

# **CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING STAPLE MACHINES FROM SWEDEN**

**Determinations of the Commission  
in Investigations Nos.  
731-TA-116 and 117 (Final)  
Under the Tariff Act of 1930,  
Together With the  
Information Obtained  
in the Investigations**

**USITC PUBLICATION 1454**

**DECEMBER 1983**



# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Seeley G. Lodwick

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Note.--Data which would disclose the confidential operations of individual concerns may not be published and, therefore, have been deleted from this report.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



UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

Investigations Nos. 731-TA-116 and 117 (Final)

CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING  
STAPLE MACHINES FROM SWEDEN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is materially injured by reason of imports from Sweden of carton-closing staples (investigation No. 731-TA-116 (Final)), provided for in item 646.20 of the Tariff Schedules of the United States (TSUS), which are being, or are likely to be, sold in the United States at less than fair value (LTFV).

The Commission also determines 2/ that an industry in the United States is materially injured by reason of imports from Sweden of nonautomatic carton-closing staple machines (investigation No. 731-TA-117 (Final)), provided for in item 662.20 of the TSUS, which are being, or are likely to be, sold in the United States at LTFV.

Background

The Commission instituted these investigations effective June 2, 1983, following preliminary determinations by the Department of Commerce that carton-closing staples and nonautomatic carton-closing staple machines from Sweden are being sold, 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). Notice of the institution of the Commission's investigations and of a

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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 Stern dissenting.

public hearing 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 on June 22, 1983 (48 F.R. 28559).

Commerce was scheduled to make its final determinations in these cases by August 9, 1983. However, Commerce extended its investigations and published its final affirmative determinations in the Federal Register of October 25, 1983 (48 F.R. 49323). The Commission's hearing was rescheduled accordingly (48 F.R. 46633) and was held in Washington, D.C., on November 8, 1983. All persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ALFRED E. ECKES AND  
COMMISSIONERS VERONICA A. HAGGART AND SEELEY G. LODWICK

Determination

We determine that an industry in the United States is materially injured by reason of imports of carton-closing staples in stick form from Sweden which have been found by the Department of Commerce to be sold at less than fair value. 1/ 2/

We also determine that an industry in the United States is materially injured by reason of imports of nonautomatic carton-closing stapling machines from Sweden which have been found by the Department of Commerce to be sold at less than fair value (LTFV). 3/

Domestic Industry

The term "industry" is defined in section 771(4)(A) of the Tariff Act of 1930 as being the "domestic producers as a whole of the like product, or those producers whose collective output of the like product constitutes a major

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1/ Material retardation of the establishment of an industry in the United States is not an issue in either of these investigations and will not be discussed further.

2/ Item 646.20 of the TSUS refers to staples in strip form. As there is no difference between staples in strip form and staples in stick form, such staples will be referred to as staples in stick form in this opinion.

3/ Nonautomatic carton-closing stapling machines are provided for in TSUS item 662.20.

proportion of the total domestic production of that product." 4/ 5/ The term "like product," in turn, is defined in section 771(10) as being "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation." 6/

The imported articles that are the subject of these investigations are carton-closing staples in stick form and nonautomatic carton-closing stapling machines from Sweden. Each of these articles is described and considered separately in this opinion.

Carton-closing staples. In the preliminary investigation, the Commission determined that the like product is staples in stick form. 7/ As no

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4/ 19 U.S.C. § 1677(4)(A).

5/ Chairman Eckes notes that the parties in opposition to the petition have argued that the petitioner is not representative of the domestic industry and that a finding of material injury as to the petitioner is not sufficient to establish material injury to the industry as a whole. Prehearing Brief of Josef Kihlberg, pp. 5-6; Transcript, pp. 92-95.

It is not required, either by the statute or by the legislative history, that all, or even a majority, of domestic firms in an industry join in a petition or become interested parties in support of a petitioner. Moreover, the adequacy of a petition is a matter to be determined by the Department of Commerce, not by the Commission. 19 U.S.C. § 1673a(c). Finally, Commerce has instituted investigations based on petitions filed by firms representing a smaller percentage of domestic production than is the case here. See, for example, Hot-Rolled Carbon Steel Sheet from Belgium and the Federal Republic of Germany, Initiation of Antidumping Investigation, 48 F.R. 49326 (Oct. 25, 1983), and Carbon Steel Plate from Belgium and the Federal Republic of Germany, Initiation of Antidumping Investigation, 48 F.R. 49322 (Oct. 25, 1983). See also Certain Flat-Rolled Carbon Steel Products from Belgium and the Federal Republic of Germany, inv. Nos. 731-TA-146 and -147 (Preliminary), USITC Pub. 1451 at footnote 9, page 5 (1983).

6/ 19 U.S.C. § 1677(10).

7/ Carton-Closing Staples and Nonautomatic Carton-Closing Staple Machines from Sweden, Inv. Nos. 731-TA-116 and -117 (Preliminary), USITC Pub. 1341, pp. 4-6 (1983) (hereinafter Staples).

additional information has been developed which would warrant a revision in the definition of either the like product or the domestic industry, we adopt the reasoning in the preliminary determination. 8/ 9/ 10/ It follows that the domestic industry consists of those firms that produce staples in stick form: International Staple and Machine Co.; Bostitch, a Division of Textron, Inc.; Container Stapling Corp.; and Acme Staple.

Carton-closing stapling machines. 11/ With regard to stapling machines, there has been no dispute during the final investigation that the like product consists of nonautomatic stapling machines. However, the Commission, in the preliminary investigation, was unable to draw a clear distinction between nonautomatic stapling machines and all other stapling machines. In this final investigation, the Commission has been able to obtain information to clarify the distinction between nonautomatic stapling machines and all other stapling machines.

During the hearing, it became apparent that the petitioner meant to exclude from the scope of the petition only fully automatic stapling machines and stapling machines that contain multiple heads, i.e., those which can place two or more staples simultaneously. 12/ This distinction is not

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8/ For a complete discussion of the reasons in support of this conclusion, see Staples at 4-5. For a description of carton-closing staples, including their uses, see Report at A-2-5.

9/ We note that the parties to the investigation have raised no objections with regard to these findings.

10/ Commissioner Lodwick was not a member of the Commission at the time of the preliminary determination. However, after reviewing the records of both the preliminary and final investigations, he concurs with the reasons set forth in the opinion in the preliminary investigations.

11/ See footnotes 8, 9, and 10, supra.

12/ Transcript, pp. 82-85.

challenged by the parties in opposition to the petition. Moreover, exclusion of automatic stapling machines and stapling machines with multiple heads from the scope of this investigation is consistent with the fact that these machines have different characteristics from nonautomatic machines, i.e., they have the capacity of performing at least two functions simultaneously. Additionally, they appear to compete in a different segment of the market from nonautomatic stapling machines.

Therefore, we conclude that the like product consists of all carton-closing stapling machines other than those that are fully automatic and/or those that have multiple stapling heads. It follows that the relevant domestic industry consists of those firms that produce nonautomatic stapling machines as defined herein: International Staple and Machine Co.; Bostitch, a Division of Textron, Inc.; Container Stapling Corp.; Acme Staple; and Power-Line Fastening Systems.

Condition of the Domestic Industry 13/

Staples. Domestic production of carton-closing staples decreased throughout the period under investigation. Production declined by 10 percent between 1980 and 1981 and by an additional 22 percent between 1981 and 1982. For the first six months of 1983, production declined slightly from levels for the corresponding period of 1982. 14/ Although domestic productive capacity

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13/ It is estimated that three firms account for about 95 percent of domestic production of carton-closing staples and the carton-closing stapling machines. Much of the information received by the Commission in response to its questionnaires is based on data from only two of these firms. Thus, in order to avoid disclosing confidential business information regarding the operations of any one of these firms, the discussion in this opinion focuses on generalized trends.

14/ Report, Table 2 and p. A-13.



has remained stable throughout the period of investigation, capacity utilization declined steadily. 15/ Nonconfidential shipment data 16/ show steadily declining shipments during the period of the investigation. Shipments fell from 8.2 billion staples in 1980 to 7.9 billion in 1981 and then to 6.3 billion in 1982. For the period January-June 1983, shipments were 3.0 billion, compared with 3.1 billion in the corresponding period of 1982. These data reflect similar trends in U.S producers' commercial shipments. 17/ Data on employment reflect generally declining trends. 18/ Likewise, profitability trends indicate that the industry is experiencing financial difficulties. 19/

Because of declining trends in production, shipments, capacity utilization, and employment, and the unhealthy financial status of the industry, we conclude that the carton-closing staples industry is experiencing material injury.

Stapling Machines. As in the case of staples, U.S. production of stapling machines has declined consistently throughout the period under investigation. Domestic production declined 12 percent from 1980 to 1981,

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15/ Report, Table 2.

16/ Report, Table 1. These data comprise domestic shipments as reported by Bostitch and I.S.M. as well as production figures for Container Stapling.

17/ Report, Table 3. Table 3, which sets forth actual shipment data, gives a more accurate indication of responding U.S. producers' shipments.

18/ Report, Tables 6 and A-18.

19/ Report, Table 7. Information developed regarding marketing practices in these industries, such as offering both staples and stapling machines in package deals or giving trade-in allowances, indicates that the financial performance of the carton-closing staple and nonautomatic carton-closing staple machine industries is interrelated. See pages 13-14, infra. Further, it is possible that the staple industry's profitability is affected by package deals. By their nature, package deals may tend to attribute income on package deal sales to staples or attribute costs to stapling machines.

34 percent from 1981 to 1982, and an additional 17 percent from January-June 1982 to January-June 1983. 20/ Although capacity for stapling machine production remained constant throughout this period, capacity utilization also declined throughout the period under investigation. 21/ Domestic producers' shipments fell from 24,193 units in 1980 to 14,409 units in 1982, a decline of 40 percent. They further declined from 7,285 units during the first six months of 1982 to 6,587 units during the same period in 1983. 22/ These data reflect similar trends in U.S. producers' commercial shipments. 23/ Data on employment reflect declining trends. 24/ Likewise, profitability trends indicate that the industry is experiencing financial difficulties. 25/

Because of declining trends in production, shipments, capacity utilization, and employment, and the unhealthy financial status of the industry, we conclude that the carton-closing stapling machine industry is experiencing material injury.

#### Material Injury by Reason of LTFV Imports

Section 771(7)(B) of the Tariff Act of 1930 directs the Commission to consider, among other factors, (1) the volume of imports of merchandise under investigation, (2) the effect of such imports on domestic prices, and (3) the impact of such imports on the domestic industry. 26/

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20/ Report, Table 2.

21/ Report, Table 2.

22/ Report, Table 1. See footnote 16, supra.

23/ Report, Table 3. See footnote 17, supra.

24/ Report, Table 6.

25/ Report, Table 7 and A-19. See footnote 19, supra.

26/ 19 U.S.C. § 1677(7)(B).

Staples. Although apparent domestic consumption of carton-closing staples decreased during the period under investigation, imports of carton-closing staples from Sweden have increased. 27/ Imports of such staples from Sweden increased from 1.3 billion in 1980 to 1.8 billion in 1981 and to 1.8 billion in 1982; they declined from 1.2 billion during the first six months of 1982 to 976 million during the same period in 1983, but the import volume remains significant. 28/ Import penetration of U.S. importers' shipments of carton-closing staples from Sweden increased from 12.6 percent in 1980 to 19.5 percent in 1982. For the period January-June 1983, import penetration was 21.9 percent, compared with 22.4 percent during the same period in 1982. 29/ Even though import penetration declined slightly during the first six months of 1983, it remains substantially higher than in 1980.

The vast majority of both domestically produced and imported carton-closing staples are sold to distributors who then sell them to end users. There are some direct sales to end users by domestic producers. 30/ In order to evaluate the impact of the prices of imported carton-closing staples, the Commission obtained price data on sales to distributors and end users.

Distributors provided comparable prices on sales of domestic and Swedish staples to end users. 31/ The reported prices show that Swedish staples

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27/ Report, Tables 1 and 12.

28/ Report, Table 12.

29/ Report, Table 13.

30/ Report at A-9.

31/ Table 15 of the Report provides more reliable price comparisons because it is based on a greater number of questionnaire responses. Furthermore, Table 15 reflects comparable prices because it is based on questionnaire responses of distributors who sell both domestic and Swedish staples.

undersold the domestic product in all quarters for which data are available, and that the margins of underselling increased significantly in the more recent periods. 32/ Margins of underselling also appeared when prices to end users by U.S. producers and distributors of the imported product were compared. 33/

A number of firms contacted by the Commission confirmed that they had indicated that they would purchase Swedish staples if the price of domestic staples was not reduced. There are also several instances in which domestic producers apparently lowered their prices to meet the price offered by Swedish imports. 34/

Those in opposition to the petition argued that, if the domestic industry is injured, the injury derives from causes other than the dumped imports. They particularly stressed the importance of the devaluation of the

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32/ Report, Table 15.

33/ Report, Table 14.

34/ Report, at A-39-40; Transcript, pp. 183-84.

Swedish krona as an alternate cause of injury. 35/ This argument is not persuasive. 36/ 37/ 38/

In summary, in view of greatly increased imports of staples from Sweden, the correspondingly significant increase in import penetration, the declining trend in prices of Swedish imports, observed underselling, and the confirmed instances of lost revenues, we conclude that the domestic industry is being materially injured by reason of LTFV imports of staples in stick form from Sweden.

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35/ Prehearing Brief of Josef Kihlberg AB, pp. 18-22; Posthearing Brief of Josef Kihlberg AB, pp. 9-10.

36/ Chairman Eckes and Commissioner Lodwick note that depreciation of the Swedish krona in terms of the U.S. dollar may well have contributed to the price competitiveness of staples and stapling machines from Sweden. In fact, in this and other unfair import investigations, exchange rates may be a more important cause of underselling than unfair trade practices. However, Congress has directed the Commission not to weigh the causes of material injury. Also, since the Department of Commerce has determined that imported staples and stapling machines are sold at less than fair value and the Commission has found evidence of underselling and lost revenues based on price, it is not the Commission's responsibility to examine and weigh the causes for underselling. To do so would be to set aside the statutory bifurcation of responsibilities established by the Trade Agreements Act of 1979 and to involve the Commission in activities beyond its mandate.

37/ Commissioner Haggart refers to her footnote regarding exchange rates in Nitrocellulose from France, inv. No. 731-TA-96 (Final), USITC Pub. 1409 at 6, note 16 (1983). She notes further that her footnote regarding exchange rates in Nitrocellulose from France, inv. No. 701-TA-190 (Final), USITC Pub. 1390 at 6, note 17 (1983) is equally applicable in the context of an antidumping investigation.

38/ Even if exchange rates were to be considered, in the present investigation it is inappropriate to attribute any underselling or downward movement in import prices to depreciation of the Swedish krona. When changes in the exchange rate are compared with import prices, no clearcut relation results. First, in almost all instances, price changes for imported products do not relate to significant movements in the dollar-krona exchange rate. Second, data in this investigation do not suggest a close relationship between the exchange rate and price movements, such as a lag between exchange rate changes and import price adjustments. Finally, the price movements, which do occur during the period of this investigation, do not correspond with the magnitude of exchange rate adjustments.

Stapling machines. As in the case of staples, imports of carton-closing stapling machines increased significantly from 1980 to 1982 and then declined during the first six months of 1983 when compared with the first six months of 1982. 39/ Imports rose from 3,205 in 1980 to 4,422 in 1981 and to 4,562 in 1982, but declined from 3,187 during January-June 1982 to 1,866 during January-June 1983. 40/ During the same period, apparent domestic consumption fell markedly with the result that import penetration nearly doubled from 1980 to 1982, increasing from 11.5 percent in 1980 to 21.7 percent in 1982. Even though import penetration declined to 21.9 percent during the first six months of 1983 from 29.2 percent during the same period of 1982, it remains higher than in earlier periods. 41/

As in the case of staples, U.S. producers sell the vast majority of their production of stapling machines to distributors, although there are some sales to end users. The smaller importers generally sell only to end users and the large importers tend to resell the majority of their imports to other distributors. 42/

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39/ Report, Table 12.

40/ Ibid.

41/ Report, Table 13.

42/ Report at A-9.

A comparison of prices charged by U.S. producers of handboxers and importers of Swedish handboxers, to both distributors and to end users, shows margins of underselling for the most recent quarters. 43/ 44/ Distributors' prices of airboxers show margins of underselling in the most recent quarters, while U.S. producers' and importers' prices of airboxes to both distributors and to end users show margins of underselling in the most recent quarters. 45/ 46/

The Commission frequently examines allegations of lost sales and lost revenues in its analysis of the impact of LTFV imports on a domestic industry. In the investigation, no allegations of either lost sales or lost revenues were provided by the petitioner or any other domestic firm. The absence of such allegations may be accounted for by marketing practices prevalent in sales of both domestic and Swedish stapling machines to end users, particularly "package deals" and liberal trade-in allowances. 47/ Moreover, there appears to be general agreement that the profit item is staples, not stapling machines. 48/ Thus, even if there were allegations of

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43/ Both handboxers and airboxers are used to fasten the top flaps of filled boxes. Handboxers insert a staple by mechanical pressure generated by pressing a lever by hand. Airboxers insert the staple by pneumatic pressure. Handboxers and airboxers are distinguished from "bottomers," stapling machines set on fixed frames used to close bottom flaps of unfilled boxes. Report at A-4-5. Handboxers and airboxers constitute more than 90 percent of imports of nonautomatic stapling machines from Sweden. Domestic production of handboxers and airboxers constitutes a major proportion of domestic production of nonautomatic stapling machines. Report at A-5.

44/ Report, Table 15.

45/ Report, Tables 17 and 18.

46/ The data in Tables 15, 17, and 18 reflect sales made in the ordinary course of business and exclude data for package deals.

47/ See footnote 19, supra. In a package deal, an end user receives a stapling machine free of charge or at a very considerable discount with the purchase of a large volume of staples.

48/ Report, at A-34-36.

lost sales or revenues in this investigation, these marketing practices suggest that examination of such allegations would be extremely difficult and the results of such an analysis would not be very reliable.

Finally, those in opposition to the petition have argued that any injury to the domestic industry is caused by factors other than dumped imports. However, for the reasons given above, we find such arguments unpersuasive. 49/

In light of the poor operating results of this industry, increased imports from Sweden, and the dramatic increase in market share held by imports from Sweden, we determine that a domestic industry is materially injured by reason of imports of carton-closing stapling machines from Sweden.

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49/ See discussion at footnotes 36, 37, and 38 and accompanying text, *supra*.



## VIEWS OF COMMISSIONER PAULA STERN

I find that industries in the United States are not materially injured or threatened with material injury, nor that the establishment of a domestic industry is materially retarded, by reason of imports of carton-closing staples or nonautomatic carton closing staple machines from Sweden which are sold at less than fair value.

Summary

Any injury sustained by the domestic industries is wholly attributable to factors other than imports of staples and nonautomatic staple machines from Sweden. Some measures of the industries' performance do indicate problems, specifically, declines in shipments, production, employment, capacity utilization and profitability. However the pattern and extent of injury demonstrated by these indicators was the same for all members of both industries, despite the fact that some industry participants do not compete directly with Swedish staples and staple machines. Losses in profitability were particularly apparent in domestic staple machines; however domestic producers characteristically abide losses in sales of machines in order to create a larger market in the more

profitable manufacture of staples. When aggregate profitability of both domestic products is examined, the industries do not appear to be materially injured.

