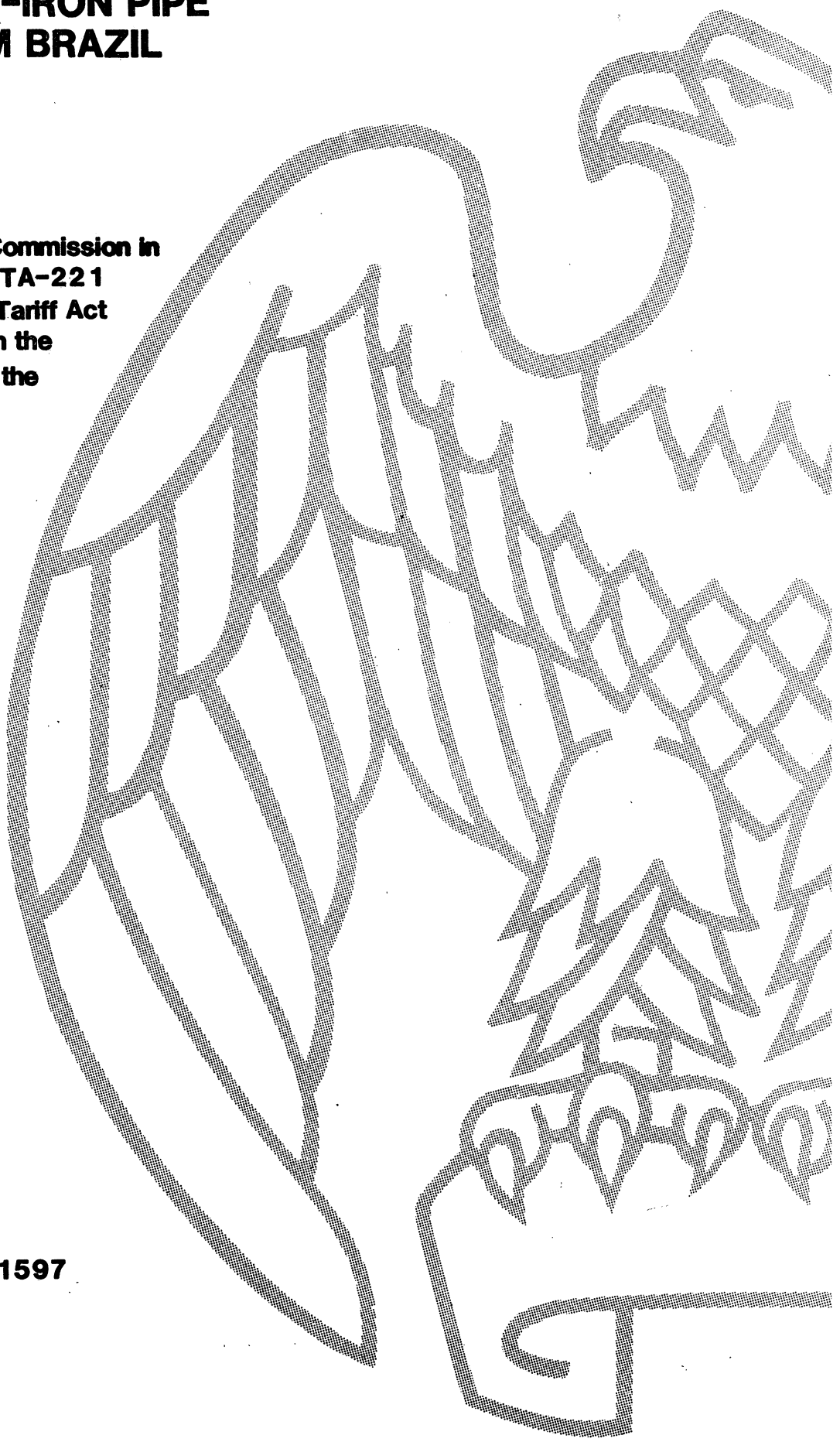
CERTAIN CAST-IRON PIPE FITTINGS FROM BRAZIL

Determinations of the Commission in Investigation No. 701-TA-221 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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C O N T E N T S

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Note.--Data which would disclose confidential operations of individual concerns may not be published and therefore have been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 701-TA-221 (Preliminary)

CERTAIN CAST-IRON PIPE FITTINGS FROM BRAZIL

Determinations

On the basis of the record 1/ developed in the subject investigation, the Commission determines, pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. § 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, 2/ by reason of imports from Brazil of nonalloy, nonmalleable cast-iron pipe fittings, of standard pressure rating (125 pounds per square inch (p.s.i.)) and of heavy-duty pressure rating (250 p.s.i.), other than for cast-iron soil pipe, provided for in items 610.62 and 610.65 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Government of Brazil.

The Commission further determines that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, 3/ by reason of imports from Brazil of nonalloy, malleable cast-iron pipe fittings, of standard pressure rating (150 p.s.i.) and of heavy-duty pressure rating (300 p.s.i.), provided for in TSUS items 610.70 and 610.74, which are alleged to be subsidized by the Government of Brazil.

Background

On September 18, 1984, counsel for the Cast Iron Pipe Fittings Committee filed petitions with the U.S. International Trade Commission and the U.S.

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/ Chairwoman Stern and Commissioner Lodwick determine that there is a reasonable indication of material injury.

3/ Chairwoman Stern determines that there is a reasonable indication of threat of material injury. Commissioner Lodwick determines that there is a reasonable indication of material injury.

Department of Commerce alleging that an industry in the United States is materially injured or threatened with material injury by reason of imports from Brazil and India of certain cast-iron pipe fittings which are allegedly subsidized by the Governments of Brazil and India. Accordingly, effective September 18, 1984, the Commission instituted preliminary countervailing duty investigations under section 703(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of September 26, 1984 (49 F.R. 37856). The conference was held in Washington, D.C., on October 12, 1984, and all persons who requested the opportunity were permitted to appear in person or by counsel.

On October 5, 1984, the Commission received a letter from counsel for the petitioners withdrawing the petition relating to imports of the subject merchandise from India. Accordingly, on October 9, 1984, the Commission discontinued the investigation on India (investigation No. 701-TA-222 (Preliminary)). The notice of withdrawal of the petition was published in the Federal Register of October 17, 1984 (49 F.R. 40676). On the same date, counsel for the petitioners filed an amendment to the petition, modifying the product description to include only malleable and nonmalleable cast-iron pipe fittings that fall within the standard and heavy-duty pressure classes.

VIEWS OF THE COMMISSION

We determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of nonmalleable cast-iron pipe fittings from Brazil 1/ 2/ which are allegedly subsidized by the government of Brazil. We further determine that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of malleable cast-iron pipe fittings from Brazil which are allegedly subsidized by the government of Brazil.

In determining whether there is a reasonable indication of material injury or threat thereof, we have analyzed indicators of industry health, for each industry, such as domestic production, domestic shipments, capacity utilization, operating income, prices and the volume of imports. Based on such data we have found that there is a reasonable indication of material injury or threat thereof to industries in the United States.

Description of the domestic industry

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

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1/ Chairwoman Stern determines that there is a reasonable indication that an industry is being materially injured by reason of nonmalleable cast-iron pipe fittings from Brazil and that an industry is being threatened with material injury by reason of malleable cast-iron pipe fittings from Brazil.

2/ Commissioner Lodwick determines that there is a reasonable indication of material injury by reason of imports of malleable and nonmalleable cast-iron pipe fittings from Brazil.

domestic production of that product. 3/ The term "like product" 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." 4/

The imported products under investigation are cast-iron pipe fittings. Pipe fittings serve to join pipes in straight lines; change, divert, divide, or direct the flow of liquid, gas, or steam in piping systems; provide access for cleaning and branching in piping systems; and reduce or increase the diameter of piping systems. The fittings are made of either malleable or nonmalleable cast-iron and can be either threaded or unfinished. Malleable fittings are lighter in weight than nonmalleable fittings and can be subjected to stress with less likelihood of fracture than nonmalleable fittings.

Nonmalleable cast-iron pipe fittings are used primarily in interior fire sprinkler systems. 5/ These fittings will not stretch and consequently are not likely to leak. Nonmalleable pipe fittings are divided into a standard pressure class (125 psi) and a heavy duty pressure class (250 psi) by the ASTM (American Society for Testing and Materials) and the ANSI (American National Standards Institute).

Malleable cast-iron pipe fittings are used in applications where shock and vibration resistance are required and where fittings are subject to quick temperature changes, such as in gas lines, piping systems of oil refineries, and gas and water systems of buildings. 6/ Malleable pipe fittings are

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3/ 19 U.S.C. § 1677(4)(A).
4/ 19 U.S.C. § 1677(10).
5/ Transcript at 21.
6/ Staff report at A-3.

divided into a standard pressure class (150 psi) and a heavy duty pressure class (300 psi) by the ASTM and the ANSI. Malleable cast-iron pipe fittings are higher priced per pound than nonmalleable pipe fittings.

The chemical compositions and manufacturing processes of malleable and nonmalleable iron differ, although both are comprised mainly of iron. Additives, such as carbon, silicon and manganese, are added to each composition in different quantities. Because the metallurgical composition of nonmalleable iron differs from the metallurgical composition of malleable iron, the final fittings have different properties. 7/

Specifically, the differences in the compositions and manufacturing processes result in malleable fittings being stronger, lighter in weight, and more expensive per pound than nonmalleable fittings. In some applications malleable fittings may be substituted for nonmalleable fittings, but due to the higher cost of producing malleable fittings, such substitution is impractical. 8/

7/ The different compositions for both malleable and nonmalleable fittings require that the raw iron be melted either at different times in the same furnace or in two separate furnaces. Three of the five domestic producers produce malleable and nonmalleable fittings on the same production line but at different times. Another domestic producer has a foundry that has two furnaces, thus, two casting lines are used. The fifth domestic producer, ITT-Grinnell, has one plant which produces malleable fittings and another plant which produces nonmalleable fittings. Both types of pipe fittings are available in the same configurations and are produced by sand casting, however, the molds for malleable castings and nonmalleable castings are not interchangeable.

After casting, the production of nonmalleable fittings is essentially complete, except for cooling, cleaning, and, if necessary, machining. In contrast, malleable fittings after casting are subjected to an additional process step of annealing. Nonmalleable castings are not annealed. Annealing consists of rapidly heating the fitting to 1750° F. and then subjecting the fitting to a rapid cooling process followed by a slow cooling process which ranges from 25 to 40 hours. The annealing process strengthens the fitting. Most malleable fittings are then machined.

8/ Transcript at 28.

Accordingly, for the purposes of this investigation, there are two like products: malleable cast-iron pipe fittings and nonmalleable cast-iron pipe fittings. Thus, there are two domestic industries: producers of malleable cast-iron pipe fittings and producers of nonmalleable cast-iron pipe fittings.

Condition of the domestic industry

Domestic production of malleable cast-iron pipe fittings declined from 60,726 short tons in 1981 to 46,157 short tons in 1983, or by 24 percent, and then rose to 32,137 short tons in January-August 1984 compared with 29,505 short tons in the corresponding period of 1983. 9/

U.S. producers' domestic shipments of malleable fittings similarly fell from 55,997 short tons in 1981 to 43,831 short tons in 1983, or by 22 percent, and then increased to 30,500 short tons in January-August 1984 compared with 27,159 short tons in the corresponding period of 1983. 10/

Employment related to the production of such fittings decreased from 2,503 workers in 1981 to 1,819 workers in 1983, or by 27 percent, and then increased to 1,877 workers in January-August 1984 compared with 1,769 workers in January-August 1983. 11/ Domestic capacity for malleable cast-iron pipe fittings was 94,460 short tons in each of 1981, 1982 and 1983. Capacity during the interim periods of 1983 and 1984 was 62,833 short tons. Capacity utilization relative to malleable fittings dropped from 64.3 percent in

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9/ Report at A-10.
10/ Id. at A-11.
11/ Id. at A-12.

