the addition of chromium swhich makes the product corrosion resistant.

[9] Respondent Krupp Specialty Steel Corp. maintains that the production program of the largest stainless steel producers (Allegheny, Jones & Laughlin and Republic) does not show items thinner than .015" in a width over 36" wide, whereas the West German mills produce and export these items. (Respondents' Post-Conference brief, Appendix B at 1.) The Commission does not, at this time, have sufficient information upon which to evaluate this argument. However, if this case returns for a final determination, we will explore this assertion further.

[10] Respondent Krupp Specialty Steel Corporation (Krupp) maintains that only one U.S. producer, Republic, can produce 60" cold-rolled sheet, which is used exclusively in the production of holding tanks. Krupp characterizes the demand for this product as "ever-expanding," and states that it is "questionable" whether this one domestic producer could meet this demand. Krupp also maintains that its customers for the 60" cold-rolled sheet buy a percentage of their requirements from foreign mills as a hedge against strikes and "Acts of God." Respondents' Post-Conference Brief, Appendix B at 3. The Commission does not have sufficient information upon which to evaluate this claim at this time. However, if this case returns for a final determination, the Commission will explore this assertion further.

Sheet and strip[12] are metallurgically identical, and both are under 0.1875 of an inch in thickness. The only difference between sheet and strip is width. Sheet is 24 inches or wider, whereas strip is less than 24 inches in width.[13]

Strip is often produced by "slitting," or slicing sheet at one of the last stages in the production process. Although certain producers manufacture both sheet and strip on the same mill equipment,[14] other mills produce only strip. Many service center customers purchase sheet which they themselves slit into strip. Most of the petitioners produce both sheet and strip.[15]

Sheet and strip can be further differentiated. Both can be produced as hot-rolled or cold-rolled products. Hot-rolled sheet and strip are primarily an intermediate product that is used to produce cold-rolled sheet and strip. Cold-rolled sheet or strip is hot-rolled sheet or strip that is subjected to the additional steps of pickling, high pressure rolling, and annealing to attain more uniform dimensions and a smoother surface.

Stainless steel sheet and strip are predominantly cold-rolled. Hot-rolled stainless steel sheet and strip as a finished product accounts for only approximately 5 percent of total domestic production of stainless steel sheet and strip and the same percentage of imports from West Germany. The information available to the Commission indicates that the uses for hot-rolled and cold-rolled sheet and strip overlap.[16] Moreover, some of the hot-rolled sheet and strip which is sold as a finished product is purchased for subsequent re-rolling, including cold-rolling.

Based on the data presently available, no meaningful distinctions are evident between the characteristics and uses of the finished hot-rolled product and the cold-rolled product.[17] Therefore, for the purposes of this preliminary determination, we determine that the like product is all stainless steel sheet and strip, whether hot-rolled or cold-rolled, and that the domestic industry is composed of the producers of stainless steel sheet and strip.[18]

Cumulation [19] [20]

Petitioners alleged that imports of West German stainless sheet and strip alone are the cause of material injury to the domestic industry. However, petitioners have also taken the position that the Commission should: (1) Cumulate the allegedly less than fair value imports of French stainless steel sheet and strip which are subject to a preliminary investigation currently pending before the Commission; and (2) cumulate all allegedly unfair like product imports from those countries under investigation by the Office of U.S. Trade Representatives under section 301 of the Trade Act of 1974, as amended.[21]

We have not cumulated in making an affirmative determination in this investigation.[22] However, we believe that the cumulation issues petitioners have raised should be addressed, particularly because the same arguments may otherwise be raised in future proceedings before the Commission.

(1) *Cumulation of allegedly LTFV imports from France prior to Commission consideration of the French case.* Petitioners filed an antidumping petiton against French stainless steel sheet and strip producers on May 10, 1982. The preliminary conference took place June 7, with the Commission vote scheduled on June 17. Petitioner's suggestion that we cumulate the imports from France with the imports from West Germany presents not only procedu and administrative problems, but ris running afoul of the basic statutory framework within which the Commission must operate. First, we that Title VII of the Tariff Act of 193 imposes upon the Commission a ver strict statutory deadline of 45 days i preliminary investigations. Given th deadline, petitioner's filing of the Fr case two weeks after the West Ger case has made it impossible for us t make a determination on the two preliminary investigations concurre Second, we are required to base our determinations on the information o the record of the investigation. In th connection, the Commission voted o the West German investigation befo the respondents in the French case h an opportunity to present their view the Commission staff, and before th Commission staff was able to provi the Commission with its report on t French investigation. If, in this preliminary investigation, we were t take into account the imports from France in assessing the impact of th imports from West Germany, we wo be basing our decision largely on th unevaluated and unrebutted allegat of the petitioners. Under these circumstances, any cumulation of imports from France with those fron West Germany would be contrary t basic principles of administrative fairness regarding notice, hearing an record requirements.[23]

(2) *Cumulation of stainless steel s and strip imports from countries designated in a section 301 investigation.* Upon petitioners' requ the U.S. Trade Representative's offi has initiated an investigation pursua to section 301 of the Trade Act of 19 to determine whether certain countr (France, Italy, Austria, Sweden and United Kingdom) have bestowed domestic subsidies upon their speci steel industries. Petitioners maintain that they have no immediate plans t file countervailing duty petitions wi the Commission regarding these cas but reserve their right to do so in the future.

Petitioners supplied figures to use imports of stainless steel sheet and from each of the countries subject t

[12] Hereinafter, the terms "sheet" or "strip" refer to stainless steel sheet and strip.

[13] This is the American Iron and Steel Institute (AISI) standard. The TSUSA defines sheet as having a minimum width over 12 inches, and strip as having a maximum width under 12 inches. The West German standard for strip is equivalent to less than 9 inches. Report at A-5.

[14] The term "mill" refers to one piece of equipment or series of pieces of equipment that produce a certain product. Within one stainless steel plant, there may be several mills, each producing a different product or products.

[15] Report at A-9. Guterl and Jessop produce sheet but not strip. Carpenter Technology Corp. produces strip but not sheet. Petition at 6.

[16] Conference Transcript at 50.

[17] In the carbon steel investigations, hot-rolled and cold-rolled sheet and strip were treated for the purposes of our preliminary determinations as two industries. (*Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany*, USITC Publications 1221 and 1226, February 1982.) For the reasons mentioned above in this stainless steel investigation such as differentiation does not appear to be appropriate.

[18] We emphasize that the definition of the domestic industry in this preliminary investigation is based on the information now available. Based on the record developed in any final investigation, a different defnition of the domestic industry is not precluded.

[19] Commissioners Eckes and Haggart made their determination regarding the impact of the alleged LTFV imports from West Germany on a case-by-case basis, and do not reach the further issues of cumulation raised for discussion in this opinion.

[20] Commissioner Frank did not reach either of the cumulation issues raised by petitioners in making his determination in this preliminary investigation. However, he does not join in this discussion and determinations therein on these cumulation issues inasmuch as in his view these issues have not been completely resolved at this time. He would invite further arguments on these issues from pertinent parties to this investigation should they wish to prefer them in the event this case returns for final investigation.

[21] Petitioners' Post-Conference Brief at 12-17.

[22] Chairman Alberger agrees with the conclusions reached but does not join the following discussions.

[23] Commissioner Stern further notes that, in case, the practice of cumulation is discretiona is only appropriate when it has been demonst that "the factors and conditions of trade in the particular case show its relevance to the determination of injury." (See Views of Chair Alberger, Vice Chairman Calhoun and Commissioners Stern and Eckes in the investigations of Certain Steel Products . . . USITC Pub. 1221, February 1982.)

[24] 19 U.S.C. 2411.

section 301 investigation. They also asked the Commission to consider these allegedly subsidized imports in assessing injury in this antidumping investigation. We note that petitioners have also requested the Commission to cumulate these imports in assessing injury in *Stainless Steel Hot-rolled Bar, Stainless Steel Cold-formed Bar, and Stainless Steel Wire Rode from Spain*, Inv. Nos. 701-TA-176 through 178 (Preliminary), subsidy investigations.

Of course, the Commission may consider all relevant factors and conditions of trade in making a determination. As petitioners point out, information regarding other imports of the products under investigation is relavent to the evaluation of the strength of the domestic industry. However, there is no material injury requirement in a section 301 case and the practice complained of need not necessarily fall within the purview of title VII. Therefore we believe that it is inappropriate to make a determination in an antidumping or a countervailing duty investigation based upon the cumulation of imports from countries designated in a section 301 proceeding.

Reasonable Indication of Material Injury

Section 733(a) of the Tariff Act of 1930 provides that the Commission shall make a determination based on the best information available to it. Section 771(7) directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) the effect of imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products.

The domestic stainless steel sheet and strip industry is experiencing difficulties. The industry's production, shipments, capacity utilization, and employment have declined since 1979. The production of firms that submitted usable data[25] fell from 728,000 short tons in 1979 to 671,000 tons in 1981. Production for the first quarter of 1982 declined to 130,000 tons as compared with 188,000 tons in the first quarter of 1981.[26] Similarly, net shipments declined by 13 percent from 874,000 tons in 1979 to 759,000 tons in 1981. Shipments in the first quarter of 1982 were 148,000 tons as compared with 207,000 tons for the same period in 1981.

Capacity utilization rates fell from 83.8 percent in 1979 to 70.6 percent in 1981. In the first quarter of 1982, the capacity utilization rate fell to 51.6 percent, as compared to a rate of 81.7 percent for the first quarter of 1981.[27] Although capacity to manufacture increased by 9 percent form 1979 to 1981, the increase does not fully account for a decline in utilization.[28] Utilization of melting capacity for stainless steel has also steadily declined from 83 percent in 1979 to 64 percent in 1981. It was 53 percent for the first quarter of 1982 as compared with 77 percent for the first quarter of 1981.[29]

Employment figures also declined during this period. The average number of production and related workers engaged in producing stainless steel sheet and strip declined from 7,965 in 1979 to 7,288 in 1981. Other relevant factors, including the average number of workers employed and the average number of hours paid for production and related workers, also registered declines during this period.

Financial indicators for sheet and strip production also presented a negative trend. Gross profits, operating profits, net profits before taxes, and cash flow all declined steadily—if not precipitously—between 1979 and 1981.[30] Operating profits fell from $175 million in 1979 to $19 million in 1981 and interim 1982 figures show a loss. Aggregate net sales[31] declined by 13 percent between 1979 and 1980, increased by 10 percent between 1980 and 1981, and fell by 27 percent in the first quarter of 1982 compared with the corresponding period in 1981.[32] The ratio of operating profit to net sales fell from 13.7 percent in 1979 to 1.6 percent in 1981.[33] The ratio of net operating profit to net sales declined from a profit of 1.5 percent in the first quarter of 1981 to a loss of 13.8 percent in the first quarter of 1982.[34]

Volume of Imports

As the condition of the domestic industry deteriorated and its share of the U.S. market declined, the volume of imports of stainless steel sheet and strip from West Germany rose during 1979–1981 both in absolute and relative terms.[35] West Germany became the largest foreign supplier of stainless steel sheet and strip to the U.S. market in 1981 and in 1982 it maintained this position.

Imports from West Germany fell from 3,844 tons in 1979 to 305 tons in 1980,[36] then increased to 15,489 tons in 1981. Imports in January–March 1982 amounted to 7,001 tons compared to 1,173 tons for the first quarter of 1981, a 500 percent increase. The ratio of imports from West Germany to apparent U.S. consumption was 0.4 percent in 1979, 0.1 percent in 1980, 2.0 percent in 1981, and 4.1 percent in the first quarter of 1982, as compared with 0.6 percent in the first quarter of 1981.

Effect of Imports on Prices

The information currently available to the Commission on prices is limited. There are, however, indications that imports from West Germany undersold the domestic product. The Commission investigation revealed margins of underselling for certain imports from West Germany during the period under investigation ranging from 5 percent to 30 percent.[37] Contacts with purchasers revealed an instance, in the last quarter of 1981, in which the price of stainless sheet was 30 to 35 percent lower than that available from domestic mills.[38]

There are some indications of sales lost by domestic producers to imports from West Germany. It was confirmed that four sales totalling 850 tons were lost to imports from West Germany on the basis of price.[39]

Reasonable Indication of a Threat of Material Injury[40]

The issue of whether there is a reasonable indication of a threat of material injury turns on the "likelihood of a particular situation developing into actual material injury."[41] The threat must be real and the injury imminent, not a mere possibility based on supposition and conjecture. In examining threat of material injury, the Commission looks for, among other factors, demonstrable trends in the

[25] Report at A-12. These firms accounted for about 90 percent of the total shipments of stainless steel sheet and strip in 1981 as reported by the American Iron and Steel Institute.

[26] *Id.*

[27] *Id.*

[28] *Id.*

[29] *Id.* at A-13.

[30] *Id.* at A-18.

[31] Financial data was received from 8 U.S. producers on their stainless steel sheet and strip operations. These producers accounted for 85 percent of U.S. production in 1981. Report at A-16.

[32] Id. at A-19.

[33] *Id.*

[34] *Id. at A-18.*

[35] *Id.* at A-25.

[36] Imports of stainless steel sheet and strip, as well as other stainless steel products, were subject to quantitative restrictions from June 1978 to February 1980. Although 1979 was the last full year that the quota was in effect, the practice of entering as much material as possible at the beginning of the quota year forced foreign producers to find other markets after the quota was filled. This practice, in conjunction with declining U.S. demand and strong foreign demand, is believed to account for the decline in imports in 1980. Report, at A-23.

[37] *Id.* at A-38.

[38] *Id.* at A-41.

[39] *Id.* at A-40.

[40] *See* note 1.

[41] H.R. Rep. No. 96-317, 96th Cong., 1st Sess. 47 (1979).

following areas: (1) Rates of increase of the allegedly dumped exports to the U.S. market; (2) importers' inventories; (3) capacity in the exporting country to generate exports; and (4) the likelihood that such imports will be directed to the U.S. market taking into account the availability of other markets.[42]

The steadily increasing rate of West German imports, both in absolute terms and in terms of the ratio of West German imports to domestic consumption, has already been noted. This is seen even more clearly in an examination of quarterly imports penetration data for 1981 and 1982. In nearly every quarter, imports penetration by the alleged LTFV imports has increased.[43]

Importers' inventories of stainless steel sheet and strip imported from West Germany were well above 1,000 tons in December 1981 and were sustantially higher than inventories reported in previous years. In addition, inventories reported in March 1982 were almost double those reported in Decmeber 1981 and nearly eleven times greater than those reported in March 1981.

Importers alleged that the "Buy American" procurement provisions of the Department of Defense Appropriations Act [44] and the Urban Mass Transportation Act of 1978 [45] substantially restrict further exports from West Germany to the U.S. market.[46] Preliminary research indicates that the Department of Defense (DOD) during the years 1977–82 has had substantial authority to waive such provisions with respect to NATO allies. DOD estimates that in 1980, a year in which the waiver provisions were in effect, DOD and U.S. defense contractors used only 2 to 4 percent of the total U.S. specialty metals industry output, of which sheet and strip are just a part.[47] Thus, it appears that, whatever restrictions are placed on the market share for imports from West Germany by these provisions, they are not substantial. Although less information is known regarding the impact of the Urban Mass Transportation Act, it, too, is not a blanket restriction on foreign imports. It includes several exemptions, including one that exempts projects if the cost overrun resulting from the use of domestic products exceeds 10 percent.[48] Thus, the Urban Mass Transportation Act, also, does not appear to be a substantial bar to the ability of imports from West Germany to increase market shares in these markets.

Conclusion

Therefore, on the basis of the best available information, we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of stainless steel sheet and strip from West Germany.

By order of the Commission.

Issued: June 10, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-16975 Filed 6-22-82; 8:45 am]
BILLING CODE 7020-02-M

[42] Should this case return for a final investigation, we hope to obtain information concerning West German capacity to generate exports and the likelihood that such exports will be directed to the United States.

[43] Report at A–11.

[44] 32 CFR Pars. 6–300–303 (xi) DAC No. 76–25.

[45] 26 U.S.C. 1602.

[46] Commissioner Eckes did not consider the impact of "Buy America" policies in his analysis of future import levels. See generally the Views of Commissioners Eckes, Frank and Haggart in *Sugar From The European Community*, Inv. No. 104–TAA–7 (May 1982).

[47] 128 Cong. Rec. 55189 (May 13–14), remarks of Senator Tower.

Preliminary Determination of Sales at Less Than Fair Value; Certain Stainless Steel Sheet and Strip Products From the Federal Republic of Germany

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of Preliminary Determination of Sales at Less than Fair value: Certain Stainless Steel Sheet and Strip Products from the Federal Republic of Germany.

SUMMARY: We have preliminarily determined that certain stainless steel

sheet and strip products from the Federal Republic of Germany (FRG) are being sold, or are likely to be sold, in the United States at less than fair value. Therefore, we have notified the U.S. International Trade Commission (ITC) of our determination, and we have directed the U.S. Customs Service to suspend liquidation of all entries of the subject merchandise which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice and to require a cash deposit or bond for each such entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice.

If this investigation proceeds normally, we will make a final determination within 75 days of the publication of this notice in the Federal Register.

EFFECTIVE DATE: December 17, 1982.

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; telephone (202) 377-2438.

SUPPLEMENTARY INFORMATION:

Preliminary Determination

As provided in section 733 of the Tariff Act of 1930, as amended (the Act), we have preliminarily determined that there is a reasonable basis to believe or suspect that certain stainless steel sheet and strip products from the FRG are being sold, or are likely to be sold, in the United States at less than fair value.

The estimated margins for individual products investigated are given in the "Suspension of Liquidation" section of this notice.

The estimated margins for Thyssen AG (Thyssen), Krupp Stahl AG (Krupp) and Vereinigte Deutsche Metallwerke AG (VDM) are based on the best information available as explained in the section of this notice which describes our fair value comparisons. These margins could change substantially in the final determination if verifiable information is furnished in a timely fashion.

If this investigation proceeds normally, we will make a final determination within 75 days of the publication of this notice in the Federal Register.

Case History

On April 26, 1982, we received a petition filed by counsel on behalf of eleven U.S. specialty steel producers and on behalf of the United Steelworkers of America. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports from the Federal Republic of Germany of certain stainless steel sheet and strip products are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act and that these imports are materially injuring, or are threatening to materially injure, a U.S. industry.

After reviewing the petition, we determined it contained sufficient grounds to initiate an antidumping investigation. We notified the ITC of our action and initiated such investigation on May 17, 1982 (47 FR 22132). On June 10, 1982, the ITC found that there is a reasonable indication imports of stainless steel sheet and strip products are materially injuring, or are threatening to materially injure, a U.S. industry. We determined this case to be "extraordinarily complicated", as defined in section 733(c) of the Act. Therefore, we extended the period for making a preliminary determination by 50 days until November 22, 1982 (47 FR 41800).

Questionnaires were presented to Krupp and Thyssen on June 3, 1982. Their responses were received on August 9, 1982 and August 13, 1982. VDM requested a questionnaire on June 25, 1982 and submitted its response on August 13, 1982. Our review of the responses revealed numerous deficiencies and we requested additional information and non-confidential summaries which were submitted in part on various dates from October 4 through November 18, 1982. Some deficiencies have not been corrected. The deficiencies and submission of additional information are described in detail in the "Supplemental Information Required" section of this notice.

Scope of Investigation

The certain stainless steel sheet and strip products covered by this investigation are:

- Hot-rolled stainless steel sheet
- Hot-rolled stainless steel strip
- Cold-rolled stainless steel sheet
- Cold-rolled stainless steel strip.

For a further description of these products see the appendix appearing with this notice.

Since Krupp, Thyssen and VDM manufacture and export virtually all of the certain stainless steel sheet and strip products exported from the FRG to the United States, we limited our investigation to them.

This investigation covers the period from July 1 to December 31, 1981, for purchase price sales and from Octobe 1, 1981 to March 31, 1982, for exporter sales price transactions.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair val we used the best information availabl as required by section 776(b) of the A to make fair value comparisons. We used the best information available fo each manufacturer because adequate responses were not submitted in time allow analysis of the information and, the respondents failed to provide adequate non-confidential summaries confidential information or permissio for release under administrative protective order (APO). A full discussi of the reasons for using the best information available is contained in "Supplemental Information Requested section of this notice. The best information available for purposes of this preliminary determination was th information on fair value margins, bas on alleged selling prices in the United States and the FRG, contained in the petition. We used the simple average the margins contained in the petition.