To the extent these industries are experiencing problems to any significant degree, the factors which are responsible are not remediable under Title VII. Specifically, the mature market for carton closing staples, the substitutability of new closure devices, the recession, and non-price factors influencing the purchase of imported staple machines, are all contributing to a decline in consumption.

Swedish imports also have become more competitive as the dollar experienced a sustained appreciation against the Swedish krona. Consequently, pricing data do not indicate a consistent pattern of underselling by imports of the domestic products. Rather, in the case of staple machines, available data show a trend of the subject imports substantially overselling both domestic and imported products from other sources, interrupted by an abrupt shift to underselling which coincided with the dramatic decline in the value of the Swedish krona. In the case of staples, imports sold for a higher price than the domestic product when a comparison was made between import prices and prices of the domestic products in direct competition with the Swedish imported staples.

There is no threat of future injury to the domestic industries. LTFV sales of these imports did not cause the industries' injury, and in any case trends in the volume of imports from Sweden are in decline. Swedish producers are already at a high level of capacity, and will not be expanding this capacity. Furthermore, the U.S. market is becoming a less significant portion of Swedish staple and staple machine production and of total export sales.

#### The Domestic Industries

I am joining in the views of the majority with regard to the definition of the like products and the domestic industries in these investigations, as well as the Commission's standards for determination of material injury and threat of material injury. 1/

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1/ Although we have found two domestic industries in this investigation in light of our determination of two like products, and pursuant to 19 U.S.C. § 1677(4)(A) and 19 U.S.C. § 1677(4)(D), it should be noted that both domestic industries are largely made up of the same domestic producers, and that the markets for both industries overlap to a significant degree.

No Injury to the Domestic Industries  
from Swedish LTFV Imports

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Central to petitioner ISM's argument concerning material injury are irregular declines in sales, commercial shipments, production, capacity utilization, employment, and losses in profitability. 2/

Sales of both carton-closing staples and staple machines declined slightly between 1980 and 1981, substantially in 1982, and again slightly in 1983. 3/ Producer's shipments of both products also fell significantly from 1980 to 1982, 4/ with less severe declines during the first six months of 1983. Production, capacity utilization, and employment tracked trends in sales and shipments, falling in 1980-82, and recovering somewhat in 1983. 5/ The pattern of these declines was similar not only among the indices of injury, but also among domestic producers. 6/

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2/ See Prehearing Brief of Petitioner International Staple Machine Co., November 3, 1983 (Petitioner's Prehearing Brief), at 20-25.

3/ Supra at 21-22.

4/ ISM's sales and production increased in 1981 compared to 1980. See Petitioner's Prehearing Brief at 21, 22.

5/ Because the domestic industries are highly concentrated, exact data concerning financial performance is confidential, and trends can be described only generally. See report at pp. A-11 through A-18, especially Tables 1-6.

6/ Regarding shipments, see Table 3 at A-14. Regarding production, capacity utilization and employment, compare ISM's data provided in Petitioner's Prehearing Brief at 22, 23 with Report at Table 2 and Report at Table 6 to determine trends for other firms in the industry.

Significantly, while injury to the industries as measured by these indicators is almost uniform among domestic producers, the degree of competition between the producers and Swedish imports of staples and staple machines is not. 7/ Bostich, one of the three largest domestic producers, does not directly compete with the major Swedish producer in sales of staples. 8/ This is because this domestic producer's staples are distinct, intentionally incompatible with other producer's machines, 9/ and most imported staples 10/ are not made to these specifications.

Differences in marketing and distribution strategies between the petitioner, ISM, and Bostich also distinguishes the degree of competition faced by each from imports of staples and staple machines. Bostich does not sell to distributors, and relies instead on its own retail sales force which sells directly to end users. 11/ It is at the distributor level

7/ See Petitioner's Prehearing Brief at 46-47. "To a more or less comparable degree, the other U.S. producers, whose prices are competitive with or sometimes higher than ISM's, are experiencing the same effects as ISM. The precise effects will vary because some U.S. producers are less directly exposed to competition with the dumped imports." See also Transcript of Final Hearing, November 8, 1983 (Transcript) at 32, 34.

8/ See Report at A-3, A-8.

9/ See Report at A-8.

10/ Bostich competes to a limited extent in sales of staples with Grytgols, since Grytgols manufactures staples which will fit Bostich machines. However, these imports represent a miniscule portion of total imports. Joseph Kihlberg does not export Bostich staples (see Transcript at 63) and accounts for the vast majority of imported staples.

11/ See Report at A-28 and Transcript at 32, 59, 66, 75.

where most competition occurs between domestic products and imported products, since most importers are distributors. 12/ Thus, because Bostich, in effect, has its own distribution network, and because its staples are not interchangeable with most imported products and fit only into its own machines, it is relatively insulated from competition with the subject imports. 13/

Profitability of Domestic Producers of Staples and Staple Machines -- Financial data provided by domestic producers 14/ demonstrate significant differences in profitability for domestically produced staples and staple machines. Aggregate losses for the industry were apparent only in the production of staple machines, 15/ and these losses became less severe over the period under review. 16/ Profit data for staples do not reveal losses and show recent improvement. 17/

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12/ See Transcript at 69.

13/ See Petitioner's testimony, Transcript at 32, 34, 59 and 75.

14/ Only the two major staple and staple machine producers provided the Commission with financial data, however these two producers constitute a significant portion of domestic operations. See Report at A-21.

15/ See Report at Table 7.

16/ See Report at Table 7, and A-19.

17/ See Report at Table 7.

Staples represent a major portion of domestic aggregate operations, while staple machines constitute a relatively small portion of total net sales of both products. 18/ Because of the highly complementary and symbiotic nature of staples and staple machines, it is common throughout the industry to use staple machines as loss leaders, discounting them below cost or on occasion giving them to purchasers, in order to "create" a market for staples. 19/ It is clear from a comparison of profitability levels of staples and staple machines and an examination of the two products' portion of aggregate sales, that producers rely primarily on sales of staples for profits.

Because of the related nature of the two products and the inclination for producers to take losses on one to increase sales of the other, it is, therefore, appropriate to examine the aggregate profitability of domestic producers for sales of both carton-closing staples and carton-closing staple

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18/ See Report at Table 7.

19/ See Report at A-21, Petitioner's Post-Hearing submission at 5, 6, and Transcript at 108.

machines. 20/ The combined data for the two major producers do not reflect losses, in fact profit levels have increased overall during the period under review. 21/

Hence, the analysis of the appropriate financial data for both industries for the major domestic producers does not reveal industries suffering financial difficulty. When indicators which do reflect economic hardship are examined, the fact that both major producers experienced similar degrees and trends of difficulty when only one competes directly with the imported product, suggests that factors other than imports caused the decline in these individual indicators. But, giving the petitioner the benefit of the doubt on the question of injury, I have gone on to examine the question of causation.

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20/ In a consideration of the presence of material injury and its impact on an affected industry, the Commission

shall evaluate all relevant economic factors which have a bearing on the state of the industry, including but not limited to--

(I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity,

(II) factors affecting domestic prices, and

(III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment. (19 § 1677(7)(C)(iii)) (emphasis supplied).

21/ See Report at Table 9 and Table D-3.



Causation of the Domestic Industries' Problems

All domestic producers experienced declines in sales, shipments, production, capacity utilization and employment in their carton-closing staple and staple machine operations. 22/ These declines were particularly acute in 1982. 23/

Apparent consumption for carton closing staples also declined significantly between 1980 to 1982, by ten percent. Consumption of staple machines declined more sharply during the period, by 27 percent from 1980 to 1982. 24/ Demand for both products is closely tied to the level of general business activity, since purchases of staples, and to a lesser degree

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22/ Regarding sales, see Report at A-31 and A-32; regarding shipments, see Report at Table 1 and Table 3; regarding production and capacity utilization, see Report at Table 2; regarding employment, see Report at Table 6.

23/ See note 17, supra, also Report at A-12, "data on domestic production of carton-closing staples indicate production fell by 29 percent from 1980 to 1982, and continued to decline, but by less than 1 percent, in January-June 1983 relative to that in the corresponding period in 1982," and Report at A-12-13, capacity utilization for staples declined from 56 percent in 1980 to 39.5 percent in 1982, and continued to decline, although by less than one percentage point in January-June 1983 relative to that for the corresponding period in 1982. Capacity utilization for staple machines declined from 38 percent in 1980 to 22 percent in 1982 and continued to decline in 1982.

24/ See Report at A-11, A-12 and Table 1 at A-12.

staple machines, are dependent on packaging of major consumer items. 25/

Most domestic industries have experienced a generally higher level of economic activity in 1983. 26/ While some indicators for the domestic carton closing staple and staple machine industries have shown improvement or less severe declines in 1983, 27/ apparent consumption has not shown a significant increase for either product. In the case of staple machines consumption continued to decline by 18 percent in 1983. In the case of staples, which constitutes a majority of domestic sales of the two products, the decline in consumption was even worse in January-June 1983 (15 percent) than from 1980 to 1982 (10 percent). 28/

Thus, it appears that a decline in demand has affected the condition of the domestic industries, and that this decline in demand has not yet responded to recent increased levels of economic activity in other industries.

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25/ See Report at A-11. The decline in demand for staple machines is likely more pronounced since machines can be repaired at moderate cost.

26/ Industrial production rose 8.3 percent between January and June 1983.

27/ U.S. producers' inventories, for example, have shown an improving trend (Report at A-16), while all aforementioned indicators have shown some improvement in the 1983 period.

28/ See Report at A-18, and Transcript at 117, 119, 131, 141-42.

Industry sources agree that the markets for carton-closing staples and staple machines are mature markets, and that new carton-closing devices are displacing staples to some extent in the produce packing industry, a significant portion of the markets' volume. 29/ Consequently, distributors have devoted an increasingly smaller part of overall operations to carton closing staples and staple machines. 30/

The domestic industries have thus been affected not only by a decline in demand due to the recent recession, but also by a mature market in which little future growth is expected because of innovative, lower cost technology in carton closing devices. 31/

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29/ See Report at A-10.

30/ Transcript at 131, 135-36. Post-Hearing Brief of Josef Kihlberg AB, November 14, 1983, (Respondent's Posthearing Brief) at 5. See also Transcript at 117.

31/ Some of these devices are pressure sensitive tape, hot melt adhesives and self-locking boxes. See Transcript at 51 and 129, Respondent's Prehearing Brief at 9.

Prices and the Level of Trade -- Before prices of the imported Swedish products and the prices of ISM and other U.S. producers are analyzed, it is appropriate first to discuss the point in the U.S. market where prices are to be compared. It is a relevant consideration in the case of the domestic staple market because sales of imported staples are made to both distributors and end-users, 32/ 33/ and domestic staples are sold to both "master distributors" and distributors, which on occasion act as importers. 34/ Also, one domestic producer bypasses the distributor level entirely and sells only to end-users. 35/

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32/ See Report at A-28-30.

33/ In contrast, in the Swedish domestic market Swedish producers sell only to end-users at retail prices, while sales in the U.S. are at wholesale prices to both distributors and end-users. (See Respondent's Prehearing Brief at 2, Respondent's Posthearing Brief at Attachment 6). The Department of Commerce, in its calculation of the LTFV margin, did not adjust for these different levels of trade between wholesale staple product sales in the U.S. and retail sales in Sweden. Had a comparison of domestic retail prices with wholesale domestic prices been made, it would similarly generate a substantial price differential between the two levels of distribution. Thus, it is not surprising that Commerce's fair value comparison of home market sales to end users with U.S. sales to distributors resulted in a weighted average dumping margin for Kihlberg of 12.25 percent for staples and 122.79 percent for staple machines. The weighted average margin found on Grytgols' U.S. sales of carton closing staples was 3.06 percent.

34/ See Transcript at 69-70, Report at A-10 (re importers are distributors).

35/ Report at A-28.

Hence, the market is characterized not only by the normal wholesale/retail levels of trade, but with an additional wholesale layer of distribution, and with the added distinction that imports are sold to both distributors and end users and some domestic products are sold only to end users.

Representatives for both the domestic industry and the Swedish producers indicate that the most appropriate price comparison is at the wholesale level, where competition is most keen between the imported and domestic products. 36/ However, this comparison is complicated by the fact that Swedish producers often sell to both distributors and end-users, that during some of the period the largest domestic producer's prices to end-users were below its prices to its distributors, 37/ and the fact that Bostich does not sell to distributors. Hence, a comparison of imported and domestic prices on all levels of trade is necessary.

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36/ Transcript at 69, 70. Petitioner argued (Prehearing Brief at 28) that the most appropriate comparison was between prices at which ISM sells to distributors with the prices at which Swedish exporters sell to U.S. importers. (Importers can be both distributors and end-users.)

37/ See Report at A-31, Transcript at 99, 132. See note 43 *infra*.

Prices of Staples -- When prices of imported staples are compared to domestic prices on the distributor level there is no pattern of underselling by imports. 38/ Rather, imported staples were priced higher than the domestic product in six of ten quarters for which data are available. Significantly, domestic staples undersold Swedish staples in the five most recent quarters by margins averaging 13.3 percent. 39/

A comparison of prices to end users reveals additional pricing behavior, since Bostich is included at this level of trade. First, it is apparent that prices of Bostich are

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38/ See Report at Table 14.

39/ These comparisons are made on the basis of the lowest selling prices provided by petitioner and do not include price reductions made in transaction-by-transaction competition. Prices to distributors were reduced on a case-by-case basis in a significant portion of unit staple sales in 1981 and increased as a percent of staple sales each year thereafter. Reductions took the form of fidelity bonuses and freight allowances (in effect advance payments on purchases of ISM carton-closing machines), direct price discounts and free staple machine offers. See Petitioner's Posthearing submission at 5. See also Transcript at 121, 124. Respondent indicated, and staff contacts with purchasers confirmed, that Kihlberg does not discount from list prices. See Report at A-39, Transcript at 137, 143.

significantly higher than prices of petitioner. 40/ When prices to end users of both domestic producers are compared to the importer's price, importer's prices are lower than domestic prices for most of the period, with significant margins of underselling appearing after October 1981, averaging 22 percent. 41/ However, if the two domestic producers' prices are disaggregated and compared separately to the imported prices, ISM (which is the only reporting firm that competes directly with the major Swedish producer of staples) consistently undersold the imported product from the first quarter of 1981 until the last quarter of 1982. 42/ Secondly, it is apparent that during half of the period under review ISM's prices to end-users were below its prices to distributors. 43/

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40/ See Report at A-31. It should be recalled that Bostich carton-closing staples do not compete with Swedish imports of staples from the major Swedish producer. See infra at pages 4-5.

41/ See Report at Table 14.

42/ See Report at A-31.

43/ Respondent and several distributors argued that this pricing behavior was one reason why petitioner lost sales to distributors. See Transcript at 99, 132, Respondent's Prehearing Brief at 12, Posthearing Brief at 6.

Prices of Staple Machines -- There are several types of staple machines manufactured by both the domestic industry and Swedish producers. 44/ Hand boxers and air boxers together constitute the major portion of U.S. production and imports while foot and air bottomers are a less significant portion of total sales. 45/

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44/ While the imported and domestic products are comparable in uses and general characteristics, the major Swedish producer argued and distributors offered testimony, indicating that imported staple machines have qualities which distinguish them from the domestic product and go beyond price in determining a purchaser's decision. Some of these distinguishing characteristics are that Swedish machines are of a smaller size, a lighter weight, are quieter and offer a single side drive. There was also testimony that Swedish machines were more efficient and reliable, that spare parts were more readily available, and that the machines were the "cadillac" of the staple machine industry. While lost revenue data substantiates these allegations to a limited extent (see Report at A-39-40), more persuasive is the fact that Swedish staple machines were more often than not priced above domestic machines. See Respondent's Prehearing Brief at 18, Respondent's Posthearing Brief at 8; Transcript at 91, 112, 113, 119, 125, 131, 133, 141. Also, of a total of 75 price comparisons made of sales to end-users, sales to distributors, and sales of distributors to end-users over the period under review (Tables 16, 17, 18, 19 and 20), imported machines were priced the same or higher than domestic machines in 41 of the 75 quarters, or 55 percent of the time, and priced below the domestic product in 45 percent of the price comparisons made.

45/ Hand boxers are 57 percent of imports; air boxers are 36 percent of imports; foot bottomers are 5.7 percent of imports; air bottomers are 1.3 percent of imports. Report at A-5. Available data on domestic production reveals a similar distribution among these machines.



In price comparisons of air bottomers, the imported product consistently oversold the domestic product throughout the period for which data is available. 46/ When prices are examined for foot bottomers, the imported product was priced above the domestic product in sales to end users during six of seven quarters for which data is available. In sales to distributors, imports were priced higher than the domestic product in six of ten quarters. 47/

Price comparisons of sales of the more significant hand and air boxers are particularly revealing. In the case of hand boxers, the domestic prices to both distributors and end users, as well as import prices to end-users rose overall during the period examined. 48/ Similarly, U.S. producer prices of air boxers to end users rose overall during the period reviewed. Importers' prices of air boxers, like import prices of hand boxers to distributors, demonstrated no noticeable pricing pattern, shifting abruptly during several quarters. 49/

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46/ See Report at Table 20.

47/ See Report at Table 19.

48/ See Report at Table 16.

49/ See Report at Table 17.

For both hand and air boxers, the imported product was the same price or priced higher than the comparable domestic product in half of the quarters for which data were available. 50/ Significantly, the pricing pattern for both products in sales to distributors was one of substantial overselling throughout 1981, followed by an abrupt shift to underselling in the latter half of the period, 51/ when the Swedish krona lost about 20 percent of its value against the U.S. dollar. 52/

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50/ See Report at Table 16 and Table 17.

51/ See Report at Table 16 and Table 17. In the case of hand boxers abrupt underselling occurred after March 1982; in the case of air boxers underselling occurred after December 1981.

52/ See Report at A-38.

The Effect of the Value of the Dollar on Prices of Imports

from Sweden -- The U.S. dollar increased in value by approximately 42 percent against the Swedish krona 53/ from the first quarter of 1981 until the third quarter of 1983. 54/ Also, the Swedish government formally devalued its currency twice during the period under review, by ten percent in September 1981 and 15.9 percent in October 1982. 55/

The major Swedish producer of carton closing staples and staple machines denominates its price list in Swedish kroner and sells its product to export markets in Swedish kroner. 56/

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53/ Krona is the singular form of the Swedish unit of currency. Kroner is the plural form.

54/ Transcript at 157, 159-60, Respondent's Prehearing Brief at 19.

55/ See Report at A-38.

56/ Transcript at 106, 154. The Department of Commerce usually takes into account exchange rate fluctuations in LTFV margins. In the case of the smallest Swedish producer, Grytgols, Commerce did convert dollar prices into Swedish crowns in order to compare the foreign market price with the U.S. dollar price, using the official daily exchange rate of the U.S. Treasury. However, in the case of the major Swedish producer, J. Kihlberg, the Department of Commerce did not convert the price list into dollars because prices were already denominated in Swedish krona. Thus, for the majority of imports of both products from Sweden, the effect of the appreciation of the dollar and the devaluation of the krona was not included in the calculation of the LTFV margin and was directly related to the underselling found to exist.