1981 to 48.9 percent in 1983 before increasing slightly to 51.1 percent in January-August 1984. 12/

Operating income related to the sale of malleable fittings declined from $21.2 million in 1981 to $1.8 million in 1983, or by 92 percent, and operating losses of $72,000 and $1.5 million were reported in the interim periods of 1983 and 1984, respectively. 13/ The ratio of operating income to net sales of malleable fittings fell from 14.2 percent in 1981 to 1.6 percent in 1983. Operating losses equal to 0.2 percent and 2.7 percent of net sales occurred in the interim periods of 1983 and 1984, respectively. 14/

U.S. production of nonmalleable cast-iron pipe fittings fell by more than 25 percent from 1981 to 1983 and continued to decline in January-August 1984.

Domestic shipments of nonmalleable cast-iron pipe fittings declined from 39,422 short tons in 1981 to 31,852 short tons in 1983, or by 19 percent, and then rose to 22,207 short tons in January-August 1984 compared with 20,257 short tons in the corresponding period of 1983. 15/

Employment related to the production of such fittings fell from 980 workers in 1981 to 727 workers in 1983, or by 26 percent, and continued to decline marginally to 723 workers in the first eight months of 1984. 16/ U.S. capacity for nonmalleable fittings increased slightly from 1981 to 1983 and was constant in the interim periods of 1983 and 1984. Capacity utilization dropped from more than 70 percent in 1981 to nearly 50 percent in 1983

12/ Id. at A-10.
13/ Id. at A-15.
14/ Id.
15/ Id. at A-11.
16/ Id. at A-12.

and further decreased to less than 50 percent in January-August 1984. 17/

Operating income related to the sale of nonmalleable fittings decreased from $10.8 million in 1981 to $2.6 million in 1983, or by 76 percent, and further fell from $2.7 million in interim 1983 to $1.8 million in interim 1984. 18/ The ratio of operating income to net sales of nonmalleable fittings declined from 16.4 percent in 1981 to 4.9 percent in 1983 and fell from 10.2 percent in interim 1983 to 6.1 percent in interim 1984. 19/

Reasonable indication of material injury by reason of allegedly subsidized 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. 20/

Imports of malleable cast-iron pipe fittings from Brazil increased steadily from 1981 until 1983. Specifically, imports for consumption were 328 short tons in 1981, 263 short tons in 1982, and rose to 698 short tons in 1983. For the period from January to August of 1983 imports were 195 short tons and for the same period in 1984 imports dramatically increased to 1,168 short tons. 21/

17/ Id. at A-10. The specific data on nonmalleable production and capacity utilization are confidential because they include data provided by Kuhns, Inc., the distributor of the Brazilian fittings, which also produces small quantities of nonmalleable fittings. The aggregate nonmalleable production and capacity figures for the five remaining producers are available to the petitioner.

18/ Id. at A-16.

19/ Id. Commissioner Rohr concludes that this industry does appear to be experiencing material injury as defined by the statute.

20/ 19 U.S.C. 1677(7)(B).

21/ Report at A-20.

Imports of nonmalleable cast-iron pipe fittings from Brazil began in 1983 when 1,052 short tons were imported. From January until August of 1983 there were no imports of nonmalleable fittings, however, for the same period in 1984 imports were 972 short tons. 22/

Imports of malleable fittings from Brazil as a share of consumption rose from 0.4 percent in 1981 and 1982 to 1.2 percent in 1983 and then rose to 2.4 percent in January-August 1984 compared with a share of 0.5 percent in January-August 1983. Imports of nonmalleable fittings from Brazil, which first entered the United States in late 1983, accounted for 2.8 percent of apparent consumption in 1983 and 3.4 percent in January-August 1984. 23/

The pricing information regarding imports of malleable and nonmalleable fittings from Brazil indicate substantial margins of underselling during all of the quarters within January 1982 to June 1984 in which sales of the Brazilian fittings occurred. Margins of underselling ranged from 20 percent to 36.4 percent. 24/

Prices for U.S. produced and Brazilian cast-iron pipe fittings generally decreased from January-March 1982 to April-June 1984. Price decreases for the various domestic fittings ranged from approximately 5 percent to 15 percent and price decreases for the Brazilian fittings were slightly greater. 25/

On the basis of the foregoing analysis we determine that there is a reasonable indication of material injury by reason of imports of malleable and

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22/ Id. at A-21.
23/ Id. at A-22.
24/ Id. at A-24-27.
25/ Id.

nonmalleable cast-iron pipe fittings from Brazil which are allegedly being subsidized by the government of Brazil. 26/ 27/

Reasonable indication of threat of material injury by reason of allegedly subsidized imports

In making its determination of threat of material injury, the Commission is required to consider "any economic factor it considers relevant" 28/ in assessing the condition of a particular industry. Findings of a reasonable indication of threat of material injury must be based on a showing that the likelihood of harm is real and imminent, and not based on mere supposition, speculation, or conjecture. 29/ In determining whether there is a threat of material injury, the Commission considers, among other factors: (1) the rate of increase of subsidized or dumped exports to the U.S. markets; (2) capacity in the exporting country to generate imports; and (3) the availability of other export markets. 30/

26/ Commissioner Rohr notes that the information supporting the causal nexus between imports and the present material injury being suffered by the industries is not extensive at this stage of the investigation. Several issues will have to be addressed in any continuing investigation, specifically the relationship of the injury being felt by the cast-iron malleable fittings industry throughout the period of investigation with the small level of Brazilian imports throughout the period and the relationship of the injury being experienced by the nonmalleable cast-iron pipe fittings industry throughout the period of investigation and the imports of nonmalleable cast-iron pipe fittings from Brazil which began only in 1983.

27/ Chairwoman Stern notes that the market penetration by Brazilian imports of malleable fittings has been relatively small. However, the rapid growth in the share of the U.S. market held by these subject imports in January-August 1984 is an important factor in reaching her threat finding with respect to this product.

28/ S. Rep. No. 249, 96th Cong., 1st Sess. 89 (1979), note 42, at 88.

29/ Id. at 88-89; S. Rep. No. 1298, 93d Cong. 2d Sess. 180 (1974); Alberta Gas Chemicals, Inc. v. U.S., 505 F.Supp. 780, 790 (C.I.T. 1981).

30/ 19 C.F.R. 207.26(d).

Imports of malleable cast-iron pipe fittings have steadily increased during the period of investigation. Moreover, the inventories of the distributor that purchases all of the malleable cast-iron pipe fittings exported by Brazil to the United States rose dramatically during the period of December 31, 1983 to June 30, 1984. 31/

Imports of nonmalleable cast-iron pipe fittings, which were first imported in 1983, rose during the period of January 1983 to August 1984. However, inventories of nonmalleable fittings decreased slightly from December 31, 1983 until June 30, 1984.

Fundicao TUPY S.A. is the Brazilian manufacturer which exports all cast-iron pipe fittings to the United States. 32/ TUPY operates four foundries which produce cast-iron pipe fittings, cylinder blocks and heads, automobile castings and other cast-iron products. Thus, TUPY has substantial capacity dedicated to the production of cast-iron products other than cast-iron pipe fittings. 33/

In view of the large increase in imports of both malleable and nonmalleable cast-iron pipe fittings and the large overall capacity of TUPY, we find that there is a reasonable indication of threat of material injury to the industry in the United States which produces nonmalleable cast-iron pipe fittings and the industry in the United States which produces malleable cast-iron pipe fittings.

31/ Report at A-17.

32/ Respondents' Post conference brief at 12.

33/ Respondents have argued that TUPY's capacity for cast-iron products other than pipe fittings cannot practically be diverted to the manufacture of pipe fittings. Additionally, respondents urge that TUPY is committed to markets other than the United States and, therefore, cannot increase its exports of cast-iron pipe fittings to the United States (Respondents' post conference brief at 15). These arguments should be further explored in any final investigation.

INFORMATION OBTAINED IN THE INVESTIGATION

Introduction

On September 18, 1984, the U.S. International Trade Commission and the U.S. Department of Commerce received petitions filed by counsel on behalf of the Cast Iron Pipe Fittings Committee, 1/ alleging that an industry in the United States is materially injured, or is threatened with material injury, by reason of imports from Brazil and India of nonalloy cast-iron pipe and tube fittings other than for cast-iron soil pipe, provided for in items 610.62, 610.65, 610.70, and 610.74 of the Tariff Schedules of the United States (TSUS), upon which bounties or grants are alleged to be paid. The petitioners further allege the existence of "critical circumstances" as defined in section 703(e)(1) of the Tariff Act of 1930 with respect to imports of the subject merchandise from Brazil. Accordingly, the Commission instituted preliminary countervailing duty investigations under section 703(a) of the Act to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of the importation of such merchandise. The statute directs that the Commission make its determinations within 45 days after receipt of a petition, or, in this case, by November 2, 1984.

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 26, 1984 (49 F.R. 37856). 2/

On October 5, 1984, the Commission received a letter from counsel for the petitioners withdrawing the petition relating to imports of the subject merchandise from India. Accordingly, on October 9, 1984, the Commission discontinued the investigation on India (investigation No. 701-TA-222 (Preliminary)). The notice of withdrawal of the petition was published in the Federal Register of October 17, 1984 (49 F.R. 40676). 3/ On the same date, counsel for the petitioners filed an amendment to the petition, modifying the product description to include only malleable and nonmalleable cast-iron pipe fittings that fall within the standard and heavy-duty pressure classes (see discussion in the description and uses section of this report).

On October 9, 1984, the Department of Commerce initiated a countervailing duty investigation to determine whether producers or exporters of the subject merchandise in Brazil receive benefits that constitute subsidies within the countervailing duty law. 4/

1/ The 5-member producers of this committee are Stanley G. Flagg & Co., Inc., ITT-Grinnell Corp., Stockham Valves & Fittings Co., U-Brand Corp., and Ward Foundry Division of Clevepak Corp.

2/ A copy of the Commission's notice of institution of preliminary countervailing duty investigations is presented in app. A.

3/ A copy of the Commission's notice of termination of the preliminary investigation on India is presented in app. A.

4/ A copy of the Department of Commerce's notice of institution is presented in app. A.

On October 12, 1984, the Commission held a public conference in Washington, DC, in connection with the investigation on Brazil. 1/ The Commission voted on the investigation on October 25, 1984.

Previous Commission Investigations

On April 13, 1977, the Commission instituted an investigation (No. TA-201-26) under section 201 of the Trade Act of 1974 concerning malleable cast-iron pipe and tube fittings, provided for in TSUS items 610.70, 610.71, and 610.74, in response to a petition filed by the American Pipe Fittings Association. On September 19, 1977, the Commission reported to the President its unanimous finding that malleable cast-iron pipe and tube fittings are not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing like or directly competitive articles.

On January 7, 1980, the Department of Commerce advised the Commission that a countervailing duty investigation had resulted in a preliminary determination that the government of Japan was providing benefits that might constitute bounties or grants on the manufacture, production, or exportation of certain malleable cast-iron pipe fittings; the bounties or grants were estimated to be 0.6 percent ad valorem. Accordingly, effective January 1, 1980, the Commission instituted investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930, to determine whether an industry in the United States was materially injured or threatened with material injury or the establishment of an industry was materially retarded by reason of the importation of these pipe fittings into the United States. On March 20, 1980, the Commission terminated the investigation upon written request by counsel for the petitioners (the American Pipe Fittings Association).