Supplemental Information Requested

Section 776(b) of the Act states that whenever any party refuses or is unab to produce information requested, the Commerce Department may use the be information otherwise available for determining the existence of sales at less than fair value. We did so with respect to the following companies for purposes of this preliminary determination for the reasons indicate below:

1. *Thyssen.* Thyssen submitted a response to our questionnaire on Augu 9, 1982. Our review of that response revealed numerous deficiencies. By letter dated September 21, 1982, we requested additional information, concerning a large portion of Thyssen home market sales, extensive further information on various aspects of the data on home market and U.S. sales in its response, and a non-confidential summary or permission for release under an APO of its confidential sales data. The letter stated that failure to provide data and summaries by Octob 1, 1982, would require us to use the be information otherwise available, according to section 776(b) of the Act.

Some additional information was fi on October 5 and 18, 1982. The additional essential sales information and a non-confidential summary.

however, were filed only on November 3, 1982. The summary was incomplete. Thyssen gave permission for release of its confidential price data only on November 15, 1982. At this time we have not determined whether the additional sales data are adequate. The information is currently being reviewed.

In addition, on August 9, 1982, Thyssen submitted computer tapes with overlapping data bases. A new tape was submitted only on November 12, 1982. We found further deficiencies in the data contained on that computer tape. These deficiencies related to a substantial number of home market sales which were deleted from the tape. We requested a further tape which was submitted only on November 18, 1982, which did not allow sufficient time for our analysis prior to this preliminary determination.

If the above information is not adequate, we will ask Thyssen once again to provide additional information before verification. If this information is not submitted by December 30, 1982, we will be unable to verify it. Where information is not furnished, or is furnished too late to verify, we may use the best information available for our final determination. The analysis and verification of Thyssen's response could substantially change the sales at less than fair value margins calculated for our preliminary determination for Thyssen.

2. *Krupp.* Krupp submitted a response to our questionnaire on August 9, 1982. Our review of that response revealed numerous deficiencies. By letter dated September 14, 1982, we requested that Krupp provide us with a non-confidential summary of its sales data and additional information on its home market and U.S. sales. The letter stated that failure to provide this information by October 1, 1982, would require us to use the best information otherwise available, according to section 776(b) of the Act. The additional information requested was submitted in usable form, in part on October 4, 1982, and in part on October 28, 1982, which did not allow sufficient time for proper analysis prior to this preliminary determination. This information is currently being reviewed for possible use for our final determination.

The verification of Krupp's response could subtantially change the sales at less than fair value margins calculated for our preliminary determination for Krupp.

3. *VDM.* VDM submitted a partial response to our questionnaire on August 13, 1982. Our review of the response revealed numerous deficiencies. By letter dated September 22, 1982, we requested that VDM provide us with additional sales data including exporter's sales price information, and a non-confidential summary or permission to release confidential information under APO by October 1, 1982 (19 CFR 353.28). The letter stated that failure to provide this information by October 1, 1982, would require us to use the best information otherwise available, according to section 776(b) of the Act. The corrected information, including the original exporter's sales price response, was furnished on October 28, 1982 and November 5, 1982. The non-confidential summary, however, was not submitted until November 8, 1982. Therefore, we have not had sufficient time to analyze the above information for purposes of this preliminary determination. We are currently reviewing this information.

If the above information is not adequate, we will ask VDM once again to provide additional information before verification. If this information is not furnished by December 30, 1982, we will be unable to verify it. Where the information is not furnished, or furnished too late to verify, we may use best information available for our final determination. The analysis and verification of VDM's response could substantially change the sales at less than fair value margins calculated for our preliminary determination for VDM.

Verification

We will verify all data used in reaching the final determination in this investigation, as provided in section 776(a) of the Act.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S Customs Service to suspend liquidation of all entries of stainless steel sheet and strip products. This suspension of liquidation applies to all merchandise entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. the Customs Service shall require a cash deposit or the posting of a bond equal to the estimated margin amount by which the foreign market value of the merchandise subject to this investigation exceeds the United States price. The suspension of liquidation will remain in effect until further notice. The estimated antidumping duty margins are as follows:

Product	Margin (percent)
Hot-rolled stainless steel sheet and strip	40
Cold-rolled stainless steel sheet	27
Cold-rolled stainless steel strip	43

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to this investigation. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

The ITC will determine whether these imports are materially injuring or threatening to materially injure a U.S. industry, before the latter of 120 days after the Department made its preliminary affirmative determination or 45 days after the Department made its final affirmative determination.

Public Comment

In accordance with § 353.47 of the Commerce Department Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on this preliminary determination at 10:00 a.m. on January 13, 1983, at the U.S. Department of Commerce, Room B841, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy Assistant Secretary for Import Administration, Room 3099B, at the above address within ten days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs in at least ten copies must be submitted to the Deputy Assistant Secretary by January 6, 1983. Oral presentations will be limited to issues raised in the briefs. All written views should be filed in accordance with 19 CFR 353.46, within thirty days of this notice's publication,

at the above address and in at least ten copies.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

December 14, 1982.

Appendix—Product Description: Certain Stainless Steel Sheet and Strip Products

For the purpose of this investigation, the term "certain stainless steel sheet and strip products" covers hot or cold-rolled stainless steel sheet or strip, excluding hot or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the *Tariff Schedules of the United States Annotated.*

Hot-rolled stainless steel sheet covers hot-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inches in width. Hot-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

Cold-rolled stainless steel sheet covers cold-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless strip is flat-rolled stainless steel strip product whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; under 0.1875 inch in thickness and over 0.50 inch in width but not over 12 inches in width. Cold-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included in this investigation.

[FR Doc. 82-34334 Filed 12-16-82; 8:45 am]
BILLING CODE 3510-25-M

[Investigation No. 731-TA-92 (Final)]

Stainless Steel Sheet and Strip From the Federal Republic of Germany

AGENCY: International Trade Commission.

ACTION: Institution of final antidumping investigation and scheduling of a hearing to be held in connection with the investigation.

SUMMARY: As a result of an affirmative preliminary determination by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that imports from the Federal Republic of Germany of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated, are being, or are likely to be, sold in the United States at less than fair value (LTFV) within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673), the United States International Trade Commission hereby gives notice of the institution of investigation No. 731-TA-92 (Final) under section 735(b) of the act (19 U.S.C. 1673d(b)) to determine whether 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 such merchandise. Unless the investigation is extended, the Department of Commerce will make its final dumping determination in the case on or before March 1, 1983, and the Commission will make its final injury determination by April 8, 1983 (19 CFR 207.25).

EFFECTIVE DATE: December 17, 1982.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen A. Vastagh (202-523-0283), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.—On June 2, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly LTFV imports of stainless steel and strip from the Federal Republic of Germany. The preliminary investigation was instituted in response to a petition filed on April 28, 1982, by members of the Tool & Stainless Steel Industry Committee (since renamed: Specialty Steel Industry of the United States), and the United Steelworkers of America.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11, as amended by 47 FR 6189, Feb. 10, 1982), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to §201.11(d) of the Commission's rules (19 CFR 201.11(d), as amended by 47 FR 6189, Feb. 10, 1982). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

Staff report.—A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on February 15, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a joint hearing in connection with this investigation and with Inv. 731-TA-95 (Final), Stainless Steel and Strip from France, beginning at 10:00 a.m. on March 3, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on February 14, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on February 17, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is February 25, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR

207.22, as amended by 47 FR 33682, Aug. 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24, as amended by 47 FR 6191, Feb. 10, 1982) and must be submitted not later than the close of business on March 11, 1983.

Written submissions.—As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before March 11, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, Feb. 10, 1982, and 47 FR 13791, Apr. 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207, as amended by 47 FR 6190, Feb. 10, 1982, and 47 FR 33682, Aug. 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6188, Feb. 10, 1982; 47 FR 13791, Apr. 1 1982; and 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20, as amended by 47 FR 6190, Feb. 10, 1982).

By order of the Commission.

Issued: December 28, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-210 Filed 1-4-83; 8:45 am]

BILLING CODE 7020-02-M

Notices

Federal Register
Vol. 48, No. 24
Thursday, February 3, 1983

Postponement of Final Determination; Certain Stainless Steel Sheet and Strip Products From the Federal Republic of Germany

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of postponement of final determination.

SUMMARY: The Department of Commerce hereby extents the period for its final determination with respect to the antidumping investigation of certain stainless steel sheet and strip products from the Federal Republic of Germany (FRG). The final determination will be made no later than May 2, 1983.

EFFECTIVE DATE: February 3, 1983.

FOR FURTHER INFORMATION CONTACT: Charles E. Wilson, Office of Investigations, Import Administration, International Trade Administration, United States Department of Commerce, 14th Street & Constitution Avenue, N.W., Washington, D.C. 20230 (202) 377-5288.

SUPPLEMENTARY INFORMATION: On November 22, 1982, the Department of Commerce determined preliminarily that certain stainless steel sheet and strip products from FRG were being sold, or were likely to be sold, at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act). We announced our determination in the Federal Register on December 17, 1982 (47 FR 56529).

An exporter who accounted for a significant proportion of exports of the merchandise which is the subject of this investigation requested that the Department extend the period for final determination. This request is in accordance with section 735(a)(2)(A) of the Act (19 U.S.C. 1673d(a)(2)(A)).

Accordingly, the period for determination in this case is hereby postponed. Final determination will be made not later than May 2, 1983.

Public Comment

A public hearing was requested in accordance with § 355.35 of the Commerce Regulations. The hearing has been rescheduled and will be held at 10:00 a.m. on February 28, 1983 at the Department of Commerce, Room 3708, 14th Street & Constitution Avenue, N.W., Washington, D.C. 20230. One brief has been submitted. Any additional briefs concerning this matter should be submitted to the Deputy Assistant Secretary by February 22, 1983, at the above address.

Dated: January 28, 1983.

Gary N. Horlick,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 83-2930 Filed 2-2-83; 8:45 am]

BILLING CODE 3510-25-M

[Investigation No. 731-TA-92 (Final)]

Stainless Steel Sheet and Strip From Germany; Import Investigation

AGENCY: International Trade Commission.

ACTION: Rescheduling of the hearing to be held in connection with the subject investigation.

EFFECTIVE DATE: February 10, 1982.

SUMMARY: As a result of the extension by the United States Department of Commerce of its investigations involving stainless steel sheet and strip from the Federal Republic of Germany (48 FR 4864, February 3, 1983), the United States International Trade Commission hereby gives notice that its hearing scheduled for March 3, 1983 in connection with the subject investigation (48 FR 538), is rescheduled for May 4, 1983. Other dates specified in 48 FR 538, such as those for the prehearing conference and for the submission of briefs, are also rescheduled as indicated below.

FOR FURTHER INFORMATION CONTACT: Mr. Stephen A. Vastagh (202-523-0283), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.—On June 2, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigation, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly LTFV imports of stainless steel and strip from the Federal Republic of Germany. The preliminary investigation was instituted in response to a petition filed on April 26, 1982, by members of the Tool & Stainless Steel Industry Committee (since renamed: Specialty Steel Industry of the United States), and the United Steelworkers of America.

Participation in the investigation.—Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11, as amended by 47 FR 6189, Feb. 10, 1982), not later than 21 days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to section 201.11(d) of the Commission's rules (19 CFR 201.11(d), as amended by 47 FR 6189, Feb. 10, 1982). Each document filed by a party to this investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR § 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

Staff report.—A public version of the staff report containing preliminary findings of fact in this investigation will be placed in the public record on April 21, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing.—The Commission will hold a joint hearing in connection with this investigation and with Inv. 731-TA-95 (Final), Stainless steel and Strip from France, beginning at 10:00 a.m. on May 4, 1983, at the U.S. International Trade Commisison Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the secretary to the Commisison not later than the close of business (5:15 p.m.) on April 12, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on April 20, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 29, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug. 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, Aug. 4, 1982). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24, as amended by 47 FR 6191, Feb. 10, 1982) and must be submitted not later than the close of business on May 12, 1983.

Written submissions.—As mentioned, parties to this investigation may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before May 12, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201.8, as amended by 47 FR 6188, Feb. 10, 1982, and 47 FR 13791, Apr. 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of the investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procecure, part 207, subparts A and C (19 CFR part 207, as amended by 47 FR 6190, Feb. 10, 1982, and 47 FR 33682, Aug. 4, 1982), and part 201, subparts A through E (19 CFR part 201, as amended by 47 FR 6188, Feb. 10, 1982; 47 FR 13791, Apr. 1, 1982; and 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to section 207.20 of the Commission's rules (19 CFR 207.20, as amended by 47 FR 6190, Feb. 10, 1982).

By order of the Commission.

Issued: February 15, 1983.

Kenneth R. Mason,

Secretary.

A-102

[FR Doc. 83-4708 Filed 2-23-83; 8:45 am]

BILLING CODE 7020-02-M

Certain Stainless Steel Sheet and Strip Products From the Federal Republic of Germany; Final Determinations of Sales at Less Than Fair Value

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of final determinations of sales at less than fair value.

SUMMARY:

We have determined that certain stainless steel and strip products from the Federal Republic of Germany (FRG) are being sold in the United States at less than fair value. The United States International Trade Commission (ITC) will determine within 45 days of publication of this notice whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

EFFECTIVE DATE: May 6, 1983.

FOR FURTHER INFORMATION CONTACT: Charles Wilson or David Layton, Office of Investigations, Import Administration, United States Department of Commerce, 14th Street and Constitution Ave., N.W., Washington, D.C. 20230 (202-377-5288) or (202-377-0160).

SUPPLEMENTARY INFORMATION:

Case History

On April 26, 1982, we received a petition filed by counsel on behalf of eleven United States specialty steel producers and on behalf of the United Steel Workers of America. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports from the FRG of certain stainless steel sheet and strip products are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

After reviewing the petition, we determined it contained sufficient grounds to inititate antidumping investigations. We notified the ITC of our action and initiated the investigations on May 17, 1982 (47 FR 22132). On June 10, 1982, the ITC found that there is a reasonable indication that imports of stainless steel sheet and strip products are materially injuring, or are threatening to materially injure, a United States industry.

We determined these cases to be "extraordinarily complicated", as defined in section 733(c) of the Act. Therefore, we extended the period for making our preliminary determinations by 50 days until November 22, 1982 (47 FR 41800).

Questionnaires were presented to Krupp and Thyssen on June 3, 1982. Their initial responses were received on August 9 and 13, 1982. VDM requested a questionnaire on June 25, 1982, and submitted its response on August 13, 1982. Our review of the responses revealed numerous deficiencies, and we requested additional information and non-confidential summaries which were submitted in part on various dates from October 4 through November 18, 1982.

Some deficiencies were not corrected for us to use the responses in our preliminary determinations. Therefore, we based our preliminary determinations of November 22, 1983 on the best information available, which was contained in the petition.

On December 2, 1982, Krupp commenced an action in the Court of International Trade to enjoin the Department from publishing its preliminary determinations. The Court issued an order temporarily suspending publication of this notice. The Court dismissed Krupp's action on December 13, 1982, and the notice was published in the Federal Register on December 17, 1982.

Our notice of preliminary determinations provided interested parties an opportunity to submit views orally and in writing. We did not hold a public hearing, because the only interested party requesting a hearing later withdrew its request.

On February 3, 1983, we published a notice extending the period for making our final determinations by 60 days until May 2, 1983, at the request of exporters who accounted for a significant proportion of exports of this merchandise, in accordance with section 735(a)(2) of the Act (48 FR 4864).

On January 17, 18, and 21, 1983, we verified the response of VDM. On January 19 and 20, 1983, we verified the response of Krupp. On January 24 through 28, 1983, we verified the response of Thyssen. Our verification revealed further deficiencies in the responses of all three companies, and we requested clarifying information from VDM and Krupp. We also requested additional and corrected information from Thyssen. We received the information requested from VDM on February 1, 1983, from Krupp on February 25, 1983, and from Thyssen on February 28, 1983.

We verified Thyssen's exporter's sales price portion of the response on February 14 and 15, 1983, at Thyssen Specialty Steel, Inc., in Chicago. We verified Krupp's exporter's sales price portion of the response on February 16 and 17, 1983, at Krupp Specialty Steel, Inc., in Chicago. VDM does not have exporter's sales price sales. We verified a portion of its response on February 23, 1983, at VDM Technologies Corporation in Rye, New York.

In addition we again verified from March 28 through 31, 1983, in the FRG, the material resubmitted by Thyssen in response to our request.

On April 6 and 7, 1983, we requested additional information from Thyssen, which we received before the April 13 deadline. We verified this information on April 14, 1983, at Thyssen Specialty Steel, Inc., in Chicago.

Scope of Investigations

The certain stainless steel sheet and strip products covered by these investigations are:

- Cold-rolled stainless steel sheet.
- Cold-rolled stainless steel strip.
- Hot-rolled stainless steel sheet.
- Hot-rolled stainless steel strip.

For a further description of these products see the appendix appearing with this notice.

Since Krupp, Thyssen and VDM manufacture and export virtually all the certain stainless steel sheet and strip products exported from the FRG to the United States, we limited our investigations to them.

These investigations cover the period from July 1 to December 31, 1981, for purchase price sales and from October 1, 1981 to March 31, 1982, for exporter's sales price transactions.

None of the manufacturers have had sales of hot-rolled stainless steel sheet and strip during the period of investigation. In absence of assurances that they will not sell hot-rolled stainless steel sheet and strip, we conclude that there is a likelihood of sales at less than fair value. Therefore, we are applying the same weighted-average margin for hot-rolled stainless steel sheet as we did for cold-rolled stainless steel sheet and the same weighted-average margin for hot-rolled stainless steel strip as we did for cold rolled stainless steel strip.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared United States price with the foreign market value.

United States Price

For Thyssen and Krupp, we used purchase price to represent United States price for sales made to unrelated purchasers prior to importation into the United States, and exporter's sales price for sales made to unrelated purchasers after importation into the United States in accordance with section 772 of the Act. In the case of VDM, we used purchase price to represent United States price, because the merchandise was sold to unrelated purchasers prior to importation into the United States.

We calculated the purchase price based on the f.o.b., c. & f., c.i.f., and c.i.f., delivered, duty paid, packed price to unrelated purchasers. Where appropriate, we made deductions for foreign inland freight, foreign inland insurance, ocean freight and marine insurance, United States duty, customs brokerage, United States inland freight, and United States inland insurance.

Where we used exporter's sales price, we deducted, where appropriate, credit, warranty, quality control inspection and works certificate expenses, cutting costs, commissions, and other selling expenses incurred in the United States. We also deducted, where appropriate, the value of a cutting process incurred in the United States.

We did not deduct an amount erroneously reported by Krupp as commissions.

Regarding sales by Thyssen to an unrelated firm in Switzerland, we have concluded from the information submitted by Thyssen that it knew or should have known that all or part of the merchandise was destined for the United States at the time of purchase by the Swiss firm. Therefore, we are calculating the United States price of these sales based on the purchase price of the Swiss firm.

Foreign Market Value

In accordance with section 773 of the Act, we calculated foreign market value based on home market sales. For purposes of determining similar merchandise under section 771(16) of the Act, we made comparisons based on dimensional categories selected by a Commerce Department industry expert.

The home market prices for all three manufacturers were based on delivered, packed prices to unrelated purchasers. From these prices we deducted, where appropriate, inland freight, inland insurance, discounts and rebates. We made adjustments, where appropriate, for credit, warranty, quality control inspection and works certificate expenses, cutting costs, and costs of materials, labor, and directly related factory overhead associated with differences in the merchandise.

Where we used exporter's sales price, we treated credit, warranty, quality control inspection, and works certificate expenses, and cutting costs as deductions, where appropriate, and also deducted indirect selling expenses to offset United States selling expenses.

Krupp: Krupp made a claim for an adjustment for physical differences in the merchandise related to extra specification costs. This adjustment relates to extra specifications—e.g. higher finish cost and greater tensile strength cost—required by purchasers in the home market for the same grades of steel. We did not allow the following portions of this claim: conventional casting versus continous casting cost, visual inspection costs, or technical services element costs, because they are not directly related to differences in the physical characteristics of the merchandise as required by § 353.16 of the Commerce Regulations.

We allowed the remainder of this claimed adjustment for the period through October 1, 1981, the effective date of new pricing regulations of the European Economic Communities which prevented Krupp from charging for specification differences on the same grades of steel.

We did not allow as a circumstance of sale adjustment an expense for technical services, because Krupp did not demonstrate that this claim was directly related to the sales of the merchandise covered by these investigations as required by § 353.15 of the Commerce Regulations.