When foreign export prices are stated in terms of the foreign currency, a change in the exchange rate affects the dollar price of U.S. imports. 57/ Thus, when the Swedish government devalued its currency, prices in the U.S. market fell automatically by the amount of the devaluation. However, the major Swedish producer indicated in testimony that both devaluations were precisely offset by price increases the day after the devaluations occurred. 58/

Notably, the formal devaluations of the Swedish krona did not fully account for the strength of the dollar vis-a-vis the Swedish currency. The krona fell in value approximately 42 percent against the dollar, but the devaluations in September

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57/ A change in the exchange rate can also, therefore, have a significant effect on the margins of underselling. For example, suppose the dollar/krona exchange rate is 22 cents per krona, the U.S. price of the imported item is \$2.20, and the competitive U.S. product is \$2.20. No margin of underselling exists. However, if the dollar were to appreciate to 11 cents per krona, with complete pass through of this appreciation, the U.S. price of the imported item would fall to \$1.10. The margin of underselling would become \$1.10, or 50 percent. The source of the resulting injury to domestic producers would be the appreciation of the dollar.

58/ Transcript at 107, 137. Respondents also indicated that the increase in profits which resulted from the price increases brought on by the devaluation was mostly absorbed by a ten percent increase in raw material costs. This cost increase occurred after the devaluation because the major component of staples, steel wire, is imported to Sweden from Germany. Hence when the krona was devalued, raw material costs in German marks rose accordingly. (See Transcript at 160-61.)

1981 and October 1982 adjusted the currency only 26 percent. 59/ Thus, distributors' prices in the United States were nevertheless affected by a 16 percent strengthening of the U.S. dollar, despite the krona's devaluation, and the Swedish producers' efforts to offset the devaluations by raising its U.S. prices. 60/

The effect of the strong U.S. dollar on prices of Swedish staples and staple machines is apparent in import pricing patterns, especially in the case of staple machines. The underselling that did occur in distributor sales of hand and air boxers and foot bottomers 61/ occurred only in the latter part of the period under investigation when the dollar was strongest, and occurred rather abruptly after sustained periods of substantial overselling. This suggests that prices for imported staple machines were traditionally priced above domestic machines 62/ and undersold domestic machines only as the krona lost its value against the dollar.

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59/ Report at A-38, Transcript at 140, 157, 158, 159, 160.

60/ Joseph Kihlberg indicated that prices in krona actually increased by 40 percent in the case of staples and 20 percent in the case of air boxers. See Respondent's Prehearing Brief at 19 and 20, and Attachments 2 and 4, Transcript at 140. Respondent also indicated that these price increases applied to all export markets.

61/ See Report at Table 16, 17 and 19.

62/ See Transcript at 114, 133 where distributors testified that Swedish imports were high priced, compared to other imported products as well as the major U.S. producer's products. See also Report at Table 12, where the unit value of Swedish staple machines is consistently higher than the unit value of all other imports, and compare to Table 3 where the unit value of Swedish machines is also higher than the unit value of the major U.S. producer's machines. <sup>35</sup>

In the case of staples, it will be recalled that the major domestic producer undersold imported staples in sales to end users throughout 1982. 63/ Aggregate staple data reflected margins of underselling by imports after October 1981, consistent with both the pricing behavior of distributor sales of machines and the decline in the value of the krona. 64/ However, in sales to distributors, small margins of underselling occurred early in the period of investigation rather than later. 65/

This underselling by the domestic producers in the latter period when the dollar was strongest is explained by competitive pricing behavior. The major domestic staple producer testified 66/ and indicated in written submissions 67/ that in response to Swedish competition it had "with

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63/ See infra at 14 and Report at A-31.

64/ See Report at Table 14.

65/ See Report at A-14.

66/ See Transcript at 31.

67/ See Petitioner's Prehearing Brief at 29-30 and Petitioner's Posthearing Brief at 5.

increasing frequency reduced its carton-closing staple prices . . . to meet competition from Swedish imports." 68/ It appears that the major domestic producer, at the distributor level, undersold imported staples because distributor sales of staples is where the U.S. producer chose to meet the Swedish competition caused by the strong dollar which was affecting both staple and staple machine prices. 69/

No Threat of Material Injury

There is no threat of material injury from imports of carton closing staples and staple machines from Sweden sold at less than fair value because sales of these LTFV imports are not the source of the domestic industries' injury and these imports will not likely increase.

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68/ Petitioner's Prehearing Brief at 29-30.

69/ See staff economist response, Transcript of Commission Meeting, November 21, 1983.

An analysis of threat of material injury includes an evaluation of factors such as trends in the level of imports, the capacity of the foreign producers to increase exports to this market, the share of foreign production traditionally directed to the U.S. market and trends indicating future marketing patterns and the likelihood of the U.S. market accounting for a similar percentage of the foreign producer's exports. 70/

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70/ The Senate Committee on Finance described the intent behind the standard for determination on threat of material injury thus:

in determining whether an industry in the United States is threatened with material injury, the ITC will consider the likelihood of actual material injury occurring. It will consider any economic factors it deems relevant, and consider the existing and potential situation with respect to such factors. An ITC affirmative determination with respect to threat of injury must be based on information showing that the threat is real and injury is imminent, not a mere supposition or conjecture. (Emphasis supplied.) Senate Report No. 96-249, 96th Cong., 1st Sess., 1 (1979) at 88-89.



Demonstrable trends related to imports indicate there is no threat to the domestic industries. The absolute and relative level of imports from Sweden indicates imports are not likely to increase. The volume of imports of staples and staple machines has recently declined significantly, 71/ and imports as a share of consumption of both products has stabilized. 72/

In addition to trends in import volume, the capacity level of the Swedish producer indicates that imports will not increase beyond the current level. Capacity utilization in the case of staples is already very high, 73/ and the major Swedish producer supplied information demonstrating that

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71/ See Report at A-25. While imports of staples increased from 1.3 billion staples in 1980 to 1.8 billion in 1982, imports declined by 16 percent in January-June 1983 relative to those in the corresponding 1982 period. Similarly imports of carton-closing staple machines from Sweden increased by 42 percent from 1980-82 but dropped sharply by 41 percent in January-June 1983 relative to 1982.

72/ See Report at A-26-28, especially Table 13. Imports of staples and staple machines as a share of consumption increased each year from 1980-82 but this share then declined slightly in the January-June 1983 period relative to 1982.

73/ See Report at Table 10.

capacity could not be expanded significantly. 74/ Regarding staple machines, the Swedish producer indicated there are no plans to change the portion of its equipment dedicated to the production of staplers. 75/ Moreover, in light of the declining demand for carton-closing staples and staple machines, 76/ indications are that any increases in capacity will be in the production of other carton closing devices. 77/ The major Swedish producer has already begun to direct investment into new products 78/ which will presumably become more significant in the long term.

Also, imports are not likely to increase because the major Swedish producer's production of staples and machines is declining and the United States market is accounting for a declining percentage of that production. 79/ In 1982, the

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74/ This is primarily because operating shifts per day cannot be increased due to the difficulty in obtaining additional skilled employees within the plant's geographic area. (Appendix II to Respondent's Posthearing Brief.) See also Transcript at 151.

75/ Appendix II to Respondent's Posthearing Brief.

76/ See Report at Table 1, Transcript at 117, 129, 133, 138 and 156-7.

77/ Appendix II to Respondent's Posthearing Brief.

78/ Transcript at 156-57.

79/ See Appendix IV to Respondent's Posthearing Brief, Report at Table 10 and A-21-22.

share of production and the percentage distribution of exports of the major Swedish producer for both staples and staple machines to the U.S. market declined. 80/ This Swedish producer has supplied the Commission with marketing data indicating that other export markets have recently taken a significantly greater share of its total exports. 81/

#### V. Conclusion

This analysis of the effects of imports of carton closing staples and staple machines on the domestic industries establishes that: the domestic industries are not materially injured when the profit and loss data are examined fully and in view of competitive marketing practices for these products; that any problems which may exist have affected all domestic producers regardless of their degree of exposure to import competition; that, therefore, other factors, such as a decline in demand for a mature product line, displacement by new carton-closing devices, the recession, and the strength of the dollar against the Swedish krona were wholly responsible for the domestic industries' injury.

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80/ Supra at Table 10.

81/ Appendix IV to Respondent's Posthearing Brief.

Trends in the level of imports, Swedish production and capacity and the portion of that capacity directed to this market likewise suggest no threat of future material injury. A negative determination must be made when the domestic industry is not material, when there is no threat of future material injury, and when injury cannot be traced to imports sold at less than fair value. 82/

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82/ This is in keeping with the legislative history behind Title I of the Trade Agreements Act of 1979, specifically, that

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This statute is not intended to "protect or remedy" an injury from imports as contemplated under section 201 of the Trade Act of 1974, nor is it just one of several remedies from which the Administration may choose to remedy import injury to a domestic industry. Rather, it is a remedy targeted at a specific type of injury caused by unfair import competition, and the committee expects it to be administered in that context. S. Rep. 96-317, 96th Congress, 1st Sess. (1979) p. 46.

## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

On December 17, 1982, counsel for International Staple & Machine Co. (ISM) filed petitions with the U.S. International Trade Commission and the U.S. Department of Commerce alleging that an industry in the United States was materially injured, or threatened with material injury, by reason of imports from Sweden of carton-closing staples and nonautomatic carton-closing staple machines provided for in items 646.20 and 662.20, respectively, of the Tariff Schedules of the United States (TSUS), which were allegedly being sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted investigations Nos. 731-TA-116 and 117 (Preliminary), under section 733 of the Tariff Act of 1930 (19 U.S.C. § 1673b), to determine whether there was a reasonable indication that an industry in the United States was materially injured, or threatened with material injury, or the establishment of an industry in the United States was materially retarded, by reason of imports of such merchandise into the United States.

On January 31, 1983, the Commission notified Commerce of its determination that there was a reasonable indication that industries in the United States were materially injured by reason of imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden which were allegedly sold at LTFV. 1/

On June 2, 1983, Commerce published its preliminary determinations. Commerce determined that imports of carton-closing staples and staple machines from Sweden were being, or were likely to be, sold in the United States at LTFV. Accordingly, the Commission instituted final antidumping investigations on carton-closing staples and nonautomatic staple machines from Sweden, effective June 2, 1983. Notice of the Commission's institution of investigations Nos. 731-TA-116 and 117 (Final) and of the public hearing 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 June 22, 1983 (48 F.R. 28559). 2/

Commerce was scheduled to make its final determinations in these cases by August 9, 1983. However, Commerce extended its investigations and published its final affirmative determinations in the Federal Register of October 25, 1983 (48 F.R. 49323). 3/ The Commission's hearing was rescheduled accordingly

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1/ Commissioner Stern also determined that there was a reasonable indication that industries in the United States were threatened with material injury by reason of imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden.

2/ A copy of the Commission's notice of institution of final antidumping investigations is presented in app. A.

3/ Copies of the notices of extension and Commerce's notice of final determinations are presented in app. B.

(48 F.R. 46633) and held on November 8, 1983. 1/ The Commission voted on these cases on November 21, 1983. Its final determinations were transmitted to Commerce on December 2, 1983.

## The Products

### Description and uses

Staples.--Carton-closing staples are U-shaped fastening devices used to secure or close the flaps of corrugated paperboard cartons and boxes. They are commonly referred to as wide-crown staples and are available in either 50- or 60-piece sticks or rolls of 1,000 or 5,000. These staples are recognized throughout the industry as an industrial type of staple. Carton-closing staples are usually manufactured from copper-coated or galvanized flat wire that has been drawn from steel rod. Stick staples are lightly cemented or lacquered together to facilitate handling and loading into stapling machines. Roll staples are taped together along their crowns. Copper is the principal coating material because it provides desired lubricating qualities during the wire-drawing process and offers protection against corrosion. Industry sources estimate that 90 percent of carton-closing staples are copper coated. The remainder are galvanized. Galvanized staples are preferred on cartons and boxes containing produce or exposed foodstuffs that are subject to moist conditions.

Carton-closing staples differ from office or desk-type staples primarily in their size and use. They vary according to the size of the wire, the width of the crown, and the length of the leg. The size of the wire used in the production of the staples which are the subject of these investigations varies from 0.037 to 0.040 inch X 0.074 to 0.092 inch. 2/ The leg length ranges from 1/2 inch to 7/8 inch and the crown width, from 1-1/4 inches to 1-3/8 inches. Carton-closing staples are available in two basic sizes--the A staple (0.037 X 0.092-inch wire with a 1-3/8-inch crown) and the C staple (0.037 X 0.074-inch wire with a 1-1/4-inch crown). The A staple produced by Bostitch uses a slightly different size wire, 0.040 X 0.090-inch wire. Bostitch's C staples are intentionally produced to different tolerances, making them slightly different than and not interchangeable with the rest of the industry's C staples.

Carton-closing staples are usually designed by a manufacturer for use in carton-closing staple machines made by the same manufacturer. These staples are referred to as dedicated staples. However, they often coincidentally conform to the same specifications or size as staples produced by other manufacturers. In addition, one manufacturer may produce staples for use in the stapling machines of other manufacturers. Such staples are known in the industry as bootleg staples.

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1/ A copy of the notice rescheduling the hearing is presented in app. A. The calendar of the hearing is presented in app. C.

2/ These staples meet the minimum requirements of Rule 41 of the Uniform Freight Classification Code and Mil-5 Military Specifications.

No significant differences between imported and domestically produced staples (except those of Bostitch) of the same size are known. Although Josef Kihlberg Trading AB (the primary producer in Sweden) has the capability to produce staples of various sizes, the firm has exported only C staples to the United States during the period under consideration. In addition, its carton-closing staple machines are designed to accept only C staples. Kihlberg does not produce a roll staple, and \* \* \*. Grytgols Bruks AB, the only other producer of carton-closing staples in Sweden, produces and exports all sizes of staples (including the Bostitch sizes), but exports no roll staples. Domestic producers manufacture primarily A and C staples.

According to the available data, stick staples accounted for 69 percent of all domestically produced wide-crown staples in 1982. A further breakdown of stick staples by size revealed that A staples accounted for \* \* \* percent of domestic production of stick staples, C staples for \* \* \* percent, and all other sizes accounted for \* \* \* percent.

Two of the four known domestic producers (ISM and Bostitch) also produce roll staples. However, the production process for stick staples differs significantly from that for roll staples. Although there are shared materials and costs through the wire-drawing process, separate equipment and workers are used to produce stick staples and roll staples from the wire. With regard to the manufacturing equipment, it has been stated that although stick staples could be made on the roll-staple equipment, it would generate a significant amount of scrap and slow up the production process. Therefore, it is not a practical operation. 1/

Roll staples are best suited for large-volume operations where their 1,000- or 5,000-staple capacity is efficiently utilized. Still, it has been noted that stick staples are nearly always used by price-sensitive customers, which are often large-volume purchasers, since they are priced more competitively than roll staples. Carton-closing staples are used in those industries which package goods in large cartons or boxes for transportation or sale. They are widely used to package items such as televisions, appliances, furniture, hardware, and produce. Carton-closing staples generally perform the same function as fine-wire staples and various types of tape and glue, and compete primarily with these products. According to industry representatives, staples impede tampering and pilferage because cartons cannot be resealed without detection once the staple has been removed. Thus, they provide better security to the packager. In addition, wide-crown staples are reportedly the least expensive fastening devices for closing appropriately sized and appropriately packed cartons. Wide-crown staples are unsuitable for small boxes; cartons that are packed loosely with large, irregularly shaped items; and lightweight paperboard cartons.

Staple machines.--Nonautomatic staple machines are designed to secure a carton-closing staple in a carton of corrugated paperboard using either direct force or air to drive the staple. A nonautomatic carton-closing staple machine can best be differentiated from a semiautomatic or an automatic machine in terms of how the staple is delivered and how the receiving carton

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1/ See Memorandum to File on trip to Bostitch, July 8, 1983.

is handled. For a nonautomatic machine, depression of a switch or lever by the operator's hand or foot causes a single staple to be driven into the carton. In contrast, an automatic staple machine (not included within the scope of these investigations) is a "no hands" system of carton closing, whereby the cartons are transported through the machine and the staples are delivered to their appropriate place upon an internal signal. Semiautomatic machines are available in a wide variety of configurations, including nonautomatic machines that have been mounted and outfitted with a tap-touch trigger, so that the operator need only slide the carton up against the machine; bottom staplers outfitted with a repetitive firing device; and an arrangement of fixed staplers designed to close a carton in a single action, requiring only placement and signaling by the operator. Petitioners in these investigations have distinguished semiautomatic machines from nonautomatic machines on the basis of the action that is taken by the person applying the carton to the machine. Essentially, petitioners feel that a semiautomatic machine is a standing machine that has multiple heads on it, that is either activated by an operator placing the carton and having several functions performed at once, i.e., multiple stapling of the top of the carton and the bottom. <sup>1/</sup> Semiautomatic machines have not been included in the scope of these investigations.

Kihlberg primarily exports nonautomatic carton-closing staple machines to the United States. Although Kihlberg produces fully automatic machines and semiautomatic machines, there have been no known imports of the automatic equipment; and only a limited number of semiautomatic machines have entered the United States. However, it should be noted that a number of the nonautomatic machines have, through the use of mounts and attachments, been converted into semiautomatic machines. Grytgols does not produce carton-closing staple machines. Two domestic producers, Bostitch and ISM, make automatic and semiautomatic equipment. However, the predominant domestic product is the nonautomatic staple machine.

The production processes for the various types of carton-closing staple machines are not easily identified as separate operations. There are many shared components and parts among the various machine models, and, although ISM was able to allocate shared costs, overhead, and general, selling, and administrative expenses to present the Commission with separate profitability data on its nonautomatic and semiautomatic carton-closing staple machines, it is Bostitch's position that \* \* \* .

All of the carton-closing staple machines--nonautomatic, semiautomatic, and fully automatic--can use either roll staples or stick staples. For example, all of Kihlberg's equipment is designed to use stick staples, whereas all of ISM's semiautomatic and automatic equipment is designed to use roll staples. Bostitch produces various models which can utilize either stick staples or roll staples, depending on the customer's preference.

Nonautomatic staple machines can be divided into two principal categories: (1) top staplers (boxers), used to fasten the top flaps of filled boxes, with the staple inserted by mechanical pressure generated by depressing a lever by hand or by pneumatic pressure; and (2) bottom staplers (bottomers),

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<sup>1/</sup> See transcript of the hearing, pp. 84-86.



machines with a fixed frame, used to fasten the bottom flaps of unfilled boxes by mechanical pressure generated by depressing a foot lever or by pneumatic pressure. Although each of these machines is engineered and sold to close either the top or bottom of a corrugated box, the top stapler can, through the use of a stand, be used to close the bottom of a box. Top and bottom staplers that drive the staple either manually or pneumatically are available from both Kihlberg and domestic producers. In addition to boxers and bottomers, which are manual or pneumatic, other product variations are offered by most suppliers. These variations include models that can use multiple sticks of staples instead of a single stick and models that can utilize staples of various leg lengths.