The Product

Description and uses

Malleable and nonmalleable cast-iron pipe and tube fittings serve to join pipes in straight lines; change, divert, divide, or direct the flow of liquid, gas, or steam in piping systems; provide access for cleaning and branching in piping systems; and reduce or increase the diameter of piping systems.

Nonmalleable cast-iron fittings have little or no ductility and can be broken with the blow of a hammer. These fittings will not stretch when a piping system is assembled and consequently are not likely to leak. They are usually available in inside diameters ranging from 1/4 inch to 6 inches. Common varieties of nonmalleable pipe fittings include bends, branches, traps, drains, and reducers. Although there are thousands of individual patterns for such fittings, fewer than 50 basic patterns account for the vast majority of nonmalleable fittings manufactured. Nonmalleable cast-iron fittings are

1/ A copy of the list of witnesses appearing at the conference is presented in app. B.

produced to pressure ratings of 125 pounds per square inch (psi) for the standard pressure class, which accounts for approximately 99 percent of sales of nonmalleable fittings, and 250 psi for the heavy-duty pressure class, as established by the American Society for Testing and Materials (ASTM) and the American National Standards Institute (ANSI). Nonmalleable fittings are almost entirely used as pressure pipe fittings for cast-iron pipes, although some are used with steel pipes. The predominant use of nonmalleable cast-iron fittings is in sprinkler and heating systems for commercial buildings.

Malleable fittings can be machined and subjected to stress with less likelihood of fracture than nonmalleable fittings. The major advantages of malleable fittings are that they are lighter in weight and more ductile than nonmalleable fittings. They are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. Malleable fittings are available in hundreds of configurations, the most common being 90-degree elbows, tees, couplings, and unions. They are produced in both black (ungalvanized) and galvanized form. Malleable fittings are commonly produced with inside diameters of 1/2 inch to 6 inches; other sizes are available on special order. Malleable cast-iron fittings have a minimum performance rating of 150 psi for the standard pressure class, which accounts for approximately 93 percent of sales of malleable fittings, 1/ and 300 psi for the heavy-duty pressure class, as rated by the ASTM and the ANSI. The principal use of malleable cast-iron fittings is in gas lines, piping systems of oil refineries, and gas and water systems of buildings.

Manufacturing process

The manufacturing process for cast-iron pipe fittings begins with the making of molten iron, usually in a cupola furnace. The raw materials for both malleable and nonmalleable fittings are scrap steel, pig iron, and other materials such as ferrosilicon, coke, and limestone. The molten grey iron for nonmalleable fittings has a somewhat higher content of carbon, silicon, and manganese (approximately 3.5 percent, 2.4 percent, and 0.6 percent, respectively, of total weight) than the molten iron for malleable fittings (approximately 2.5 percent, 1.4 percent, and 0.4 percent, respectively, of total weight). 2/ Because of the differences in the chemical composition of the molten iron, malleable and nonmalleable fittings are produced in separate production runs unless two furnaces are available.

Sand-casting is the predominant method used in the making of malleable and nonmalleable cast-iron pipe fittings. The casting process begins with the making of the pattern, which is of the same configuration as the desired fitting. Molding sand is mixed with a binder and is spread around the pattern in a mold, then rammed by a machine to compact the sand. The pattern is withdrawn, leaving a cavity in which molded cores are inserted to form the internal shape of the fitting. The two mold halves are put together and the

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1/ Petitioners' submission of Oct. 18, 1984, p. 3.

2/ Petitioners' post-conference brief, p. 3. Counsel for the respondents provided similar ranges for the shares of total weight accounted for by these and other chemicals. Respondents' post-conference brief, pp. 5-6.

molten iron (either malleable or nonmalleable) is poured into the cavity. The molds and cores are slightly different for malleable and nonmalleable fittings because of the differences in mechanical properties. After the iron solidifies, the red hot fitting is dropped on a "shaker" table or belt which shakes off the sand.

At this point, nonmalleable fittings are cooled, cleaned, and machined as required, whereas malleable fittings, after cooling and cleaning, are annealed. Annealing is a process of rapid heating to approximately 1,750° F. and quick cooling, followed by a slower cooling process. The cooling process, which takes from 25 to 40 hours, improves the ductility and durability of the metal by reducing its brittleness. Almost all malleable cast-iron fittings are advanced (machined) after the casting stage. Advancement usually involves threading, grooving, or other operations.

U.S. tariff treatment

The cast-iron pipe fittings covered by this investigation are classified under TSUS items 610.62, 610.65, 610.70, and 610.74. The current most-favored-nation (MFN) (column 1) rates of duty 1/ are 7.9 percent ad valorem for item 610.62, 2.8 percent ad valorem for item 610.65, 6.6 percent ad valorem for item 610.70, and 8.6 percent ad valorem for item 610.74. Imports of this product from beneficiary developing countries have been designated as eligible for duty-free treatment under the Generalized System of Preferences (GSP). 2/ Imports from Brazil are eligible for such treatment under all four of the above TSUS items.

The Domestic Market

Apparent U.S. consumption

Apparent U.S. consumption of cast-iron pipe fittings covered by the investigation declined by 14 percent from 1981 to 1983 and then rose by 25 percent in January-August 1984 compared with consumption in January-August 1983. Apparent consumption of both malleable and nonmalleable fittings followed similar trends: consumption decreased by 14 percent for malleable fittings and 13 percent for nonmalleable fittings from 1981 to 1983 and then increased by 26 percent and 25 percent, respectively, during January-August 1984 compared with consumption in the corresponding period of 1983. Data on consumption of such fittings, compiled from data submitted in response to the Commission's questionnaires and from official statistics of the U.S. Department of Commerce, are shown in the following tabulation (in short tons):

1/ Col. 1 rates of duty are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS.

2/ The 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. The GSP, implemented in Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is scheduled to remain in effect until Jan. 4, 1985.

Item	1981	1982	1983	January-August--	
				1983	1984
Malleable	71,369	64,020	61,110	37,873	47,663
Nonmalleable	43,302	41,612	37,696	23,081	28,764
Total	114,671	105,632	98,806	60,954	76,427

Virtually all consumption of cast-iron pipe fittings is for new construction. Because such fittings last indefinitely, there is no significant replacement market. 1/

Channels of distribution

Both producers and importers of cast-iron pipe fittings generally sell their product to distributors, which, in turn, sell principally to plumbing contractors and hardware stores. Sales generally consist of a full line of pipe fittings, i.e., the most common configurations and sizes. Four of the five petitioning U.S. producers sell exclusively to unrelated distributors. The exception is * * *. All five producers sell throughout the United States, maintaining warehouses in various locations and selling from inventory. 2/

The sole importer of record of Brazilian cast-iron pipe fittings, TUPY American Foundry Corp., sells virtually all of its fittings through an unrelated distributor, Kuhns, Inc., which sells to distributors as well as plumbing contractors and hardware stores.

Nature and Extent of Alleged Subsidies

The petitioners allege that Fundicao TUPY S.A. (TUPY), the producer that accounts for all Brazilian exports of cast-iron pipe fittings to the United States, benefits from a variety of government subsidies that, in aggregate, amount to 47.14 percent ad valorem. These subsidies, which include The Foundry Plan, nine financing subsidies, three income tax subsidies, seven indirect tax subsidies, and two other forms of subsidies, are summarized below.

The Foundry Plan.--The purpose of this program, administered by the National Council for Scientific and Technical Development, is to improve the export competitiveness of Brazil's foundries. The petitioners estimate the value of this subsidy to be 1.77 percent ad valorem.

Financing subsidies.--The Foreign Trade Department of the Banco do Brasil (CACEX) provides preferential short-term financing for working capital to

1/ Transcript of the public conference, p. 43.
2/ Ibid., p. 20.

purchase imports for the production of goods destined for export. The estimated value of this subsidy is 7.6 percent ad valorem.

Another program provides for loans on which the annual inflation index rate adjustment is limited to 20 percent of the normal adjustment. TUPY allegedly has received such a loan. The estimated value of this subsidy is 6.04 percent ad valorem. 1/

Other alleged financing subsidies and their estimated values include working capital loans at preferential rates against foreign-exchange receivables, valued at 2.5 percent ad valorem; 1/ the PROEX (Program of Support to Increase Exports) export promotion credit, valued at 2.5 percent ad valorem; FINEX (Fund for Export Financing) concessional loans to foreign buyers of Brazilian goods, valued at 0.63 percent ad valorem; long term loan guarantees, valued at 0.6 percent ad valorem; preferential export financing for trading companies, valued at 0.25 percent ad valorem; preferential financing for storage of export merchandise, valued at 0.25 percent ad valorem; and CACEX loans at below-commercial rates for manufacturers with production cycles of less than 180 days, valued at 0.24 percent ad valorem.

Income tax subsidies.--The major income tax subsidy alleged by the petitioners is an exemption for export income, valued at an estimated 6.9 percent ad valorem. Other alleged income tax subsidies include deductions for foreign selling expenses, valued at 0.35 percent ad valorem, and accelerated depreciation for equipment, valued at 0.17 percent ad valorem.

Indirect tax subsidies.--The petitioners allege that there is excessive remission of the industrial products tax (IPI) on exports of pipe fittings, resulting in an estimated subsidy of 11 percent ad valorem. 1/ A similar allegation involves excessive remission of a state tax ("ICM") payable on a value added basis. The estimated value of this subsidy is 2.5 percent ad valorem. 1/

Most of the five remaining allegations of indirect tax subsidies involve reductions or rebates in the IPI tax and/or import duties related to the importation of machinery and equipment for approved projects. The total estimated value of these alleged subsidies is 2.57 percent ad valorem.

Miscellaneous subsidies.--The petitioners allege that TUPY benefits from purchasing subsidized Brazilian pig iron. The estimated value of this subsidy is 1.02 percent ad valorem. 1/ Finally, the Council for Industrial Development allegedly grants fiscal and financial subsidies for pilot industrial plants such as a molten cast-iron plant constructed by TUPY. The estimated value of this subsidy is 0.25 percent ad valorem.

1/ Commerce has declined to examine this allegation in its investigation. See notice in app. A.

U.S. Producers

Six manufacturers account for virtually all U.S. production of cast-iron pipe fittings. Large capital investments are required to build plants with high-volume melting and casting capabilities to obtain competitive economies of scale. 1/ The six producers and their shares of reported production in 1983 are shown in table 1.