Thyssen: We allowed a claim for after-sale warehousing expenses, because Thyssen demonstrated that these expenses were incurred after the sale by specific contractual agreement. We did not allow a claim for warehousing costs incurred in sales from inventory, because we do not consider these costs directly related to the sales under consideration as

required by § 353.15 of the Commerce Regulations.

For the same reason as stated for Krupp, we did not allow as a circumstance of sale adjustment Thyssen's claim for an expense for technical services.

Regarding the sales by Thyssen through a Swiss firm, we calculated the foreign market value based on Thyssen's home market price in the FRG of similar merchandise.

VDM: We did not allow as circumstances of sale adjustments claims for technical and laboratory services, credit costs for cash discounts, and selling expenses, because VDM did not demonstrate that these claims were directly related to the sales of the merchandise covered by these investigations as required by § 353.15 of the Commerce Regulations.

Verification

In accordance with section 776(a) of the Act, we verified all of the information used in making these determinations. We were granted access to the books and records of Thyssen, Krupp, VDM, Thyssen Specialty Steel, Inc., Krupp Specialty Steel, Inc., and VDM Technologies, Inc. We used standard verification procedures, including examination of accounting records, financial statements, and selected documents containing relevant information.

Result of Investigations

We made fair value comparisons on all the reported cold-rolled stainless steel sheet and strip sold in the United States by the three German companies during the investigative period. For cold-rolled stainless steel sheet, margins were found on 73 percent of metric tons sold. The margins ranged from .05 percent to 106.37 percent. The overall weighted-average margin on these sales was 7.4 percent. For cold-rolled stainless steel strip, margins were found on 29 percent of metric tons sold. The margins ranged from .07 percent to 243.72 percent. The overall weighted-average margin on these sales was 2.98 percent.

Final Determinations

Based on our investigations and in accordance with section 735(a) of the Act, we have reached final determinations that certain stainless steel sheet and strip products from the FRG are being sold in the United States at less than fair value within the meaning of section 731 of the Act.

Continuation of Suspension of Liquidation

Liquidation will continue to be suspended on all entries of certain stainless steel sheet and strip products from the FRG. The United States Customs Service will continue to require the posting of a cash deposit, bond, or other security in amounts of the following overall weighted-average margins for certain stainless steel sheet and strip. The bond or cash deposit requirements established in our preliminary determinations of December 17, 1982, are no longer in effect.

	Weighted-average margins
Cold-rolled stainless steel sheet:	
Krupp	7.76
Thyssen	6.47
VDM	7.40
All Other Manufacturers/Producers/Exporters	7.40
Cold-rolled stainless steel strip:	
Krupp	3.03
Thyssen	1.49
VDM	4.72
All Other Manufacturers/Producers/Exporters	2.98
Hot-rolled stainless steel sheet:	
Krupp	7.76
Thyssen	6.47
VDM	7.40
All Other Manufacturers/Producers/Exporters	7.40
Hot-rolled stainless steel strip:	
Krupp	3.03
Thyssen	1.49
VDM	4.72
All Other Manufacturers/Producers/Exporters	2.98

ITC Notification

We are notifying the ITC and making available to it all non-privileged and non-confidential information relating to these determinations. We will 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. If the ITC determines that material injury or threat of material injury does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on certain stainless steel sheet and strip products from the FRG entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price. This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

Lawrence J. Brady,

Assistant Secretary for Import Administration.

May 2, 1983.

Appendix—Product Description: Certain Stainless Steel Sheet and Strip Products

For the purposes of these investigations, the term "certain stainless steel sheet and strip products" covers hot- or cold-rolled stainless steel sheet or strip, excluding hot- or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 on the *Tariff Schedules of the United States Annotated.*

Hot-rolled stainless steel sheet covers hot-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inces in width. Hot-rolled stainless strip, including razor blade strip, not over 0.01 inch in thickness is not included. Cold-rolled stainless steel sheet covers cold-rolled stainless steel products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless strip is a flat-rolled stainless steel strip product whether or not corrugated or crimped and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; under 0.1875 inch in width. Cold-rolled stainless steel strips, including razor blade strip, not over 0.01 inch in thickness is not included in these investigations.

[FR Doc. 83-12138 Filed 5-5-83; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX B

LIST OF WITNESSES APPEARING AT THE PUBLIC HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

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

Subject : Stainless Steel Sheet and Strip from the Federal Republic of Germany and France

Inv. Nos. : 731-TA-92 and 731-TA-95 (Final)

Subject : Stainless Steel Sheet, Strip, and Plate from The United Kingdom

Inv. Nos. : 701-TA-195 and 196 (Final)

Date and time: May 4, 1983 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Streeet, N.W., in Washington.

In support of the imposition of antidumping and/or countervailing duties

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

The Specialty Steel Industry of the United States and the United Steelworkers of America

Robert E. Heaton, President, Washington Steel Corporation

Claude F. Kronk, Vice President-Specialty Steels, Jones and Laughlin, Inc.

Robert Buzzone, Executive Vice President and General Manager, Allegheny Ludlum Steel Corporation

Bruce P. Malashevich, Economic Consulting Services

Clarisse Morgan, Economic Consulting Services

David A. Hartquist)
Paul C. Rosenthal) --OF COUNSEL

In opposition to the imposition of antidumping and/or countervailing duties

Covington & Burling--Counsel
Washington, D.C.
on behalf of

Ugine Gueugnon and Intsel Corporation

Yves Jullien, Export Sales Manager

Fred Signer, Division Manager, Stainless Flat Production Division

Paul K. Moffat, Director of Procurement and Material Management of Texas Instruments

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

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

Union Siderurgique du Nord et l'Est de la France-Chatillon Division ("Chatillon:), a French producer

Richard E. Hull)
Melvin Schwechter) --OF COUNSEL

Cleary, Gottlieb, Steen & Hamilton--Counsel
Washington, D.C.
on behalf of

Peugeot-Loire

Richard deC. Hinds)--OF COUNSEL

Coudert Brothers--Counsel
Washington, D.C.
on behalf of

Krupp Stahl AG

Milo G. Coerper)
Mark D. Herlach) --OF COUNSEL

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

Thyssen Edelstahlwerke AG
and
Thyssen Specialty Steels, Inc.

Alfred E. McCauley--OF COUNSEL

Steptoe & Johnson--Counsel
Washington, D.C.
on behalf of

Michael Sandler)
Sally J. Cummins)--OF COUNSEL
Lindsey Lang)

APPENDIX C

FEDERAL REGISTER NOTICES ON STAINLESS STEEL SHEET AND STRIP FROM FRANCE

Commission's Preliminary Injury Determination (47 F.R. 28486)
Commerce's Preliminary Dumping Determination (47 F.R. 55404)
Commission's Institution of Final Injury Investigation (48 F.R. 539)
Commerce's Extension of Final Dumping Investigation (48 F.R. 1529)
Commission's Rescheduling Public Hearing on Injury (48 F.R. 7824)
Commerce's Final Dumping Determination (48 F.R. 19441)
Commerce's Amendment to Final Dumping Determination (48 F.R. 25244)

[Investigation No. 731-TA-96 (Preliminary)]

Stainless steel Sheet and Strip From France

Determination

On the basis of the record [1] developed in the subject investigation, the Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)), that there is a reasonable indication that a industry in the United States is materially injured or threated with material injury by reason of imports from France of stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the Tariff Schedules of the United States Annotated, which are alleged to be sold, or likely to be sold, in the United States at less than fair value (LTFV).[2]

Background

On May 10, 1982, petitions were filed with the Commission and the Department of Commerce by members of the Tool and Stainless Steel Industry Committee [3] and the United Steelworkers of America alleging that imports of stainless steel sheet and strip from France are being, or are likely to be, sold in the United States at LTFV within the meaning of section 731 of the Tariff Act of 1930 (19 U.S.C. 1673). Accordingly, effective May 10, 1982, the Commission instituted a preliminary antidumping investigation under section 733(a) of the Act (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise from France.

Notice of the institution of the Commission's investigation and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of May 19, 1982 (47 FR 21642). The conference was held in Washington, D.C., on June 7, 1982, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of The Commission

Introduction

After considering the record in this investigation, we determine, pursuant to section 733(a) of the Tariff Act of 1930, that there is a resonable indication that an industry in the United States is materially injured or threatened with material injury [4] by reason of imports of stainless steel sheet and strip from France which are allegedly being sold or are likely to be sold at less than fair value. Our determination is based primarily upon the deteriorating condition of the domestic industry, the growing market share of imports of sheet and strip from France, and the preliminary indications of underselling and lost sales caused by these imports.[5]

In the following analysis, we first define the domestic industry, then examine the state of the domestic industry in terms of the relevant economic indicators. Finally, we consider the causal relationship between the state of the domestic industry and the allegedly dumped imports from France.

Domestic Industry

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[6] Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the article under investigation.[7]

The products being imported are stainless steel[8] sheet and strip. These are flat-rolled stainless steel products produced by passing slabs or sheet bars through a series of reducing rolls on continuous or hand mills. They are principally used in applications requiring resistance to oxidation and/or corrosion and are produced with a wide range of tolerances and finishes, depending on application. Stainless sheet and strip are generally considered to be finished products.

Stainless steel sheet and strip products imported from France and domestic products of the same grades and specifications are essentially identical in metallurgical composition, sizes, and quality.[9] There are generally

[1] The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Commissioners Frank and Haggart determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

[3] Member firms included Allegheny Ludlum Steel Corp., Armco Inc., Carpenter Technology Corp., Colt Industries, Inc. (Crucible Materials Group), Eastern Stainless Steel Co., Guteri Special Steel Corp., Jessop Steel Co., Jones & Laughlin Steel, Inc., Republic Steel Corp., Universal-Cyclops Specialty Steel Division, Cyclops Corp., and Washington Steel Corp.

[4] Commissioners Frank and Haggart, having found material injury, do not reach the issue of threat of material injury.

[5] Commissioner Frank notes that the statute and legislative history require the Commission in its preliminary determinations in both antidumping the contervailing 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 injury, threat thereof or material retardation. H.R. Rep. No. 96-317, 96th Cong., 1st Sess., 52 (1979).

[6] 19 U.S.C. 1677(4)(A).

[7] 19 U.S.C. 1677(10).

[8] Stainless steel is an alloy steel containing by weight less than 1 percent of carbon and over 11.5 percent of chromium. Although the alloy mix generally includes nickel, molybdenum, and manganese, which improves its performance under chemical or temperature stress, it is primarily the addition of chromium which makes the product corrosion resistant.

[9] Respondents argue that the quality of grades 430 and 434—which constitute the bulk of imports of sheet and strip from France—is better than that

no stainless steel products that are imported from France that are not produced by domestic producers. Nor generally are there stainless steel products that are imported from France that are not produced in sufficient quantity by domestic producers to satisfy consumer demand within the United States.[10]

Stainless steel sheet is often fabricated into food processing equipment, chemcial fertilizer tanks, liquid gas storage tanks, hospital equipment, and military equipment. Stainless steel strip is used in automobiles, appliances, industrial equipment and military equipment.[11]

Sheet and strip[12] are metallurgically identical, and both are under 0.1875 of an inch in thickness. The only difference between sheet and strip is width. Sheet is 24 inches or wider, whereas strip is less than 24 inches in width.[13]

Strip is often produced by "slitting," or slicing sheet at one of the last stages in the production process. Although certain producers manufacture both sheet and strip on the same mill equipment,[14] other mills produce only strip. Many service center customers purchase sheet which they themselves slit into strip. Most of the petitioners produce both sheet and strip.[15]

Sheet and strip can be further differentiated. Both can be produced as hot-rolled or cold-rolled products. Hot-rolled sheet and strip are primarily intermediate products that are used to produce cold-rolled sheet and strip. Cold-rolled sheet or strip is hot-rolled sheet or strip that is subjected to the additional steps of pickling, high pressure rolling, and annealing to attain more uniform dimensions and a smoother surface.

Stainless steel sheet and strip are predominantly cold-rolled.[16] Hot-rolled stainless steel sheet and strip as a finished product accounts for only approximately 5 percent of total domestic production of stainless steel sheet and strip and approximately 2 percent of imports from France.[17] In addition, the information currently available to the Commission indicates that much of the hot-rolled product which is sold as a finished product is purchased for subsequent cold-rolling,[18] and that the uses for hot-rolled and cold-rolled sheet and strip overlap.[19]

Based on the data presently available, no meaningful distinctions are evident between the characteristics and uses of the finished hot-rolled product and the cold-rolled product.[20] Therefore, for the purposes of this preliminary determination, we determine that the like product is all stainless steel sheet and strip, whether hot-rolled or cold-rolled, and that the domestic industry is composed of the producers of stainless steel sheet and strip.[21]

Reasonable Indication of Material Injury

Section 733(a) of the Tariff Act of 1930 provides that the Commission shall make a determination as to whether there is a reasonable indication of material injury based on the best information available to it. Section 771(7) directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) the effect of imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products.

Condition of the Domestic Industry[22]

The domestic stainless steel sheet and strip industry is experiencing difficulties. The industry's production, shipments, capacity utilization, and employment have declined since 1979. Financial indicators for sheet and strip production also present a negative trend. Gross profits, operating profits, net profit before taxes, the ratio of operating profits to net sales, and cash flow all declined steadily—if not precipitously—between 1979 and 1981.

Volume of Imports[23]

As the condition of the domestic industry deteriorated and its share of the U.S. market declined during the period under investigation, the volume of imports of stainless steel sheet and strip from France rose, both in absolute and relative terms. In 1981, France was the third largest foreign supplier of stainless steel sheet and strip to the U.S.

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supplied by domestic producers. The best information available at this time is inconclusive on the issue of quality. *See* Report at A-38 (Purchaser 1) and Report at A-39 (Purchaser 5). However, there are indications that price, not quality, is the key factor in purchasing decisions. Report at A-37, Report at A-39 (Purchaser 2).

[10] The respondents allege that a U.S. purchaser has not been able to obtain a sufficient domestic supply of an alleged "modified" grade 434 product. We have obtained indications to the contrary. This issue will be further explored in any final investigation if appropriate.

[11] Staff Report at A-7.

[12] Hereinafter, the terms "sheet" or "strip" refer to stainless steel sheet or strip.

[13] This is the American Iron and Steel Institute (AISI) standard. The TSUSA defines sheet as having a minimum width over 12 inches, and strip as having a maximum width under 12 inches.

[14] The term "mill" refers to one piece of equipment or series of pieces of equipment that produce a certain product. Within one stainless steel plant, there may be several mills, each producing a different product or products.

[15] Report at 1-10. Cuteral Specialty Steel Corp. and Jessop Steel Co. produce sheet but not strip. Carpenter Technology Corp. produces strip but not sheet. Petition at 5-6.

[16] Report at A-7.

[17] *Id.*

[18] Petitioners' post conference brief at 2; Conference Transcript at 65. The hot-rolled product sold for this purpose is referred to in the industry as "reroller". Conference Transcript in inv. No. 731-TA-62 (West Germany) at 50.

[19] Conference Transcript in inv. No. 731-TA-62 (West Germany) at 80.

[20] In the carbon steel investigations, hot-rolled and cold-rolled sheet and strip were treated for the purposes of our preliminary determinations as two industries. (Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, The Netherlands, Romania, The United Kingdom, and West Germany, inv. Nos. 701-TA-68 through 144, 146, and 147 and 731-TA-53 through 86 (Preliminary) (USITC Publications 1221 and 1226) (February 1982). For the reasons mentioned above, in this stainless steel investigation such a differentiation does not appear to be appropriate.

[21] We emphasize that the definition of the domestic industry in this preliminary investigation is based on the information now available. Based on the recorded developed in any final investigation, a different definition of the domestic industry is not precluded.

[22] Our views regarding the condition of this industry are contained in the Commission's recent opinion, Stainless Steel Sheet and Strip from West Germany, 731-TA-62 (USITC Publication 1252) (June, 1982) at 10-11.

[23] Chairman Eckes and Commissioners Stern and Haggart have found a reasonable indication of material injury or threat of material injury on the basis of imports of sheet and strip from France alone. In the event that final investigations are conducted on this case and any other cases on stainless steel sheet and strip, they do not rule out cumulation if the record developed demonstrates that it is appropriate.

Commissioner Calhoun's views on cumulation are set forth in certain Steel Products from Spain, inv. Nos. 701-TA-155 through 169 (Preliminary) (June, 1982) at 23-26.

Commissioner Frank believes that the factors and conditions of trade affecting the pertinent domestic industry would warrant cumulation of imports of stainless steel sheet and strip subject to this investigation with imports of stainless steel sheet and strip from West Germany subject to the recently concluded Commission's preliminary investigation No. 731-TA-62. However, in analyzing the data in the record developed in this investigation, he found a reasonable indication of material injury on the basis of imports of sheet and strip from France alone, and did not believe it necessary to cumulate at this time. In the event that final investigations are conducted in this case and any other cases for stainless steel sheet and strip, he does not preclude cumulation at that time of such imports if the record developed demonstrates that it is appropriate to do so. See his views on cumulation in the carbon steel investigations, Certain Steel Products from Belgium, Brazil, France, Italy, Luxembourg, the Netherlands, Romania, the United Kingdom and West Germany, inv. Nos. 701-TA-68 through 144, 146 and 147 and 731-TA-53 through 86 (Preliminary) (USITC Publications 1221 and 1227) (February, 1982) at 127-29.

The respective views of Commissioners Calhoun, Stern and Frank on the issue of cumulation of imports subject to an investigation under section 301 of the Trade Act of 1930 are set forth in Stainless Steel Sheet and Strip from West Germany, inv. No. 731-TA-62 (Pub. No. 1252) (June, 1982) at 9-10 and 7, note 17.

market.[24] In the first quarter of 1982, it surpassed Japan to become the second largest foreign supplier after West Germany.[25]

Imports from France declined slightly from 7,676 tons in 1979 to 6,187 tons in 1980, then more than doubled to 13,805 tons in 1981.[26] Imports in January-March 1982 amounted to 6,194 tons as compared with 2,427 tons for the first quarter of 1981.[27] The ratio of imports from France to apparent U.S. consumption also rose from 0.9 percent in 1979 and in 1980 to 1.8 percent in 1981, and 3.6 percent in the first quarter of 1982, as compared with 1.2 percent in the first quarter of 1981.[28]

Effect of Imports on Prices

Although the data base is limited, there are indications that imports from France have been underselling the domestic product. The Commission investigation revealed significant margins of underselling for two product specifications of imports from France during the period under investigation. The margins for one specification ranged from 16 to 26 percent.[29] Also, contacts with purchasers indicate that the imported products undersell domestic products by 5 to 30 percent.[30]

There are also indications of sales lost by domestic producers to imports from France. It was confirmed that two sales totalling 550 tons of sheet or strip were lost to imports from France on the basis of price.[31]

Reasonable Indication of a Threat of Material Injury[32]

The issue of whether there is a reasonable indication of a threat of material injury turns on the "likelihood of a particular situation developing into actual material injury."[33] The threat must be real and the injury imminent, not a mere possibility based on supposition and conjecture.[34] In examining threat of material injury, the Commission looks for, among other factors, demonstrable trends in the following areas: (1) the rate of increase of the allegedly dumped exports to the U.S. market; (2) importers' inventories; (3) capacity in the exporting country to generate exports; and (4) the likelihood that such exports will be directed to the U.S. market taking into account the availability of other export markets.[35]

The steadily increasing rate of imports from France, both in absolute terms and in terms of the ratio of imports from France to domestic consumption, has already been noted. This is seen even more clearly in an examination of quarterly import penetration data for 1981 and 1982. In nearly every quarter, import penetration by the alleged LTFV imports has increased.[36]

Importers' inventories of stainless steel sheet and strip imported from France in December 1981 were more than double those in December, 1980.[37] In addition, inventories reported in March 1982 were significantly greater than those reported in December 1981, and more than three times greater than those reported in March 1981.[38]

Conclusion

Therefore, on the basis of the best available information, we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury[39] by reason of imports of stainless steel sheet and strip from France, which are allegedly being sold or are likely to be sold at less than fair value.

By Order Of The Commission.

Issued: June 24, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-17662 Filed 6-29-82; 8:45 am]

BILLING CODE 7020-02-M

[24] Report at A-28.

[25] *Id.*

[26] *Id.* at A-27 (Table 15).

[27] *Id.*

[28] *Id.* at A-27 (Table 15).

[29] *Id.* at A-36. The exact margins of underselling on the second specification are confidential information.

[30] *Id.* at A-38 (Purchaser 1) and A-39 (Purchasers 2 and 4).

[31] *Id.* at A-38-39 (Purchasers 1 and 3).