According to data submitted by ISM and Bostitch for 1982, domestic production of staple machines can be broken down as follows:

	<u>Share of domestic production</u>
Hand boxers-----	***
Air boxers-----	***
Subtotal-----	***
Foot bottomers---	***
Air bottomers---	***
Subtotal-----	***

According to the available data submitted by U.S. importers, imports of staple machines from Sweden in 1982 can be broken down as follows: 1/

	<u>Share of domestic production</u>
Hand boxers-----	56.8
Air boxers-----	36.2
Subtotal-----	93.0
Foot bottomers---	5.7
Air bottomers---	1.3
Subtotal-----	7.0

In these investigations, Kihlberg's machines differ from the domestic products in terms of their design and in some specific features. However, specific models of Kihlberg's and each domestic producer's nonautomatic carton-closing staple machines are generally similar with respect to their specific functions and the markets in which they are sold. Specific models of the imported and domestic products are thus considered interchangeable.

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1/ Data comprising the basis for the breakdown accounted for 42 of total reported imports of nonautomatic staple machines from Sweden in 1982.

U.S. tariff treatment

Staples.--Carton-closing staples are provided for in item 646.20 of the TSUS, which covers "staples in strip form." 1/ The current column 1 rate of duty for this item is 0.9 percent ad valorem. 2/ The current column 2 rate of duty is 4 percent ad valorem. 3/ These rates of duty have been in effect since January 1, 1980, when the first staged reduction granted during the Tokyo round of the Multilateral Trade Negotiations (MTN) became effective. The current rates of duty are not scheduled for further reduction, and there is no preferential rate applicable to imports from least developed developing countries (LDDC's). 4/

On January 1, 1976, imports from designated beneficiary developing countries of staples in strip form provided for under item 646.20 were designated by the President as articles eligible for duty-free treatment under the Generalized System of Preferences (GSP). 5/ Among the beneficiary countries that were major suppliers of staples in strip form to the U.S. market during 1982 (in order of importance) were the Dominican Republic, Taiwan, Israel, Hong Kong, Singapore, and Colombia.

Staples in strip form are also covered by the United States-Canadian Automotive Agreement, implemented by Public Law 89-283 and Presidential Proclamation No. 3682. This agreement provides for the duty-free entry of Canadian articles which are original motor-vehicle equipment. 6/ The staples in strip form covered by this agreement are entered under TSUS item 646.79 and are not included in these investigations.

Staple machines.--U.S. imports of carton-closing staple machines are provided for in item 662.20 of the TSUS. This item is a residual, or "basket," provision covering a variety of machinery for cleaning, sealing, capsuling, labeling, packing or wrapping, aerating beverages, and dish washing. Carton-closing staple machines are dutiable at a column 1 rate of 4.6 percent ad valorem, effective January 1, 1983. This rate is scheduled for

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1/ Strip form is equivalent to stick form and the two phrases are used interchangeably in this report.

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

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

4/ The preferential rates of duty in the "LDDC" column reflect the full U.S. MTN concession rates implemented without staging for particular items which are the products of the LDDC's enumerated in general headnote 3(d) of the TSUS. Where no rate of duty is provided in the LDDC column for an item, the rate of duty provided in col. 1 applies.

5/ The GSP, enacted as 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, 1974, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

6/ See headnote 2, subpart B, pt. 6, schedule 6, of the TSUS.

annual reductions until it reaches 3.6 percent ad valorem on January 1, 1987. U.S. imports of these machines from countries assessed the column 2 rate are dutiable at 35 percent ad valorem. A preferential tariff rate of 3.6 percent ad valorem for LDDC's is applicable to imports under this item. In addition, imports of these machines from all designated beneficiary countries are eligible for duty-free treatment under the GSP. However, there have been no known imports of nonautomatic carton-closing staple machines from countries receiving GSP benefits.

#### Nature and Extent of Sales at LTFV

In its final determinations, Commerce found that certain carton-closing staples and staple machines from Sweden are being, or are likely to be, sold in the United States at LTFV. The scope of the investigation covered certain carton-closing staples in strip form and nonautomatic carton-closing staple machines. There were only two firms in Sweden examined by Commerce, Grytgols and Kihlberg, since they are the only known exporters of the products under investigation. To arrive at a fair-value comparison, Commerce compared the U.S. price for the merchandise with the foreign market value. For Kihlberg, the U.S. price was the purchase price to unrelated firms in the United States, f.o.b. port of exportation and excluding packing, adjusted for foreign inland freight and U.S. packing costs. Home-market prices for Kihlberg were taken on an exfactory and unpacked basis, adjusted for quantity discounts, differences in credit terms, and added U.S. packing costs. For Grytgols, the U.S. price was the purchase price to unrelated firms for packed merchandise, c.i.f. the U.S. port, adjusted for the costs of foreign inland freight, foreign terminal charges, and ocean freight and insurance. The home-market prices, exfactory and unpacked, were adjusted for quantity discounts and differences in credit terms. No adjustments were allowed for either producer for differences in the level of trade (i.e., for sales to end users rather than to distributors). Commerce's comparisons resulted in a weighted average dumping margin for Kihlberg of 12.25 percent for staples and 122.79 percent for staple machines. The weighted average margin found on Grytgols' U.S. sales of carton-closing staples were calculated as 3.06 percent.

#### The Domestic Industry

##### U.S. producers

In 1982, there were five known domestic companies producing carton-closing staples and/or nonautomatic carton-closing staple machines--Acme Staple, located in Franklin, N.H.; Bostitch, a Division of Textron Inc., located in East Greenwich, R.I.; Container Stapling Corp., located in Herrin, Ill.; ISM, with its manufacturing and administrative facilities located in Butler, Pa.; and Power-Line Fastening Systems, of El Monte, Calif. However, the vast majority of production occurred in Pennsylvania, Rhode Island, and Illinois.

In addition to producing nonautomatic carton-closing staple machines and carton-closing staples, Acme manufactures stitching wire; staples for the graphic arts, shoe, and telephone industries; and staple machines for the graphic arts and shoe industries. \* \* \*. Acme's production of carton-closing staples and staple machines is limited. Estimates provided by a representative of the firm indicates that Acme's production accounts for less than \* \* \* percent of domestic production of either product.

Bostitch produces wide-crown staples in stick and roll form. It produces stick staples in two sizes, a modified A staple and a modified C staple. The A staple is made from a different gauge of wire than the rest of the industry's. The C staple produced by Bostitch is advertised as meeting the same specifications as those produced by other manufacturers. However, the tolerances of the Bostitch C staple were adjusted so that it would not fit into other producers' machines. Similarly, its machines are designed to only accept Bostitch A or C staples. The firm produces a wide variety of staples, nails, tacks, and wire to complement its equipment. Bostitch produces a full range of wide-crown stapling equipment, nonautomatic, semiautomatic, and fully automatic. In addition, Bostitch produces a wide variety of other types of stapling equipment, nailing equipment, wire stitchers, and cleating and pinning machines. Bostitch also has a plant in Atlanta, Ga., that produces stitchers, woodworking equipment, and shoemaking machinery, \* \* \*.

According to the firm's representative, Container Stapling Corp. produces only wide-crown staples in stick form and nonautomatic carton-closing staple machines.

ISM produces wide-crown staples in both stick and roll form, as well as small quantities of stitching wire for carton closing, staples for joining wood such as those used in the manufacture of furniture, and nails for its automatic nailing machines. ISM's staples are available in sizes A and C. This firm also produces a full line of carton-closing staple machines, as well as automatic nailing machines.

Power-Line produces a line of hand-operated pneumatic carton-closing staplers that it sells to plants that purchase its other equipment, such as nails and nailing machines. Power-Line produces no staples. According to a company official, Power-Line has produced these staplers for several years in low volume. Its output is very limited and accounts for less than \* \* \* percent of domestic production.

#### U.S. importers

Currently, there may be as many as 30 importers of carton-closing staples or staple machines. However, the large importers, such as \* \* \*, are believed to have accounted for nearly all imports from Sweden during 1979 and 1980 and a majority of imports in the more recent periods. These firms sell primarily to independent distributors and perform many of the same functions as a domestic manufacturer in supplying service and spare parts. <sup>1/</sup> The

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<sup>1/</sup> See transcript of the conference, investigations. Nos. 731-TA-116 and 117 (Preliminary), p. 76. A-8

remainder of the importers are smaller, independent distributors that sell primarily to end users. These distributors often handle a variety of staples and staple machines, and often purchase both domestically produced and imported merchandise.

ISM reported imports of carton-closing staples from \* \* \* . However, these imports totaled less than \* \* \* percent of ISM's commercial shipments in each period.

#### Foreign Producers

There are apparently only two producers of carton-closing staples in Sweden that export such merchandise to the United States--Grytgols and Kihlberg. Grytgols produces carton-closing staples which conform to the specifications of all U.S. producers' staples (including Bostitch's). Kihlberg, on the other hand, produces only C staples for export to the United States.

Kihlberg produces a variety of different products for the package-stapling industry, including wire stitchers and fine-wire staplers, as well as semiautomatic and automatic carton-closing staple machines. However, in Sweden, only Kihlberg produces a nonautomatic carton-closing staple machine for export to the U.S. market. Both Grytgols and Kihlberg have apparently been exporting the subject merchandise to the United States since the late 1960's.

#### The U.S. Market

##### Channels of distribution

Three of the five known producers of carton-closing staples and nonautomatic carton-closing staple machines (Acme Staple, Container Stapling Corp., and ISM) sell the vast majority of their merchandise to distributors, which in turn sell them to end users. Working through an elaborate system of independent distributors, these producers are capable of supplying staples or staple machines to customers located throughout the United States. Generally, these distributors can be characterized as "shipping room suppliers." It is estimated that there are over 1,000 of these distributors, some of which have large operations with a number of outlets. Others are small firms that order merchandise only as they obtain orders.

Nearly all U.S. importers are distributors of carton-closing staples and nonautomatic carton-closing staple machines. The large importers resell the majority of their imported merchandise to other independent distributors. The small importers sell only to end users.

Bostitch distributes the subject staples and staple machines through its four regional offices in the United States. Such offices employ salesmen that sell directly to the customer. \* \* \* . ISM also has several branch offices through which it sells directly to end users, however, such sales have accounted for less than \* \* \* percent of ISM's domestic shipments. Power-Line Fastening Systems sells its staplers only to plants that purchase its other equipment.

Carton-closing staples are usually shipped to major distributors by truck in 10-ton lots. Truck transportation is generally provided by the producer, with the distributor paying the freight cost. However, depending on the location of the customer and the transaction, a producer may occasionally absorb a portion of the transportation costs for competitive purposes.

#### Factors affecting demand

There is little information available on the market for wide-crown staples and staple machines. However, these products obviously find use principally in product packaging and, specifically, product packaging in corrugated boxes. Bostitch is the only domestic producer of the products under consideration to undertake a study of the U.S. market for closing corrugated boxes. This firm's estimates of the methods employed in carton closing (based on a universe of 25 billion boxes) for 1982 are as follows (in percent):

\*                      \*                      \*                      \*                      \*                      \*                      \*

The staple segment was further broken down as follows:

	<u>As a share of</u> <u>the overall</u> <u>carton-closing</u> <u>market</u>	<u>As a share of</u> <u>the staple</u> <u>market</u>
Fine-wire staples-----	***	***
Wide-crown stick staples--	***	***
Wide-crown roll staples---	***	***
	<u>***</u>	<u>100</u>

There is general agreement in the industry that self-sealing cartons (a glue application) are displacing staples to some extent in the produce-packing industry. It was Bostitch's feeling that the uses for wide-crown staples could be divided into two basic groups--agricultural and in-plant. Bostitch estimated that agricultural uses accounted for \* \* \* percent of the volume of the staple market. In general, industry sources agreed that the markets for carton-closing staples and staple machines were mature markets, with little, if any, growth expected.

The markets for carton-closing staples and nonautomatic carton-closing staple machines are very much interrelated, although the factors affecting demand for each product differ somewhat. Generally, a purchaser only buys wide-crown staples to use in a staple machine to close cartons. That machine

may be an automatic stapler, but is most often a nonautomatic stapler. The market for these items comprises a multitude of small and large manufacturers, produce packagers, and greenhouse operators. A manufacturer generally uses a bottom stapler to set up the boxes and a top stapler to close them once they are packed. However, a manufacturer can make do with only a top stapler and a support stand. Some produce packagers and greenhouse operators require only a bottom stapler to set up trays or open cartons.

The demand for both the staples and the staple machines is dependent on the volume of goods passing through the purchasers' packaging lines. A Bostitch representative stated that the demand for carton-closing staples is a "bellwether" for the overall economy, because their use is so closely tied to general business activity. Thus, in a recessionary period, one would expect to see a decline in consumption of both staples and staple machines. However, the decline in the demand for staple machines is likely to be more pronounced, since the machines can be repaired or rebuilt at a moderate cost. This affords the end user an opportunity to extend the life of current equipment rather than invest in new equipment. Distributors typically offer repair service and parts replacement for these machines.

#### Apparent consumption

The available data on U.S. consumption are based on the domestic shipments of U.S. producers and importers of carton-closing staples and nonautomatic carton-closing staple machines (no secondary source for such data is known). The data may be somewhat understated because of the lack of response of two domestic producers (Acme Staple and Power-Line Fastening Systems) and several importers. In addition, most of the domestic shipments and virtually all U.S. imports go to distributors, not to end users. Thus, because data on distributors' shipments and inventories are limited, the available data on consumption are removed from actual consumption by the end user. For the purposes of this section and to facilitate the discussion of the data in the following sections, the term "carton-closing staples" will be used to refer only to carton-closing staples in stick form, unless otherwise noted.

The available data on apparent U.S. consumption of carton-closing staples show a marked decline during the period under consideration. Apparent consumption declined irregularly, from 10.2 billion staples in 1980 to 9.2 billion staples in 1982, or by 10 percent (table 1). Consumption then declined by 15 percent in January-June 1983 relative to that in the corresponding period of 1982. By way of comparison, the quantity of domestic shipments of corrugated and solid fiber boxes declined by 4 percent from 1980 to 1982 and increased by 5 percent in January-June 1983 relative to that for the corresponding period of 1982. <sup>1/</sup>

The available data on apparent consumption of nonautomatic carton-closing staple machines show sharper declines for the period under consideration. Apparent consumption declined by 27 percent from 1980 to 1982 and then declined by 18 percent in January-June 1983 relative to consumption in the corresponding period of 1982.

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<sup>1/</sup> Fiber Box Association, Chicago, Ill.

Table 1.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' domestic shipments, domestic shipments of U.S. importers, and apparent consumption, 1980-82, January-June 1982, and January-June 1983

Period	:U.S. producers' : : shipments 1/	:U.S. importers' : : shipments 2/	: Apparent : consumption
: Carton-closing staples (million staples)			
1980-----	8,173 :	2,058 :	10,231
1981-----	7,887 :	2,596 :	10,483
1982-----	6,317 :	2,890 :	9,207
January-June--	:	:	:
1982-----	3,094 :	2,091 :	5,185
1983-----	3,014 :	1,379 :	4,393
: Nonautomatic carton-closing staple machines			
: (units)			
1980-----	24,193 :	3,520 :	27,713
1981-----	20,361 :	5,256 :	25,617
1982-----	14,409 :	5,736 :	20,145
January-June--	:	:	:
1982-----	7,285 :	3,644 :	10,929
1983-----	6,587 :	2,386 :	8,973

1/ Based on responses of 3 firms, accounting for an estimated 95 percent of U.S. production. Where data on domestic shipments were not available, production data were used.

2/ Based on responses of 22 firms, accounting for an estimated 75 percent of imports. Where data on shipments were not available, imports were used.

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

### The Question of Material Injury

#### U.S. production, capacity, and capacity utilization

Staples.--Data on production, capacity, and capacity utilization are available for three of the four known producers of carton-closing staples. These firms, Bostitch, Container Staple Corp., and ISM, account for about 95 percent of domestic production. 1/ These producers' data on domestic production of carton-closing staples indicate that production fell by 29 percent from 1980 to 1982, and continued to decline, but by less than 1 percent, in January-June 1983 relative to that in the corresponding period in 1982 (table 2).

The capacity of these firms to produce carton-closing staples remained constant throughout the period under consideration. However, their capacity utilization declined from 56 percent in 1980 to 40 percent in 1982. Capacity utilization continued to decline in January-June 1983 relative to that for the corresponding period of 1982.

1/ This is the staff's estimate based on conversations with representatives of the nonresponding domestic producers.



Table 2.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. production, capacity, and capacity utilization, 1/ 1980-82, January-June 1982, and January-June 1983

Item	1980	1981	1982	January-June--	
				1982	1983
Carton-closing staples					
Production					
million staples--	8,922	8,062	6,295	2,931	2,915
Capacity-----do----	15,930	15,930	15,930	7,965	7,965
Capacity utilization					
percent--	56.0	50.6	39.5	36.8	36.6
Nonautomatic carton-closing staple machines					
Production-----units--	28,020	24,775	16,386	9,769	8,098
Capacity <u>2/</u> -----do----	73,892	73,892	73,892	36,946	36,946
Capacity utilization					
percent--	37.9	33.5	22.2	26.4	21.9

1/ Based on responses of 3 firms.

2/ Capacity figures are necessarily inexact for these products, because the production facilities are shared with other products.

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

Staple machines.--Data on production, capacity, and capacity utilization for nonautomatic carton-closing staple machines were also available for Container Stapling Corp., Bostitch, and ISM. These firms account for about 95 percent of domestic production. 1/ The data provided by these producers show that domestic production of nonautomatic carton-closing staple machines declined throughout the period, falling from 28,020 units in 1980 to 16,386 units in 1982, or by 42 percent, and declining by 17 percent in January-June 1983 relative to that reported for the corresponding period of 1982 (table 2).

The capacity of the responding firms to produce nonautomatic carton-closing staple machines remained constant over the period. However, since many shared parts and labor are involved in the production of automatic, semiautomatic, and nonautomatic staple machines, capacity data are necessarily inexact. The utilization of domestic producers' capacity was at a low level in 1979 and declined in each period thereafter. Capacity utilization declined from 38 percent in 1980 to 22 percent in 1982 and from 26 percent in January-June 1982 to 22 percent in the corresponding period of 1983.

1/ This is the staff's estimate based on conversations with representatives of the nonresponding domestic producers.

# U.S. producers' commercial shipments

Staples.--Data in the following sections were supplied only by ISM and Bostitch. These data show \* \* \* (table 3). \* \* \* .

Table 3.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' commercial shipments, by firms, 1980-82, January-June 1982, and January-June 1983

Item	1980	1981	1982	January-June--	
				1982	1983
Carton-closing staples					
Quantity:					
ISM--million staples--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Total-----do----	***	***	***	***	***
Value:					
ISM----1,000 dollars--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Total-----do----	***	***	***	***	***
Unit value:					
ISM--per 1,000					
staples--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Average-----do----	***	***	***	***	***
Nonautomatic carton-closing staple machines					
Quantity:					
ISM-----units--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Total-----do----	***	***	***	***	***
Value:					
ISM----1,000 dollars--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Total-----do----	***	***	***	***	***
Unit value:					
ISM-----per unit--	***	***	***	***	***
Bostitch-----do----	***	***	***	***	***
Average-----do----	***	***	***	***	***

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

Note: Because of rounding, figures may not compute to the numbers shown.