Table 1.--Certain cast-iron pipe fittings: U.S. producers' shares of reported production, by types, 1983

Producers	Malleable	Nonmalleable	Total
Stanley G. Flagg & Co., Inc	***	***	***
ITT-Grinnell Corp	***	***	***
Kuhns, Inc	***	***	***
Stockham Valves & Fittings Co	***	***	***
U-Brand Corp	***	***	***
Ward Foundry Division	***	***	***
Total	100.0	100.0	100.0

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

Stanley G. Flagg & Co., Inc., has one plant, located in Stowe, PA, that produces cast-iron pipe fittings. ITT-Grinnell Corp., headquartered in Providence, RI, produces malleable fittings at a plant in Columbia, PA, and nonmalleable fittings at a plant in Statesboro, GA. 2/ Stockham Valves & Fittings Co., U-Brand Corp., and the Ward Foundry Division of Clevepak Corp., manufacture cast-iron pipe fittings at one plant each. These plants are located in Birmingham, AL, Ashland, OH, and Blossburg, PA, respectively. Each of the five firms has been producing cast-iron pipe fittings for at least 35 years 3/ and offers an essentially complete line of fittings. On October 8, 1984, Clevepak Corp. announced that it is negotiating to sell its Ward Foundry operation. 4/

The sixth manufacturer, Kuhns, Inc., produces nonmalleable fittings at a plant in Dayton, OH. Kuhns manufactured nonmalleable cast-iron pipe fittings from 1887 until 1974, when the firm sold its foundry to the NIPCO Corp. Kuhns repurchased the foundry in 1982, commencing production on September 1. 5/

1/ Transcript of the public conference, pp. 19-20.
2/ Ibid., p. 25.
3/ Malleable Cast-Iron Pipe and Tube Fittings, Inv. No. TA-201-26, USITC Publication 835, September 1977, p. A-12.
4/ The Wall Street Journal, Oct. 9, 1984, p. 8.
5/ Transcript of the public conference, pp. 56-57.

U.S. Importer

The sole U.S. importer of record of cast-iron pipe fittings from Brazil is TUPY American Foundry Corp. of Lancaster, PA. TUPY American Foundry Corp. is a wholly owned subsidiary of Fundicao TUPY, S.A., of Joinville, Brazil, a producer and exporter of cast-iron pipe fittings. Although TUPY American Foundry is the importer of record, Kuhns, Inc., of Dayton, OH, purchases virtually all of the imports and, in conjunction with TUPY American Foundry, provided data in response to the importer's questionnaire.

The Brazilian Industry

Fundicao TUPY, S.A., is the Brazilian manufacturer of cast-iron pipe fittings that accounts for all exports of such fittings to the United States. TUPY, located in Joinville, Brazil, began manufacturing cast-iron pipe fittings in 1938.

Brazil's total exports of cast-iron pipe fittings covered by the investigation declined by * * * percent from 1981 to 1982 and then * * * from 1982 to 1983 (table 2). During January-June 1984, exports were * * * percent of the total for 1983. Similarly, exports to countries other than the United States, principally in Europe and the Middle East, fell by * * * percent from 1981 to 1982 and then * * * from 1982 to 1983. In January-June 1984, such exports were * * * percent of the 1983 total. Exports to the United States, which followed a similar trend, accounted for * * * percent of total exports in 1981, * * * percent in 1982, * * * percent in 1983, and * * * percent in January-June 1984.

Table 2.--Certain cast-iron pipe fittings: Brazilian exports, home-market sales, and capacity, 1981-83, and January-June 1984

Item	1981	1982	1983	Jan.-June 1984
Sales:				
Exported to--				
The United States------short tons--	***	***	***	***
All other countries----------do----	***	***	***	***
Subtotal----------do----	***	***	***	***
Home-market----------do----	***	***	***	***
Total----------do----	***	***	***	***
Capacity 1/----------do----	***	***	***	***
Sales as a percent of capacity percent--	***	***	***	***

1/ These data represent capacity that TUPY has dedicated to the production of cast-iron pipe fittings.

Source: Fundicao TUPY, S.A.

Home-market sales dropped by * * * percent from 1981 to 1983 and in January-June 1984 amounted to * * * percent of the 1983 total. Such sales accounted for * * * percent of total sales in 1981 and 1982, * * * percent in 1983, and * * * percent in January-June 1984. Total sales decreased by * * * percent from 1981 to 1982 and then rose by * * * percent from 1982 to 1983. In January-June 1984, total sales were equal to * * * percent of the total for 1983.

TUPY's reported capacity to produce cast-iron pipe fittings covered by the investigation * * * from 1981 through 1983 and then * * * in 1984 * * *. TUPY has allegedly dedicated * * * percent of its capacity to cast-iron pipe fittings, * * * percent to automotive engine blocks and cylinder heads, and * * * percent to other automotive castings such as differential housings, brake drums, and crankshafts. Counsel for the respondents has alleged that it would be commercially unreasonable, impractical, and uneconomical to divert capacity dedicated to automotive castings to pipe fittings because of differences in chemistry and equipment associated with each. 1/ Total sales of cast-iron pipe fittings as a percent of capacity dedicated to the production of such products declined from * * * percent in 1981 to * * * percent in 1982 and then increased to * * * percent in 1983 and * * * percent in January-June 1984.

The Question of Material Injury

The Commission sent questionnaires to the five known U.S. producers of cast-iron pipe fittings that were identified in the petition as constituting the domestic industry. Each of these producers provided data in response to the questionnaire. A sixth producer, Kuhns, Inc., which purchases virtually all of the imports of the Brazilian product and which appeared as a party in opposition to the imposition of countervailing duties at the conference, was identified at the conference as a producer of nonmalleable fittings. Kuhns provided limited data regarding its production of nonmalleable fittings.

U.S. production, capacity, and capacity utilization

U.S. production of cast-iron pipe fittings covered by the investigation declined by * * * percent from 1981 to 1983 and then rose by * * * percent in January-August 1984 compared with production in January-August 1983 (table 3). Production of malleable fittings fell by 24 percent from 1981 to 1983 and then increased by 9 percent in January-August 1984 compared with production in the like period of 1983. Nonmalleable fittings production dropped by * * * percent from 1981 to 1983 and by * * * percent during January-August 1984 compared with production in January-August 1983. Capacity to produce both types of fittings remained constant during the period covered by the investigation, except for a small increase in nonmalleable fittings capacity caused by the opening of Kuhns' production facility in September 1982. Capacity utilization with respect to malleable and nonmalleable fittings decreased from 64.3 percent and * * * percent, respectively, in 1981 to 48.9 percent and * * * percent, respectively, in 1983. In January-August 1984, the

1/ Respondents' post-conference brief, pp. 14-15, and petition, app. E.

Table 3.--Certain cast-iron pipe fittings: U.S. production, capacity, and capacity utilization, 1/ by types, 1981-83, January-August 1983, and January-August 1984

Item	1981	1982	1983	January-August--	
				1983	1984
Production:					
Malleable------short tons--	60,726	47,912	46,157	29,505	32,137
Nonmalleable---------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Capacity:					
Malleable----------do----	94,460	94,460	94,460	62,833	62,833
Nonmalleable---------do----	***	***	***	***	***
Total----------do----	***	***	***	***	***
Capacity utilization:					
Malleable---------percent--	64.3	50.7	48.9	47.0	51.1
Nonmalleable---------do----	***	***	***	***	***
Average----------do----	***	***	***	***	***

1/ Data are for all 6 known producers of cast-iron pipe fittings.

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

utilization rate for malleable fittings increased whereas the rate for nonmalleable fittings decreased in comparison with rates for January-August 1983.

U.S. producers' domestic shipments, inventories, exports, and imports

Domestic shipments of cast-iron pipe fittings by the five petitioning U.S. producers declined by 21 percent from 1981 to 1983 and then increased by 11 percent in January-August 1984 compared with shipments in January-August 1983 (table 4). Shipments of both malleable and nonmalleable fittings followed similar trends. Exports generally declined during the period covered by the investigation and remained below 6 percent of total shipments of malleable fittings and below 3 percent of total shipments of nonmalleable fittings. Canada is the principal export market. Inventories of both malleable and nonmalleable fittings dropped steadily throughout the period covered by the investigation, falling a total of 17 percent from 1981 to 1983 and 18 percent in January-August 1984 compared with inventories in January-August 1983.

With the exception of Kuhns, which purchases virtually all of the imported Brazilian fittings, none of the producers purchased significant quantities of imported cast-iron pipe fittings prior to 1984. During January-August 1984, * * * purchased * * * short tons of malleable fittings imported from * * *. An official of * * * indicated that the imports were purchased because * * *. * * * imported nonmalleable fittings throughout the

Table 4.--Certain cast-iron pipe fittings: U.S. producers' domestic shipments, exports, and total shipments, by types, 1981-83, January-August 1983, and January-August 1984, and inventories, as of Dec. 31 of 1981-83 and as of Aug. 31 of 1983-84

Item	1981	1982	1983	January-August--	
				1983	1984
Domestic shipments: 1/					
Malleable------short tons--	55,997	47,029	43,831	27,159	30,500
Nonmalleable---------do----	39,422	35,948	31,852	20,257	22,207
Total-----------do----	95,419	82,977	75,683	47,416	52,707
Exports:					
Malleable----------do----	3,068	2,211	2,737	1,691	1,602
Nonmalleable---------do----	1,017	1,017	947	466	255
Total-----------do----	4,085	3,228	3,684	2,157	1,857
Total shipments: 1/					
Malleable----------do----	59,065	49,240	46,568	28,850	32,102
Nonmalleable---------do----	40,439	36,965	32,799	20,723	22,462
Total-----------do----	99,504	86,205	79,367	49,573	54,564
Inventories: 1/					
Malleable----------do----	18,320	16,992	15,568	16,291	15,499
Nonmalleable---------do----	16,909	14,825	13,528	15,482	10,514
Total-----------do----	35,229	31,817	29,096	31,773	26,013
Ratio of inventories to total shipments: 1/					
Malleable---------percent--	31.0	34.5	33.4	2/ 37.6	2/ 32.2
Nonmalleable---------do----	41.8	40.1	41.2	2/ 49.8	2/ 31.2
Total-----------do----	35.4	36.9	36.7	2/ 42.7	2/ 31.8

1/ Data exclude Kuhns' shipments and inventories of domestically produced nonmalleable fittings. Kuhns did not maintain such data before 1984. During January-August 1984, Kuhns' shipments of domestically produced nonmalleable fittings were * * * short tons. Inventories were * * * short tons as of Aug. 31, 1984.

2/ Based on annualized shipments.

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

period covered by the investigation but such imports never exceeded * * * percent of the firm's domestic shipments.

Employment and productivity

The average number of production and related workers at the five petitioning firms that were employed in the production of cast-iron pipe fittings covered by the investigation declined by 27 percent from 1981 to 1983 and then rose by 4 percent in January-August 1984 compared with employment in January-August 1983 (table 5). Employment of workers producing malleable

Table 5.--Average number of production and related workers 1/ engaged in the manufacture of certain cast-iron pipe fittings, hours worked by such workers, wages paid, total compensation, and output per hour, by types of fittings, 1981-83, January-August 1983, and January-August 1984

Item	1981	1982	1983	January-August--	
				1983	1984
Number of workers:					
Malleable	2,503	2,090	1,819	1,769	1,877
Nonmalleable	980	828	727	736	723
Total	3,483	2,918	2,546	2,505	2,600
Hours worked:					
Malleable					
per worker, per week	37.7	37.1	37.3	36.9	38.8
Nonmalleable					
per worker, per week	34.8	33.1	34.9	34.4	36.0
Average--do	36.9	36.0	36.6	36.1	38.0
Wages paid:					
Malleable					
per worker, per hour	$7.92	$8.15	$9.09	$9.34	$9.52
Nonmalleable					
per worker, per hour	7.09	7.69	8.35	8.48	8.61
Average--do	7.70	8.03	8.89	9.10	9.28
Total compensation:					
Malleable					
per worker, per hour	$9.58	$10.18	$11.38	$11.85	$12.07
Nonmalleable					
per worker, per hour	9.46	9.38	10.72	11.13	11.08
Average--do	9.55	9.97	11.20	11.65	11.81
Output per hour:					
Malleable					
pounds per worker	12.9	12.4	13.6	13.7	13.4
Nonmalleable					
pounds per worker	24.4	25.5	24.8	26.5	22.7
Average					
pounds per worker	15.9	15.8	16.6	17.3	15.8

1/ Data are for the 5 petitioning firms.