[32] See note 1 at 3.

[33] H.R. Rep. No. 96-317, 96th Cong., 1st Sess. 47 (1979).

[34] S. Rep. No. 96-249, 96th Cong., 1st Sess. 88-89 (1979); S. Rep. No. 1298, 93d Cong., 2d Sess. 180 (1974); Alberta Gas Chemicals, Inc. v. United States, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

[35] Should this case return for a final investigation, we expect to obtain information concerning French capacity to generate exports and the likelihood that such exports will be directed to the United States. In particular, petitioners argue that the government of France has targeted the specialty steel sector as one from which greater export performance will be encouraged in the next few years. Petitioners further argue that an EC minimum price policy which was instituted in October, 1981, has stifled competition among EC producers within the EC, and has thereby provided a significant incentive to compete via price in non-EC markets such as the United States in order to capture greater market shares. Conference Transcript at 28-29. We do not have sufficient information to evaluate these claims at this time. However, we invite fuller discussion of these issues should this case return for a final investigation.

[36] Report at A-28.

[37] *Id.* at A-22.

[38] *Id.*

[39] See note 1 at 3.

[1] The "record" is defined in section 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Chairman Alberger not participating.

[3] For purposes of these investigations, small diameter carbon steel welded pipes and tubes are those, other than oil country goods, provided for in items 610.3208, 610.3209, 610.3231, 610.3232, 610.3241, 610.3244, and 610.3247 of the Tariff Schedules of the United States Annotated (TSUSA).

[4] Commissioners Eckes, Frank, and Haggart determine that there is a reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

[5] Commissioner Stern dissenting.

[6] For purposes of these investigations, large diameter carbon steel welded pipes and tubes are those, other than oil country goods, provided for in items 610.3211 and 610.3251 of the TSUSA.

[7] Commissioners Eckes and Haggart determine that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports.

[8] Vice Chairman Calhoun and Commissioner Frank dissenting.

[9] Commissioner Frank dissenting.

DEPARTMENT OF COMMERCE

International Trade Administration

Preliminary Determinations of Sales at Less Than Fair Value; Certain Stainless Steel Sheet and Strip Products From France

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of preliminary determinations of sales at less than fair value: Certain stainless steel sheet and strip products from France.

SUMMARY: We have preliminarily determined that certain stainless steel sheet and strip products from France are being sold, or are likely to be sold, in the United States at less than fair value. Therefore, we have notified the United States International Trade Commission (ITC) of our determinations, and we have directed the United States Customs Service to suspend liquidation of all entries of the subject merchandise which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice and to require a cash deposit or bond for each such entry in an amount equal to the estimated dumping margins as described in the "Suspension of Liquidation" section of this notice.

If these investigations proceed normally, we will make final determinations by February 21, 1983.

DATE: Effective Date: December 9, 1982.

FOR FURTHER INFORMATION CONTACT: Raymond B. Busen, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 377-1784.

SUPPLEMENTARY INFORMATION:

Preliminary Determinations

We have preliminarily determined that there is a reasonable basis to believe or suspect that certain stainless steel sheet and strip products from France are being sold, or are likely to be sold, in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended (19 U.S.C. 1673) (the Act).

The estimated margins for individual products investigated are given in the "Suspension of Liquidation" section of this notice.

The estimated margins for Ugine-Gueugnon are based on the best information available as explained in the section of this notice which describes our fair value comparisons.

If these investigations proceed normally, we will make final determinations by February 21, 1983.

Case History

On May 10, 1982, we received a petition filed by counsel on behalf of eleven U.S. specialty steel producers and on behalf of the United Steelworkers of America. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports from France of certain stainless steel sheet and strip products are being sold, or are likely to be sold, in the United States at less than fair value within the meaning of section 731 of the Act and that these imports are materially injuring, or are threatening to materially injure, a United States industry.

After reviewing the petition, we determined that it contained sufficient grounds to initiate an antidumping investigations. We notified the ITC of our action and initiated the investigations on June 1, 1982 (47 FR 24764). On June 24, 1982, the ITC found that there is a reasonable indication that imports of stainless steel sheet and strip products are materially injuring, or are threatening to materially injure, a United States industry. We determined this case to be "extraordinarily complicated," as defined in section 733(c) of the Act. Therefore, we extended the period for making our preliminary determinations by 50 days until December 6, 1982 (47 FR 41799).

Questionnaires were presented to the Chatillon Division of Union Siderurgique (Usinor), Peugeot-Loire, and Ugine-Gueugnon of June 9, June 10, and June 18, 1982, respectively. The responses of Usinor and Peugeot-Loire were received in October 1982.

Scope of Investigations

The products covered by these investigations are certain stainless steel sheet and strip products. For a further description of these products, see the appendix appearing with this notice.

Since Usinor, Ugine-Gueugnon, and Peugeot-Loire manufacture and export virtually all the certain stainless steel sheet and strip products exported from France to the United States, we limited our investigations to them.

These investigations cover the period from August 1, 1981 to May 31, 1982 for purchase price sales, August 1, 1981 to April 30, 1982 for exporter's sales price transactions, and the last four most recently completed fiscal quarters for cost of production information.

Fair Value Comparison

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

United States Price

As provided in section 772 of the Act, we used the purchase price of the subject merchandise to represent the United States price for sales by Usinor and Peugeot-Loire because the merchandise was sold prior to the date of importation to unrelated United States purchasers. We made deductions, where appropriate, for United States inland freight, United States inland insurance, foreign inland freight, foreign inland insurance, customs brokerage, ocean freight, marine insurance, discounts and rebates. We also made deductions for collected export duties and other duties pursuant to section 772(d)(2)(B) of the Act. We made additions, where appropriate, for uncollected import duties pursuant to section 772(d)(1)(B) of the Act.

Foreign Market Value

In accordance with section 773 of the Act, we calculated foreign market value based on home market sales for both Usinor and Peugeot-Loire. For purposes of determining similar merchandise under section 771(16) of the Act, we made comparisons based on dimensional categories selected by a Commerce Department industry expert. For Ugine-Gueugnon we used the best information available as required by section 776(b) of the Act.

The petitioners also alleged that sales in the home market were at prices below the cost of production. In letters dated September 21 and 22, 1982, petitioners provided information in support of their allegation. On October 15 and 18, 1982, after having determined that the petitioners' information was adequate to support their allegation, we requested that the French producers provide cost of production information by not later than December 2, 1982. That information, if received in a timely manner, will be analyzed prior to our final determinations.

In the cases of Usinor and Peugeot-Loire, we calculated the home market prices on the basis of ex-mill unpacked prices to unrelated purchasers. We made deductions, where appropriate, for discounts, foreign inland freight, and foreign inland insurance. We also made adjustments, where appropriate, for credit expenses, commission, warranty, technical services, and other direct selling expenses.

We are also requesting Usinor and Peugeot-Loire to provide us with clarifying information concerning home market and United States selling expenses. We will also request certain information regarding similarity of merchandise in both markets. We consider the additional information requested as necessary refinements of data submitted in the response. If this supplemental information is not received by December 21, 1982, we may use only some or none of the information already received relative to these costs in making our final determinations. In that instance, we may resort to using the best information available for our final determinations.

In the case of Ugine-Gueugnon, we used the best information available because adequate responses were not submitted in time to allow analysis of the information. A full discussion of the reasons for using the best information available is contained in the "Supplemental Information Requested" section of this notice. The best information available for purposes of these preliminary determinations was the information on fair value margins, based on selling prices in the United States and France, contained in the petition. We used a simple average of the margins contained in the petition as the best information available because these margins were higher than the margins based on data supplied by Usinor and Peugeot-Loire.

Supplemental Information Requested

Section 776(b) of the Act states that whenever any party refuses or is unable to produce information requested, the Commerce Department may use the best information otherwise available for determining the existence of sales at less than fair value. We did so with respect to Ugine-Gueugnon for the following reasons.

We presented the questionnaire to Ugine-Gueugnon on June 18, 1982. The response was due not later than July 19, 1982. Subsequently, at the request of the respondent, we granted an extension for the response to August 2, 1982. The response was not received by that date. On August 24, 1982, we decided to extend the investigation period by an additional four months, and established September 30, 1982, as the new deadline for submission of a response.

On September 30, 1982, counsel for Ugine-Gueugnon notified us by letter that its response to our questionnaire would be late and that Ugine-Gueugnon would need an additional two to three weeks to file a complete response. On October 1, 1982, we notified counsel that if we did not receive the response by October 12, 1982, we might not be able to use the information in making our preliminary determinations and, in that instance, may resort to using the best information available.

Ugine-Gueugnon submitted computer tapes regarding sales information on November 17, 1982, and its partial response was received on November 24, 1982. The late filings did not allow us sufficient time to analyze the data.

We will take into account for our final determinations the information submitted plus any additional information requested and submitted on or before December 21, 1982, which is subsequently verified.

Verification

We will verify all data used in reaching the final determinations in these investigations.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liquidation of all entries of stainless steel sheet and strip products. This suspension of liquidation applies to all merchandise entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the **Federal Register**. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated margin amount by which the foreign market value of the merchandise subject to these investigations exceeds the United States price. The suspension of liquidation will remain in effect until further notice. The margins are as follows:

	Margins (percent)
Hot-Rolled Stainless Steel Sheet:	
All Manufacturers/Producers/Exporters	15.8
Hot-Rolled Stainless Steel Strip:	
All Manufacturers/Producers/Exporters	15.8
Cold-Rolled Stainless Steel Sheet:	
Usinor	8.0
Peugeot-Loire	6.2
All Other Manufacturers/Producers/Exporters	17.2
Cold-Rolled Stainless Steel Strip:	
Peugeot-Loire	5.5
All Other Manufacturers/Producers/Exporters	16.0

ITC Notification

In accordance with section 733(f) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Public Comment

In accordance with § 353.47 of the Commerce Department Regulations, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on these preliminary determinations at 10 a.m. on January 4, 1983, at the United States

APPENDIX D

FEDERAL REGISTER NOTICES ON
STAINLESS STEEL SHEET AND STRIP AND PLATE FROM
THE UNITED KINGDOM

Commission's Preliminary Injury Determination (47 F.R. 54180)
Commerce's Postponement of Preliminary
Subsidy Determination (47 F.R. 56527)
Commerce's Preliminary Subsidy Determination (48 F.R. 6146)
Commission's Institution of Final Injury Investigation (48 F.R. 8876)
Commerce's Final Subsidy Determination (48 F.R. 19048)

Vol. 47, No. 231 / Wednesday, December 1, 1982 / Notices

[Investigations Nos. 701-TA-195 and 196 (Preliminary)]

Stainless Steel Sheet and Strip and Stainless Steel Plate From the United Kingdom

Determination

Based on the record [1] developed in investigation Nos. 701-TA-195 and 196 (Preliminary), the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)), 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 of the following products which are alleged to be subsidized by the Government of the United Kingdom:

Stainless steel sheet, provided for in items 607.7610, 670.9010, and 607.9020 of the Tariff Schedules of the United States Annotated (TSUSA), and stainless steel strip (over 0.01 inch in thickness), provided for in TSUSA items 608.4300 and 608.5700 (investigation No. 701-TA-195 (Preliminary)); [2]

Stainless steel plate, provided for in TSUSA items 607.7605 and 607.9005 (investigation No. 701-TA-196 (Preliminary)).[2]

Background

On October 7, 1982, members of the Tool and Stainless Steel Industry of the United States and the United Steelworkers of America filed a petition with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States is being materially injured and threatened with material injury by reason of allegedly subsidized imports of stainless steel sheet and strip and stainless steel plate from the United Kingdom. Accordingly, on October 7, 1982, the Commission instituted preliminary countervailing duty investigations (Nos. 701-TA-195 and 196) under section 703(a) of the Tariff Act of 1930. Notice of the institution of

[1] The "record" is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Commissioner Haggart determines that there is a reasonable indication of material injury and therefore does not reach the issue of threat of material injury.

the investigations and conference therefor was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission and by publishing the notice in the Federal Register on October 20, 1982 (47 FR 46781). A public conference was held in Washington, D.C. on November 1, 1982, at which all interested parties were afforded the opportunity to present information for consideration by the Commission.

Views of the Commission

Introduction

We determine, pursuant to section 703(a) of the Tariff Act of 1930, that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury [3] by reason of allegedly subsidized imports of stainless steel sheet and strip from the United Kingdom. Further, we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury [3] by reason of allegedly subsidized imports of stainless steel plate from the United Kingdom.

We have based our determinations on our consideration of the condition of the domestic industries and the causal relationship between the condition of the domestic industries and the allegedly subsidized imports from the United Kingdom.

Domestic Industries

Section 771(4)(A) of the Tariff Act of 1930 defines the term "industry" as the "domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product."[4] Section 771(10) defines "like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with" the article under investigation.[5]

The products being imported into the United States from the United Kingdom are stainless steel sheet and strip and stainless steel plate. Imports of stainless steel sheet and strip were involved in recent preliminary investigations involving West Germany and France.[6] In those investigations, we found the like product to be stainless steel sheet and strip and the domestic industry to consist of the U.S. producers of this like product. In this investigation (701-TA-195), the parties have not suggested, nor does the record support, a revision of this industry definition.[7]

Stainless steel plate from the United Kingdom is a flat-rolled product over 0.1875 inches thick and 12" wide. The characteristics and uses of the domestically produced stainless steel plate do not differ from those of the imported product nor have the parties suggested any differences. Stainless steel plate is thicker than stainless steel sheet and strip and has different uses. Unlike sheet and strip, stainless steel plate is used primarily in the production of industrial equipment for the chemical, oil and gas, and rubber producing and processing industries.[8] Therefore, in Investigation No. 701-TA-196 we find the like product to be stainless steel plate and the domestic industry to consist of the U.S. producers of the like product.[9]

Condition of the Domestic Industries

I. Stainless Steel Sheet and Strip

The stainless steel sheet and strip industry is clearly experiencing difficulties. Nearly all of the economic indicators we considered in reaching our determination in this investigation have declined during the period under investigation.

U.S. production of stainless steel sheet and strip fell from 728,000 short tons (hereinafter referred to as tons) in 1979 to 671,000 tons in 1981. In the eight-month period, January-August, 1982, production declined 85,000 tons, or 19 percent, to 371,000 tons from 456,000 tons during the corresponding period in 1981.[10] Capacity utilization also declined significantly, dropping from 84 percent of capacity in 1979 to 71 percent in 1981. The capacity utilization in January-August 1982 stood at 62.2 percent compared to 83.3 percent for the same period in 1981.[11] [12] Declines in capacity utilization are in large part a result of declines in production in this case although capacity did increase during the period under investigation.

From 1979 to 1981, U.S. producers' shipments of stainless steel sheet and strip decreased by 13 percent from 874,000 short tons to 759,000 short tons. Shipments for January-August, 1982, dropped by 28 percent from 558,000 tons to 400,000 tons, compared to the same period in 1981.[13]

Employment figures have also declined from 1979 to the present. The average number of production and related workers producing stainless steel sheet and strip declined from 7,965 workers in 1979 to 7,288 workers in 1981. During January-August, 1982, however, the average number of workers employed was 6,239, or 20 percent less than the number employed during the corresponding period of 1981. The number of hours paid for production and related workers producing sheet and strip followed similar trends.[14]

The financial information on the record concerning sheet and strip production also indicated a negative trend. Net sales, gross profits, net operating profits, and cash flow all declined during the period of this investigation. Aggregate net sales of stainless steel and strip declined from $1.4 billion in 1979 to $1.2 billion in 1980 or by 14 percent. Net sales increased by $105 million, or 9 percent, to $1.3 billion in 1981, but then dropped off by 21 percent to $632 million in January-August, 1982, compared to $805 million in the corresponding period in 1981.[15]

Gross profit declined by 69 percent during the period 1979 to 1981, from $234 million to $72 million.[16] During that same period, the ratio of gross profit to net sales dropped from 16.9 to 5.6 percent. Operating profit declined from $188 million, or 13.5 percent of net sales in 1979, to $17 million or 1.3 percent of net sales in 1981. For the interim period ending August 31, 1982, aggregate operating losses of nine million dollars or a negative 1.4 percent of net sales were reported, compared to an operating profit of forty-two million dollars, or 5.5 percent of net sales, for the same period in 1981. Cash flow has also declined significantly from $207 million in 1979 to $38 million in 1981 and from $56 million during the interim period of 1981 to $5 million during the interim period of 1982.[17]

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[3] Commissioner Haggart determines that there is a reasonable indication of material injury, and therefore does not reach the issue of threat of material injury.

[4] 19 U.S.C. 1677(4)(A).

[5] 19 U.S.C. 1677(10).

[6] Stainless Steel Sheet and Strip from West Germany, Inv. No. 731-TA-92, USITC Pub. 1252 (June 1982); Stainless Steel Sheet and Strip from France, Inv. No. 731-TA-93, USITC Pub. 1264 (June 1982).

[7] As in the prior investigations concerning this product, we note that the definition of the domestic industry in this preliminary investigation is based on the best information available. Based on the record developed in any final investigation, a different definition of the domestic industry is not precluded. The domestic producers of stainless steel sheet and strip are discussed in the report at A-10.

[8] Report at A-6.

[9] The domestic producers of stainless steel plate are discussed in the report at A-10, A-12.

[10] Report at A-14.

[11] Report at A-14.

[12] A factor evidencing the difficulties of both the stainless steel sheet and strip and the stainless steel plate industries is utilization of overall capacity to melt stainless steel. This declined from 83 in 1979 to 53 percent in January-March, 1982, Report at A-14.

[13] Report at A-15.

[14] Report at A-17, A-18.

[15] Report at A-20.

[16] Report at A-20.

[17] Report at A-20, A-21, Table 10.

II. Stainless Steel Plate

The stainless steel plate industry is also experiencing difficulties. Production of stainless steel plate declined from 105,000 tons in 1979 to 95,000 tons in 1981. Plate production decreased to 49,000 tons during the first eight months of 1982, compared with 63,000 tons during the same period in 1981.[18] Capacity utilization also declined from 63.3 percent in 1979 to 57.5 percent in 1981. January–August 1982 capacity utilization was 53.1 percent compared to 68.7 in the same period of 1981.[19]

During 1979–1981, U.S. producers' shipments of stainless plate declined by 16 percent from 146,000 tons to 122,000 tons. This trend continued with a 22 percent decline to 69,000 tons in January–August 1982, compared with 88,000 tons during the corresponding period in 1981.[20]

Although employment of workers producing stainless steel plate increased from 1,272 in 1979 to 1,398 in 1981, the number of workers in January–August 1982 dropped to 1,300 workers compared to 1,397 workers during the same period in 1981. The hours paid for production and related workers declined by 8 percent from 2.0 million in 1979 to 1.9 million in 1981. There was a 24 percent decline to 970,000 hours paid in January–August 1982 compared with 1.3 million in January–August 1981.[21]

The financial condition of producers of stainless steel plate has deteriorated during the period under investigation. Aggregate net sales of plate decreased by 2 percent from $210 million in 1979 to $206 million in 1981. In the period January–August, 1982, net sales dropped by 27 percent to $69 million compared with $94 million in the corresponding period of 1981.[22] Gross profit declined by 69 percent from $29 million in 1979 to $9 million in 1981. In the same period, the ratio of gross profit to net sales dropped from 13.8 percent to 4.4 percent. Operating profit fell from $22 million in 1979 or 10.5 percent of net sales, to a $1 million loss or 0.5 percent of net sales, in 1981. In the interim period ending August 31, 1982, operating profit fell to 0 percent compared to 7.4 percent of net sales during the interim period of 1981 as four of the six producers reporting financial data showed operating and net losses.[23]

[18] Report at A-14.
[19] Report at A-14. *See also* note 10 at page 8.
[20] Report at A-15.
[21] Report at A-19.
[22] Report at A-21.

Reasonable Indication of Material Injury

Section 703(a) of the Tariff Act of 1930 provides that the Commission shall make a determination as to whether there is a reasonable indication of material injury based on the best information available.[24] Section 771(7) directs the Commission to consider, among other factors, (1) the volume of imports of the merchandise under investigation, (2) the effect of imports of that merchandise on prices in the United States for like products, and (3) the impact of imports of such merchandise on domestic producers of like products.