The value of responding U.S. producers' commercial shipments of carton-closing staples \* \* \* . \* \* \* .

Exports of domestically produced carton-closing staples represented \* \* \* (table 4). \* \* \* .

Table 4.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. producers' exports and total commercial shipments, 1/ 1980-82, January-June 1982, and January-June 1983

Item	1980	1981	1982	January-June--	
				1982	1983
Carton-closing staples					
Exports-million staples--	***	***	***	***	***
Shipments-----do----	***	***	***	***	***
Ratio of exports to shipments-----percent--	***	***	***	***	***
Nonautomatic carton-closing staple machines					
Exports-----units--	***	***	***	***	***
Shipments-----do----	***	***	***	***	***
Ratio of exports to shipments-----percent--	***	***	***	***	***

1/ Based on responses of 2 firms.

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

Staple machines.--The quantity of ISM's and Bostitch's commercial shipments of nonautomatic carton-closing staple machines \* \* \* (table 3). \* \* \* .

The value of responding U.S. producers' commercial shipments \* \* \* . However, the unit value \* \* \* . \* \* \* .

Exports of domestically produced nonautomatic carton-closing staple machines \* \* \* (table 4). \* \* \* . \* \* \* . Further details on these exports are presented in table 5. The principal export markets identified by ISM were \* \* \* . Those identified by Bostitch were \* \* \* . The unit value of ISM's exports \* \* \* . \* \* \* .

#### U.S. producers' inventories

Staples.--Data in the following sections were supplied only by ISM and Bostitch. The quantity of carton-closing staples held in inventory as of December 31, 1980-82, and as of June 30, 1982, and June 30, 1983, is presented in the tabulation on the following page along with the ratio of such inventories to U.S. producers' shipments for the preceding periods: A-15

Table 5.--Nonautomatic carton-closing staple machines: U.S. producers' exports, by firms, 1980-82, January-June 1982, and January-June 1983

Item	1980	1981	1982	January-June--	
				1982	1983
Quantity:					
ISM-----units--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Total-----do--:	***	***	***	***	***
Value:					
ISM----1,000 dollars--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Total-----do--:	***	***	***	***	***
Unit value:					
ISM-----per unit--:	***	***	***	***	***
Bostitch-----do--:	***	***	***	***	***
Average-----do--:	***	***	***	***	***

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

	<u>Inventories</u> (million staples)	<u>Ratio of</u> <u>inventories</u> <u>to shipments</u> (percent)
Dec. 31--		
1980-----	***	***
1981-----	***	***
1982-----	***	***
June 30--		
1982-----	***	***
1983-----	***	***

The quantity of carton-closing staples held in inventory shows \* \* \* . Yearend inventories \* \* \* . However, relative to shipments, inventories \* \* \* . \* \* \* .

Staple machines.--The quantity of nonautomatic carton-closing staple machines held in inventory as of December 31, 1980-82, and as of June 30, 1982, and June 30, 1983, is presented in the following tabulation along with the ratio of such inventories to U.S. producers' shipments for the preceding periods:

	<u>Inventories</u> (units)	<u>Ratio of</u> <u>inventories</u> <u>to shipments</u> (percent)
Dec. 31--		
1980-----	***	***
1981-----	***	***
1982-----	***	***
June 30--		
1982-----	***	***
1983-----	***	***

The inventory levels for nonautomatic carton-closing staple machines \* \* \* . The quantity of U.S. producers' yearend inventories \* \* \* . As a ratio to shipments, yearend inventories \* \* \* . The annualized ratio of inventories to shipments for January-June \* \* \* .

#### U.S. employment, wages, and productivity

Staples.--Comprehensive data on U.S. employment, wages, and productivity were again provided only by Bostitch and ISM, and Bostitch's employment data reflects its operations on both stick staples and roll staples. ISM's workers are represented by the United Steelworkers of America, AFL-CIO. Bostitch's workers are not unionized. The available data show generally declining trends for most of the indicators during the period under consideration (table 6). Data provided by Container Staple Corp. on total average employment showed \* \* \* . The average number of all persons employed at ISM and Bostitch \* \* \* . The average number of production and related workers producing carton-closing staples \* \* \* .

The hours worked by production and related workers producing carton-closing staples \* \* \* . The productivity of these workers \* \* \* . The hourly wages and total compensation earned by such workers \* \* \* . \* \* \* . The average hourly compensation for production and related workers \* \* \* .

Staple machines.--The average number of production and related workers producing nonautomatic carton-closing staple machines \* \* \* . \* \* \* . The hours worked by these workers \* \* \* . The productivity of production and related workers \* \* \* . \* \* \* . Hourly wages and total compensation earned by such workers \* \* \* . \* \* \* .

#### Financial experience of U.S. producers

Staples.--ISM and Bostitch were the only firms to provide the Commission with comprehensive financial data, and Bostitch's financial data reflects its operations on both stick staples and roll staples. Together, these two firms accounted for roughly \* \* \* percent of domestic production of carton-closing staples and nonautomatic carton-closing staple machines during the period under consideration. Container Stapling Corp. provided only net sales data for staples and staple machines and aggregate figures on the income of the total establishment. Net sales of carton-closing staples represented an average of \* \* \* percent of ISM's net sales for the total establishment during the period under consideration. For Bostitch, net sales of carton-closing staples (both stick and roll) accounted for an average of \* \* \* percent of total establishment sales. The available data on U.S. producers' carton-closing staple operations show \* \* \* (table 7). \* \* \* . Net sales of carton-closing staples \* \* \* .

In absolute terms, the cost of goods sold and the resulting gross income for U.S. carton-closing staple operations \* \* \* . However, relative to net sales, the cost of goods sold \* \* \* . The ratio of gross income to net sales \* \* \* .

Table 6.--Average number of employees, total and production and related workers, in responding U.S. establishments producing carton-closing staples and nonautomatic carton-closing staple machines 1/ and hours worked by, productivity of, hourly wages paid to, total compensation 2/ earned by, and average hourly compensation of production and related workers producing these articles, 1980-82, January-June 1982, and January-June 1983

\* \* \* \* \*

Table 7.--Income-and-loss experience of responding U.S. producers on their operations producing carton-closing staples and nonautomatic carton-closing staple machines, accounting years 1980-82 and interim accounting periods through June 1982 and June 1983

Item	1980	1981	1982	Interim accounting period through June--	
				1982	1983
Carton-closing staples					
Net sales-1,000 dollars--:	***	***	***	***	***
Cost of goods sold					
1,000 dollars--:	***	***	***	***	***
Gross income-----do----	***	***	***	***	***
General, selling, and					
administrative expen-					
ses-----1,000 dollars--:	***	***	***	***	***
Operating income					
1,000 dollars--:	***	***	***	***	***
Ratio to net sales:					
Gross income--percent--:	***	***	***	***	***
Operating income					
percent--:	***	***	***	***	***
Cost of goods sold					
percent--:	***	***	***	***	***
General, selling, and					
administrative					
expenses----percent--:	***	***	***	***	***
Nonautomatic carton-closing staple machines					
Net sales-1,000 dollars--:	***	***	***	***	***
Cost of goods sold					
1,000 dollars--:	***	***	***	***	***
Gross income or (loss)					
1,000 dollars--:	***	***	***	***	***
General, selling, and					
administrative expen-					
ses-----1,000 dollars--:	***	***	***	***	***
Operating income or					
(loss)--1,000 dollars--:	***)	***	***	***	***
Ratio to net sales:					
Gross income or (loss)					
percent--:	***	***	***	***	***
Operating income or					
(loss)-----percent--:	***	***	***	***	***
Cost of goods sold					
percent--:	***	***	***	***	***
General, selling, and					
administrative					
expenses----percent--:	***	***	***	***	***

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

On an absolute basis, general, selling, and administrative expenses \* \* \* . Relative to net sales, however, such expenses \* \* \* . Operating income \* \* \* . \* \* \* .

The median return on sales for manufacturers of miscellaneous fabricated wire products (SIC 3496) was 5.1 percent in 1980 and 3.8 percent in 1982. <sup>1/</sup> Individual company data on the firms' profit-and-loss experience with respect to carton-closing staples and nonautomatic carton-closing staple machines are presented in appendix D.

Additional selected financial data on cash flow, capital expenditures, and asset valuation were available only for ISM (table 8). ISM's cash flow from its operations producing staples \* \* \* . Although ISM reported capital expenditures for staples \* \* \* . The value of ISM's assets for staples \* \* \* . \* \* \* .

Table 8.--Selected financial data as reported by ISM, accounting years 1980-82 and interim accounting periods through June 1982 and June 1983

(In thousands of dollars)									
Item	:	1980	:	1981	:	1982	:	Interim accounting	
								period through June--	
								1982	1983
Cash flow or (deficit):	:		:		:		:		
Staples-----	:	***	:	***	:	***	:	***	***
Staple machines-----	:	***	:	***	:	***	:	***	***
Total-----	:	***	:	***	:	***	:	***	***
Capital expenditures:	:		:		:		:		
Staples-----	:	***	:	***	:	***	:	***	***
Staple machines-----	:	***	:	***	:	***	:	***	***
Total-----	:	***	:	***	:	***	:	***	***
Asset valuation:	:		:		:		:		
Original cost:	:		:		:		:		
Staples-----	:	***	:	***	:	***	:	***	***
Staple machines-----	:	***	:	***	:	***	:	***	***
Total-----	:	***	:	***	:	***	:	***	***
Book value:	:		:		:		:		
Staples-----	:	***	:	***	:	***	:	***	***
Staple machines-----	:	***	:	***	:	***	:	***	***
Total-----	:	***	:	***	:	***	:	***	***

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

<sup>1/</sup> Dunn and Bradstreet's Key Business Ratios. Return on sales is defined as the ratio of net profit after taxes to annual net sales.



Staple machines.--Sales of nonautomatic carton-closing staple machines accounted for an average of \* \* \* percent of the total net sales of ISM's establishment and for an average of \* \* \* percent of Bostitch's during 1980-82. The aggregate figures on ISM's and Bostitch's operations producing nonautomatic carton-closing staple machines show \* \* \* . \* \* \* . Net sales of nonautomatic carton-closing staple machines \* \* \* (table 7). \* \* \* . The cost of goods sold \* \* \* . \* \* \* .

Gross income for staple-machine operations \* \* \* . \* \* \* . The ratio of gross income to net sales \* \* \* .

General, selling, and administrative expenses \* \* \* . As a share of net sales, such expenses \* \* \* . \* \* \* . \* \* \* .

The median return on sales for manufacturers of general industry machinery not elsewhere classified (SIC 3569) was 5.6 percent in 1980 and 4.2 percent in 1982. <sup>1/</sup>

Selected additional financial data on ISM's staple machine operations (cash flow, capital expenditures, and asset valuation) are presented in table 8.

Total product line.--Carton-closing staples and staple machines are related products, and there have been several statements made by industry sources to the effect that one sells machines in order to make a market for the staples and that although both products are sold, your money is made on the staples. This relationship can be exemplified by the fact that a typical package deal includes a free machine with the purchase of a given number of staples. Thus, it is, perhaps, appropriate in this case to consider the aggregate profitability for both products--carton-closing staples and nonautomatic carton-closing staple machines. These data are presented in table 9. Nonautomatic staple machines represent a relatively small portion of aggregate operations, with net sales of the machines accounting for an average of \* \* \* percent of total net sales of both products during the period under consideration. The combined data show that profit levels have \* \* \* . The ratio of net operating profit to net sales \* \* \* .

The data provided by Container Staple Corp. for its total establishment show that the firm \* \* \* . \* \* \* . If Container's \* \* \* are aggregated with the income reported by the other producers, profit levels for the industry \* \* \* , but the general trend remains the same. The ratio of net operating profit to net sales increases from 2.9 percent in 1980 to 5.6 percent in 1981, declines to 1.7 percent in 1982, and then increases from 2.7 percent for the interim period of 1982 to 3.3 percent for the corresponding period of 1983.

#### Threat of material injury

When evaluating the threat of material injury, the Commission has typically considered such factors as the capacity of the foreign producers to increase exports and U.S. importers inventories. In their posthearing brief, counsel for Kihlberg presented data on that firm's production, capacity, and exports to the United States and other markets. These data are presented in table 10.

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<sup>1/</sup> Ibid.

Table 9.--Aggregate income-and-loss experience of responding U.S. producers on their carton-closing staple and nonautomatic carton-closing staple machine operations, accounting years 1980-82 and interim accounting periods through June 1982 and June 1983

Item	1980	1981	1982	Interim accounting period through June--	
				1982	1983
Net sales-1,000 dollars--	***	***	***	***	***
Cost of goods sold					
1,000 dollars--	***	***	***	***	***
Gross income-----do----	***	***	***	***	***
General, selling, and					
administrative expen-					
ses-----1,000 dollars--	***	***	***	***	***
Operating income					
1,000 dollars--	***	***	***	***	***
Ratio to net sales:					
Gross income--percent--	***	***	***	***	***
Operating income					
percent--	***	***	***	***	***
Cost of goods sold					
percent--	***	***	***	***	***
General, selling, and					
administrative					
expenses----percent--	***	***	***	***	***

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

According to this data, the capacity utilization of Kihlberg with respect to staple production \* \* \* . \* \* \* . \* \* \* .

A similar picture arises with respect to the available data on Kihlberg's exports of nonautomatic staple machines. Kihlberg's exports to the United States \* \* \* . \* \* \* . \* \* \* .

The available data on U.S. importers' inventories are presented in table 11. The data do not show significant increases in either the absolute or relative quantity of carton-closing staples or staple machines held in inventory over the period under consideration.

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

##### U.S. imports

Staples.--There are no official import statistics for carton-closing staples or nonautomatic carton-closing staple machines, since both products are provided for under basket categories of the TSUS. However, the Commission has received responses to its importer's questionnaire from firms accounting

Table 10.--Carton-closing staples and nonautomatic carton-closing staple machines: Selected data on Kihlberg's operations, 1980-82

Item	1980	1981	1982
Carton-closing staples			
Production-----1,000 units--:	*** :	*** :	***
Capacity 1/-----do-----:	*** :	*** :	***
Capacity utilization-----percent--:	*** :	*** :	***
Exports to--	:	:	
United States-----1,000 units--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***
Total, all countries-----do-----:	*** :	*** :	***
Percentage distribution of	:	:	
exports to--	:	:	
United States-----percent--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***
Share of production accounted for	:	:	
by exports to--	:	:	
United States-----percent--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***
Nonautomatic carton-closing staple machines			
Production-----units--:	*** :	*** :	***
Capacity-----do-----:	*** :	*** :	***
Capacity utilization-----percent--:	*** :	*** :	***
Exports to--	:	:	
United States-----units--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***
Total, all countries-----do-----:	*** :	*** :	***
Percentage distribution of	:	:	
exports to--	:	:	
United States-----percent--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***
Share of production accounted for	:	:	
by exports to--	:	:	
United States-----percent--:	*** :	*** :	***
All other countries-----do-----:	*** :	*** :	***

1/ Based on operating the equipment at an average of \* \* \* shifts per day.

Source: Posthearing brief of Josef Kihlberg AB and Josef Kihlberg Trading AB

for an estimated 90 percent of total imports of the subject merchandise. The data supplied by responding U.S. firms are presented in table 12. These data show an increase in the quantity of carton-closing staples imported from Sweden during 1980-82, with the sharpest increase appearing from 1980 to 1981. Imports of carton-closing staples from Sweden increased from 1.3

Table 11.--Carton-closing staples and nonautomatic carton-closing staple machines from Sweden: End-of-period inventories and shipments of responding U.S. importers, 1980-82, January-June 1982, and January-June 1983

\* \* \* \* \*

billion staples in 1980 to 1.8 billion in 1982, or by 40 percent. However, such imports then declined significantly, by 16 percent, in January-June 1983 relative to those in the corresponding period of 1982.

All firms were not able to report the value of imports. However, the unit value of imports for those firms that did report the value declined in each period under consideration. The unit value of imports of carton-closing staples from Sweden declined from 87 cents per thousand staples in 1980 to 80 cents per thousand in 1982, or by 8 percent. The unit value then declined to 77 cents per thousand in January-June 1983, or by 4 percent relative to the unit value in the corresponding period of 1982.

The quantity of carton-closing staples imported from Italy increased irregularly from 1980 to 1982, but then declined in the partial period of 1983. Imports from Italy increased from \* \* \* . \* \* \* . In January-June 1983, imports declined to \* \* \* . The unit value of imports from Italy declined from \* \* \* in 1980 to \* \* \* in 1981, or by \* \* \* , and \* \* \* . ISM was the major importer of staples from Italy in \* \* \* . The firm accounted for \* \* \* of such imports during that period.

Table 12.--Carton-closing staples and nonautomatic carton-closing staple machines: U.S. imports for consumption as reported by responding firms, 1/ by sources, 1980-82, January-June 1982, and January-June 1983

Item and source	1980	1981	1982	January-June--		
				1982	1983	
	Carton-closing staples					
Quantity:						
Sweden						
million staples--	1,312	1,783	1,840	1,161	976	
Italy-----do----	***	***	***	***	***	
All other countries						
million staples--	***	***	***	***	***	
Total-----do----	2,095	2,787	2,874	2,069	1,416	
Unit value: 2/						
Sweden						
per 1,000 staples--	\$0.87	\$0.83	\$0.80	\$0.80	\$0.77	
Italy-----do----	***	***	***	***	***	
All other countries						
per 1,000 staples--	***	***	***	***	***	
Average-----do----	\$0.88	\$0.85	\$0.82	\$0.83	\$0.79	
Percent of total quantity:						
Sweden-----percent--	62.6	64.0	64.0	56.1	68.9	
Italy-----do----	***	***	***	***	***	
All other-----do----	***	***	***	***	***	
Total-----do----	100.0	100.0	100.0	100.0	100.0	
	Nonautomatic carton-closing staple machines					
Quantity:						
Sweden-----units--	3,205	4,422	4,562	3,187	1,866	
Italy-----do----	***	***	***	***	***	
All other-----do----	***	***	***	***	***	
Total-----do----	3,553	5,791	5,457	3,637	2,315	
Unit value: 2/						
Sweden-----per unit--	\$101.64	\$91.17	\$75.77	\$77.89	\$92.00	
Italy-----do----	***	***	***	***	***	
All other-----do----	***	***	***	***	***	
Average-----do----	\$95.18	\$82.56	\$71.87	\$74.79	\$84.06	
Percent of total quantity:						
Sweden-----percent--	90.2	76.4	83.6	87.6	80.6	
Italy-----do----	***	***	***	***	***	
All other countries						
percent--	***	***	***	***	***	
Total-----do----	100.0	100.0	100.0	100.0	100.0	

1/ Based on responses of 22 firms.

2/ A weighted average for those firms reporting both quantity and value of imports.

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

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

Imports of carton-closing staples were also reported from Austria, Belgium, Spain, the United Kingdom, and West Germany. The quantity of carton-closing staples imported from countries other than Italy and Sweden increased significantly from 1980 to 1981, but has declined since then. Such imports declined from \* \* \* in 1981 to \* \* \* in 1982, or by \* \* \* , and dropped by \* \* \* in January-June 1983 relative to the quantity in the corresponding period of 1982. The unit value of these imports declined from \* \* \* in 1981 to \* \* \* in 1982, or by \* \* \* , and declined again, by \* \* \* , in January-June 1983 relative to that for the corresponding period of 1982.