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

fittings fell by 27 percent from 1981 to 1983 and employment of workers producing nonmalleable fittings dropped by 26 percent. During January-August 1984, employment related to the production of malleable fittings increased by 6 percent whereas employment related to the production of nonmalleable fittings decreased by 2 percent compared with levels in January-August 1983.

Average hours worked per week were relatively constant for both types of fittings, fluctuating within a range of 37 to 39 hours for malleable fittings and 33 to 36 hours for nonmalleable fittings. Wages and total compensation for both groups of workers increased during the period covered by the investigation.

Productivity of workers producing malleable fittings declined from 1981 to 1982, rose from 1982 to 1983, and declined again in January-August 1984 compared with that in January-August 1983. Productivity of workers producing nonmalleable fittings increased from 1981 to 1982 and then fell from 1982 to 1983 and fell in January-August 1984 compared with that in the like period of the previous year. Production workers at * * * are represented by the International Molders & Allied Workers union. Workers at * * * are represented by the United Steelworkers of America. * * * is nonunion.

Financial experience of U.S. producers

Five firms 1/ accounted for 100 percent of reported U.S. production of malleable cast-iron pipe fittings in 1983. These five firms furnished usable income-and-loss data concerning both their overall establishment operations and their operations on malleable cast-iron pipe fittings alone. Four of these firms 2/ accounted for * * * percent of reported U.S. production of nonmalleable cast-iron pipe fittings in 1983. These four firms supplied usable income-and-loss data relative to their nonmalleable cast-iron pipe fittings operations.

Overall establishment operations.--Net sales of all products produced in the establishments within which cast-iron pipe fittings are produced declined annually from $348.1 million to $288.2 million, or by 17 percent, during 1981-83 (table 6). Such sales rose by 22 percent to $170.2 million during the interim period that ended on June 30, 1984, compared with net sales of $139.5 million for the corresponding period of 1983. Operating income also declined annually during 1981-83, dropping from $51.0 million, or 14.7 percent of net sales, to $13.0 million, or 4.5 percent of net sales. Operating income declined further to $5.6 million, or 3.3 percent of net sales, during the interim period of 1984 compared with an operating income of $8.6 million, or 6.2 percent of net sales, for the like period of 1983.

Malleable cast-iron pipe fittings.--Net sales of malleable cast-iron pipe fittings followed the same trend as total establishment net sales, dropping annually from $149.3 million to $112.1 million, or by 25 percent during 1981-83 and then rising 17 percent to $56.6 million during the interim period of 1984 compared with $48.2 million for the corresponding period of 1983 (table 7). Operating income also declined annually during 1981-83, dropping from $21.2 million, or 14.2 percent of net sales, to $1.8 million, or 1.6 percent of net sales. The five firms sustained an aggregate operating loss of $1.5 million, or 2.7 percent of net sales, during the interim period of 1984 compared with an operating loss of $72,000, or 0.2 percent of net sales, for

1/ ITT-Grinnell Corp., Stockham Valves & Fittings Co., U-Brand Corp., Ward Foundry Division, and Stanley G. Flagg & Co.

2/ * * *.

Table 6.--Income-and-loss experience of 5 U.S. producers on the overall operations of their establishments within which cast-iron pipe fittings are produced, 1981-83, interim 1983, and interim 1984 1/

Item	1981	1982	1983	Interim period ended June 30--	
				1983	1984
Net sales-----1,000 dollars--	348,113	307,900	288,222	139,535	170,184
Cost of goods sold-----do----	250,762	233,475	229,029	108,431	140,454
Gross income----------do----	97,351	74,425	59,193	31,104	29,730
General, selling, and administrative expenses 1,000 dollars--	46,359	47,933	46,157	22,533	24,151
Operating income-------do----	50,992	26,492	13,036	8,571	5,579
Depreciation and amortization--------1,000 dollars--	12,243	14,503	16,738	7,852	7,613
Cash flow from operations 1,000 dollars--	63,235	40,995	29,774	16,423	13,192
Ratio to net sales:					
Gross income------percent--	28.0	24.2	20.5	22.3	17.5
Operating income-----do----	14.7	8.6	4.5	6.2	3.3
Cost of goods sold---do----	72.0	75.8	79.5	77.7	82.5
General, selling, and administrative expenses percent--	13.3	15.6	16.0	16.1	14.2
Number of firms reporting operating losses----------	0	0	1	1	3

1/ The accounting year of 3 firms ended on Dec. 31. The accounting year of 1 firm ended on May 31, and that of another ended on Aug. 31.

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

the corresponding period of 1983. One firm sustained an operating loss in 1982, two firms sustained such losses in 1983, and three firms sustained operating losses during the interim period of 1984 compared with two firms during the interim period of 1983.

Nonmalleable cast-iron pipe fittings.--Net sales of nonmalleable cast-iron pipe fittings followed the same trend as sales of malleable cast-iron pipe fittings during the reporting period (table 8). Such sales declined annually from $66.1 million to $52.7 million, or by 20 percent, during 1981-83. Net sales rose by 9 percent to $28.8 million during the interim period of 1984, compared with $26.5 million in net sales reported for the like period of 1983. In the aggregate, U.S. producers of nonmalleable cast-iron pipe fittings experienced declining profits in each of the reporting years. Operating income fell from $10.8 million, or 16.4 percent of net sales, in 1981 to $2.6 million, or 4.9 percent of net sales, in 1983. Operating income was $1.8 million, or 6.1 percent of net sales, during the

Table 7.--Income-and-loss experience of 5 U.S. producers on their operations producing malleable cast-iron pipe fittings, 1981-83, interim 1983, and interim 1984 1/

Item	1981	1982	1983	Interim period ended June 30--	
				1983	1984
Net sales-----1,000 dollars--	149,259	126,765	112,086	48,227	56,613
Cost of goods sold-----do----	106,451	96,908	90,370	39,055	48,179
Gross income----------do----	42,808	29,857	21,716	9,172	8,434
General, selling, and administrative expenses 1,000 dollars--	21,573	21,183	19,954	9,244	9,982
Operating income or (loss) 1,000 dollars--	21,235	8,674	1,762	(72)	(1,548)
Depreciation and amortization--------1,000 dollars--	5,252	6,197	6,768	3,519	3,217
Cash flow from operations 1,000 dollars--	26,487	14,871	8,530	3,447	1,669
Ratio to net sales:					
Gross income------percent--	28.7	23.6	19.4	19.0	14.9
Operating income or (loss) percent--	14.2	6.9	1.6	(0.2)	(2.7)
Cost of goods sold---do----	71.3	76.4	80.6	81.0	85.1
General, selling, and administrative expenses percent--	14.5	16.7	17.8	19.2	17.6
Number of firms reporting operating losses----------	0	1	2	2	3

1/ The accounting year of 3 firms ended on Dec. 31. The accounting year of 1 firm ended on May 31, and that of another ended on Aug. 31.

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

1984 interim period compared with an operating income of $2.7 million, or 10.2 percent of net sales, for the corresponding period of 1983. One firm sustained operating losses in 1982, 1983, and the interim period of 1983, and another firm sustained an operating loss during the interim period of 1984. Two firms did not sustain operating losses.

Table 8.--Income-and-loss experience of 4 U.S. producers on their operations producing nonmalleable cast-iron pipe fittings, 1981-83, interim 1983, and interim 1984 1/

Item	1981	1982	1983	Interim period ended June 30--	
				1983	1984
Net sales-----1,000 dollars--	66,106	60,349	52,674	26,453	28,821
Cost of goods sold-----do----	43,513	42,801	39,355	18,556	21,755
Gross income----------do----	22,593	17,548	13,319	7,897	7,066
General, selling, and administrative expenses 1,000 dollars--	11,761	12,101	10,767	5,189	5,292
Operating income-------do----	10,832	5,447	2,552	2,708	1,774
Depreciation and amortization--------1,000 dollars--	3,180	3,834	3,622	1,783	1,717
Cash flow from operations 1,000 dollars--	14,012	9,281	6,174	4,491	3,491
Ratio to net sales:					
Gross income------percent--	34.2	29.1	25.3	29.8	24.5
Operating income-----do----	16.4	9.0	4.9	10.2	6.1
Cost of goods sold---do----	65.8	70.9	74.7	70.2	75.5
General, selling, and administrative expenses percent--	17.8	20.1	20.4	19.6	18.4
Number of firms reporting operating losses----------	0	1	1	1	1

1/ The accounting year of 3 firms ended on Dec. 31, and that of the other firm ended on Aug. 31.

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

The Question of the Threat of Material Injury

In its examination of the question of a reasonable indication of the threat of material injury to an industry in the United States, the Commission may take into consideration such factors as the rate of increase of the alleged subsidized imports, the rate of increase of U.S. market penetration by such imports, the quantities of such imports held in inventory in the United States, and the capacity of producers in Brazil to generate exports (including the availability of export markets other than the United States).

Trends in imports and U.S. market penetration are discussed in the section of this report that addresses the causal relationship between the alleged injury and the alleged subsidized imports. Information regarding the capacity of the Brazilian producers to generate exports is discussed in the section of this report that covers the Brazilian industry.

TUPY American Foundry Corp., the sole importer of cast-iron pipe fittings from Brazil, does not maintain inventories of the product. However, Kuhns, Inc., an unrelated distributor that purchases virtually all of the cast-iron pipe fittings imported by TUPY American Foundry Corp., does hold inventories. From December 31, 1983, to June 30, 1984, Kuhns' inventories of malleable fittings from Brazil rose by * * * percent, inventories of nonmalleable fittings fell by * * * percent, and total inventories increased by * * * percent, as shown in the following tabulation:

Item	Reported inventories of Brazilian cast-iron pipe fittings (short tons)	Reported inventories as a share of import purchases (percent)
Malleable fittings:		
December 31, 1983	***	***
June 30, 1984	***	1/ ***
Nonmalleable fittings:		
December 31, 1983	***	***
June 30, 1984	***	1/ ***
Total:		
December 31, 1983	***	***
June 30, 1984	***	1/ ***

1/ Based on annualized purchases.

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

U.S. imports

Data contained in this section of the report were compiled from official statistics of the U.S. Department of Commerce. U.S. imports from Brazil of cast-iron pipe fittings covered by the investigation declined by 20 percent from 1981 to 1982 and then rose to a level in 1983 that was more than 6 times as great as the level in 1982 (table 9). During January-August 1984, imports from Brazil were 11 times as great as imports in January-August 1983. The average unit value of imports of the Brazilian product increased from $0.62 per pound in 1981 to $0.69 per pound in 1982 and then dropped to $0.44 per pound in 1983 and January-August 1984.

Brazil was the fifth leading source of imports of these cast-iron pipe fittings in 1983 and January-August 1984. Its share of total imports rose from levels of 1.5 percent in 1981 and 1.0 percent in 1982 to levels of 6.5 percent in 1983 and 7.9 percent in January-August 1984. Japan was the leading source of imports of this product in 1983 (in terms of quantity), followed by India, Taiwan, Korea, and Brazil, listed in descending order. Total U.S. imports of these cast-iron pipe fittings rose steadily during the period covered by the investigation, increasing by 18 percent from 1981 to 1982, 7 percent from 1982 to 1983, and 67 percent in January-August 1984 compared with imports in January-August 1983.