Volume of Imports

I. Stainless Steel Sheet and Strip

Imports of stainless steel sheet and strip from the United Kingdom declined from 1,094 tons in 1979 to 643 tons in 1980, but then increased to 3,840 tons in 1981.[25] Imports in January–September 1982 amounted to 3,520 tons, which is a 39 percent increase over the 2,328 tons imported during the corresponding period of 1981. The ratio of imports from the United Kingdom to apparent U.S. consumption increased from 0.1 percent in 1979 and 1980 to 0.5 percent in 1981. This ratio increased to 0.7 percent in January–September 1982 compared with 0.4 percent in the corresponding period in 1981.[26]

At the same time that imports of stainless steel sheet and strip from the United Kingdom were increasing, the market share of imports from all sources also increased from 6.9 percent in 1979 to 9.0 in 1981 and to 13.4 percent for the first nine months of 1982 from 7.7 percent in the corresponding period of 1981.[27] The best information available to the Commission at this preliminary stage of the investigation indicates that the imported and domestic stainless steel sheet and strip are fungible, and compete in the market for the same end users through common channels of distribution.[28] [29]

[23] Report at A-21.
[24] S. Rep. No. 249, 96th Cong., 1st Sess. 48 (1979).
[25] From June 1979 to February 1980, imports of stainless steel sheet and strip and stainless steel plate, as well as other stainless steel products were subject to quantitative restrictions. *See* Report at A-2. These restrictions, as well as a 3-month strike against British Steel Corporation in early 1980, suppressed the level of stainless steel imports from the United Kingdom during this period.
[26] Counsel for British Steel Corporation stated that the imports from the United Kingdom are generally concentrated in the 60-inch stainless steel cold-rolled sheet. There is only one domestic producer that manufactures sheet in that dimension. However, information on the record indicates that the one producer has sufficient capacity to supply the entire U.S. demand for this product.
[27] Report at A-31, Table 17.

II. Stainless Steel Plate

Imports of stainless steel plate from the United Kingdom decreased from 610 tons in 1979 to 273 tons in 1980 before increasing to 2,965 tons in 1981.[30] Imports in January–September 1982 amounted to 3,217 tons, representing an increase of 38 percent compared with imports in the corresponding period of 1981. The market share for imports of plate from the United Kingdom rose from 0.4 percent in 1979 to 2.5 percent in 1981. This market share increased from 2.4 percent in January–September 1981 to 3.8 percent in January–September 1982.[31] [32]

Effect of Imports on Prices

I. Stainless Steel Sheet and Strip

There are indications that imports of stainless steel sheet and strip from the United Kingdom have had a negative impact on domestic prices. U.S. producers and British Steel Corporation provided prices on two specifications of stainless steel sheet (one grade 304 and one grade 316) for sales to service centers/distributors.[33] The U.S. producers' prices for this sheet declined from July–September 1981 to July–September 1982 by 10 percent for the grade 304 sheet and 27 percent for the grade 316 sheet. While the imported grade 304 was priced higher than the domestic product, the imported grade 316 sheet undersold the domestic grade 316 sheet by an average of 14 percent during the three quarters during which we were able to make price comparisons.

With regard to lost sales, two firms contacted confirmed that they purchased British stainless steel sheet from the United Kingdom because of lower price. Additionally, a third firm recently purchased a large quantity of British stainless steel sheet because of favorable credit terms.

II. Stainless Steel Plate

There are also indications that imports of stainless steel plate from the United Kingdom have depressed U.S. producers' prices of stainless steel plate. U.S. producers' prices (for the two grade 304 plates and the one grade 316 plate for which the Commission received

[28] Report at A-8. *See also* Staff briefing at the November 17, 1982, public meeting of the U.S. International Trade Commission.
[29] Chairman Eckes and Commissioner Haggart have made their determination on the basis of imports of stainless steel sheet and strip from the United Kingdom alone. In the event that this case returns for a final investigation, they do not preclude cumulation should the record developed demonstrate that it is appropriate.
[30] *See* note 23 at page 8.

price information) decreased by an average of 17 percent during July-September 1982 compared with Jul-September 1981.

Imports of stainless steel plate from the United Kingdom undersold the domestic product for all three plate specifications for which prices were collected. Margins of underselling ranged from less than 1 percent to 15 percent below domestic prices for the two grade 304 plate products. For the grade 316 plate specification, British Steel provided prices for 3 quarters during the period under investigation.[34] Margins of underselling averaged 21 percent.

With regard to lost sales, six firms confirmed that they purchased stainless steel plate from British Steel and that the price was lower than that for U.S. produced plate. The firms indicated that U.S. prices declined throughout 1982, narrowing the margins of underselling.

Reasonable Indication of a Threat of Material Injury[35]

In examining threat of material injury, the Commission looks for, among other factors, demonstrable trends in the following areas: (1) Rate of increase of the imports in the U.S. market; (2) importers' inventories; (3) capacity in the exporting country to generate exports; and (4) the likelihood that such exports will be directed to the U.S. market taking into account the availability of other export markets. The threat must be real and the injury imminent, not a mere possibility based on supposition and conjecture.[36]

There is a steadily increasing rate of imports of stainless steel sheet, strip and plate from the United Kingdom, both in absolute terms and in terms of ratio of the imports from the United Kingdom to domestic consumption.[37] Import figures for the first quarter of 1982 demonstrate the capability of British Steel to increase its imports into the United States substantially in a very short time.[38] Other considerations suggest that imports of stainless steel sheet and plate from the United Kingdom will continue to increase in the near future.

The capacity for production of stainless steel sheet and strip in the U.K. increased each year from 1979-1982.[39] Capacity for increased production of stainless steel plate remained essentially the same during this period, leaving substantial unused capacity.[40] There is a likelihood that exports of stainless steel sheet and strip and stainless steel plate will be directed to the U.S. market. Although the European Community has traditionally been the largest export market for the United Kingdom, it has a limited demand for stainless steel sheet and strip and stainless steel plate from the United Kingdom. During the period of this investigation, the role of the United States as an export market for the United Kingdom has increased.[41]

Conclusion

Therefore, on the basis of the best available information, we determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury[42] by reason of subsidized imports of stainless steel sheet and strip and stainless steel plate from the United Kingdom.

By Order of the Commission.

Issued: November 22, 1982.

Kenneth R. Mason,

Secretary.

[FR Doc. 82-32512 Filed 11-30-82; 8:45 am]

BILLING CODE 7020-02-M

[31] Report at A-34, Table 19.

[32] Counsel for British Steel Corporation stated that imports of stainless steel plate from the United Kingdom are concentrated in the 316 grades, which contain molybdenum, and that the U.S. producers maintain artificially high prices in these grades compared to prices of non-molybdenum grades. There is information on the record, however, that the U.S. prices of grade 316 plate were lowered to reflect the lower price of molybdenum. Moreover, there are other factors affecting the price of 316 plate that need to be analyzed before conclusions may be accurately drawn on the impact of molybdenum prices on the relative price differences between grade 316 plate and non-molybdenum plate. The Commission will pursue this issue further if the case returns for a final investigation.

[33] The Commission did not receive information concerning the prices of British stainless steel strip.

[34] Report at A-37.

[35] *See* note 1 at page 3.

International Trade Administration

Certain Stainless Steel Products From the United Kingdom; Postponement of Countervailing Duty Preliminary Determinations

AGENCY: International Trade Administration, Commerce.

ACTION: Postponement of Countervailing Duty Preliminary Determinations.

SUMMARY: The countervailing duty preliminary determinations involving certain stainless steel products (see Appendix A) from the United Kingdom are being postponed as the investigations have been determined to be extraordinarily complicated. We intend to issue the countervailing duty preliminary determinations not later than February 4, 1983.

EFFECTIVE DATE: December 17, 1982.

FOR FURTHER INFORMATION CONTACT: Vincent P. Kane, Office of Investigations, Import Administration, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, D.C. 20230, telephone (202) 377-5414.

SUPPLEMENTARY INFORMATION: On November 2, 1982, we announced our initiation of countervailing duty investigations to determine whether producers, manufacturers, or exporters of certain stainless steel products from the United Kingdom receive any benefits from the government of the United Kingdom or the European Community, as appropriate, that constitute subsidies (47 FR 49692). The notice stated that we would issue preliminary determinations by December 31, 1982.

As detailed in the notice of initiation of the countervailing duty investigations, the petition alleges that the government of the United Kingdom and the European Community provide various programs which constitute subsidies to producers, manufacturers, or exporters of certain stainless steel products. The alleged subsidy practices are numerous amd raise complex issues. These cases are further complicated because of the need to determine the extent to which particular subsidies are used by individual manufacturers, producers, or exporters. We have determined that the government of the United Kingdom and the other parties concerned are cooperating and that additional time is necessary to make the countervailing duty preliminary determinations. For these reasons we determine that these cases are extraordinarily complicated in accordance with section 703(c)(1)(B) of the Tariff Act of 1930, as amended ("the Act"), and we intend to issue countervailing duty preliminary determinations not later than February 4, 1983.

This notice is published pursuant to section 703(c)(2) of the Act.

Dated: December 10, 1982.

Leonard M. Shambon,

Director, Office of Compliance.

Appendix A—Description of Products

For purposes of these investigations:

(1) The term *"stainless steel sheet and strip"* covers hot or cold-rolled stainless steel sheet or strip products, excluding hot or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the *Tariff Schedules of the United States Annotated* (TSUSA).

Hot-rolled stainless steel sheet covers hot-rolled stainless steel sheet whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inches in width. Hot-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

Cold-rolled stainless steel sheet covers cold-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and over 0.50 inch but not over 12 inches in width. Cold-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

(2) The term "stainless steel plate" covers stainless steel plate products as provided for in items 607.7605 and 607.9005 of the TSUSA. Stainless steel plate is a flat-rolled product, whether or not corrugated or crimped, in coils or cut to length, 0.1875 inches or more in thickness and over 8 inches in width or if cold-rolled over 12 inches in width.

[FR Doc. 82-34318 Filed 12-16-82; 8:45 am]

BILLING CODE 3510-25-M

A-136

Preliminary Affirmative Countervailing Duty Determinations; Stainless Steel Sheet, Strip, and Plate From the United Kingdom

AGENCY: International Trade Administration, Commerce.

ACTION: Preliminary affirmative countervailing duty determinations.

SUMMARY: We preliminarily determine that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate as described in the "Scope of Investigations" section of this notice. The estimated net subsidy for each firm is indicated in the "Suspension of Liquidation" section of this notice. Therefore, we are directing the U.S. Customs Service to suspend liquidation of all entries of the products subject to these determinations which are entered, or withdrawn from warehouse, for consumption, and to require a cash deposit or bond on these products in an amount equal to the estimated net subsidy. If these investigations proceed normally, we will make our final determination by April 20, 1983.

EFFECTIVE DATE: February 10, 1983.

FOR FURTHER INFORMATION CONTACT: Vincent P. Kane, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, D.C. 20230, telephone: (202) 377–5414.

SUPPLEMENTARY INFORMATION:

Preliminary Determinations

Based upon our investigations, we preliminarily determine that there is reason to believe or suspect that certain benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate as described in the "Scope of Investigations" section of this notice. For purposes of these investigations, the following programs are preliminarily found to confer subsidies:

- Public dividend capital and new capital.
- National Loans Fund loans and loan conversions.
- Regional development grants.
- Iron and Steel Industry Training Board grants.

We estimate the net subsidy to be the amount indicated for each firm in the

"Suspension of Liquidation" section of this notice.

Case History

On October 7, 1982, we received a petition from Allegheny Ludlum Steel Corporation; Armco, Inc.; Carpenter Technology Corporation; Colt Industries, Inc., of the Crucible Materials Group; Eastern Stainless Steel Company; Electralloy Corporation; Guterl Special Steel Corporation; Jessop Steel Company; Jones and Laughlin Steel Incorporated; Republic Steel Corporation; Universal Cyclops Specialty Steel Division of the Cyclops Corporation; Washington Steel Corporation; and the United Steelworkers of America, filed on behalf of the U.S. industry of manufacturers of stainless steel sheet, strip, and plate. The petition alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters in the United Kingdom of the stainless steel products listed above.

We found the petition to contain sufficient grounds upon which to initiate countervailing duty investigations, and on November 2, 1982, we initiated countervailing duty investigations (47 FR 49692). We stated that we expected to issue preliminary determinations by December 31, 1982. We subsequently determined that the investigations are "extraordinarily complicated," as defined in section 703(c) of the Act, and postponed our preliminary determinations for 35 days until February 4, 1983 (47 FR 56527). Since the United Kingdom is a "country under the Agreement" within the meaning of section 701(b) of the Act, injury determinations are required for these investigations. Therefore, we notified the U.S. International Trade Commission (ITC) of our initiations. On November 22, 1982, the ITC determined that there is a reasonable indication that these imports are materially injuring a U.S. industry.

We presented questionnaires concerning the allegations to the Delegation of the Commission of the European Communities and the government of the United Kingdom on November 9, 1982. Questionnaires were also presented to British Steel Corporation and Arthur Lee and Sons, Ltd. On December 30, 1982, we received the responses to the questionnaires. Supplemental responses were received on January 10, 1983.

Scope of Investigations

The products covered by these investigations are:

- Stainless steel sheet and stainless steel strip.
- Stainless steel plate.

The products are fully described in the appendix to this Federal Register notice.

British Steel Corporation (BSC) is the only known producer and/or exporter in the United Kingdom of stainless steel sheet and plate exported to the United States. Arthur Lee and Sons, Ltd., is the only known producer and/or exporter in the United Kingdom of stainless steel strip exported to the United States. The period for which we are measuring subsidization is the most recent fiscal year for which information is available.

Analysis of Programs

In their responses, the government of the United Kingdom and the Delegation of the Commission of the European Communities provided data for the applicable periods. Additionally, we received information from BSC and Arthur Lee and Sons, Ltd.

Throughout this notice, some of the general principles and conclusions of law applied by the Department of Commerce to the facts of these investigations concerning stainless steel sheet, strip and plate from the United Kingdom are described in detail in Appendices 2–4 of the "Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Belgium," 47 FR 39304, 39316 (August 24, 1982) (Belgian Final). Unless otherwise noted, we allocated each company's countervailable benefits as follows:

- Where untied benefits were provided to a company, they were allocated over the revenue of that company; and
- Where benefits were provided directly to a specific corporate division producing products under investigation, they were allocated over the revenue of that division.

Based upon our analysis to date of the petitions and responses to our questionnaires, we have preliminarily determined the following:

I. Programs Preliminarily Determined To Confer Subsidies

We preliminarily determine that subsidies are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate under the programs listed below.

A. Equity Investment in BSC

BSC was established by an Act of Parliament on March 22, 1967, under the provisions of the Iron and Steel Act of 1967. The 1967 Act combined 14 steel companies, creating the nationalized British Steel Company. The British government reimbursed stockholders of record at the time the companies were merged and absorbed the substantial debts of the individual companies. The bulk of the debt was converted to government equity under the provisions of the Iron and Steel Act of 1969, which also authorized government payments to BSC.

Authority for the government to make payments to BSC was renewed in the Iron and Steel Act of 1975. Section 18(1) of this Act provided that "the Secretary of State may, with the approval of the Treasury, pay to the British Steel Corporation such sums as he thinks fit." In nine of the fifteen years of its existence, the corporation has received such payments, known as public dividend capital (PDC) or new capital (NC), from the government. In 1972 and 1981, Parliament directed that portions of its capital investment be credited to accumulated revenue deficit. Neither of these transactions altered the potentially countervailable benefit of the original public dividend capital or new capital infusions. Two additional equity investments were made in 1972 and in 1981 when certain government loans were converted into equity.

As discussed in Appendix 2 of the Belgian Final, *supra*, the treatment of government equity investment in a company hinges essentially on the soundness of the investment. If the government investment was reasonably sound at the time it was made, we do not consider it a subsidy. If, on the contrary, the investment appears to have been unsound, a subsidy may exist.

For the purpose of determining whether BSC represented a sound investment at the time each equity investment was made by the U.K. government, we primarily considered BSC's cash flow from operations, including interest, but excluding government grants. Our analysis also included BSC's operating results and computations of BSC's current ratio (current assets divided by current liabilities). On the basis of these tests, we considered investment in BSC to be inconsistent with commercial considerations from fiscal year 1977/78 through 1981/82.

Since we have determined that BSC was not a sound investment from April 1977 through March 1982, we examined the government's equity infusions during this period to determine whether they bestowed a subsidy. As described in greater detail in Appendix 2 of the Belgian Final, *supra*, we compared the

rate of return the government received on its equity or investment in BSC in a given year with the average rate of return on equity investment in the United Kingdom for that year, as estimated by the average earnings yield on U.K. industrial shares. BSC's return was measured by its net earnings (or losses) divided by owner's equity. During this period, BSC's losses were large, resulting in substantial negative returns on owner's equity.

Comparing the average return with BSC's large negative return yielded an amount exceeding he amount we would have calculated had we treated the public dividend capital or new capital payments as outright grants rather than as equity. Consequently, we have limited the subsidy to the 1981/82 amount that would result if the equity investments were treated as grants.

For reasons described in Appendix 2 of the Belgian Final, *supra*, we allocated that part of the equity infusion used for loss coverage in a given year exclusively to that year rather than over a longer period of time. The remainder of the subsidy was allocated using the grant methodology. (See grants and equity methodologies described in Appendix 2 of the Belgian Final, *supra*.)

For 1981/82, we calculated a subsidy of 6.13 percent *ad valorem* for PDC and NC payments for loss coverage in that year. For PDC and NC payments in excess of loss in each of the fiscal years 1977/78 through 1981/82, we found, using the equity methodology, a subsidy of 9.75 percent *ad valorem* for fiscal year 1981/82. Thus, the total subsidy in fiscal year 1981/82 resulting from PDC and NC payments was 15.88 percent *ad valorem*.

B. The National Loans Fund

The National Loans Fund (NLF) is a depository of money raised through government borrowings. Lending from the NLF is not generally available, but is limited to nationalized British companies. Therefore, British Independent Steel Producer Association members (BISPA producers), including Arthur Lee and Sons, Ltd., do not qualify for NLF loans. BSC was expressly authorized to borrow from NLF's predecessor fund (the Consolidated Fund) by the Iron and Steel Act of 1967, and from the NLF by the Iron and Steel Act of 1975.

BSC received substantial loans from the NLF. If these loans had remained outstanding in fiscal year 1981/82, then we would have applied the methodology for loans described in Appendix 2. However, all outstanding loans from the NLF were converted into equity: L 150 million in 1971/72, and L 509 million in 1981/82. We treated each conversion as an additional equity investment.

Since the first conversion occurred during the period in which we consider equity infusions to be consistent with commercial considerations, it does not confer a subsidy. The second conversion, however, was made during the period in which we consider equity infusions to be inconsistent with commercial considerations, and potentially confers a subsidy. Using the equity methodology described in Appendix 2 of the Belgian Final, *supra*, we determined that a subsidy was in fact conferred.

However, comparing the average return on equity with BSC's large negative return yielded an amount exceeding the amount we would have calculated had we treated the equity infusion as an outright grant.

Consequently, we have limited the subsidy to the 1981/82 amount that would result if the equity investment were treated as a grant. Upon this basis, we calculated a subsidy for BSC of 2.21 percent *ad valorem*.

We note that our loss coverage allocation methodology does not apply to the 1981/82 conversion since there was no infusion of cash at that time.

C. Regional Development Grants

The Industry Act of 1972 established a regional development grant (RDG) incentive program with the goal of eliminating certain social problems in specified regions of the United Kingdom. RDG's are not made generally available in the United Kingdom, but rather are available only to designated manufacturing sectors (e.g., metals manufacture) and to "special development" and "development" regions. Therefore, we preliminarily find the RDG program to be preferential in nature and to confer subsidies within the meaning of section 771(5) of the Act.

The Secretary of State for Industry, with the approval of the Treasury, is authorized to determine the activities that qualify for grants and the conditions of each grant. The grants are made toward the cost of capital expenditures on new buildings or works in development areas, the adaptation of existing buildings on qualifying premises in development areas, and new machinery and plants for use in qualifying premises in development areas. The grants pay for a fixed percentage of the cost for specific capital assets, depending on the type of region for which they are designated. The amount of a grant in a "development" area is 15 percent, and in a "special development" area 22 percent, of the capital asset cost. Grants are provided only after the asset has been purchased or the expenditure on it is incurred. We find these grants to be "tied" to (*i.e.*, bestowed expressly to purchase) specific capital assets.

In each case, the individual grants were for less than $50 million. In accordance with the methodology described in Appendix 2 of the Belgian Final, *supra*, we are therefore allocating them over 15 years, a period of time reflecting the average life of capital assets in integrated steel mills. On this basis we calculated a subsidy of 1.21 percent *ad valorem* for BSC.