As a share of total imports, imports of carton-closing staples from Sweden remained relatively stable, at 63 or 64 percent, during 1980-82. However, imports from Sweden increased their share of total imports to 69 percent in January-June 1983. \* \* \* . \* \* \* . The share accounted for by imports from countries other than Italy and Sweden declined irregularly from \* \* \* in 1980 to \* \* \* in 1982, and declined again, from \* \* \* in January-June 1982 to \* \* \* in the corresponding period of 1983.

Staple machines.--The quantity of U.S. imports of nonautomatic carton-closing staple machines from Sweden increased from 1980 to 1982, but dropped sharply in January-June 1983. Imports increased from 3,205 units in 1980 to 4,562 units in 1982, or by 42 percent. Imports then dropped by 41 percent in January-June 1983 relative to those reported for the corresponding period of 1982. The reported unit value declined from \$102 per machine in 1980 to \$76 in 1982, or by 25 percent. However, the unit value then increased to \$92 per machine in January-June 1983, or by 15 percent relative to that in the corresponding period of 1982.

Imports of staple machines from Italy \* \* \* . Imports of staple machines from Italy then \* \* \* in January-June 1983 relative to imports in the corresponding period of 1982. \* \* \* . \* \* \* . The unit value of these machines was an average of \* \* \* . \* \* \* .

Imports of nonautomatic staple machines were also reported from Japan, Spain, and the United Kingdom. The quantity of such imports generally increased over the period under consideration. \* \* \* . \* \* \* . \* \* \* . \* \* \* .

As a share of total imports, imports from Sweden generally declined over the period. Their share declined from 90 percent in 1980 to 84 percent in 1982 and continued to decline in January-June 1983. Imports from Italy \* \* \* . Imports from countries other than Italy or Sweden \* \* \* .

#### Market penetration of imports

Staples.--To the extent that data on U.S. importer's shipments were available, these were used to determine apparent consumption and the market penetration of imports. Where data on importers' shipments were not available, imports were used. The available data indicate that imports of carton-closing staples from Sweden increased as a share of apparent consumption from 1980 to 1982, but that this share declined slightly in January-June 1983 relative to that in the corresponding period of 1982 (table 13). The share of imports from Sweden increased from 12.6 percent in 1980 to 19.5 percent in 1982, but then declined slightly, from 22.4 percent for January-June 1982 to 21.9 percent for the corresponding period of 1983. A-26

Table 13.--Carton-closing staples and nonautomatic carton-closing staple machines: Market penetration of U.S. importers' shipments, by sources, 1980-82, January-June 1982, and January-June 1983

(In percent)						
Item and source	1980	1981	1982	January-June--		
				1982	1983	
Carton-closing staples:						
Sweden-----	12.6	16.7	19.5	22.4		21.9
Italy-----	***	***	***	***		***
All other countries--	***	***	***	***		***
Total-----	20.1	24.8	31.4	40.3		31.4
Nonautomatic carton-						
closing staple						
machines:						
Sweden-----	11.5	17.6	21.7	29.2		21.9
Italy-----	***	***	***	***		***
All other countries--	***	***	***	***		***
Total-----	12.7	20.5	28.5	33.3		26.6

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

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

Although the increases were small, imports of carton-closing staples from Italy increased their share of the domestic market from \* \* \* in 1980 to \* \* \* in 1982. The share of imports from Italy \* \* \* in January-June 1982 as in the corresponding period of 1982.

Imports from countries other than Italy and Sweden increased as a share of apparent consumption from 1980 to 1982 but declined significantly in January-June 1983. The share of these imports increased from \* \* \* in 1980 to \* \* \* .

Together, imports from all countries increased as a share of apparent consumption from 1980 to 1982, but that share declined significantly in January-June 1983 relative to that for the corresponding period in 1982. Relative to consumption, total imports of carton-closing staples increased from 20.1 percent in 1980 to 31.4 percent in 1982, but declined from 40.3 percent in January-June 1982 to 31.4 percent in the corresponding period of 1983.

Staple machines.--The available data on nonautomatic carton-closing staple machines show that, as a share of consumption, imports from Sweden increased each year from 1980 to 1982, but then declined in January-June 1983 relative to those in the corresponding period in 1982. The share of consumption accounted for by imports from Sweden increased from 11.5 percent in 1980 to 21.7 percent in 1982 and then declined from 29.2 percent in January-June 1982 to 21.9 percent in the corresponding period of 1983.

Imports from Italy \* \* \* . These imports \* \* \* .

Although the imports were small, the share of apparent consumption accounted for by imports from countries other than Italy and Sweden also increased during 1980-82. \* \* \* .

Total imports of nonautomatic carton-closing staple machines accounted for an increasing share of apparent consumption during 1980-82, but declined as a share of consumption in 1983. The share of total imports increased from 12.7 percent in 1980 to 28.5 percent in 1982, and then declined from 33.3 percent in January-June 1982 to 26.6 percent in the corresponding period of 1983.

### Prices

Importers and domestic producers of carton-closing staples and staple machines publish price lists for these articles. List prices of staples vary according to the specifications of the staple (leg length, crown size, and wire gage) and the quantity purchased; prices are generally quoted f.o.b. producer's plant or importer's warehouse. List prices of staple machines vary according to the specific type (i.e., manual or air-powered, top-closing or bottom-closing), the number purchased, and, to a lesser extent, the type of staple it is intended to handle. Both importers and domestic producers try to sell at list prices as much as possible, but market conditions sometimes force firms to sell at prices below list.

On occasion, both domestic producers and importers offer package deals (involving both machines and staples) that substantially reduce the price of the machines when specific quantities of staples are purchased. These so-called packages, which often offer the machines at no cost for a given purchase of staples, are relatively unimportant in sales to distributors, but are more important in sales to end users. 1/

Staples.--The Commission requested that U.S. producers and importers of staples from Sweden provide quarterly data for January 1981-June 1983 on their lowest net selling price to distributors and to end users of staples meeting certain common specifications. 2/ Three domestic producers provided prices. Bostitch reported its lowest selling prices for sales to end users, since it does not sell to distributors. The firm uses a sales force of approximately \* \* \* to sell its products directly to end users. Container Stapling Corp., which did not send in a questionnaire, reported some prices in a telephone conversation with the staff. The spokesperson for Container Stapling reported the lowest prices that she could remember selling staples to distributors for January 1981-June 1983, and said that Container Stapling sold very few staples directly to end users.

ISM, in its questionnaire, reported that all staples sold to distributors in 1981 were at list prices. ISM provided supplemental information regarding the lowest selling prices for January 1982-June 1983.

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1/ Package deals account for about \* \* \* percent of Bostitch's sales.

2/ Manufactured of wire size 0.037 X 0.074 inch, and having a crown size of 1.25 inches and leg length of 5/8 inch. A-28



ISM reported its lowest selling prices to end users for 1981-82 in a post-hearing submission and reported its lowest selling prices for C58 staples by quarter for January-June 1983 in its questionnaire.

In all, 11 importers reported prices, but only five reported lowest quarterly selling prices; six reported average prices. Three importers provided quarterly information on their lowest selling prices to distributors for all or part of the period covered, and two provided quarterly information on prices to end users. Averages of producers' and importers' lowest selling prices are presented in table 14.

Table 14.--Carton-closing staples: U.S. producers' and importers' average prices 1/ to distributors and end users, and margins of underselling or (overselling), by quarters, January 1981-June 1983

Period	Distributors			End users		
	U.S.	Importers'	Margin	U.S.	Importers'	Margin
	producer's	price	of	producers'	price <u>4/</u>	of
	price <u>2/</u>		under-	price <u>3/</u>		under-
	--Per 1,000 staples--			--Per 1,000 staples--		
			Percent			Percent
1981:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***
1982:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***
1983:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***

1/ Producers' prices are lowest net selling prices of ISM's C58 staple or Bostitch's SW-7457 5/8 staple. Importers' prices are lowest prices charged for JK's 561-15 staple.

2/ ISM was the only domestic producer that reported lowest selling prices to distributors. The ISM prices \* \* \* . \* \* \* . In a telephone conversation, Container Stapling said that throughout the January 1981-June 1983 period, the lowest price that it was willing to sell a thousand staples for was \* \* \* .

3/ Simple average of Bostitch and ISM prices.

4/ Prices reported by the two importers differed significantly: one importer's lowest selling prices ranged between \* \* \* , whereas the other's lowest selling prices ranged between \* \* \* .

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

Importers that reported sales of Swedish staples to distributors generally did not report sales to end users, and importers that reported sales of Swedish staples to end users generally did not report sales to distributors. This suggests that the distribution system for imported staples is basically two tiered: (1) large importers that generally sell only to distributors, and (2) small importers that generally sell only to end users.

The Commission also requested that distributors provide data on the lowest prices that they charge end users for domestic staples and staples imported from Sweden for January 1981-June 1983. Three distributors provided lowest quarterly selling prices for Swedish staples, and five provided these prices for domestic staples. Weighted averages of distributors' prices are presented in table 15.

Table 15.--Carton-closing staples: U.S. distributors' average prices <sup>1/</sup> received for staples sold to end users, and margins of underselling or (overselling), by quarters, January 1981-June 1983

Period	Price of domestic staples <sup>1/</sup>	Price of imported Swedish staples <sup>2/</sup>	Margin of under- selling Percent
	-----Per 1,000 staples-----		
1981:			
Jan.-Mar-----	***	***	3/
Apr.-June-----	***	***	3/
July-Sept-----	***	***	3/
Oct.-Dec-----	***	***	4.9
1982:			
Jan.-Mar-----	***	***	8.5
Apr.-June-----	***	***	4.5
July-Sept-----	***	***	24.8
Oct.-Dec-----	***	***	18.6
1983:			
Jan.-Mar-----	***	***	19.5
Apr.-June-----	***	***	3/

<sup>1/</sup> Prices of domestic staples are weighted averages of lowest prices charged by distributors for ISM's type C58 staples or C58-equivalent staples. Prices of imported staples are weighted averages of lowest prices charged by distributors for C58-equivalent staples.

<sup>2/</sup> One distributor reported prices of \* \* \* for domestic staples and \* \* \* to \* \* \* for Swedish staples; data from this distributor are not included in this table. The staff contacted this distributor to verify that the reported prices were lowest selling prices of C58 staples. The staff was unable to determine why these prices were so high relative to what other distributors reported. If this firm's prices were included in the weighted averages, the margins of underselling would have ranged between 2.5 and 11.2 percent from October-December 1981 to April-June 1982 and would have disappeared from July-September 1982 to April-June 1983.

<sup>3/</sup> Not available.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. <sup>A-30</sup>

The petitioner, ISM, stated in submissions and testimony that it offers discounts from list prices only when necessary to meet competition for an account. <sup>1/</sup> ISM also stated that it sells from separate price lists to both distributors and end users. Since 1980, ISM stated that it increased its list prices to distributors once, in January 1983, by \* \* \*. ISM added, however, that this price increase met with substantial customer resistance and that, in fact, ISM was forced to sell at prices commensurate with its previous price list.

ISM stated that in all sales to distributors during January 1981-March 1982, the firm strictly adhered to its price list of \$1.08 per thousand staples, but that since March 1982, it has been forced to lower prices to meet the competition (table 14). ISM's lowest selling price per thousand staples \* \* \* .

Importers' prices to distributors decreased slightly during 1981, from \* \* \* in January-March 1981 to \* \* \* in October-December 1981 (table 14). Importers' prices declined to \* \* \* in January-March 1982 and declined slowly through April-June 1983, when the price was \* \* \* . Margins of underselling ranged between \* \* \* . From \* \* \* , the most recent period, importers' prices were consistently higher than ISM's prices.

Bostitch and ISM provided lowest selling prices for sales to end users. The average lowest selling price of the two U.S. producers \* \* \* (table 14). U.S. producers' prices ranged between \* \* \* from January-March 1982 to October-December 1982. \* \* \* .

Importers' lowest selling prices for sales to end users rose from \* \* \* in April-June 1981 to \* \* \* in July-September 1981 (table 14). \* \* \* . The price rose to \* \* \* in the first half of 1982, and ranged between \* \* \* and \* \* \* from July-September 1982 to April-June 1983.

From January-March 1981 to July-September 1981, staples imported from Sweden sold for a higher price than domestic staples. Margins of underselling ranged between \* \* \* percent from October-December 1981 to April-June 1983.

ISM's lowest selling prices to end users were \* \* \* . From January-March 1981 to October-December 1982, ISM's lowest selling prices ranged between \* \* \* and \* \* \* . \* \* \* . From January-March 1981 to October-December 1982, Bostitch's prices ranged between \* \* \* and \* \* \* and were always higher than the importers' lowest selling prices.

Bostitch is able to charge relatively high prices for its product because, according to a Bostitch spokesman, Bostitch supplies staples to the "cream of the market." The firms that purchase Bostitch's staples tend to be firms that look for quality and service rather than price when purchasing staples. Staples are generally an important concern to these firms, but represent only a tiny share of their total costs. As a result, these firms are willing to pay premium prices for dependability. Bostitch, with its large sales force and established brand name, provides this service at prices \* \* \* higher than those of other U.S. staple producers. <sup>2/</sup>

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<sup>1/</sup> See transcript of the conference, investigations Nos. 731-TA-116 and 117 (Preliminary), p. 38.

<sup>2/</sup> See Memorandum to File on trip to Bostitch, July 8, 1983.

Another reason why Bostitch is able to charge relatively high prices than ISM for its staples is that the physical dimensions of Bostitch's staples are slightly different than those of most other producers' staples. Once a firm has purchased a Bostitch stapler, it generally purchases all of its staples from Bostitch. 1/ A firm that has an ISM stapler can purchase staples from any number of sources.

Distributors reported that the lowest selling price of domestic staples rose from \* \* \* in January-March 1981 to \* \* \* in July-September 1981 (table 15). Prices for domestic staples remained at about this level through April-June 1983 except for April-June 1982, when the price was \* \* \* , and January-March 1983, when the price was \* \* \* .

Lowest selling prices of staples imported from Sweden that distributors sold to end users dropped from \* \* \* in October-December 1981 to \* \* \* in January-March 1983. The sharpest decline came in July-September 1982, when the price fell from \* \* \* to \* \* \* , or by \* \* \* . The margin of underselling increased sharply in this quarter, from 4.5 percent to 24.8 percent. For the last three quarters for which data are available, the margin of underselling averaged 21 percent.

Staple machines.--The Commission requested that domestic producers and importers of staple machines from Sweden provide information on their lowest net selling prices to distributors and end users of hand and air boxers and foot and air bottomers that are capable of using the staples discussed in the previous section. The Commission also requested that distributors of both domestic and Swedish machines provide information on their lowest net selling prices to end users of hand and air boxers and foot and air bottomers.

Bostitch reported its lowest selling prices for sales to end users. A spokesperson for Container Stapling, in a telephone conversation, reported the lowest prices that she remembered her firm charging distributors, and reported suggested retail prices for sales to end users

ISM, in its questionnaire, reported that all staple machines sold to distributors in 1981-82 were sold at list prices. Counsel for ISM later sent a letter that contained lowest selling prices by quarters for staplers sold in 1981-82. Lowest selling prices for staplers sold to distributors in January-June 1983 were provided in the questionnaire.

In a posthearing submission, ISM reported the lowest quarterly selling prices of staplers sold to end users for 1981-82. For January-June 1983, ISM had provided lowest selling prices to end users in its questionnaire.

One importer, \* \* \* , provided lowest selling prices for sales to distributors. 2/ Two importers provided lowest selling prices for sales to end users, and one provided average selling prices of foot bottomers sold to end users.

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1/ Bostitch staples are available from importers and from other domestic producers, but the quantities involved are small.

2/ \* \* \* accounted for about \* \* \* percent of the reported imports from Sweden.

Hand boxers.--The lowest price that ISM charged distributors for hand boxers \* \* \* (table 16). \* \* \* .

Table 16.--Hand boxers: U.S. producers' and importers' prices 1/ to distributors and end users, and margins of underselling or (overselling), by quarters, January 1981-June 1983

Period	Distributors			End users		
	U.S.	Importer's	Margin	U.S.	Importer's	Margin
	producer's price <u>2/</u>	price	of under- selling	producers' price <u>3/</u>	price	of under- selling
	-----Per machine-----		Percent	-----Per machine-----		Percent
1981:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***
1982:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***
July-Sept-----	***	***	***	***	***	***
Oct.-Dec-----	***	***	***	***	***	***
1983:						
Jan.-Mar-----	***	***	***	***	***	***
Apr.-June-----	***	***	***	***	***	***

1/ U.S. producers' prices are lowest net selling prices of hand boxers that are capable of using ISM's type C58 staples of C58-equivalent staples. Importers' prices are the lowest prices charged for hand boxers imported from Sweden that are capable of using C58-equivalent staples.

2/ ISM was the only domestic firm to provide quarterly transaction prices. Container Stapling said that throughout the period, the lowest prices that it was willing to sell staplers at were as follows: \* \* \* .

3/ Simple average of ISM and Bostitch prices. Container Stapling said that throughout the period covered the suggested retail price for one of its staplers was \* \* \* .

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

The price of imported Swedish staplers increased from \* \* \* in January-March 1981 to \* \* \* in October-December 1981. In April-June 1982, prices fell sharply, to \* \* \* , or by \* \* \* , and ranged between \* \* \* from October-December 1982 to April-June 1983. \* \* \* 's prices were at least as high as ISM's prices from January-March 1981 to January-March 1982. Margins of underselling occurred thereafter, ranging between \* \* \* .

Bostitch's hand boxers are priced at about the same level as ISM's hand boxers. The average U.S. producers' price of hand boxers sold to end users \* \* \* (table 16). \* \* \* .

The importers' lowest selling price per Swedish stapler \* \* \* . From January-March 1982 to April-June 1983, the price per stapler ranged from \* \* \* . The margins of underselling \* \* \* . \* \* \* . \* \* \* .

Distributors' responses to questionnaires allowed domestic and imported stapler prices to be compared in only three quarters, which were spread over the period. In all three quarters the price of imported staplers was higher than the price of domestic staplers.

Air boxers.--The lowest selling price that ISM charged distributors for air boxers \* \* \* (table 17). \* \* \* . \* \* \* .

Table 17.--Air boxers: U.S. producers' and importers' prices 1/ to distributors and end users and margins of underselling or (overselling), by quarters, January 1981-June 1983

Period	Distributors			End users		
	U.S.	Importer's	Margin	U.S.	Importer's	Margin
	producer's	price	of	producers'	price	of
	price <u>2/</u>		under-	price <u>3/</u>		under-
	-----Per machine-----		Percent	-----Per machine-----		Percent
1981:						
Jan.-Mar-----:	***	***	***	***	***	***
Apr.-June-----:	***	***	***	***	***	***
July-Sept-----:	***	***	***	***	***	***
Oct.-Dec-----:	***	***	***	***	***	***
1982:						
Jan.-Mar-----:	***	***	***	***	***	***
Apr.-June-----:	***	***	***	***	***	***
July-Sept-----:	***	***	***	***	***	***
Oct.-Dec-----:	***	***	***	***	***	***
1983:						
Jan.-Mar-----:	***	***	***	***	***	***
Apr.-June-----:	***	***	***	***	***	***

1/ U.S. producers' prices are the lowest net selling prices for air boxers that are capable of using ISM's C58 staples or C58-equivalent staples. Importers' prices are the lowest selling prices of JK's 561/15P stapler.