Table 9.--Certain cast-iron pipe fittings: U.S. imports for consumption, 1/ by selected sources, 1981-83, January-August 1983, and January-August 1984

Item	1981	1982	1983	January-August--	
				1983	1984
	Quantity (short tons)				
Brazil	328	263	1,750	195	2,140
Japan	9,432	8,371	8,915	5,721	8,477
India	2,732	3,235	4,888	3,461	4,496
Taiwan	3,471	4,772	4,701	3,233	4,226
Korea	2,494	2,817	3,719	1,798	4,299
All other	2,940	5,800	2,996	1,865	3,598
Total	21,397	25,259	26,969	16,273	27,235
	Value (1,000 dollars)				
Brazil	408	363	1,542	259	1,886
Japan	11,843	11,046	11,271	7,144	11,622
India	1,302	1,680	2,217	1,625	2,088
Taiwan	4,595	5,989	6,094	4,279	5,057
Korea	2,676	2,952	3,818	1,905	4,031
All other	4,004	7,065	4,021	2,764	4,774
Total	24,828	29,095	28,963	17,974	29,457
	Unit value (per pound)				
Brazil	$0.62	$0.69	$0.44	$0.66	$0.44
Japan	.63	.66	.63	.62	.69
India	.24	.26	.23	.23	.23
Taiwan	.66	.63	.65	.66	.60
Korea	.54	.52	.51	.53	.47
All other	.68	.61	.67	.74	.66
Average	.58	.58	.54	.55	.54
	Percent of total quantity				
Brazil	1.5	1.0	6.5	1.2	7.9
Japan	44.1	33.1	33.1	35.2	31.1
India	12.8	12.8	18.1	21.3	16.5
Taiwan	16.2	18.9	17.4	19.9	15.5
Korea	11.7	11.2	13.8	11.0	15.8
All other	13.7	23.0	11.1	11.5	13.2
Total	100.0	100.0	100.0	100.0	100.0

1/ Includes imports entered under items 610.6240, 610.6500, 610.7000, and 610.7400 of the Tariff Schedules of the United States Annotated (1984) (TSUSA).

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

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

Imports from Brazil of malleable cast-iron pipe fittings covered by the investigation followed a similar trend, declining by 20 percent from 1981 to 1982 and then more than doubling from 1982 to 1983 (table 10). During January-August 1984, imports from Brazil were 6 times as great as in January-August 1983. The average unit value of these imports from Brazil rose from $0.62 per pound in 1981 to $0.69 per pound in 1982 and then dropped to $0.57 per pound in 1983 and to $0.53 per pound in January-August 1984. Brazil's share of total imports of these malleable fittings declined from 2.0 percent in 1981 to 1.4 percent in 1982 and then rose to 3.7 percent in 1983 and 6.3 percent in January-August 1984. Japan was the leading source of these imports in 1983, followed by Taiwan, India, Korea, and Brazil, listed in descending order. Total U.S. imports of malleable fittings covered by the investigation increased by 14 percent from 1981 to 1982, 2 percent from 1982 to 1983, and 54 percent in January-August 1984 compared with imports in January-August 1983. Baltimore, MD, was the major U.S. customs district through which imports of malleable cast-iron pipe fittings from Brazil entered the United States, accounting for 59 percent and 95 percent of such imports in 1983 and January-June 1984, respectively. Houston, TX, accounted for 34 percent of such imports in 1983, and Los Angeles, CA, accounted for 7 percent.

Nonmalleable cast-iron pipe fittings covered by the investigation were not imported from Brazil until November-December 1983, when 1,052 short tons were imported (table 11). In the first eight months of 1984, 972 short tons were imported from Brazil. The average unit value of imports of the Brazilian product dropped from $0.36 per pound in 1983 to $0.33 per pound in January-August 1984. Brazil was the third leading source of imports of this product in 1983, behind India and Korea, accounting for 13.3 percent of total imports. In January-August 1984, Brazil was the fourth leading source of imports, behind India, Korea, and Canada, accounting for 11.3 percent of total imports. Total U.S. imports of nonmalleable fittings covered by the investigation rose by 30 percent from 1981 to 1982 and 20 percent from 1982 to 1983, and then more than doubled in January-August 1984 compared with imports in January-August 1983. Baltimore, MD, accounted for 100 percent and 98 percent of imports of Brazilian nonmalleable fittings in 1983 and January-June 1984, respectively.

The petitioners alleged in an October 5, 1984, amendment to the petition that imports of cast-iron pipe fittings from India, entering under TSUSA items 610.6240, 610.6500, 610.7000, and 610.7400, are not pressure fittings comparable to those produced by the domestic industry and should be excluded from the data base used in the investigation. The Commission staff contacted the 14 largest importers of these products from India, accounting for more than 90 percent of such imports, and found that 84.5 percent of the imports of malleable fittings from India and 74.2 percent of the imports of nonmalleable fittings from India are not pressure fittings as defined in the petitioners' amended product description. Most of the imports from India are larger, heavier articles such as valve box extension fittings and adapters, extensions, and mechanical joints for gate valves, which accounts for the fact that the average unit value of imports from India was less than half the value of imports from other principal sources. Consequently, imports from India were adjusted to exclude articles that do not fall within the scope of the amended petition for purposes of calculating U.S. consumption and import penetration as presented in this report.

Table 10.--Certain malleable cast-iron pipe fittings: U.S. imports for consumption, 1/ by selected sources, 1981-83, January-August 1983, and January-August 1984

Item	1981	1982	1983	January-August--	
				1983	1984
	Quantity (short tons)				
Brazil	328	263	698	195	1,168
Japan	9,390	8,357	8,851	5,661	8,416
Taiwan	3,168	3,961	4,249	3,004	3,410
India	1,141	1,970	2,126	1,614	1,737
Korea	757	1,946	1,532	581	2,437
All other	1,551	2,159	1,619	1,023	1,464
Total	16,336	18,656	19,075	12,078	18,631
	Value (1,000 dollars)				
Brazil	408	363	794	259	1,234
Japan	11,785	11,013	11,201	7,077	11,528
Taiwan	4,241	5,209	5,711	4,084	4,374
India	577	1,000	985	752	864
Korea	759	1,925	1,565	615	2,273
All other	2,255	3,261	2,253	1,531	2,694
Total	20,026	22,770	22,509	14,317	22,969
	Unit value (per pound)				
Brazil	$0.62	$0.69	$0.57	$0.66	$0.53
Japan	.63	.66	.63	.63	.68
Taiwan	.67	.66	.67	.68	.64
India	.25	.25	.23	.23	.25
Korea	.50	.49	.51	.53	.47
All other	.73	.76	.70	.75	.92
Average	.61	.61	.59	.59	.62
	Percent of total quantity				
Brazil	2.0	1.4	3.7	1.6	6.3
Japan	57.5	44.8	46.4	46.9	45.2
Taiwan	19.4	21.2	22.3	24.9	18.3
India	7.0	10.6	11.1	13.4	9.3
Korea	4.6	10.4	8.0	4.8	13.1
All other	9.5	11.6	8.5	8.5	7.9
Total	100.0	100.0	100.0	100.0	100.0

1/ Includes imports entered under TSUSA items 610.7000 and 610.7400.

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

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

Table 11.--Certain nonmalleable cast-iron pipe fittings: U.S. imports for consumption, 1/ by selected sources, 1981-83, January-August 1983, and January-August 1984

Item	1981	1982	1983	January-August--	
				1983	1984
	Quantity (short tons)				
Brazil	0	0	1,052	0	972
India	1,591	1,266	2,763	1,848	2,759
Korea	1,737	871	2,187	1,217	1,861
Canada	906	1,228	875	653	1,174
Taiwan	303	810	452	229	816
All other	524	2,428	566	249	1,021
Total	5,061	6,603	7,894	4,195	8,604
	Value (1,000 dollars)				
Brazil	-	-	748	-	651
India	725	680	1,232	873	1,223
Korea	1,916	1,027	2,252	1,290	1,758
Canada	1,243	1,866	1,273	954	1,364
Taiwan	354	780	383	195	682
All other	564	1,972	566	345	810
Total	4,802	6,325	6,454	3,658	6,488
	Unit value (per pound)				
Brazil	-	-	$0.36	-	$0.33
India	$0.23	$0.27	.22	$0.24	.22
Korea	.55	.59	.51	.53	.47
Canada	.69	.76	.73	.73	.58
Taiwan	.58	.48	.42	.43	.42
All other	.54	.41	.50	.69	.40
Average	.47	.48	.41	.44	.38
	Percent of total quantity				
Brazil	-	-	13.3	-	11.3
India	31.4	19.2	35.0	44.0	32.1
Korea	34.3	13.2	27.7	29.0	21.6
Canada	17.9	18.6	11.1	15.6	13.6
Taiwan	6.0	12.3	5.7	5.5	9.5
All other	10.4	36.8	7.2	5.9	11.9
Total	100.0	100.0	100.0	100.0	100.0

1/ Includes imports entered under TSUSA items 610.6240 and 610.6500.

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

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

Pursuant to section 304(a)(3)(J) of the Tariff Act of 1930 and Treasury Decision 71-89, imported cast-iron pipe fittings covered by the investigation are excepted from country-of-origin marking requirements. However, malleable fittings imported from Brazil are marked with * * *, and nonmalleable fittings imported from Brazil are marked with * * *.

Market penetration of imports

The U.S. producers' share of apparent consumption of cast-iron pipe fittings covered by the investigation declined from 83.2 percent in 1981 to 76.6 percent in 1983 and further dropped to 69.0 percent in January-August 1984 compared with a share of 77.8 percent in January-August 1983 (table 12). Conversely, the share held by imports from Brazil increased from 0.3 percent in 1981 to 1.8 percent in 1983 and to 2.8 percent in January-August 1984 compared with a share of 0.3 percent in the corresponding period of 1983.

Table 12.--Certain cast-iron pipe fittings: Ratios of U.S. producers' shipments and of imports to apparent U.S. consumption, by types and selected sources, 1981-83, January-August 1983, and January-August 1984

(In percent)

Item	1981	1982	1983	January-August--	
				1983	1984
Malleable:					
U.S.-produced	78.5	73.5	71.7	71.7	64.0
Imported from Brazil	0.4	0.4	1.2	0.5	2.4
Imported from other countries	21.1	26.1	27.1	27.8	33.6
Total	100.0	100.0	100.0	100.0	100.0
Nonmalleable:					
U.S.-produced	91.0	86.4	84.5	87.8	77.2
Imported from Brazil	0	0	2.8	0	3.4
Imported from other countries	9.0	13.6	12.7	12.2	19.4
Total	100.0	100.0	100.0	100.0	100.0
Total:					
U.S.-produced	83.2	78.6	76.6	77.8	69.0
Imported from Brazil	0.3	0.2	1.8	0.3	2.8
Imported from other countries	16.5	21.2	21.6	21.9	28.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce and from questionnaires of the U.S. International Trade Commission.

Imports from other countries 1/ also increased as a share of U.S. consumption from 16.5 percent in 1981 to 21.6 percent in 1983 and to 28.2 percent in January-August 1984 compared with a share of 21.9 percent in January-August 1983.

Similar trends existed with respect to shares of apparent consumption of malleable and nonmalleable fittings. However, with respect to nonmalleable fittings, the U.S. producers' share was higher and the share held by imports from countries other than Brazil was lower than for malleable fittings.

Imports of malleable fittings from Brazil as a share of consumption rose from 0.4 percent in 1981 and 1982 to 1.2 percent in 1983 and to 2.4 percent in January-August 1984 compared with a share of 0.5 percent in January-August 1983. Imports of nonmalleable fittings from Brazil, which first entered the United States in late 1983, accounted for 2.8 percent of apparent consumption in 1983 and 3.4 percent in January-August 1984.