Arthur Lee and Sons, Ltd. received regional development grants over the last five years, generally for building in development areas. Because of incomplete information supplied by respondent prior to this preliminary determination, the Department is unable to determine the amount of RDG's received by Arthur Lee over each of the last five corporate fiscal years. Additionally, we are unable to determine which portions of the total grant amount shown in their 1981 annual report are tied specifically to investment in Arthur Lee's stainless steelmaking subsidiary, Lee Steel Strip, Ltd. The only information received on RDG's was the total amount of RDG's given to Arthur Lee from the inception of the program to the end of the 1980/1981 fiscal year, less amounts released to the profit and loss account. RDG's are placed in a separate account and released to the profit and loss account over the estimated life of the relevant fixed assets.

Based on the best information available at the time of these preliminary determinations, we preliminarily determine that the entire amount of RDG's reported in Arthur Lee's fiscal year 1980/81 annual report was received that year. Further we preliminarily determine that all RDG's recorded on the 1981 balance sheet of the parent company, Arthur Lee and Sons, Ltd., were awarded to Lee Steel Strip expressly for buildings and equipment used exlusively for the production of the products under investigation.

Therefore, we have allocated the 1981 benefit over Lee Steel Strip's total 1981 stainless steel strip sales. On this basis, we calculated a subsidy of 0.27 percent *ad valorem* for Lee Steel Strip.

D. The Iron and Steel Industry Training Board

There are 24 industry training boards in the U.K. The Iron and Steel Industry Training Board (ISITB) sponsors various training programs aimed at maintaining the nation's pool of skills required by

the iron and steel industry and increasing employee job versatility in the event that present employment is terminated. The Board receives annual levies of up to 1 percent of payroll from iron and steel producers and makes grants to those companies required by the government to conduct training programs. The grants normally are insufficient to cover the costs incurred by the companies providing the training. BSC received several training grants under this program.

Since the training may benefit BSC's employees in their employment with BSC, we preliminarily find the grants to be countervailable. Because the grants were less than 1 percent of revenue and were expensed in the year of receipt, we considered only the grants received in 1981/82. Using this methodology, we calculated a subsidy of 0.01 percent *ad valorem* for BSC.

E. Investment in BSC Stainless

Petitioners alleged that BSC was receiving subsidies specifically for the production of stainless steel products. In fact, on March 28, 1974, the BSC Board, with the concurrence of the U.K. government, did approve a BSC stainless steel development strategy at a cost of about £ 130 million from fiscal years 1974/1975 through 1980/1981. No formal agreement to the strategy was required from the U.K. government because none of the individual project costs exceeded £ 50 million. The funds were used to expand cold-rolling finishing, stainless melting and continuous casting facilities, and to improve plate finishing facilities, and to develop a new process for the manufacture of stainless strip. Investment in BSC stainless was not a separate investment program but part of BSC's overall 10-year capital development strategy. The stainless steel development was partially financed with loans from the ECSC, regional development grants, and the balance from public dividend capital and new capital payments or National Loans Fund monies. However, investment under this program is included in the amounts as reported by BSC for the above-mentioned programs. Therefore, this investment in BSC stainless is already included in the subsidy calculations for the programs described above.

It would be inappropriate to assess a subsidy rate specifically to investment in BSC stainless, since we would be countervailing twice against the same subsidy benefits.

II. Programs Preliminarily Determined Not To Confer Subsidies

We preliminarily determine that subsidies are not being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate under the following programs.

A. Industrial Investment Loans From the European Coal and Steel Community

Article 54 of the Treaty of Paris authorizes the European Coal and Steel Community (ECSC) to provide loans to steel companies in member countries for reducing production costs, increasing production, or facilitating product marketing. Loans provided under this program are funded exclusively from ECSC borrowings on world capital markets. BSC has received three ECSC industrial development loans directly related to plants at which the products under investigation were manufactured.

All three ECSC loans which are tied directly to production of products under investigation were made to BSC during its creditworthy period. For purposes of determining whether these ECSC loans resulted in a subsidy to BSC, we compared the interest rate on ECSC loans (the period of which ranged from 5 to 20 years) to an average rate on 20-year industrial debentures. The debentures were chosen as being the most typical source of long-term debt for private British firms. The interest rates charged to BSC on the ECSC loans exceeded the average rates on 20-year industrial debentures. Therefore, we preliminarily determine that the ECSC loans tied to the production of products under investigation do not result in a subsidy.

B. Transportation Assistance

BSC and Arthur Lee and Sons, Ltd., appear to contract with British Rail on an arm's length basis and to pay commercial rates on stainless steel shipments. The government in its response indicates that "British Rail charges BSC what the market will bear, as is the case for a comparable non-steel sector company." Since there appears to be no preferential treatment accorded to BSC or Arthur Lee and Sons, Ltd. on shipments by rail, we preliminarily determine that the rail freight charges on stainless steel shipments are not preferential and do not result in the payment or bestowal of a subsidy.

III. Program Preliminarily Determined Not To Be Used

Loans From the European Investment Bank

The European Investment Bank (EIB) was created by the Treaty of Rome establishing the EEC to fund projects that serve regional needs in Europe. Article 130 of the Treaty of Rome authorizes the EIB to make loans and guarantee financial projects in all sectors of the economy. These projects include the provision of funds to further the development of low income regions. Funds are drawn from debt instruments floated on world capital markets and from investment earnings. Because EIB loans are designed to serve regional needs, we have in past investigations found them to be countervailable when the interest rate was less than the rate which would have been available commercially from a private lender without government intervention.

From October 1973 through December 1977, BSC received 18 EIB loans. However, none of these loans were used by BSC stainless steelmaking facilities. EIB loans were tied exclusively to the production of products other than those currently under investigation. Consequently, EIB loans have not resulted in the payment of a subsidy on production or exportation of BSC's stainless steel sheet, strip, and plate.

Arthur Lee and Sons, Ltd., did not receive EIB loans.

Verification

In accordance with section 776(a) of the Act, we will verify data used in making our final determinations.

Suspension of Liquidation

In accordance with section 703 of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of stainless steel sheet, strip, and plate which are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register and to require a cash deposit or bond for each such entry of the merchandise in the amounts indicated below:

Manufacturer/producer/exporter	Ad valorem rate
British Steel Corporation:	
Stainless steel sheet	19.31
Stainless steel plate	19.31
Arthur Lee and Sons, Ltd.: Stainless steel strip	0.00
All other producers, not excluded from these determinations of stainless steel sheet, strip and plate	19.31

Since the response of Arthur Lee and Sons, Ltd. concerning regional development grants was unclear, we are not excluding this company from our preliminary determinations. However, since the regional development grants that might benefit products under investigation appear to be *de minimis*, we are setting a zero rate for bonding purposes for Arthur Lee and Sons, Ltd.

This suspension will remain in effect until further notice.

ITC Notifications

In accordance with section 703(f) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all nonprivileged and nonconfidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy (for Policy) to the Deputy Assistant Secretary for Import Administration.

Public Comment

In accordance with 19 CFR 355.35, if requested, we will hold a public hearing to afford interested parties an opportunity to comment on these preliminary determinations at 10:00 AM on February 25, 1983, at the U.S. Department of Commerce, Room B-841, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to participate in the hearing must submit a request to the Deputy (for Policy) to the Deputy Assistant Secretary for Import Administration, Room 3706, at the above address within 10 days of this notice's publication. Requests should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, prehearing briefs must be submitted to the Deputy (for Policy) to the Deputy Assistant Secretary by February 18, 1983. Oral presentations will be limited to issues raised in the briefs.

All written views should be filed in accordance with 19 CFR 355.34, within 30 days of this notice's publication, at the above address and in at least 10 copies.

Judith Hippler Bello,

Deputy (for Policy) to the Deputy Assistant Secretary for Import Administration.

February 4, 1983.

Appendix

Description of Products

For purposes of these investigations:

(1) The term *"stainless steel sheet, and strip"* covers hot or cold-rolled stainless steel sheet or strip products, excluding hot or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the *Tariff Schedules of the United States Annotated (TSUSA).*

Hot-rolled stainless steel sheet covers, hot-rolled stainless steel sheet whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inches in width. Hot-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

Cold-rolled stainless steel sheet covers cold-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and over 0.50 inch but not over 12 inches in width. Cold-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

(2) The term *"stainless steel plate"* covers stainless steel plate products as provided for in items 607.7605 and 607.9605 of the TSUSA. Stainless steel plate is a flat-rolled product, whether or not corrugated or crimped, in coils or cut to length, 0.1875 inches or more in thickness and over 8 inches in width or if cold-rolled over 12 inches in width.

[FR Doc. 83-3665 Filed 2-9-83; 8:45 am]

BILLING CODE 3510-25-M

[Investigations Nos. 701-TA-195 and 196 (Final)]

Stainless Steel Sheet, Strip, and Plate From the United Kingdom

AGENCY: International Trade Commission.

ACTION: Institution of final countervailing duty investigations and scheduling of a hearing to be held in connection with these investigations.

EFFECTIVE DATE: February 24, 1983.

SUMMARY: As a result of affirmative preliminary determinations by the U.S. Department of Commerce that there is a reasonable basis to believe or suspect that the Government of the United Kingdom is providing directly or indirectly, subsidies to the manufacturers, producers or exporters in the United Kingdom of certain steel products within the meaning of section 701 of the Tariff Act of 1930 (19 U.S.C. 1671), the United States International Trade Commission hereby gives notice of the institution of the following investigations under section 705(b) of the Act (19 U.S.C. 1671(b)) to determine whether 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 allegedly subsidized imports from the United Kingdom of the specified merchandise:

Stainless steel sheet and strip, provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the tariff Schedules of the United States Annotated (TSUSA) (investigation No. 701-TA-195 (Final)),

Stainless steel plate, provided for in TSUSA items 607.7605 and 607.9005 (investigation No. 701-TA-196 (Final)).

Unless the investigations are extended, the Department of Commerce will make its final subsidy determinations on or before April 20, 1983, and the Commission will make its final injury determinations June 9, 1983 (19 CFR 207.25).

FOR FURTHER INFORMATION CONTACT: Mr. Stephen A. Vastagh (202-523-0283), Office of Investigations, U.S. International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.

On November 22, 1982, the Commission determined, on the basis of the information developed during the course of its preliminary investigations, that there was a reasonable indication that an industry in the United States was materially injured or threatened with material injury by reason of allegedly subsidized imports of stainless steel strip, sheet, and plate from the United Kingdom. The preliminary investigations were instituted in response to a petition filed on October 7, 1982, by members of the Tool & Stainless Steel Industry Committee (since renamed: Specialty Steel Industry of the United States), and the United Steelworkers of America.

Participation in the Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's Rules of Practice and Procedure (19 CFR 201.11), not later than 21 days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to this investigation must be served on all other parties to the investigations (as identified by the service list, and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201.16(c), as amended by 47 FR 33682, Aug. 4, 1982).

Staff Report

A public version of the staff report containing preliminary findings of fact in these investigations will be placed in the public record on April 19, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

Hearing

The Commission will hold a joint hearing in connection with these investigations and Inv. Nos. 731-TA-92 (Final), Stainless Steel Sheet and Strip from the Federal Republic of Germany, and 731-TA-95 (Final), Stainless Steel Sheet and Strip from France, beginning at 10:00 a.m. on May 4, 1983, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, D.C. 20436. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on April 12, 1983. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m. on April 18, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 29, 1983.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, August 4, 1982). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24), and must be submitted not later than the close of business on May 12, 1983.

Written Submissions

As mentioned, parties to these investigations may file prehearing and posthearing briefs by the dates shown above. In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before May 12, 1983. A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any business information for which confidential treatment is desired shall be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information." Confidential submissions and requests for confidential treatment must conform with the requirements of § 201.6 of the Commission's rules (19 CFR 201.6).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and C (19 CFR part 207, as amended by 47 FR 33682, August 4,

1982), and part 201, subparts A through E (19 CFR part 201, and amended by 47 FR 33662, August 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

By order of the Commission.

Issued: February 25, 1983.

Kenneth R. Mason,

Secretary.

[FR Doc. 83-5371 Filed 3-1-83; 8:45 am]

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Notices

Federal Register
Vol. 48, No. 82
Wednesday, April 27, 1983

DEPARTMENT OF COMMERCE

International Trade Administration

Final Affirmative Countervailing Duty Determinations on Stainless Steel Sheet, Strip, and Plate From the United Kingdom

AGENCY: International Trade Administration, Commerce.

ACTION: Final affirmative countervailing duty determinatons.

SUMMARY: We have determined that certain benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers, or exporters in the United Kingdom of statinless steel sheet, strip, and plate as described in the "Scope of Investigations" section of this notice. We have found that one company received *de minimis* benefits, and have, therefore, excluded it from these determinations. The estimated net subsidy for each firm is indicated in the "Suspension of Liquidation" section of this notice. The U.S. International Trade Commission (ITC) will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry.

EFFECTIVE DATE: April 27, 1983.

FOR FURTHER INFORMATION CONTACT: Vincent P. Kane, Office of Investigations, Import Administraton, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230, telephone: (202) 377-5414.

SUPPLEMENTARY INFORMATION:

Final Determinations

Based upon our investigations, we have determined that certain benefits that constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate as described in the "Scope of Investigations" section of this notice. For purposes of these investigations, the following programs are found to confer subsidies:

- Public dividend capital and new capital.
- National Loans Fund loans and loan conversions.
- Regional development grants.
- Iron and Steel Industry Training Board grants.

The net subsidy is indicated for each firm in the "Suspension of Liquidation" section of this notice.

Case History

On October 7, 1982, we received a petition from Allegheny Ludlum Steel Corporation; Armco, Inc.; Carpenter Technology Corporation; Colt Industries, Inc., of the Crucible Materials Group; Eastern Stainless Steel Company; Electralloy Corporation; Guterl Special Steel Corporation; Jessop Steel Company; Jones and Laughlin Steel Incorporated; Republic Steel Corporation; Universal Cyclops Specialty Steel Division of the Cyclops Corporation; Washington Steel Corporation; and the United Steelworkers of America, filed on behalf of the U.S. industry of manufacturers of

stainless steel sheet, strip, and plate. The petition alleged that certain benefits which constitute subsidies within the meaning of section 701 of the Act are being provided, directly or indirectly, to the manufacturers, producers, or exporters in the United Kingdom of the stainless steel products listed above.

We found the petition to contain sufficient grounds upon which to initiate countervailing duty investigations, and on November 2, 1982, we initiated such investigations (47 FR 49692).

Since the United Kingdom is a "country under the Agreement" within the meaning of section 701(b) of the Act, injury determinations were required for these investigations. Therefore, we notified the ITC of our initiations. On November 22, 1982, the ITC determined that there is a reasonable indication that these imports are materially injuring, or threatening to materially injure, a U.S. industry.

We presented questionnaires concerning the allegations to the Delegation of the Commission of the European Communities and the government of the United Kingdom on November 9, 1982. Questionnaires were also presented to British Steel Corporation and Arthur Lee and Sons, Ltd. On December 30, 1982, we received the responses to the questionnaires. Supplemental responses were received on January 10, 1983. On February 10, 1983, we issued our preliminary determinations in these investigations (48 FR 6146). These stated that the government of the United Kingdom was providing British manufacturers, producers, or exporters of stainless steel sheet, strip, and plate with benefits that constitute subsidies. The programs preliminarily found to confer subsidies were:

- Public dividend capital and new capital.
- National Loans Fund loans and loan conversions.
- Regional development grants.
- Iron and Steel Industry Training Board grants.

Scope of Investigations

The products covered by these investigations are:

- Stainless steel sheet and stainless steel strip.
- Stainless steel plate.

The products are fully described in the appendix to this Federal Register notice.

British Steel Corporation (BSC or the Corporation) is the only known producer and/or exporter in the United Kingdom of stainless steel sheet and plate exported to the United States. Arthur Lee and Sons, Ltd., is the only known producer and/or exporter in the United Kingdom of stainless steel strip exported to the United States. The period for which we are measuring subsidization is the most recent fiscal year for which information is available.

Analysis of Programs

In their responses, the government of the United Kingdom and the Delegation of the Commission of the European Communities provided data for the applicable periods. Additionally, we received information from BSC and Arthur Lee and Sons, Ltd.

Unless otherwise noted, we allocated each company's countervailable benefits as follows:

- Where untied benefits were provided to a company, they were allocated over the revenue of that company; and
- Where benefits were provided directly to a specific corporate division producing products under investigation, they were allocated over the revenue of that division.

Based upon our analysis of the petitions, responses to our questionnaires, our verification, and comments from interested parties, we determine the following:

I. Programs Determined To Confer Subsidies

We have determined that subsidies are being provided to manufacturers, producers or exporters in the United Kingdom of stainless steel sheet, strip, and plate under the programs listed below.

A Equity Investment in BSC

BSC was established by an Act of Parliament on March 22, 1967, under the provisions of the Iron and Steel Act of 1967. The 1967 Act combined 14 steel companies, creating the nationalized British Steel Corporation. The British government reimbursed stockholders of record at the time the companies were merged and absorbed the substantial debts of the individual companies. The bulk of the debt was converted to government equity under the provisions of the Iron and Steel Act of 1969, which also authorized government payments to BSC.

Authority for the government to make payments to BSC was renewed in the Iron and Steel Act of 1975. Section 18(1) of this Act provided that "the Secretary of State may, with the approval of the Treasury, pay to the British Steel Corporation such sums as he thinks fit." In nine of the fifteen years of its existence, the Corporation has received such payments, known as public dividend capital (PDC) or new capital (NC), from the government. In 1972 and 1981, parliament directed that portions of its capital investment be credited to accumulated revenue deficit. Neither of these transactions altered the potentially countervailable benefit of the original public dividend capital or new capital infusions.

Two additional equity investments were made in 1972 and in 1981, when certain government loans were converted into equity. These investments are considered in the following section titled "National Loans Fund".

Our treatment of government equity investment in a company hinges essentially on the soundness of the investment. If the government investment was reasonably sound at the time it was made, we do not consider it a subsidy. If, on the contrary, the investment appears to have been unsound, a subsidy may exist. Government investment confers a subsidy only when it is on terms inconsistent with commercial considerations.

An equity subsidy potentially arises when the government makes equity infusions into a company which is sustaining deep or significant continuing losses and for which there does not appear to be any reasonable indication of a rapid recovery.

For the purpose of determining whether BSC represented a sound investment at the time each equity investment was made by the U.K. government, we primarily considered BSC's cash flow from operations, including interest, but excluding government grants. Our analysis also included BSC's operating results and computations of BSC's current ratio (current assets divided by current liabilities). On the basis of these tests, we considered investment in BSC to be inconsistent with commercial considerations from fiscal year 1977/78 through 1981/82.

Since we have determined that BSC was not a sound investment from April 1977 through March 1982, we examined the government's equity infusions during this period to determine whether they bestowed a subsidy. To the extent in any year that the government realized a rate of return on its equity investment in BSC which was less than the average rate of return on equity investment for the country as a whole (thus including returns on both successful and unsuccessful investments), its equity infusion is considered to confer a subsidy. We multiplied the "rate of return shortfall" (the difference between the company's rate of return on equity

and the national average rate of return on equity) by the original equity infusion (less any loss coverage to which the equity funds were applied) to yield the annual subsidy amount. Under no circumstances did we countervail in any year an amount greater than what we would have countervailed had we treated the government's equity infusion as an outright grant.

The average rate of return on equity investment in the United Kingdom was estimated by the average earnings yield on U.K. industrial shares. BSC's return was measured by its net earnings (or losses) divided by owner's equity. During this period, BSC's losses were large, resulting in substantial negative returns on owner's equity.

Comparing the average return with BSC's large negative return yielded an amount exceeding the amount we would have calculated had we treated the public dividend capital or new capital payments as outright grants rather than as equity. Consequently, we have limited the subsidy to the 1981/82 amount that would result if the equity investments were treated as grants.

We allocated that part of the equity infusion used for loss coverage in a given year exclusively to that year rather than over a longer period of time. The remainder of the subsidy was allocated using the grant methodology. As explained below under the section on "Regional Development Grants", the grant methodology consisted of allocating the present value of grants over a period of years. We have allocated equity infusions used for loss coverage to the year of receipt rather than over time in order to reflect the nature of the liabilities giving rise to the loss. These liabilities are generally the basic costs of operations (*e.g.*, wages, materials, certain overhead expenses)—items generally expensed in the year incurred.

After calculating the magnitude of BSC's losses, we allocated to loss coverage only those equity infusions which were truly cash inflows into the company and were actually available to cover losses.