2/ ISM was the only domestic firm to provide quarterly transaction prices. Container Stapling said that throughout the period, the lowest prices that it was willing to sell staplers at were as follows: \* \* \* .

3/ Simple average of Bostitch and ISM prices. Container Stapling said that throughout the period covered the suggested retail price for one of its staplers was \* \* \* .

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

\*\*\*'s lowest selling prices for air boxers imported from Sweden and sold to distributors ranged between \*\*\* in 1981. In January 1982-June 1983, prices were considerably lower and ranged between \*\*\*. Imported staplers sold for higher prices than domestic staplers throughout 1981. From January-March 1982 through January-March 1983, the margins of underselling ranged between \*\*\*. In April-June 1983, imported staplers sold for higher prices than domestic staplers.

U.S. producers' average prices of air boxers sold to end users fluctuated considerably in 1981-82, ranging between \*\*\* (table 17). ISM's lowest selling price to end users ranged between \*\*\*. Bostitch's price per machine ranged between \*\*\*. In January-June 1983, U.S. producers' price per machine averaged \*\*\*.

The importers' lowest selling prices for air boxers imported from Sweden and sold to end users ranged between \*\*\* during the period covered. Prices showed no definite trend. In 6 of the 10 quarters of the period covered, importers' prices were higher than U.S. producers' prices. The margins of underselling ranged between \*\*\*.

Six distributors reported lowest selling prices by quarters for domestic air boxers that they resold to end users for all or part of the period covered (table 18). Four distributors reported these prices for imported Swedish air boxers. Prices of domestic machines fluctuated considerably during the period, ranging from \*\*\* in January-March 1981 to \*\*\* in April-June 1982 and October-December 1982. Prices fluctuated considerably because each distributor reported prices in only a few quarters. When distributors which charged higher prices reported sales, average prices rose, and when distributors which charged lower prices reported sales, average prices fell. Prices of domestic machines showed no definite trend during the period covered.

Prices of machines imported from Sweden showed a bit more stability, ranging between \*\*\* in all periods except April-June 1981, when the price was \*\*\*, and April-June 1982, when the price was \*\*\*. Because domestic prices fluctuated considerably, the margins of underselling also fluctuated considerably, ranging between \*\*\*; in three quarters, the price of imported staplers was higher than the price of domestic staplers. Over the last four periods for which data were available, the average margin of underselling was 17.4 percent.

Foot bottomers.--The lowest selling price that ISM charged distributors for foot bottomers \*\*\* (table 19). In contrast, \*\*\*'s prices for Swedish machines \*\*\*. The price per machine in January-June 1983 was \*\*\*. The price of staplers imported from Sweden was higher than the price of domestic staplers in 1981 and the first half of 1982. The margins of underselling in July 1982-June 1983 ranged between \*\*\*.

Bostitch reported prices for motorized foot bottomers, machines that are not comparable to the prices of manual foot bottomers that were reported by other firms. ISM's lowest selling price for foot bottomers \*\*\* (table 19). The importer's prices ranged from \*\*\* per imported Swedish machine from October-December 1981 to October-December 1982, and then \*\*\* in January-

**Table 18.--Air boxers: U.S. distributors' average prices received for staplers resold to end users and margins of underselling or (overselling), by quarters, January 1981-June 1983**

\* \* \* \* \*

**Table 19.--Foot bottomers: U.S. producers' and importers' prices to distributors and end users and margins of underselling or (overselling), by quarters, January 1981-June 1983**

\* \* \* \* \*



March 1983 and \* \* \* in April-June 1983. The imported Swedish machine sold for more than the domestic machine in all quarters but April-June 1983, when the margin of underselling was \* \* \* . 1/

Air bottomers.--The lowest selling price that ISM charged distributors for air bottomers \* \* \* (table 20). From January-March 1982 to January-March 1983, the price per machine was \* \* \* , the list price. \* \* \*'s price for air bottomers imported from Sweden \* \* \* . Throughout the period, imported staplers sold at prices equal to or above the price of domestic staplers, although the difference in prices had disappeared by the first quarter of 1983. 2/ 3/

Table 20.--Air bottomers: U.S. producer's and importer's prices to distributors and margins of underselling or (overselling), by quarters, January 1981-June 1983

\* \* \* \* \*

- 
- 1/ No distributor reported quarterly prices of Swedish foot bottomers.  
2/ One importer provided a selling price for a Swedish air bottomer sold to an end user in 1982. This price was higher than ISM's annual average price in 1982.  
3/ There were insufficient responses from distributors to make any comparisons between domestic and Swedish air bottomers.

Exchange rates.--The following tabulation (compiled from official statistics of the International Monetary Fund) shows the exchange rate between the U.S. dollar and the Swedish krona during January 1981-June 1983, by quarters:

<u>Period</u>	<u>Dollar per krona</u>	<u>Real exchange rate index</u>
1981:		
Jan.-Mar-----	\$0.220	100.0
Apr.-June-----	.205	92.6
July-Sept-----	.189	87.0
Oct.-Dec-----	.181	86.5
1982:		
Jan.-Mar-----	.174	85.9
Apr.-June-----	.170	85.2
July-Sept-----	.162	82.2
Oct.-Dec-----	.136	73.3
1983:		
Jan.-Mar-----	.135	74.4
Apr.-June-----	.133	74.1

The value of the krona fell sharply in 1981 and 1982, from \$0.220 in January-March 1981 to \$0.136 in October-December 1982. The value of the krona drifted downward in early 1983 and reached \$0.133 in April-June 1983, 40 percent below its January-March 1981 value.

The value of the krona is guided by a trade weighted index based on a basket of 15 currencies of Sweden's most important trading partners. The U.S. dollar accounts for about 17 percent of the index. Since 1980, the Swedish krona has been devalued twice by the Swedish Government, 10 percent in September 1981 and 15.9 percent in October 1982.

Even in the absence of formal government devaluations, the value of the krona has changed against individual currencies in the basket. In recent years, the U.S. dollar has increased in value against most currencies in the basket and, accordingly, against the basket as a whole. Therefore, the U.S. dollar has increased in value against the Swedish krona because of the overall strength of the dollar.

The real exchange rate index, which takes into account differences in inflation rates in the United States and Sweden, shows that the value of the krona against the dollar fell 26 percent from January-March 1981 to April-June 1983.

The decline in the real value of the krona, particularly in 1982, coincides with the appearance of underselling mentioned in the previous sections. Kihlberg, the Swedish producer that exports the largest quantity of staples and staple machines to the United States, testified at the conference in the Commission's preliminary investigations that the primary reason for the

decline in its U.S. dollar prices is the decline in the value of the Swedish krona. Kihlberg representatives submitted price lists and other supporting material that show increasing prices when the products are denominated in krona and said that Kihlberg does not discount from list prices. Customers contacted by the Commission staff confirmed that this is Kihlberg's normal practice. According to Kihlberg, the prices of its staples and staplers have been increased \* \* \* since 1980 so that the prices of Kihlberg's staples and staplers in Swedish krona are now \* \* \* than they were at the end of 1980.

#### Lost sales

The petitioner provided no allegations of specific sales of staples or staple machines lost to imports from Sweden. In its questionnaire response, ISM directed the attention of the Commission to an appendix to the petition in which it names firms that have reduced their purchases of ISM staples and machines allegedly because of increased purchases of Swedish staples and machines. Each of these customers received the Commission's importer/purchaser questionnaire, and their responses are included in this report as part of domestic shipments and imports. Because the petitioner provided no specific information on head-to-head competition through which it lost business, these allegations cannot be confirmed or refuted.

#### Lost revenue

The petitioner provided allegations of lost revenue regarding 32 customers' purchases of staples. These allegations were in response to questions concerning price suppression and/or depression caused by competition from Swedish imports. No allegations were submitted regarding staple machines. These 32 instances occurred between June 1982 and May 1983 and accounted for a total of 403 million staples, or \* \* \* of ISM's shipments in January 1982-May 1983. Revenue allegedly lost as a result of competitive pricing totaled \$68,000.

The Commission contacted 22 of the 32 customers, which accounted for \* \* \* of the alleged lost revenue. The responses of each are discussed below.

Customer 1.--\* \* \* . \* \* \* . \* \* \* . \* \* \* ,

Customer 2.--\* \* \* . \* \* \* . \* \* \* . \* \* \* ,

Customer 3.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 4.--\* \* \* . \* \* \* .

Customer 5.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 6.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 7.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 8.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 9.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 10.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 11.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 12.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 13.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .  
\* \* \* . \* \* \* .

Customer 14.--\* \* \* . \* \* \* .

Customer 15.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 16.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 17.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 18.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 19.--\* \* \* . \* \* \* . \* \* \* .

Customer 20.--\* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* . \* \* \* .

Customer 21.--\* \* \* . \* \* \* . \* \* \* .

Customer 22.--\* \* \* . \* \* \* . \* \* \* . \* \* \* .

**APPENDIX A**

**NOTICES OF THE COMMISSION PERTAINING TO THE INVESTIGATIONS**

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**INTERNATIONAL TRADE  
COMMISSION**

[Investigations Nos. 731-TA-116 and 117  
(Final)]

**Carton-Closing Staples and  
Nonautomatic Carton-Closing Staple  
Machines From Sweden**

**AGENCY:** International Trade  
Commission.

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

**EFFECTIVE DATE:** June 2, 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 imports from Sweden of carton-closing staples and nonautomatic carton-closing staple machines, provided for in items 646.20 and 662.20, respectively, of the Tariff Schedules of the United States, 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 investigations Nos. 731-TA-116 and 117 (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 investigations are extended, the Department of Commerce will make its

final dumping determinations in the cases on or before August 9, 1983, and the Commission will make its final injury determinations by September 29, 1983 (19 CFR 207.25).

**FOR FURTHER INFORMATION CONTACT:**

Ms. Miriam Bishop (202-523-0291),  
Office of Investigations, U.S.  
International Trade Commission.

**SUPPLEMENTARY INFORMATION:**

*Background.* On January 25, 1983, 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 LTFV imports of carton-closing staples and nonautomatic carton-closing staple machines from Sweden. The preliminary investigations were instituted in response to a petition filed on December 17, 1982, by International Staple and Machine Co., a producer of carton-closing staples and nonautomatic carton-closing staple machines.

*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 investigations, pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)). Each document filed by a party to these investigations 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 July 29, 1983, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

*Hearing.* The Commission will hold a hearing in connection with these

investigations beginning at 10:00 a.m. on August 11, 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 July 29, 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 August 4, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is August 8, 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) and must be submitted not later than the close of business on August 18, 1983.

*Written submission.* 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 to the investigations on or before August 18, 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 rule (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 rule (19 CFR 201.6).

28560

Federal Register / Vol. 48, No. 121 / Wednesday, June 22, 1983 / Notices

For further information concerning the conduct of the investigations, hearing procedures, and rules of general applications, consult the Commission's Rule of Practice and Procedure, part 207, subparts A and C (19 CFR Part 207, as amended by 47 CFR 33682, Aug. 4, 1982), and Part 201, subparts A through E (19 CFR Part 201, as amended by 47 FR 33682, Aug. 4, 1982).

This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20)

Issued: June 15, 1983.

By order of the Commission.

Kenneth R. Mason,  
*Secretary.*

[FR Doc. 83-16783 Filed 6-21-83; 8:45 am]  
BILLING CODE 7020-02-M

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

**SUPPLEMENTARY INFORMATION:** On June 15, 1983, the Commission instituted these final antidumping investigations and scheduled a hearing to be held in connection therewith for August 11, 1983 (48 FR 28559, June 22, 1983). On August 2, 1983, however, the Department of Commerce extended the investigations in response to a request from Josef Kihlberg Trading AB, a Swedish producer of the subject merchandise. The effect of the extension was to change the scheduled date for Commerce to make its final determinations in the investigations from August 9, 1983, to September 15, 1983. Accordingly, the Commission is revising its schedule in the investigations to conform with Commerce's new schedule, and will reschedule its hearing upon receipt of notice of Commerce's final determinations. Pursuant to section 735(b)(2)(B) of the Tariff Act of 1930 (19 U.S.C. 1673d(2)(B)), the Commission must make its final determinations within 45 days of Commerce's final determinations.

By order of the Commission.

Issued: August 3, 1983.

**Kenneth R. Mason,**  
*Secretary.*

[FR Doc. 83-21528 Filed 8-5-83; 8:45 am]

BILLING CODE 7020-02-M

[Investigations Nos. 731-TA-116 and 117  
(Final)]

**Carton-Closing Staples and  
Nonautomatic Carton-Closing Staple  
Machines From Sweden**

**AGENCY:** U.S. International Trade  
Commission.

**ACTION:** Cancellation of the prehearing  
conference and hearing scheduled in  
connection with the subject  
investigations.

**EFFECTIVE DATE:** August 3, 1983.

**SUMMARY:** The Commission hereby  
announces the cancellation of the  
prehearing conference and hearing  
scheduled in connection with these  
investigations for August 4 and August  
11, 1983, respectively.



**FOR FURTHER INFORMATION CONTACT:**  
Ms. Miriam Bishop, Office of  
Investigations, U.S. International Trade  
Commission, Washington, D.C. 20436  
(202-523-0291).

**SUPPLEMENTARY INFORMATION:**

*Background.*—On June 2, 1983, the United States International Trade Commission instituted the subject antidumping investigations and scheduled a hearing to be held in connection therewith for August 11, 1983 (48 FR 28559, June 22, 1983). On August 2, 1983, however, the Department of Commerce informed the Commission that it was extending the investigations in response to a request from Josef Kihlberg Trading AB, a Swedish producer of the subject merchandise (notice published in 48 FR 36304, August 10, 1983). The effect of the extension was to change the scheduled date for Commerce to make its final less-than-fair-value determinations in the investigations from August 9, 1983, to September 15, 1983. Accordingly, the Commission cancelled the hearing scheduled for August 11 (48 FR 36009, August 8, 1983). On September 8, 1983, Commerce again extended the investigations, this time postponing the scheduled date for its final determinations until October 17, 1983 (48 FR 40533, September 8, 1983). As Commerce cannot extend the investigations further (see section 735(a)(2) of the Tariff Act of 1930 (19 U.S.C. 1673d(a)(2))), the Commission is now establishing the remainder of its schedule for the investigations, which must be completed within 45 days of the date of Commerce's final determinations of sales at less than fair value (see section 735(b)(2)(B) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(2)(B))).

*Hearing.*—The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m. on November 8, 1983, in the Hearing Room of 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 October 26, 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 October 28, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is November 3, 1983.

Testimony at the public hearing is governed by section 207.23 of the Commission's Rules of Practice and

Procedure (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 section 207.22 (19 CFR 207.22, as amended by 47 FR 33682, August 4, 1982). Posthearing briefs must conform with the provisions of section 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on November 14, 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 (procedures for entering an appearance in the investigations were established in the Commission's original notice (48 FR 28559, June 22, 1983)) may submit a written statement of information pertinent to the subject of the investigations on or before November 14, 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 of (19 CFR 201.6).

For further information concerning the conduct of the 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, as amended by 47 FR 33682, August 4, 1982).

This notice is published pursuant to section 207.20 of the Commission's rules (19 CFR 207.20). A-45

By order of the Commission.

[Investigations Nos. 731-TA-116 and 117  
(Final)]

**Carton-Closing Staples and  
Nonautomatic Carton-Closing Staple  
Machines From Sweden**

**AGENCY:** United States International  
Trade Commission.

**ACTION:** Scheduling of a hearing to be  
held in connection with the subject  
investigations.

**SUMMARY:** The Commission hereby  
announces that a hearing will be held in  
connection with the subject  
investigations beginning at 10:00 a.m. on  
November 8, 1983.

**EFFECTIVE DATE:** October 5, 1983.

**48634**

**Federal Register / Vol. 48, No. 199 / Thursday, October 13, 1983 / Notices**

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**Issued: October 6, 1983.**

**Kenneth R. Mason,**

***Secretary***

**[FR Doc. 83-27886 Filed 10-12-83; 8:48 am]**

**BILLING CODE 7020-02-M**

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APPENDIX B

NOTICES OF THE DEPARTMENT OF COMMERCE PERTAINING TO THE INVESTIGATIONS

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**Postponement of Final Determinations; Certain Carton Closing Staples and Staple Machines From Sweden**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice of postponement of final antidumping determinations: Certain carton closing staples and staple machines from Sweden.

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**SUMMARY:** This notice informs the public that the Department of Commerce (the Department) has received a request from Josef Kihlberg Trading AB (Kihlberg) that the final determinations be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)), and, that the Department has decided to postpone its final determinations as to whether sales of certain carton closing staples and staple machines from Sweden have occurred at less than fair value, until not later than September 15, 1983.

Kihlberg is qualified to make this request since they are the exporter which accounts for a significant proportion of the exports of the carton closing staples and the staple machines which are the subjects of these investigations.

**EFFECTIVE DATE:** August 10, 1983.

**FOR FURTHER INFORMATION CONTACT:** Deborah A. Semb, 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) 377-3534.

**SUPPLEMENTARY INFORMATION:** On January 6, 1983, the Department of Commerce published a notice in the *Federal Register* (48 FR 1530) that it was initiating, under section 732(b) of the Act (19 U.S.C. 1673(b)), antidumping investigations to determine whether certain carton closing staples and staple machines from Sweden are being, or are likely to be, sold at less than fair value. The Department published affirmative preliminary determinations on June 2, 1983 (48 FR 24755). The notice stated that if these investigations proceeded normally we would make our final determinations by August 9, 1983.

Section 735(a)(2) of the Act provides that the Department of Commerce may postpone its final determination concerning sales at less than fair value if an exporter who accounts for a significant proportion of exports of the merchandise which is the subject of the investigation requests an extension after an affirmative preliminary determination. These postponements were requested by counsel for Kihlberg on July 5, 1983 and amended July 27, 1983.

Accordingly, the Department will issue final determinations in these investigations not later than September 15, 1983.

This notice is published pursuant to section 735(d) of the Act.

**Alan F. Holmer,**

*Deputy Assistant Secretary for Import Administration.*

August 2, 1983.

[FR Doc. 83-21775 Filed 8-9-83; 8:45 am]

**BILLING CODE 3510-25-M**

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**DEPARTMENT OF COMMERCE****International Trade Administration****Postponement of Final Determinations; Certain Carton Closing Staples and Staple Machines From Sweden**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice of postponement of final antidumping determinations: Certain carton closing staples and staple machines from Sweden.

**SUMMARY:** This notice informs the public that the Department of Commerce (the Department) has received a request from Josef Kihlberg Trading AB (Kihlberg) that the final determinations be postponed as provided for in section 735(a)(2)(A) of the Tariff Act of 1930, as amended (the Act) (19 U.S.C. 1673d(a)(2)(A)), and, that the Department has decided to postpone its final determinations as to whether sales of certain carton closing staples and staple machines from Sweden have occurred at less than fair value, until not later than October 17, 1983.