Prices

The Commission, in its questionnaires, requested price data for certain specifications of cast-iron pipe fittings sold to distributors by U.S. producers and by Kuhns, Inc., the selling agent for TUPY American Foundry, the sole importer of record for the Brazilian-produced pipe fittings. Prices on imports of cast-iron pipe fittings from countries other than Brazil were not requested although it is recognized that imports from important sources such as Japan, Taiwan, and Korea also have an influence on prices in the market. F.o.b. prices were requested for each firm's largest sale to an unrelated distributor in each quarter during January 1982-June 1984 for the following specifications of pipe fittings:

Product 1: 1-inch, nonmalleable, black, threaded, 90-degree elbows

Product 2: 1/2-inch, malleable, black, threaded, 90-degree elbows

Product 3: 1/2-inch, malleable, galvanized, threaded, 90-degree elbows

Product 4: 3/4-inch, malleable, black, threaded, 90-degree elbows

These products are marketed through a multitiered distribution system. Some sales by Kuhns as well as by producers are made on consignment; that is, the consignee warehouses the product and receives a commission for selling it, but the price is determined by the consignor. 2/ No producer dominates any

1/ Imports from India that enter under the four TSUSA items covered by this investigation but that are not pressure pipe fittings as defined in the petitioners' amended product description are excluded from these calculations (see the pertinent discussion in the "U.S. imports" section of this report.

2/ Transcript of the public conference, pp. 65, 81-2.

region of the continental United States according to testimony of a U.S. producer at the public conference. 1/ The importer, however, asserts that it is not currently soliciting or inventorying on the West Coast and that for malleable pipe fittings it is shut out of particular segments of the domestic market as a result of Buy America acts, which prohibit imported products from being used in particular applications. 2/

Price trends.--Prices for U.S.-produced cast-iron pipe fittings of the specifications noted above generally decreased from January-March 1982 to April-June 1984. The U.S. producers' weighted-average sales price for 1-inch, nonmalleable, black elbows (product 1) decreased from $.522 in January-March 1982 to $.495 in April-June 1984, or by 5 percent (table 13).

Table 13.--Weighted-average prices reported by U.S. producers and an importer for sales to distributors of 1-inch, nonmalleable, black, threaded, 90-degree elbows, standard pressure class, by quarters, January 1982-June 1984

Item	U.S. product	Brazilian product	Margin of underselling	
			Amount	Percent
	Per unit			
1982:				
January-March	$0.522	1/	-	-
April-June	.520	1/	-	-
July-September	.509	1/	-	-
October-December	.535	1/	-	-
1983:				
January-March	.497	1/	-	-
April-June	.505	1/	-	-
July-September	.487	***	***	***
October-December	.545	***	***	***
1984:				
January-March	.493	***	***	***
April-June	.495	1/	-	-

1/ No sales of imports were reported.

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

1/ Ibid., p. 45.

2/ Ibid., pp. 63, 94-95. A U.S. producer testified that there is "a concerted effort" to have the Brazilian product offered in all of the continental United States but could not state with certainty that the Brazilian pipe fittings were actually available in all continental states. Ibid., p. 33.

Exceptions to this trend consisted of temporary increases in October-December of 1982 and 1983 (with the weighted-average sales price going to $.535 in October-December 1982 and to $.545 in October-December 1983). For 1/2-inch, malleable, black elbows (product 2), the U.S. producers' weighted-average sales price declined steadily from $.227 in January-March 1982 to $.199 in April-June 1984, or by 12 percent (table 14). For 1/2-inch, malleable,

Table 14.--Weighted-average prices reported by U.S. producers and an importer for sales to distributors of 1/2-inch, malleable, black, threaded, 90-degree elbows, standard pressure class, by quarters, January 1982-June 1984

Item	U.S. product	Brazilian product	Margin of underselling	
			Amount	Percent
	Per unit			
1982:				
January-March	$0.227	1/	-	-
April-June	.226	1/	-	-
July-September	.215	***	***	***
October-December	.216	***	***	***
1983:				
January-March	.209	1/	-	-
April-June	.210	1/	-	-
July-September	.204	***	***	***
October-December	.205	***	***	***
1984:				
January-March	.194	1/	-	-
April-June	.199	***	***	***

1/ No sales of imports were reported.

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

galvanized elbows (product 3), the U.S. producers' weighted-average price declined steadily from $.233 in January-March 1982 to $.198 in April-June 1984, or by 15 percent (table 15). For 3/4-inch, malleable, black elbows

Table 15.--Weighted-average prices reported by U.S. producers and an importer for sales to distributors of 1/2-inch, malleable, galvanized, threaded, 90-degree elbows, standard pressure class, by quarters, January 1982-June 1984

Item	U.S. product	Brazilian product	Margin of underselling	
			Amount	Percent
	Per unit			
1982:				
January-March	$0.233	1/	-	-
April-June	.233	1/	-	-
July-September	.220	***	***	***
October-December	.219	***	***	***
1983:				
January-March	.215	1/	-	-
April-June	.213	1/	-	-
July-September	.208	***	***	***
October-December	.208	***	***	***
1984:				
January-March	.197	***	***	***
April-June	.198	***	***	***

1/ No sales of imports were reported.

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

(product 4), the U.S. producers' weighted-average price declined steadily from $.260 in January-March 1982 to $.236 in April-June 1984, or by 9 percent (table 16).

Table 16.--Weighted-average prices reported by U.S. producers and an importer for sales to distributors of 3/4-inch, malleable, black, threaded, 90-degree elbows, standard pressure class, by quarters, January 1982-June 1984

Item	U.S. product	Brazilian product	Margin of underselling	
			Amount	Percent
	Per unit			
1982:				
January-March	$0.260	1/	-	-
April-June	.259	1/	-	-
July-September	.247	***	***	***
October-December	.246	***	***	***
1983:				
January-March	.248	1/	-	-
April-June	.244	1/	-	-
July-September	.237	***	***	***
October-December	.242	***	***	***
1984:				
January-March	.232	***	***	***
April-June	.236	***	***	***

1/ No sales of imports were reported.

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

Prices reported by an importer of Brazilian-produced cast-iron pipe fittings for sales to distributors also generally declined from January-March 1982 to April-June 1984. For 1-inch, nonmalleable, black elbows (product 1), the importer's price declined from * * * in July-September 1983 to * * * in January-March 1984, or by * * * percent (table 13). For 1/2-inch, malleable, black elbows (product 2), the importer's price declined steadily from * * * in July-September 1982 to * * * in April-June 1984, or by * * * percent (table 14). For 1/2-inch, malleable, galvanized elbows (product 3), the importer's price declined from * * * in July-September 1982 to * * * in April-June 1984, or by * * * percent (table 15). For 3/4-inch, malleable, black elbows (product 4), the importer's price declined from * * * in July-September 1982 to * * * in April-June 1984, or by * * * percent (table 16).

Margins of underselling.--Prices reported by the U.S. producers and by the importer of the Brazilian product show underselling for all specifications of cast-iron pipe fittings during all of the quarters within the January 1982-June 1984 period in which sales of the Brazilian product were reported. For 1-inch, nonmalleable, black elbows (product 1), margins of underselling ranged from 20.0 percent to 31.9 percent (table 13). For 1/2-inch, malleable, black elbows (product 2), margins of underselling ranged from 25.6 percent to 33.2 percent (table 14). For 1/2-inch, malleable, galvanized elbows (product 3), margins of underselling ranged from 22.4 percent to 32.8 percent (table 15). And for 3/4-inch, malleable, black elbows (product 4), margins of underselling ranged from 26.8 percent to 36.4 percent (table 16).

Transportation costs.--The U.S. producers and the importer of the Brazilian product were requested to report transporation costs to their three largest metropolitan markets for their reported sales of cast-iron pipe fittings. In all cases, transportation was by truck, and the freight charges were reported per 100 pounds of pipe fittings shipped in full truckload quantities from their plants to the aforesaid three largest metropolitan markets. One producer reported at the public conference that its firm pays the freight costs for shipments of 2,000 pounds or more, and the distributor pays the costs for smaller shipments. 1/ This is the standard practice in the industry, and most shipments exceed 2,000 pounds. ITT-Grinnell reported that freight costs account for an average of approximately * * * percent of the offer price for domestic shipments of cast-iron pipe fittings. 2/ The following freight charges were reported in response to the Commission's questionnaires:

* * * * * * *

Lost sales and lost revenues

A number of producers indicated that specific instances of lost sales or lost revenues are difficult to pinpoint because cast-iron pipe fittings are sold through distributors that stock fittings made by more than one producer, and the distributors are reluctant to divulge which producer's fittings are offered or sold to particular customers.

Only one specific allegation of lost sales was provided by a U.S. producer. That allegation was made by * * * and involved * * * pounds of malleable fittings purchased by * * * in * * * for a total price estimated to be * * * lower than the price offered by * * *'s distributor. The purchasing agent for * * *, which is a * * *, indicated that * * *. * * *.

* * * made no specific allegations of lost sales or lost revenues but was aware of one purchaser that allegedly bought Brazilian cast-iron pipe fittings in lieu of those manufactured by * * *. This purchaser, * * *, is a * * *. The firm buys from * * *. * * *.

ITT-Grinnell made no specific allegations of lost sales or lost revenues. However, at the public conference, an official of Kuhns indicated that Kuhns purchased nonmalleable fittings from ITT-Grinnell from 1976 to 1983, when Kuhns shifted its source of supply to TUPY. 3/ ITT-Grinnell later reported that it had sold an annual average of * * * in nonmalleable fittings to Kuhns from 1980 through 1982, * * * in 1983, and * * * in 1984. 4/

1/ Ibid., p. 46.
2/ Petitioners' submission of Oct. 18, 1984, p. 3.
3/ Transcript of the public conference, pp. 57-58.
4/ Petitioners' submission of Oct. 19, 1984, p. 2.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-221 and 222 (Preliminary)]

Certain Cast-Iron Pipe Fittings From Brazil and India

AGENCY: International Trade Commission.

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

SUMMARY: The United States International Trade Commission hereby gives notice of the institution of investigations Nos. 701-TA-221 and 222 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil and India of non-alloy cast-iron pipe and tube fittings other than for cast-iron soil pipe, provided for in items 610.62, 610.65, 610.70, and 610.74 of the Tariff Schedules of the United States (TSUS), which are alleged to be subsidized by the Governments of Brazil and India.

EFFECTIVE DATE: September 18, 1984.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Carpenter, Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0399.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted in response to petitions filed on September 18, 1984, by the Cast Iron Pipe Fittings Committee.[1]

[1] The 5 member producers of this committee are Stanley G. Flagg & Co., Inc., ITT-Grinnell, Stockham Valves & Fittings Co., U-Brand Corp., and Ward Foundry Div. of Clevepak Corp.

The Commission must make its determinations in these investigations within 45 days after the date of the filing of the petition, or by November 2, 1984 (19 CFR 207.17).

Participation.—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 seven (7) days after the publication of this notice in the **Federal Register**. Any entry of appearance filed after this date will be referred to the Chairwoman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

Service of documents.—The Secretary will compile a service list from the entries of appearance filed in these investigations. Any party submitting a document in connection with the investigations shall, in addition to complying with section 201.8 of the Commission's rules (19 CFR 201.8), serve a copy of each such document on all other parties to the investigations. Such service shall conform with the requirements set forth in § 201.16(b) of the rules (19 CFR 201.16(b)).