For 1981/82, we calculated a subsidy of 6.13 percent *ad valorem* for PDC and NC payments for loss coverage in that year. For PDC and NC payments in excess of loss coverage in each of the fiscal years 1977/78 through 1981/82, we found, using the equity methodology, a subsidy of 9.75 percent *ad valorem* for fiscal year 1981/82. Thus, the total subsidy received by BSC in fiscal year 1981/82 resulting from PDC and NC payments was 15.88 percent *ad valorem*.

B National Loans Fund

The National Loans Fund (NLF) is a depository of money raised through government borrowings. Lending from the NLF is not generally available, but is limited to nationalized British companies. Therefore, British Independent Steel Producer Association members (BISPA producers), including Arthur Lee and Sons, Ltd., do not qualify for NLF loans. BSC was expressly authorized to borrow from the NLF's predecessor fund (the Consolidated Fund) by the Iron and Steel Act of 1967, and from the NLF by the Iron and Steel Act of 1975.

BSC received substantial loans from the NLF. If these loans had remained outstanding in fiscal year 1981/82, then we would have applied the methodology for loans to companies considered creditworthy for loans received prior to fiscal 1977/78 and the methodology for loans to companies considered uncreditworthy for loans received in fiscal 1977/78. BSC received no NLF loans after fiscal 1977/78. Prior to 1977/78 the subsidy would have been computed by comparing what BSC would pay a normal commercial lender in principal and interest in a given year with what the corporation actually paid on the preferential NLF loan in that year. In 1977/78 the subsidy would have been computed by treating the loan as an equity infusion by the government and by applying the equity methodology described above. However, all outstanding loans from the NLF were forgiven: L 150 million in 1971/72, and L 509 million in 1981/82. We treated each forgiveness as an additional equity investment.

Since the first forgiveness occurred during the period in which we consider equity infusions to be consistent with commerical considerations, it did not confer a subsidy. The second forgiveness, however, was made during the period in which we consider equity infusions to have been inconsistent with commercial considerations, and potentially conferred a subsidy. We examined the rate of return on the second equity infusion and compared it to the national average rate of return on equity. Since the UK government realized a rate of return on its equity investment in BSC which was less than the average rate of return on equity investment for the country as a whole (thus including returns on both successful and unsuccessful investments), we determined that a subsidy was in fact conferred.

However, comparing the average return on equity in the United Kingdom during the period with BSC's large negative return yielded an amount exceeding the amount we would have calculated had we treated the equity infusion as an outright grant. Consequently, we limit the subsidy calculation for the period 1981/82 to the amount that would result if the equity investment were treated as a grant. Upon this basis, we calculated a subsidy for BSC of 2.21 percent *ad valorem*.

We note that our loss coverage allocation methodology does not apply to the 1981/82 conversion since there was no infusion of cash at that time.

C. Regional Development Grants

The Industry Act of 1972 established a regional development grant (RDG) incentive program with the goal of eliminating certain social problems in specified regions of the United Kingdom. RDG's are not made generally available in the United Kingdom, but rather are available only to designated manufacturing sectors (e.g., metals manufacture) which are located in "special development" and "development" regions. Since this program is regional in nature, we find that it confers subsidies within the meaning of section 771(5) of the Act. Both BSC and Arthur Lee and Sons, Ltd., had plants located in development regions and received RDG's.

The Secretary of State for Industry, with the approval of the Treasury, is authorized to determine the activities that qualify for grants and the conditions of each grant. The grants are made toward the cost of capital expenditures on new buildings or works in development areas, the adaptation of existing buildings on qualifying premises in development areas, and new machinery and plants for use in qualifying premises in development areas. The grants pay for a fixed percentage of the cost for specific capital assets, depending on the type of region for which they are designated. The amount of a grant in a "development" area is 15 percent, and in a "special development" area 22 percent, of the capital asset cost. Grants are provided only after the asset has been purchased or the expenditure on it incurred. We find these grants to be "tied" to (*i.e.*, bestowed expressly to purchase) specific capital assets.

In each case, the individual grants were for less than $50 million. To calculate the benefit received from the grants considered in these investigations, we allocated the present value of grants "tied" to the purchase of capital equipment over the number of years reflecting the average useful life of equipment used by the sector which

produces the products under investigation. A grant is considered tied where the intended use is known to the donor, and where such use is acknowledged prior to, or concurrently with, its bestowal. The regional development grants found in these investigations have been tied to capital investment in plant and equipment, and have been allocated over a 15-year period representing the average life of capital assets in integrated steel mills.

Under our grant methodology, we determine the present value of grants in order to calculate the current value of the benefit to the grant recipient. The calculation of the present value of funds received is a mechanism for allocating money received in one year to other years and is calculated using a discount rate. For these determinations, we determine that the most appropriate discount rate is the "risk-free" rate as indicated by the secondary market rate for long-term government debt in the country under investigation. The foundation of a country's interest rate structure is usually its government's debt interest rate (the risk-free rate). On this basis we calculated a subsidy of 1.21 percent *ad valorem* for RDG's received by BSC and 0.16 percent *ad valorem* for RDG's received by Arthur Lee and Sons, Ltd.

We note that for our preliminary determinations, we applied the entire amount of RDG's reported in the Arthur Lee and Sons, Ltd., annual report to sales of stainless steel strip by Lee Steel Strip. During verification we found that RDG's received by Arthur Lee and Sons, Ltd., were tied to specific production facilities. We identified those grants received by Arthur Lee and Sons, Ltd., that were tied to plant and equipment used in the production of stainless steel strip. For this final determination we have included only the Arthur Lee and Sons, Ltd., RDG's tied to stainless steel strip production in our calculation of the subsidy rate.

D. The Iron and Steel Industry Training Board

There are 24 private industry training boards in the U.K. The Iron and Steel Industry Training Board (ISITB), established under the Industrial Training Act of 1964, sponsors various training programs aimed at maintaining the nation's pool of skills required by the iron and steel industry and increasing employee job versatility in the event that present employment is terminated. The Board receives annual levies of up to one percent of payroll from iron and steel producers and makes grants to those companies conducting training programs. In 1981/82, however, approximately 80 percent of the funds received by the Board were contributed by the UK government. The amount of levy contributed by each producer is determined by the government's Manpower Service Commission. The grants normally are insufficient to cover the costs incurred by the companies providing the training. BSC received several training grants under this program.

Since training grants during 1981/82 were funded largely from government contributions rather than solely from levies contributed by producers, we find the grants to be countervailable. Because the grants were less than 1 percent of revenue and were expensed in the year of receipt, we considered only the grants received in 1981/82. Using this methodology, we calculated a subsidy of 0.01 percent *ad valorem* for BSC.

E. Investment in BSC Stainless

Petitioners alleged that BSC was receiving subsidies specifically for the production of stainless steel products. In fact, on March 28, 1974, the BSC Board, with the concurrence of the U.K. government, did approve a BSC stainless steel development strategy at a cost of about L 130 million from fiscal years 1974/1975 through 1980/1981. No formal agreement to the strategy was required from the U.K. government because none of the individual project costs exceeded L 50 million. The funds were used to expand cold-rolling finishing, stainless melting and continuous casting facilities, to improve plate finishing facilities, and to develop a new process for the manufacture of stainless strip.

Investment in BSC stainless was not a separate investment program but part of BSC's overall 10-year capital development strategy. The stainless steel development was partially financed with loans from the ECSC, regional development grants, and the balance from public dividend capital and new capital payments or National Loans Fund monies. However, investment for these projects came from the amounts received by BSC under the above-mentioned programs. Therefore, this investment in BSC stainless is already included in the subsidy calculations for the programs described elsewhere in this notice. Additionally, there is no evidence the PDC/NC and NLF loans were tied to BSC stainless production, except for a corporate strategy to emphasize increased development of stainless production. Except where it is otherwise indicated, we have allocated benefits over total corporate revenue rather than over stainless steel revenue.

II. Programs Determined Not To Confer Subsidies

We have determined that subsidies are not being provided to manufacturers, producers, or exporters in the United Kingdom of stainless steel sheet, strip, and plate under the following programs.

A. Industrial Investment Loans from the European Coal and Steel Community

Article 54 of the Treaty of Paris authorizes the European Coal and Steel Community (ECSC) to provide loans to steel companies in member countries for reducing production costs, increasing production, or facilitating product marketing. Loans provided under this program are funded exclusively from ECSC borrowings on world capital markets. Because of its quasi-governmental nature, the ECSC can raise funds at interest rates lower than those available on commercial terms to BSC. When the ECSC relends these borrowed funds to BSC without increasing the interest rate, any difference between the owner interest rate passed on and the rate otherwise available to BSC in the commerical financial market is a benefit to BSC. For this reason, we determine that ECSC loans raised through capital market funding are countervailable insofar as they offer interest rates which would not be available on commercial terms to BSC. Consequently, any loan to BSC involving ECSC funds borrowed on international capital markets, provided under any ECSC assistance program, confers countervailable benefits to the extent that the loan is made at a preferential interest rate.

BSC has received three ECSC industrial development loans directly related to plants at which the products under investigation were manufactured. All three ECSC loans which are tied directly to production of products under investigation were made to BSC during its creditworthy period. Each of these loans was denominated in U.S. dollars. For purposes of determining whether these ECSC loans resulted in a subsidy to BSC, we compared the interest rate on ECSC loans which ranged from 5 to 20 years to an average U.S. corporate bond rate. The bonds were chosen as being the most typical source of long-term debt for private British firms borrowing in U.S. dollars. The interest rates charged to BSC on the ECSC loans exceeded the average U.S. corporate bond rates. Therefore, we determine that these ECSC loans do not result in a subsidy.

B. Transportation Assistance

During verification we found that neither BSC nor Arthur Lee and Sons, Ltd., used British Rail, the totally government owned rail company, for shipments of finished stainless steel products. BSC did use British Rail for shipments of scrap used as input for stainless steel sheet and plate. To the best of our knowledge, no other producer shipped scrap by rail. For this reason, it was not possible to compare rail rates paid by BSC with rates paid by other companies for the shipment of scrap. We were able to ascertain, however, that BSC paid rail rates on scrap shipments that were equal to or in excess of the rates paid for road haulage of scrap. BSC has access to and used road haulage at rates below those paid on shipments by rail. Since British Steel did not appear to receive preferential rates, we determine that BSC's shipment of scrap by rail did not result in the payment or bestowal of a subsidy.

III. Program Determined Not To Be Used

Loans From the European Investment Bank

The European Investment Bank (EIB) was created by the Treaty of Rome establishing the EEC to fund projects that serve regional needs in Europe. Article 130 of the Treaty of Rome authorizes the EIB to make loans and guarantee financial projects in all sectors of the economy. These projects provide funds to further the development of low income regions. Funds are drawn from debt instruments floated on world capital markets and from investment earnings. Because EIB loans are designed to serve regional needs, we have in past investigations found them to be countervailable when the interest rate was less than the rate which would have been commercially available.

From October 1973 through December 1977, BSC received 18 EIB loans. EIB loans were tied exclusively to the production of products other than those currently under investigation. Consequently, EIB loans have not resulted in the bestowal of a subsidy on the production or exportations of BSC's stainless steel sheet, strip and plate.

Arthur Lee, and Sons, Ltd., did not receive EIB loans.

Petitioner's Comments

Comment 1

Petitioners contend that BSC was uncreditworthy in fiscal year 1971/72 and in all the years that followed. They cite the transfer of PDC and NLF funds to general reserve in 1971/72 as an indication that BSC was uncreditworthy at that time. They feel that, in subsequent years, any profits would have been eliminated had BSC been required to make interest payments on NLF debt transferred to general reserve.

DOC Position

We disagree. As described in the "Equity Investment in BSC" section, we found BSC to be a sound investment through fiscal year 1976/77, based on BSC's operating results, cash flow from operations, and current ratio in each of the years during this period. We considered the transfer of NLF debt to reserves as not inconsistent with commercial considerations, in view of the fact that BSC's capital structure at the time of its formation was composed primarily of debt rather than equity.

Comment 2

Petitioners assert that the proper benchmark interest rate for ECSC loans received by BSC in U.S. dollars should not be the U.S. corporate bond rate but a rate which reflects both U.S. monetary conditions and the creditworthiness of the foreign borrower. Petitioners recommend that we use as a benchmark the U.S. Government bond yield plus the difference between the U.K. corporate bond yield and the U.K. government bond yield. They state that the former "can be used as a proxy for the U.S. monetary conditions component" while the latter "can be used as a proxy for the U.K. industrial creditworthiness component."

DOC Position

We disagree. The ECSC loans in question were in fact made in U.S. dollars. We believe that the U.S. corporate bond rate is a more realistic measure of the freely available interest rate on U.S. dollar financing than a rate which is constructed in the manner proposed by petitioners.

Comment 3

Petitioners claim that our preliminary determination that BSC did not receive a rail subsidy was in error, since we had earlier found a rail subsidy in the countervailing duty investigation on certain carbon steel products from the U.K.

DOC Position

We disagree. Because our final determination of a rail subsidy in our investigation of certain steel products from the U.K. was based solely on British Rail's failure to make contracts available to us, we determined preliminarily in this investigation that no rail subsidy was confirmed, pending verification of this point. During verification we were unable to compare rail rates paid by BSC to those paid by other companies, because, to the best of our knowledge, only BSC used British Rail, and BSC used it only for shipment of scrap, not for shipment of the finished product. Comparing the rail rate paid by BSC on these scrap shipments with road haulage rates for scrap we found that BSC was paying rail rates that were equal to and that exceeded the road rates. We, therefore, concluded that BSC's shipment of scrap by rail did not result in the bestowal of a subsidy.

Respondent's Comments

Comment 1

BSC contends that certain funds provided by the government which it used to close redundant production facilities or to purchase assets that are now idle because of plant closure are not countervailable because such money did not benefit the manufacture, production or export of stainless steel.

DOC Position

We disagree. We have determined that Public Dividend Capital received by BSC from 1977/78 to 1981/82 was equity capital provided to BSC's steel manufacturing divisions, and that these equity investments were made on terms inconsistent with commercial considerations because BSC was not a sound investment at that time. As a result, we have concluded that these equity infusions confer subsidies under section 771(5)(B)(i).

In reaching our conclusion regarding whether investments were made on terms inconsistent with commercial considerations, we examined objective financial characteristics of the firm's steel manufacturing divisions at the time these investments were made. The subsequent uses to which these funds were applied were not relevant. Therefore, once we had concluded that the capital investments in a steel enterprise were made on noncommercial terms, issues as to whether the expenditure of these funds was arguably not associated with the manufacture, production, or export of stainless steel but rather was made toward curtailing productive capacity, are beyond the scope of our inquiry.

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Moreover, subsidies used to close redundant facilities or to purchase idled assets clearly constitute countervailable benefits under the statutory definition of "subsidy." Section 771(5)(B) of the Act defines "subsidy" to include various types of benefits "paid or bestowed

manufacture, production. or export of any class or kind of merchandise." Clearly, redundancy funds and plant closures make the recipient more efficient and relieve it of significant financial burdens. Thus, such funds are unquestionably indirect. if not direct, benefits to BSC's manufacture, production. or export of steel and consequently are countervailable. We note, for example, that costs associated with plant closures have recently resulted in a common business expense borne by many steel companies in various countries, including the U.S. and the U.K. Therefore, these are costs associated with manufacturing and producing the products under investigation.

Comment 2

BSC contends that we should not, as a matter of policy, countervail against subsidies used to restructure the British steel industry because restructuring eliminates excess capacity, which in turn alleviates a form of trade distortion, and is therefore consistent with the goals of our conuntevailing duty law and the GATT Subsidies Code. To countervail against such subsidies would remove all incentive to restructure and would be contrary to the purposes of law and the Code.

DOC Position

We disagree with BSC's interpretation of the countervailing duty law and the Code. Our statutory obligations are carefully defined and mandatory in nature. Whenever it is determined that subsidized imports are injuring the domestic industry that manufactures or produces a like product, we are *required* by domestic law, and authorized by the Code. to impose appropriate countervailing duties, provided, of course, that all relevant procedural requirements are satisfied.

As discussed in the preceding comment. we have determined that certain Public Dividend Capital is an equity investment provided on terms inconsistent with commercial considerations, and is therefore countervailable, regardless of whether some of the funds received from these capital infusions were used for restructuring or to purchase assets now idle as a result of restructuring. Therefore. we must countervail against these benefits.

Although Article 11 of Part II of the Code does provide. among other things, that a signatory's right to provide domestic subsidies for purposes of restructuring are not precluded by the Code, it does not exempt such subsidies from countervailing duties. Therefore, regardless of whether restructuring subsidies serve to alleviate other trade distortions. countervailing against such benefits is wholly consistent with the Code and our statute.

Comment 3

BSC contends that subsidies used to restructure its productive capacity are analogous to corporate restructuring under Chapter 11 of our Bankruptcy Act. As such, they are consistent with normal commercial considerations and should not be considered subsidies.

DOC Position

Chapter 11 of the Bankruptcy Act is a specific statute, with general applicability, which provides certain legal protections to financially troubled debtors and their creditors. BSC has furnished no information indicating that it is subject to any proceedings analogous to those under Chapter 11, or that its restructuring remotely resembles normal reorganization procedure in Britian. Absent such information, BSC's contentions are entirely speculative.

Comment 4

Counsel for BSC argues that we should allocate subsidies used to close plants to the year in which such costs were incurred. Respondent claims that such allocation would be in accordance with both generally accepted accounting principles and our allocation of loss coverage subsidies (where cash inflows are actually available to cover losses) to the year in which the losses were incurred.

Response

The subsidies at issue here were large amounts of money provided by the government as part of a broad plan of modernization, including closing old facilities and building new ones. Indeed, steel companies routinely close old facilities and build new ones. In such a case, we do not agree that the monies for closing facilities should be allocated exclusively to the year in which those costs were incurred rather than over time. We believe that the benefits conferred through the modernization plan. including subsidization of plant closures and building new facilities. are more likely to continue beyond that single year. A longer allocation is therefore more appropriate.

We agree that generally accepted accounting principles in many countries allow a company to expense plant closure costs in the year incurred. However, the Department is not invariably required to allocate subsidies in accordance with such principles, and thus ignore the economic reality of the entire modernization program.

We do not agree that our allocation over more than one year of plant closure costs is necessarily inconsistent with our allocation in one year of some loss coverage subsidies. Relief from losses is less likely to benefit a company over a longer period of time. Even if it were, we believe that loss coverage subsidies, unlike plant closure costs, may be allocated to a single year without creating a serious loophole in the countervailing duty law By contrast, where a company is closing plants but also building more modern, efficient facilities, the benefit of the modernization program clearly extends for a number of years. If we were to allocate plant closure subsidies solely to one year, a company could allocate government funds exclusively for the plant closing costs of its modernization plan, and use other available assets (*e.g.*, cash flow) to build new facilities. If we accepted respondent's position, the subsidized company would perhaps face significant countervailing duties in one year, but possibly none in successive years when the new facilities were in operation. Such a result would fail to reflect the manner in which the subsidy benefits were realized.

Moreover, we note that insofar as costs for plant closures contributed to a company's cash-based losses, we are already generally allocating subsidies to the extent of loss coverage to the year in which losses were incurred. In these investigations, BSC subsidies to the extent of cash-based losses of L 211 million were allocated exclusively to the period for which we are measuring subsidies. In that same period, BSC expended L 156 million for closing plants. The latter expense clearly contributed to the former loss.

For these reasons the Department has allocated subsidies for plant closure—in these investigations, about L 679 million for the period 1977/78 through 1981/82—over a longer period of time (in this investigation, 15 years, the average estimated life of assets in integrated steel mills).

Verification

In accordance with section 776(a) of the Act, we verified the data used in making our final determinations. During this verification, we followed normal procedures including inspection of documents and on-site inspection of manufacturers' operations and records.

Administrative Procedures

The Department has afforded interested parties an opportunity to

present oral views in accordance with its regulations (19 CFR 355.35). Interested parties, however, did not request a public hearing but did submit written views, which were considered in accordance with the Department's regulations (19 CFR 355.31(a)).