Kihlberg is qualified to make this request since it is an exporter which accounts for a significant proportion of the exports of the carton closing staples and the staple machines which are the subjects of these investigations.

**EFFECTIVE DATE:** September 8, 1983.

**FOR FURTHER INFORMATION CONTACT:** Deborah A. Semb, 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) 377-3534.

**SUPPLEMENTARY INFORMATION:** On January 6, 1983, the Department of Commerce published a notice in the *Federal Register* (January 13, 1983; 48 FR 1530) that it was initiating, under section 732(b) of the Act (19 U.S.C. 1673(b)), antidumping investigations to determine whether certain carton closing staples and staple machines from Sweden are being, or are likely to be, sold at less than fair value. The Department published affirmative preliminary determinations on June 2, 1983 (48 FR 24755). The notice stated that if these investigations proceeded normally, we would make our final determinations by August 9, 1983.

Section 735(a)(2) of the Act provides that the Department of Commerce may postpone its final determination concerning sales at less than fair value if, after an affirmative preliminary determination, an exporter who

accounts for a significant proportion of exports of the merchandise which is the subject of the investigation requests an extension. The Department may postpone its final determination until not later than the 135th day after the date on which it published notice of its preliminary determination. Counsel for Kihlberg requested postponements on July 5, 1983 and July 27, 1983. On August 10, 1983, the Department published a notice of postponement of final antidumping determinations until September 15, 1983, 105 days after the date on which it published notice of its preliminary determinations (48 FR 36304).

On August 15, 1983, counsel for Kihlberg requested postponements of these investigations for the full period available under the Act. Accordingly, the Department will issue final determinations in these investigations not later than October 17, 1983.

This notice is published pursuant to section 735(d) of the Act.

**Alan F. Holmer,**

*Deputy Assistant Secretary for Import Administration.*

September 1, 1983.

[FR Doc. 83-24542 Filed 9-7-83; 8:45 am]

**BILLING CODE 3510-25-M**

publication of this notice, whether these imports are materially injuring, or are threatening to materially injure, a United States industry.

**EFFECTIVE DATE:** October 25, 1983.

**FOR FURTHER INFORMATION CONTACT:** Deborah A. Semb, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Ave., NW., Washington, D.C. 20230, telephone: (202) 377-3534.

**SUPPLEMENTARY INFORMATION:**

**Case History**

On December 17, 1982, we received a petition from counsel for International Staple and Machine Company, Inc. of Butler, Pennsylvania, on behalf of the domestic carton closing staple and staple machine industry. In accordance with the filing requirements of § 353.36 of the Commerce Department Regulations (19 CFR 353.36), the petitioner alleged that certain carton closing staples and staple machines from Sweden 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 U.S. industry.

After reviewing the petition, we determined that it contained sufficient grounds upon which to initiate antidumping investigations. We notified the ITC of our actions and initiated such investigations on January 6, 1983 (48 FR 1530). On January 31, 1983, the ITC found that there is a reasonable indication that imports of certain carton closing staples and staple machines from Sweden are materially injuring, or are threatening to materially injure, a U.S. Industry (48 FR 6039). Questionnaires were presented to Josef Kihlberg Trading AB (Kihlberg) on February 9, 1983, and to Grytgols Bruks AB (Grytgols) on February 10, 1983. Responses were received on March 22, 1983 from Grytgols, and, on April 12, June 28, and September 7, and 14, 1983 from Kihlberg.

We published preliminary determinations of sales at less than fair value on June 2, 1983 (48 FR 24755). On June 7-14, and September 22, 1983, we conducted a verification in Sweden of the responses submitted by Kihlberg and Grytgols. Our notice of the preliminary determinations provided interested parties with an opportunity to submit views orally and in writing. On June 24, 1983, we held a public hearing.

[A-401-004]

**Final Determinations of Sales at Less than Fair Value; Certain Carton Closing Staples and Staple Machines From Sweden**

**AGENCY:** International Trade Administration, Commerce.

**ACTION:** Notice of Final Determinations of Sales at Less Than Fair Value: Certain Carton Closing Staples and Staple Machines From Sweden.

**SUMMARY:** We have determined that certain carton closing staples and staple machines from Sweden are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of

### Scope of Investigations

The merchandise covered by these investigations is certain carton closing staples (staples) in strip form and certain non-automatic carton closing staple machines (staple machines). Staples are made of steel, most often copper coated or galvanized. Staple machines can be divided for the most part into two categories: handheld top staple machines and free standing bottom staple machines. The subject staples and staple machines are currently classifiable under item 646.2000 and 662.2065, respectively, of the *Tariff Schedules of the United States Annotated (TSUSA)*.

Since Kihlberg and Grytgols are the only known Swedish exporters of staples to the United States, and Kihlberg is the only known Swedish exporter of staple machines to the United States, we limited our investigations to them.

The period of investigations for staples and staple machines from Sweden sold in the United States is from July 1, 1982, to December 31, 1982.

### Fair Value Comparisons

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 Kihlberg and Grytgols because the merchandise was sold to unrelated purchasers prior to its importation into the United States.

For Kihlberg, we calculated purchase price based on the f.o.b., port of exportation, unpacked price to unrelated purchasers in the United States. We made a deduction for the cost of foreign inland freight and added U.S. packing costs. For Grytgols, we calculated purchase price based on the c.i.f., U.S. port, packed price to unrelated purchasers in the United States. We made deductions for the costs of foreign inland freight, foreign terminal charges, ocean freight and insurance.

### Foreign Market Value

In accordance with section 773 of the Act, we calculated foreign market value for Kihlberg and Grytgols based on their home market sales, as there were sufficient sales of such or similar merchandise in the home market to provide a basis for comparison.

For Kihlberg, we calculated home market prices on the basis of ex-factory, unpacked prices. We made deductions,

where appropriate, for quantity discounts in accordance with § 353.14 of the Commerce Regulations (19 CFR 353.14). We also made an adjustment for differences in credit terms, and added U.S. packing costs.

In our preliminary determinations, deductions for loyalty discounts were made. During our verification of Kihlberg's response, these loyalty discounts were found to be quantity discounts and were included in our allowance of quantity discounts in making our final determinations.

Kihlberg initially claimed that sales to a third country should be used for comparison with sales to the United States because sales in Sweden are to end-users and sales to the United States and to third countries are to distributors. We rejected this claim in the preliminary determinations because there were sufficient sales of such or similar merchandise in the home market to provide a basis for comparison.

Kihlberg also claimed a level of trade adjustment between the United States and home market sales, first on the basis of indirect selling expenses incurred in the home market and in sales to the U.S. Kihlberg later suggested that its sales to a related distributor in a third country, and that related distributor's sales to unrelated end-users be used as evidence of different levels of trade for adjustment purposes. Neither of these claims were allowed. See the Comment section of this notice for a complete discussion of these claims.

For Grytgols, we calculated the home market prices on the basis of ex-factory, packed prices. We allowed a deduction for quantity discounts in accordance with § 353.14 of the Commerce Regulations. We also made an adjustment for differences in credit terms. We made no adjustments for differences in packing costs as these costs were determined to be the same in both markets.

Grytgols also claimed a level of trade adjustment. As Grytgols sold to different levels of trade in the home market at the same prices, the differences in levels of trade had no impact on prices. Therefore, we disallowed the claim.

### Verification

In accordance with section 776(a) of the Act, we verified the information used in making these determinations. We were granted access to the books and records of Kihlberg and of Grytgols. We used standard verification procedures, including examination of accounting records, financial statements and selected documents containing relevant information.

### Results of Investigations

We made fair value comparisons on all U.S. sales of staples and staple machines reported by Kihlberg and Grytgols. For staples sold by Kihlberg, we have found that the foreign market value exceeded the United States price on 84.61 percent of quantity sold. These margins ranged from 0.00 percent to 45.93 percent. For staples sold by Grytgols, we have found that the foreign market value exceeded the United States price on 38.46 percent of quantity sold. These margins ranged from 0.00 percent to 13.60 percent. The overall weighted-average margin on all staple sales (by both companies) compared is 11.39 percent.

For staple machines sold by Kihlberg, we have found that the foreign market value exceeded the United States price on over 99.00 percent of quantity sold. These margins ranged from 87.96 percent to 210.95 percent. The overall weighted-average margin on all sales compared is 122.79 percent.

The weighted-average margins for individual companies investigated are given for each product in the "Suspension of Liquidation" section of this notice.

### Petitioner's Comments

#### Comment 1

DOC should not allow Kihlberg an adjustment for quantity discounts because the information presented with respect to the claimed adjustment is unclear and inconsistent, and does not comply with regulatory requirements to establish eligibility. The discount schedules presented by Kihlberg have not been consistently followed; and, moreover, the schedules show no pattern of price variation according to quantity.

#### DOC Position

We verified that discounts of at least the magnitude shown on Kihlberg's discount schedule have been granted in the ordinary course of trade in more than 20 percent of sales over the six month period of the investigation. Therefore, Kihlberg's quantity discounts meet the requirements of § 353.14 of the Commerce Regulations.

#### Comment 2

Kihlberg's claim for adjustments based upon loyalty discounts should be rejected. Such discounts are really only another form of quantity discount but do not meet regulatory requirements for quantity discounts.

**DOC Position**

In the preliminary affirmative determination, the DOC made adjustments for loyalty discounts granted by Kihlberg to its customers. During verification, we found loyalty discounts to be quantity discounts and we included them in our allowance of quantity discounts in making the final determinations.

**Comment 3**

Kihlberg's and Grytgols' credit costs for sales of the subject staples and staple machines to the U.S. market are substantially higher than for sales of the same merchandise to the Swedish market; therefore, an adjustment based upon this difference should be made. Furthermore, the DOC did not calculate this adjustment correctly in the preliminary determinations.

**DOC Position**

The actual credit costs of both respondent firms were verified and used in our calculations of these final determinations. DOC corrected an error in its calculation methodology in making the final adjustments for credit expenses.

**Comment 4**

"Gytgols' response is both inaccurate and unsupported by sufficient information to make it a proper basis for a final determination of whether sales at less than fair value are occurring. The best information otherwise available should be relied upon in making such determination".

**DOC Position**

Grytols' response was thoroughly analyzed and verified by the Department and was found to be accurate and to provide sufficient information for the final determination.

**Comment 5**

"Dates of sale with respect to U.S. sales reported by Grytols may in fact be the dates of invoice, and not the date of sale. Thus, all the 'sales' reported by Grytols in its response could be substantially skewed" given the movement in exchange rates which occurred during the relevant period.

**DOC Position**

We verified that prices of the staples sold by Grytols can and do change between date of order and date of invoice. At date of invoice, Grytols' prices are set. Therefore, the Department used date of invoice to represent the date of sale rather than date of order in making its final determination.

**Comment 6**

Grytgols reported its home market sales in dollar amounts, not Swedish kronor, without providing the exchange rate used. It seems that the exchange rate used by Grytgols is not reflective of actual exchange rates over the relevant period; therefore, less than fair value sales in the United States could have been obscured.

**DOC Position**

DOC agrees that the exchange rate used by Grytgols in its response was not reflective of actual exchange rates during the period July 1 through December 31, 1982. To calculate the margins for the final determinations on the staples sold in the United States by Grytgols, the DOC used the actual exchange rates in effect at the date of invoice of each sale. We made the proper conversion in accordance with section 353.56 of the Commerce Regulations.

**Comment 7**

Grytgols' claim that its packing costs for U.S. and home market sales are identical is not consistent with the normal situation. Export packing, including containerization, must make packing costs for U.S. sales higher.

**DOC Position**

We verified all of Grytgols' packing costs for its U.S. shipments. Grytgol's containerization costs were included in their foreign terminal charges. Foreign terminal charges were deducted in our calculation of U.S. price.

**Comment 8**

The adjustment for Grytgols' inland freight and insurance costs were calculated incorrectly in the preliminary determinations.

**DOC Position**

We verified all of Grytgols' inland freight and insurance costs. The adjustments for inland freight and insurance costs were calculated correctly.

**Respondents Comments****Kihlberg****Comment 1**

An adjustment should be made for differences in the levels of trade between the United States and Sweden. Because sales in the home market are to thousands of end-users, Kihlberg requires a large sales force and a large administrative staff for home market sales. Because U.S. sales are in large quantities to fewer than twenty purchasers and at the wholesale level,

Kihlberg requires a much smaller sales force and a smaller administrative staff than in the case of home market sales. Consequently, Kihlberg incurs greater indirect selling expenses in the home market.

**DOC Position**

DOC recognizes that in certain circumstances, where sales are made at different levels of trade, an adjustment for such differences may be appropriate and feasible. Since sales of such or similar merchandise do not exist at the same level of trade in both markets, an alternate method would have to be sought to establish the pricing differential which would exist were there sales in the home market at the distributor level. In response to our request for refinement of the data supporting the selling expense differential claimed, Kihlberg provided information in an attempt to substantiate its claims for a cost-based adjustment. Kihlberg also provided information intended for use in allocating the costs incurred on all sales world-wide, between the U.S. and third countries. Additionally, information was given in an attempt to provide a basis for allocating the expenses attributed to U.S. sales between the products under investigation and other products sold in the U.S. The information provided was verified by the DOC.

Although we were sympathetic to the general proposition of making an adjustment for differences in level of trade, we could not do so, because granting an adjustment would have required an unsupportable assumption that the indirect selling expenses incurred in selling to the United States represent the expenses which would have been incurred in Sweden if sales at the same level of trade existed there. Accordingly, we declined to make an adjustment.

Nevertheless, we have not rejected the concept of making an adjustment for differences in level of trade and are willing, in the context of any future reviews under section 751 of the Act, to reconsider such an adjustment in the event credible evidence were provided representing what the Swedish home market selling expenses would be if sales were made there at the distributor level.

**Comment 2**

Kihlberg also attempted to justify a level of trade adjustment on the basis of its sales in Finland. Kihlberg sells in Finland to its wholly-owned subsidiary. The subsidiary resells to end-users in Finland. Kihlberg contends that sales to



its subsidiary constitute a distributor level of sales in Finland. Further, Kihlberg contends that its sales to the Finnish subsidiary may be used because they are arms-length transactions as evidenced by the similarity between prices to its subsidiary and those to U.S. distributors. Consequently, Kihlberg's Finnish sales should be used to establish a level of trade differential.

#### *DOC Position*

The similarity of prices in sales to the Finnish subsidiary and the U.S. distributors is not meaningful as a measure of arms-length transactions, since the sales are subject to different market forces inherent in sales to different countries. Similarly, the differences in market conditions between Finland and Sweden render sales in Finland unsuitable as evidence for establishing a differential in prices to different levels of trade which do not exist in Sweden.

#### *Grytgols*

##### *Comment 1*

An adjustment should be made for differences in the levels of trade between the United States and Sweden. Sales in the home market are made at the retail level to end-users while sales in the United States are made at the wholesale level.

#### *DOC Position*

Grytgols' verified response indicates that it does not sell to distributors in the home market; however, it does sell to resellers and end-users in the home market. As Grytgols sold to different levels of trade in the home market at the same prices, the differences in levels of trade had no impact on prices. Therefore, we disallowed the claim.

##### *Comment 2*

Grytgol's has provided information on their sales to a third country, Finland.

#### *DOC Position*

The Department has examined this information provided by Grytgols but did not use the information in making its final determinations as Grytgols made no claim associated with the submission and the information provided is not germane to the investigation.

#### *Final Determination*

Based on our investigations and in accordance with section 735(a) of the Act, we reached final determinations that certain carton closing staples and staple machines from Sweden are being, or likely to be sold in the United States at less than fair value within the meaning of section 731 of the Act.

#### *Continuation of Suspension of Liquidation*

We are directing U.S. Customs to continue to suspend liquidation of all entries of certain carton closing staples and staple machines from Sweden, subject to this investigation which are 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 continue to require a cash deposit, the posting of a bond or other security equal to the estimated weighted-average amount by which the foreign market value of the merchandise subject to these investigations exceeds the United States price. The bond or cash deposit requirements established in our preliminary determinations of June 2, 1983 are no longer in effect. The weighted-average margins are as follows:

Certain carton closing staples	Weighted average margins (percent)
Kihlberg	12.25
Grytgols	3.06
All Other Manufacturers/Producers/Exporters	11.39
Kihlberg	122.79
All Other Manufacturers/Producers/Exporters	122.79

#### *ITC Notification*

In accordance with Section 733(f) of the Act, we will notify the ITC of our determinations. 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. If the ITC determines that material injury or threat of material injury does not exist, these proceedings 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 antidumping duty orders directing Customs officers to assess antidumping duties on certain carton closing staples and staple machines from Sweden entered, or withdrawn from warehouse, for consumption after the suspensions of liquidation, equal to the amount by which the foreign market value exceeds the United States price. These determinations are being published

pursuant to section 735(d) of the Act (19 U.S.C. 1673(d)).

October 17, 1983.

William T. Ambrey,

Acting Assistant Secretary for Trade Administration.

[FR Doc. 83-29025 Filed 10-24-83; 8:45 am]

BILLING CODE 3000-25-M



APPENDIX C  
CALENDAR OF THE PUBLIC HEARING

CALENDAR OF PUBLIC HEARING

Investigations Nos. 731-TA-116 and 117 (Final)

CARTON-CLOSING STAPLES AND NONAUTOMATIC CARTON-CLOSING  
STAPLE MACHINES FROM SWEDEN

Those listed below appeared as witnesses at the United States International Trade Commission's hearing held in connection with the subject investigations on November 8, 1983, in the Hearing Room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the petition

Italo H. Ablondi, P.C.--Counsel  
Washington, D.C.  
on behalf of

International Staple and Machine Co.

Alberto Merchiori, Vice President for Sales and Marketing  
Dean King, Chief of Production

F. David Foster )  
Italo H. Ablondi)--OF COUNSEL

In opposition to the petition

Courdert Brothers--Counsel  
Washington, D.C.  
on behalf of

Josef Kihlberg AB  
Josef Kihlberg Trading AB

Goran Wendt, Managing Director  
Jan Thulin, Export Manager

Sherman E. Katz)  
Mark D. Herlack)--OF COUNSEL

Southern Duo-Fast Co.  
William H. Rue, Jr., Treasurer and Sales Manager

Marking Systems, Inc.  
Wayne Brown, President

Alles Southeast Corp.  
Robert Berman, President

Active Sales Co.  
Ned Russell, President

APPENDIX D

FININACIAL DATA FOR BOSTITCH AND ISM ON AN INDIVIDUAL COMPANY BASIS

**Table D1.--Carton-closing staples: Profit-and-loss data for Bostitch and  
ISM, by firms, accounting years 1980-82 and interim accounting periods  
ending in June 1982 and June 1983**

\* \* \* \* \*

Table D2.--Nonautomatic carton-closing staple machines: Profit-and-loss data for Bostitch and ISM, by firms, accounting years 1980-82 and interim accounting periods ending in June 1982 and June 1983

\* \* \* \* \*

Table D3.--Carton-closing staples and staple machines: Aggregate profit-and-loss data for Bostitch and ISM, by firms, accounting years 1980-82 and interim accounting periods ending in June 1982 and June 1983

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