In addition to the foregoing, each document filed with the Commission in the course of these investigations must include a certificate of service setting forth the manner and date of such service. This certificate will be deemed proof of service of the document. Documents not accompanied by a certificate of service will not be accepted by the Secretary.

Written submissions.—Any person may submit to the Commission on or before October 16, 1984, a written statement of information pertinent to the subject matter of these investigations (19 CFR 207.15). A signed original and fourteen (14) copies of such statements must be submitted (19 CFR 201.8).

Any business information which a submitter desires the Commission to treat as confidential shall be submitted separately, and each sheet must be clearly marked at the top "Confidential Business Data." Confidential submissions must conform with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6). All written submissions, except for confidential business data, will be available for public inspection.

Conference.—The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on October 12, 1984, at the U.S. International Trade Commission Building, 701 E Street, NW, Washington, D.C. Parties wishing to participate in the conference should contact Robert Carpenter (202-523-0399), not later than October 5, 1984, to arrange for their appearance. Parties in support of the imposition of countervailing duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Public inspection.—A copy of the petition and all written submissions, except for confidential business data, will be available for public inspection during regular hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

Issued: September 21, 1984.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-25568 Filed 9-25-84: 8:45 am]
BILLING CODE 7020-01-M

Committee, the petitioner in the subject investigation, filed a letter with the U.S. Department of Commerce and the U.S. International Trade Commission withdrawing its petition concerning imports of certain cast-iron pipe fittings from India. Having received this letter, Commerce did not initiate an investigation as provided for in section 702(c) of the Tariff Act of 1930. Accordingly, the Commission hereby gives notice that the countervailing duty investigation, involving imports from India of non-allowy cast-iron pipe and tube fittings other than for cast-iron soil pipe, provided for in items 610.62, 610.65, 610.70, and 610.74 of the Tariff Schedules of the United States (investigation No. 701-TA-222 (Preliminary)), will not be continued further.

EFFECTIVE DATE: October 11, 1984.

FOR FURTHER INFORMATION CONTACT: Mr. Robert Carpenter, Office of Investigations, U.S. International Trade Commission, 701 E Street, NW., Washington, D.C. 20436, telephone 202-523-0399.

This notice is published pursuant to § 207.40 of the Commission's Rules of Practice and Procedure (19 CFR 207.40).

By order of the Commission.

Issued: October 11, 1984.

Kenneth R. Mason,

Secretary.

[FR Doc. 84-27483 Filed 10-16-84; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 701-TA-222 (Preliminary)]

Certain Cast-Iron Pipe Fittings From India

AGENCY: United States International Trade Commission.

ACTION: Notice of withdrawal of petition in countervailing duty investigation.

SUMMARY: On October 5, 1984, counsel for the Cast Iron Pipe Fittings

[C-351-405]

Initiation of Countervailing Duty Investigation—Certain Cast-Iron Pipe Fittings from Brazil

AGENCY: International Trade Administration/Import Administration, Commerce.

ACTION: Notice of Initiation of Countervailing Duty Investigation.

SUMMARY: On the basis of petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether the manufacturers, producers, or exporters in Brazil of certain types of cast-iron pipe fittings, as described in the "Scope of Investigation" section below, receive benefits which constitute subsidies within the meaning of the countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) so that it may determine whether imports of the subject merchandise materially injure, or threaten material injury to, a U.S. industry. The petition also alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act. If our investigation proceeds normally, we will make our preliminary determination on or before December 12, 1984.

EFFECTIVE DATE: October 16, 1984. A-32

FOR FURTHER INFORMATION CONTACT: Laurel LaCivita, Office of Investigations,

Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street & Constitution Avenue, NW., Washington, D.C. 20230. Telephone (202) 377-3530.

SUPPLEMENTARY INFORMATION:

Petition

On September 18, 1984, we received a petition from the Cast Iron Pipe Fittings Committee, filed on behalf of the five major domestic cast-iron pipe-fitting producers who comprise the U.S. industry. In compliance with the filing requirements of § 355.26 of the Commerce Regulations (19 CFR 355.26), the petition alleges that manufacturers, producers, or exporters of certain cast-iron pipe fittings in Brazil receive, directly or indirectly, benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act) and that these imports materially injure, or threaten material injury to, a U.S. industry. In addition, the petition alleges that "critical circumstances" exist within the meaning of section 703(e)(1) of the Act.

Brazil is a "country under the Agreement" within the meaning of setion 701(b) of the Act; therefore Title VII of the Act applies to this investigation and an injury determination is required.

Initiation of Investigation

Under section 702(c) of the Act, within 20 days after a petition is filed, we must determine whether the petition sets forth the allegations necessary for the initiation of a countervailing duty investigation and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on certain cast-iron pipe fittings from Brazil and we have found that the petition meets these requirements. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Brazil of certain cast-iron pipe fittings, as described in the "Scope of the Investigation" section of this notice, receive benefits which constitute subsidies. If our investigation proceeds normally, we will make our prelimiary determination by December 12, 1984.

Scope of the Investigation

The merchandise covered by this investigation is certain cast-iron pipe fittings, which are defined for purposes of this proceeding as: cast-iron fittings, not malleable, other than alloy cast iron and other than for use with cast-iron soil pipe; of cast-iron fittings, malleabe, advanced in condition by operations or processes subsequent to the casting process, or if not advanced, of other than alloy cast-iron as currently provided for in items 610.6240, 610.6500, 610.7000 and 610.7400 of the *Tariff Schedules of the United States, Annotated* (TSUSA).

Allegations of Subsidies

The petition alleges that Brazilian manufacturers, producers, or exporters of certain cast-iron pipe fittings received benefits which constitute subsidies. We are initiating on the following allegations:

- The Foundry Plan (the Third Basic Plan of Scientific and Technological Development of III PBCT)
- Short-Term Financing—Resolutions 674 and 882
- Export Financing Under CIC-CREGE 14-11 Circular
- Guarantees for Long-Term Foreign Currency Denominated Loans
- Incentives for Trading Companies—Resolution 643
- FINEX Export-Financing Programs—Resolution 68
- Preferential Financing for Storage of Export Merchandise Program—Resolution 330
- PROEX Export Promotion Credit
- Export Income Tax Exemption—Decree Laws 1158 and 1721
- Accelerated Depreciation of Equipment—Decree Law 1137
- Income Tax Deductions for Foreign Selling Expenses
- IPI Export Credit Premium
- Industrial Development Council (CDI) Program—Exemption of IPI Tax and Customs Duties on Imported Equipment—Decree Laws 1428 and 1726
- Tax Reductions on Export Production Equipment—Decree Law 1428
- BEFIEX Program—Decree Laws 77065 and 1219
- Funding for Expansion Through IPI Rebates—Decree Laws 1547 and 1843
- Program for Pilot Industrial Plants—CDI Resolution 22
- State-Offered Incentives to Foreign Investors

We have determined not to initiate on the following allegations:

1. *BNDES Partially-Indexed Long-Term Loans.*—In our final determination on Certain Carbon Steel Products from Brazil, dated April 26, 1984 (49 FR 17988), we determined that BNDES financing did not confer subsidies on the companies investigated during the 1982 period of review, because such financing was generally available. The petition presents no new evidence or changed circumstances with respect to this program; we will not examine it again at this time.

2. *Preferential Financing for Exports—Resolution 331.*—In prior cases, the Department has determined that export financing under Resolution 331 does not confer a subsidy because Resolution 331 is a set of rules and regulations established by the Brazilian government enabling banks, for export transactions, to discount accounts receivable denominated in foreign currency. Beyond establishing these rules, the government has no further involvement. The rules do not affect the setting of discount rates on such loans. Banks that act as intermediaries in export transactions operate under the rules if they choose to do such discounting. The government of Brazil provides no funds to banks to enable them to discount rates. The rate of discount reflects commercial considerations of the banks themselves. Furthermore, the petition presents no new evidence or changed circumstances with respect to this program. Consequently, we will not examine it again at this time.

3. *Excessive IPI Remission Upon Export.*—In our final affirmative countervailing duty determination of June 6, 1983 on Frozen Concentrated Orange Juice from Brazil (48 FR 25245), the Department determined that exemptions of exports from the IPI, a value-added tax, did not constitute a subsidy. Petitioner does not provide any new evidence or changed circumstances with respect to this program that would lead us to reconsider our earlier conclusion. Consequently, we will not examine it again at this time.

4. *Excessive ICM Remission Upon Export.*—In our final affirmative countervailing duty determination of January 20, 1983, on Carbon Steel Plate from Brazil (48 FR 2568), the Department determined that the State Value-Added Tax (ICM) Export Credit Premium, under whch Brazilian companies were eligible for an overrebate of a state value-added tax on goods destined for export, was eliminated by Convention 01-79, published January 12, 1979. Petitioner does not provide any new evidence or changed circumstances with respect to this program that would lead us to reconsider our earlier conclusion. Consequently, we will not examine it again at this time.

5. *Pig Iron Subsidies.*—With respect to subsidized pig iron inputs, the Department has stated on several occasions that benefits bestowed upon the manufacture of an input do not necessarily flow down to the purchaser of that input. When sales transactions are made at arm's length, the Department takes economic

considerations into account to determine whether a benefit received by a seller is passed on to the purchaser [see *Welded Carbon Steel Pipes and Tubes from Brazil*, 47 FR 44814 (1982); 47 FR 57551 (1982)]. The petition does not allege, nor does it provide any evidence, that the Brazilian manufacturers of certain cast-iron pipe fittings are related to Brazilian producers of pig iron or that transactions between these parties are conducted on other than an arm's-length basis. There is nothing in the record of previous countervailing duty investigations against Brazilian pig iron producers that suggest otherwise. Moreover, petitioners have not alleged that the relevant inputs are not available at comparable prices from other sources, or that Brazilian producers of pig iron undercut prices available from other suppliers. Accordingly, we will not examine subsidized pig iron inputs into the Brazilian cast-iron pipe-fittings industry at this time.

Notification of ITC

Section 702(d) of the Act requires us to notify the U.S. International Trade Commission (ITC) of this action, and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonconfidential information. We will also allow the ITC access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by November 2, 1984, whether there is a reasonable indication that imports of certain cast-iron pipe fittings from Brazil materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated, otherwise, the investigation will proceed to conclusion.

Alan F. Holmer,

Deputy Assistant Secretary for Import Administration.

[FR Doc. 84-27251 Filed 10-15-84; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

THE COMMISSION'S CALENDAR OF THE PUBLIC CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigation No. 701-TA-221 (Preliminary)

CERTAIN CAST-IRON PIPE FITTINGS FROM BRAZIL

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the subject investigation on October 12, 1984, in the hearing room of the USITC Building, 701 E Street, NW., Washington, D.C.

In support of the imposition of countervailing duties

Rose, Schmidt, Dixon & Hasley
Washington, D.C.
on behalf of

The Cast Iron Pipe Fittings Committee

Raymond E. Carey, Vice President and Director of Marketing, ITT-Grinnell Corp.

Peter Buck Feller)
Michael K. Tomenga)--OF COUNSEL
Lawrence J. Bogard)

In opposition to the imposition of countervailing duties

Freeman, Wasserman & Schneider--Counsel
New York, N.Y.
on behalf of

Kuhns, Inc.
Fundicao TUPY, S.A.
TUPY American Foundry Corp.

John Lasko, Chairman, Kuhns, Inc.
Ken Guise, President, Kuhns, Inc.
Mario Parucher, Sales Director, Fundicao TUPY, S.A.

Jack Wasserman)
Philip Yale Simons)--OF COUNSEL