The suspension of liquidation ordered in our "Preliminary Affirmative Countervailing Duty Determinations" shall remain in effect until further notice for stainless steel sheet, strip and plate except with respect to stainless steel strip produced by Arthur Lee and Sons, Ltd., which is excluded from these determinations. The net subsidy for each firm and product is now as follows:

Manufacturer/producer/exporter	Ad valorem rate
British Steel Corporation:	
Stainless steel sheet	19.31
Stainless steel strip	19.31
Stainless steel plate	19.31
All other producers, manufacturers and exporters of stainless steel sheet, strip and plate	19.31

We are directing the United States Customs Service to require a cash deposit or bond in the amount indicated above for each entry of the subject merchandise entered on or after the date of publication of this notice in the Federal Register. Where the manufacturer is not the exporter, and the manufacturer is known, the rate for that manufacturer shall be used in determining the amount of cash deposit or bond. If the manufacturer is unknown, the rate for all other manufacturers/producers/exporters shall be used.

ITC Notifications

In accordance with section 705(d) of the Act, we will notify the ITC of our determinations. In addition, we are making available to the ITC all non-privileged and non-confidential information relating to these investigations. We will allow the ITC access to all privileged and confidential information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy (for Policy) to the Deputy Assistant Secretary for Import Administration. The ITC will determine within 45 days of the publication of this notice whether these imports are materially injuring, or threatening to materially injure, a U.S. industry. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, within 7 days of notification by the ITC of that determination, we will issue a countervailing duty order, directing Customs officers to assess countervailing duties on certain stainless steel products from the United Kingdom entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the net subsidy determined or estimated to exist as a result of the annual review process prescribed by section 751 of the Act. The provisions of section 707(a) of the Act will apply to the first directive for assessment.

This notice is published pursuant to section 705(d) of the Act and § 355.33 of the Department of Commerce Regulations (19 CFR 355.33).

Lawrence J. Brady,

Assistant Secretary for Trade Administration.

April 20, 1983

Appendix—Description of Products

For purposes of these investigations:

(1) The term "Stainless steel sheet, and strip" covers hot or cold-rolled stainless steel sheet or strip products, excluding hot or cold-rolled stainless steel strip not over 0.01 inch in thickness, as currently provided for in items 607.7610, 607.9010, 607.9020, 608.4300, and 608.5700 of the *Tariff Schedules of the United States Annotated (TSUSA).*

Hot-rolled stainless steel sheet covers hot-rolled stainless steel sheet whether or not corrugated or crimped and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Hot-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cold-rolled; not cut, not pressed, and not stamped to non-rectangular shape; and under 0.1875 inch in thickness and not over 12 inches in width. Hot-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

Cold-rolled stainless steel sheet covers cold-rolled stainless steel sheet products whether or not corrugated or crimped and whether or not pickled; not cut, not pressed and not stamped to non-rectangular shape; not coated or plated with metal; and under 0.1875 inch in thickness and over 12 inches in width.

Cold-rolled stainless steel strip is a flat-rolled stainless steel product, whether or not corrugated or crimped, and whether or not pickled; not cut, not pressed, and not stamped to non-retangular shape; and under 0.1875 inch in thickness and over 0.50 inch but not over 12 inches inches in width. Cold-rolled stainless steel strip, including razor blade strip, not over 0.01 inch in thickness is not included.

(2) The term *"Stainless steel plate"* covers stainless steel plate products [illegible] in items 607.7505 and 607.9005 of the TSUSA. Stainless steel plate is a flat-rolled product, whether or not corrugated or crimped, in coils or cut to length, 0.1875 inches or more in thickness and over 8 inches in width or if cold-rolled over 12 inches in width.

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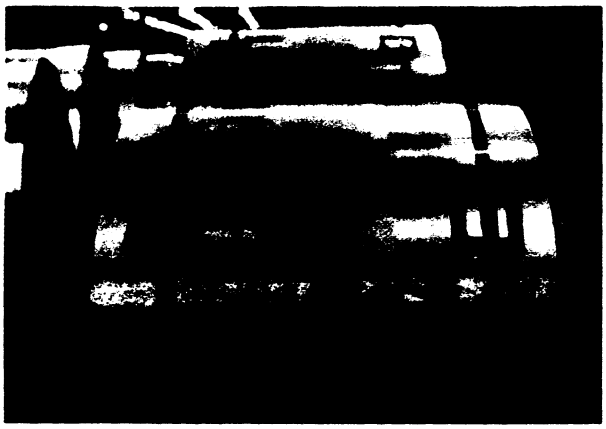
APPENDIX E

ARTICLE FROM FORTUNE MAGAZINE

STEEL/STEVEN FLAX

HOW DETROIT IS REFORMING THE STEELMAKERS

■ A largely unpublicized but sweeping revolution has transformed relations between the steel and auto industries. General Motors, the U.S. steel industry's largest customer, announced last year it would henceforth require steel suppliers to bid against one another for its orders. Along with a drive by Ford to get higher-quality steels, the new policy has forced steelmakers—often for the first time—to pay more attention to their customers' needs than to their own production goals.



Hot-dipped coils *of galvanized steel at Armco's Middletown, Ohio, mill await shipment to GM's Fisher Body plant in Lordstown. "Minimized spangle" means that the zinc coating won't give a mottled, garbage-can-like appearance when painted.*

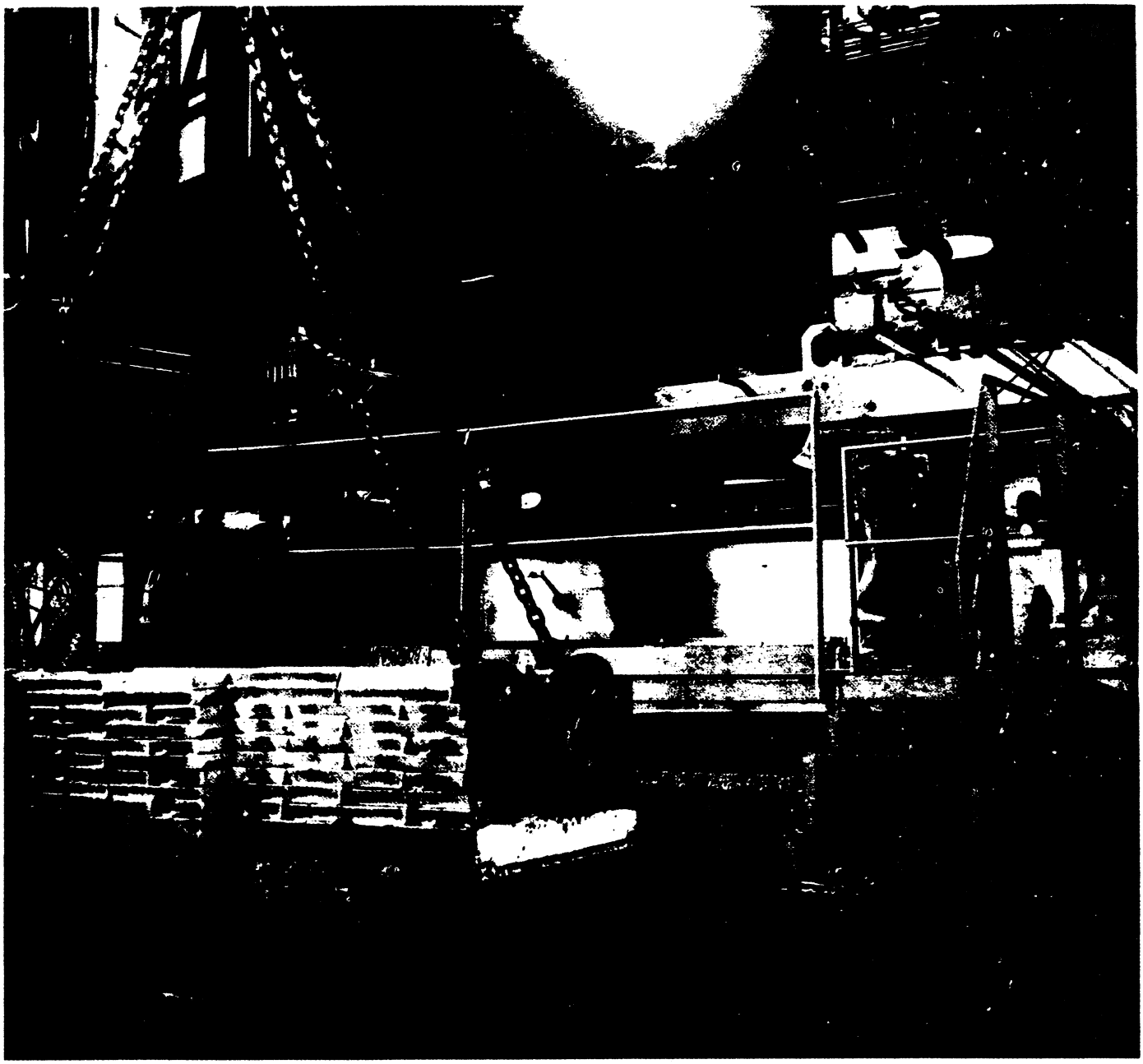
GM's shift ended an era of stunning complacency. Its steel buying had become an automatic process, conducted with the soothing reassurance of a familiar ritual. At the beginning of each year a supplier would be awarded a fixed percentage of GM's needs for particular steels at particular plants. "We did the same thing the same way every year," says Gus W. Rylander, a 27-year sales veteran at Armco. "We'd go up there [to Detroit] and get our share of the pie."

Myopia prevailed on both sides of the fence. An automaker who wanted steel made to certain specifications was apt to be told that he would have to accept the tolerances of the American Iron and Steel Institute. As Merrill Lynch steel analyst Charles A. Bradford puts it, "The steel companies' attitude was, 'We make steel. If you want it, you buy it.' " GM, by the same token, didn't want to hear from any steelmaker who thought he might have a better or cheaper way of doing things. GM's attitude, say suppliers, was, "You make the steel. Don't tell us how to make a car."

Neither side paid scrupulous attention to quality. Thousands of tons of rejected steel piled up at many auto plants. As recently as 1980, GM had to reject many of its stampings for the first J cars in part because of steels that failed to make the grade. At the same time GM continued to pay suppliers' list prices even though it had the clout to bargain. Banking on the consumer's willingness to absorb price increases, the company chose to pass costs on rather than disrupt the comforts of doing business as usual.

GM has been closemouthed about its new policy; FORTUNE's requests for interviews were denied and the company has attempted to gag suppliers. But there is no doubt that demands on suppliers have become more rigorous. Internal GM documents reveal the broad range of criteria by which it is now judging steel companies. In addition to quality, delivery, and price, GM is ranking suppliers on financial strength (based on the Value Line rating), product-size options (the limitations of the facility for producing widths and gauges), and facility modernization (the ratio of capital expended to sales). It also is weighing broader qualifications—GM now takes into account "management's philosophy and attitude in cooperating with GM at all times," and whether or not a company intends to remain a steelmaker.

The new scheme got off to a rocky start. GM "came out of the door with guns blazing, and they weren't organized very well," says a senior sales executive at one of the largest steelmakers. Suppliers were asked on short notice to quote on vague categories—for example, X tons of cold-rolled sheets for the Buick division. Steelmakers were used to quoting on specific parts for specific plants, and there are 300 grades of cold-rolled



A ribbonlike sheet *of steel vanishes into the hot-dip galvanizing process at Armco's Middletown mill. Galvanized steel is among several of the corrosion-resistant types increasingly demanded by automakers.*

steel. "They never even specified if the steel would be used for parts of the car that were exposed or unexposed," says the sales executive. "Our proposal went back in better shape than the request for proposal we received."

Since GM's requests had been so vague, some steelmakers sent back bids that were almost equally vague. Some just quoted list prices. Others, like Armco Inc., went to heroic lengths to deal. Asked if Armco made any price concessions, George Kay, vice president of Armco's commercial affairs, replies without hesitation, "You bet. There aren't any other auto industries, say, out in Nebraska somewhere, of the size and quality of the U.S. auto industry." Adds Bill Crane, a senior sales rep, "Something had to be done about pricing for GM that would get us out of the lockstep we were all in."

Armco's proposal could serve as a model for collaboration between automakers and steel suppliers. Not coincidentally, almost half the output of Armco's main mill, in Middletown, Ohio, is dedicated to GM. Besides price concessions, Armco offered GM volume discounts for a variety of products, a 30-day delayed payment plan, and a guarantee of no work stoppages, agreed to by Armco's independent union. For parts where it is the main supplier, it will finish orders two weeks early and have an equal amount of similar steel in production in case GM needs extra supplies quickly.

Along with these incentives, Armco showed GM how it could substitute certain cheaper steels for some it had already bought from Armco, saving about $10 a ton on steel averaging $500 a ton without compromising quality. Armco also presented a study

PHOTOGRAPHS BY ROBERT CUMMING

Rear compartment pans *(the bottoms of trunks) are loaded on trolleys at GM's Fisher Body plant in Lordstown, Ohio, for delivery to the GM assembly plant next door. Such stampings require special steels, like the Armco steel on the preceding pages, because they undergo great deformation in the presses and must be corrosion resistant.*

showing that GM could reduce the number of steel sizes it ordered by 50% by combining different sizes of products whose gauges (thicknesses) were within .05 millimeter of each other or whose widths were within a range of 2%. Such standardization would benefit both parties by improving quality, lowering materials costs, and reducing inventories.

Armco backed its incentives with extra service. For example, GM's Delco Moraine Division in nearby Dayton has to glue paper rings onto circular disks of Armco steel to make the clutch plates of automatic transmissions; now Armco is supplying Delco with coils of steel already coated with adhesive. Armco gained too: it wound up with a new, higher-margin product.

Several other steel companies went to similar lengths. National Steel custom-tailored new steel chemistries to provide GM with steels that worked better in forming dies, and its engineers helped the company develop new procedures for the tricky job of spot-welding high-strength galvanized steels for the 1984 Corvette. Similarly, Republic Steel Corp. developed a high-strength, low-alloy steel for wheels that allowed GM a ten-pound weight reduction per car. Republic also inaugurated a "super-coil" program, using statistical process control to produce blemish-free steel.

GM took pains to declare that no suppliers were being eliminated. But behind that benign pronouncement a lot of conflict and consolidation took place. Bethlehem was dropped at several GM plants. Other companies, including U.S. Steel, lost volume because they weren't willing to give enough of a discount for commodity-grade products. Republic and Wheeling-Pittsburgh were eliminated as suppliers to the Chevrolet division's mammoth truck and bus plant in Indianapolis. GM cut the number of mills supplying its plants from 341 to 272, a reduction of almost 20%.

Now in its second year, the program is working more smoothly and is visibly paying off. For 1983, suppliers received a detailed list of over 5,000 parts made at 53 plants to quote on. No less important, they were given advance notice of GM's production plans to help their own planning—something they'd never got in the past. "GM for the first time showed us their hand. They told us what they were willing to buy for the entire year," says Robert Patterson, manager of market and product planning at Republic.

Because suppliers have to bid for specific parts at specific plants, the system has forced them to determine where their strengths lie. "You have to decide where you want to be," says Patterson. In its second year under the new system, for example, one of the largest steel companies eliminated itself as a supplier to certain plants by not quoting on parts. It did, however, offer GM its own computer tape encoding all 5,000 parts, which it thought might be useful to GM for cross-referencing similar products at various GM plants as a guide to consolidation.

The program has also made suppliers much more mindful of their costs. One major steelmaker acknowledged, astoundingly, that it had not previously analyzed in detail the difference in cost between making 100 tons and 500 tons of certain products; as of this year, it is doing so. And suppliers are becoming more hard-nosed about which plants will produce what products. Bethlehem, for example, transferred some production from older plants that had traditionally been suppliers to GM to its new state-of-the-art mill at Burns Harbor, Indiana.

How much GM is saving is unknown, but the evidence suggests the benefits are substantial. Apart from price concessions, lower reject rates, and lower inventories, the company is gaining manufacturing efficiencies that flow from the greater reliability of the raw material. Steel is likely to arrive with fewer variations in thickness, for example, when orders for a part are filled by one supplier rather than by several. As a result, stamping presses are not as often pulled out of service while millwrights readjust the dies to accommodate the different thicknesses. (Some sheet steel can fracture in a press if it is only three-thousandths of an inch off specifications.)

THOUGH GM is by far the biggest automotive purchaser of steel, Ford Motor Co. has been making an impact by pursuing a slightly different philosophy. "There are more benefits to be gained from better quality than from any other approach in buying steel," says Lionel M. Chicoine, vice president of purchasing. Ford is offering larger orders and longer-term contracts to suppliers who meet higher standards. Two of its steel suppliers are adopting statistical process control techniques to guarantee quality.

According to some suppliers, Ford is more determined about quality than is GM. "They are clearly rewarding or penalizing on the basis of quality," says one steel sales executive. "It's a definite first priority. With GM, it's a little bit fuzzy." Still, GM is putting

quality above cost more than in the past. "If a scuzzy steel mill came in here and offered me $200 a ton off, I'd throw him out," says the senior steel buyer at one of GM's major stamping plants. "Because he's a *scuzzy* supplier, and this isn't a price war."

Plainly, the auto industry has never before worked so hard to obtain high-quality steel. "We used to be able to ship cold-rolled coils with profilometer readings [a measure of the minute peaks and valleys in the surface of a material] as high as 60," says an executive of Republic. "Today automakers are requiring readings of 18 to 35. So we've had to take a very disciplined and stringent approach to the finish of our rolls." Adds the vice president of another steelmaker, "The auto industry is now the most demanding group of customers the steel industry has." Anyone walking through a steel plant supplying the auto industry today is apt to see coils of steel wrapped in plastic or sitting on pallets instead of standing exposed and rusting on damp concrete. Truckers who arrive for pickups without tarps to cover the coils are sent packing. These are small housekeeping matters, perhaps, but years ago the steel companies wouldn't have bothered with them. A steel buyer at one GM stamping plant takes steel salesmen on surprise tours to show them how well packaged their steel was on arrival. "If it's not packaged properly, our personnel might not treat it properly," he says.

Quality has already improved considerably. As recently as June 1979 the amount of rejected steel in inventory at one typical GM stamping plant ran as high as several thousand tons. By March of this year it was down to a few hundred tons. Even allowing for the lower inventories of all components that GM is now trying to maintain and the depressed state of the auto market, this is quite an accomplishment.

The changes in steel buying have made things more difficult for suppliers in other ways. Previously, steel companies depended on receiving "companion orders" for commodity grades along with orders for special steels. If, for example, 40% of the steel for Cadillac hoods falls short of specifications (which are tough because the surface has to be so smooth), the steelmaker cannot count on GM's taking the rejected steel as a companion order for some less exacting use, as he could in the past. And as price competition increases, there's less chance that a steelmaker can fold the cost of that unusable steel into the price of another high-margin product.

This door frame *of a GM J car, clamped in an alignment jig at the Fisher Body plant in Lordstown, is galvanized on one side. The steel was supplied by U.S. Steel.*

AT THE SAME TIME, the steel industry is finding—somewhat to its surprise—that it is benefiting from the changes. Suppliers have been forced to rationalize their operations, sharpen their selling skills, and look to their own production costs. No less important, circumstances are enriching the mix of products they sell. Since automakers have by now made most of the cost-effective weight reductions that are possible through design changes, they are looking for further gains in the increasing use of thinner, high-strength steels treated for corrosion resistance, which carry bigger profit margins. Since 1976, GM's orders for galvanized steel have increased 250%, and its orders for zincrometal (steel coated with a zinc-rich paint) have increased 500%.

Until recently, steelmakers have generally hesitated to invest in new technology. But because they now know they have a reasonable chance of getting and keeping business by working hard for it, several are going ahead with ambitious expansions. Bethlehem has invested $60 million in a continuous-heat-treating line at its mill at Burns Harbor, Indiana, to produce high-strength sheet steels with highly uniform properties. Jones & Laughlin is building a $160-million slab caster mainly dedicated to auto steel at its Indiana Harbor mill. "We're not going to spend that money to get business one year and lose it the next," says Chief Executive Thomas Graham.

Along with such investments has come an outpouring of new products from an industry not noted for innovation—and still no darling of Wall Street: since last August, steel stocks have risen, but not quite as much as the Dow Jones industrial average. Republic Steel, for example, brought out a new product every six weeks in 1982. These accounted for only $200 million of its $2.74 billion of sales last year, but their sales are growing at a 20% annual rate. "There aren't many industries or products growing at 20% a year," says Patterson of Republic. "It's very difficult to find diversifications that can compete with that kind of growth. It may be that some companies are running from the industry faster than opportunities and future demand may justify."

■ As it turns out, the sloppy practices of the past were bad not only for the auto industry but also for the suppliers who were getting away with them. Quality control can be contagious—and profitable. ■

APPENDIX F

CONFIDENTIAL MEMORANDUM TO THE COMMISSION ON GRADE 434 STAINLESS STEEL SHEET USED BY TEXAS INSTRUMENTS

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