# HEAVY-WALLED RECTANGULAR WELDED CARBON STEEL PIPES AND TUBES FROM CANADA

**Determination of the Commission in Investigation No. 731-TA-254 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation**

**USITC PUBLICATION 1808**

**FEBRUARY 1986**

United States International Trade Commission / Washington, DC 20436

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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Note.--Information that would reveal the confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigation No. 731-TA-254 (Final)

# HEAVY-WALLED RECTANGULAR WELDED CARBON STEEL PIPES AND TUBES FROM CANADA

## Determination

On the basis of the record 1/ developed in the subject investigation, the Commission determines, 2/ pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)), that an industry in the United States is not materially injured or threatened with material injury, and the establishment of an industry in the United States is not materially retarded, by reason of imports from Canada of heavy-walled rectangular welded carbon steel pipes and tubes, provided for in item 610.39 of the Tariff Schedules of the United States, which have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

## Background

The Commission instituted this investigation effective November 22, 1985, following a final determination by the Department of Commerce that imports of heavy-walled rectangular welded carbon steel pipes and tubes from Canada were being sold at LTFV within the meaning of section 731 of the Act (19 U.S.C. § 1673). Notice of the institution of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of December 17, 1985 (50 F.R. 51648). The hearing was held in Washington, DC, on January 10, 1986, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

2/ Commissioner Eckes dissenting.

VIEWS OF
CHAIRWOMAN PAULA STERN, VICE CHAIRMAN SUSAN LIEBELER,
AND COMMISSIONER ANNE BRUNSDALE

In this investigation, we determine that an industry in the United States is not materially injured, or threatened with material injury, and that there is no material retardation of the establishment of an industry in the United States, by reason of imports of heavy-walled rectangular pipes and tubes from Canada. 1/ 2/ 3/

Our determination rests primarily on the lack of any causal connection between the imports from Canada and the condition of the domestic industry. In making our determination we have relied on, among other factors, the increases in U.S. production, domestic shipments, and capital expenditures, declining import penetration, lack of price effects, and the extremely low weighted average dumping margin.

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1/ See Separate Views of Commissioners Lodwick and Rohr, infra.

2/ See Dissenting Views of Commissioner Eckes, infra. Commissioner Eckes concurs with the definition of the like product and the domestic industry in this opinion.

3/ Material retardation of the establishment of an industry is not an issue and is not discussed.

The like product and the domestic industry [4/]

The imported product that is the subject of this investigation is heavy-walled rectangular welded carbon steel tubing (H-WR) having a wall thickness of 0.156 inch or greater, in rectangles from 3 x 2 inches to 20 x 12 inches and from 2 to 16 inch squares. We have investigated this product on several prior occasions. [5/] In those investigations we concluded that the like product consists of domestically produced H-WR and the industry consists of the domestic producers of H-WR. No new information has been uncovered that suggests that we should change our definition of the like product and the domestic industry and no party to

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4/ The term "industry" is defined as "the domestic producers as a whole of the like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product." 19 U.S.C. 1677(4)(A). The term "like product" is defined as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ." 19 U.S.C. 1677(10).

5/ See, e.g., Certain Carbon Steel Pipes and Tubes from the People's Republic of China, the Philippines, and Singapore, Invs. No. 731-TA-292-296 (Preliminary), USITC Pub. 1796 (Dec. 1985) (People's Republic of China, the Philippines, and Singapore); Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada, Inv. No. 731-TA-254 (Preliminary), USITC Pub. 1691 (1985); Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Invs. No. 731-TA-131-132 (Preliminary), USITC Pub. 1389 (1983).

the investigation has suggested any such change. Therefore, we adhere to our prior determinations of the like product and the domestic industry.

Condition of the industry [6/]

In order to determine whether there is material injury, the Commission must consider, among other factors, trends in production, capacity utilization, sales, market share, employment, wages, and profitability of the domestic industry. [7/]

In recent investigations regarding this product, we found that the condition of the domestic industry had improved from its previously depressed level. In the current investigation, we have more complete data and find that these positive trends are continuing. Significant domestic industry performance indicators--production, shipments, sales, and employment--rose throughout the period of investigation.

Domestic production increased from 289,502 tons in 1982 to 444,698 tons in 1984, and from 343,773 tons during

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6/ Much of the information regarding the condition of the domestic industry and the imports is confidential and, therefore, can be discussed only in general terms.

7/ 19 U.S.C. 1677(7)(C)(iii).

January-September 1984 to 372,202 tons during the corresponding period of 1985.[8] When we annualize 1985 production figures (on a straight line basis) and compare the result (496,269 tons) with 1982 data, domestic production increased by more than 71 percent over the four year period.

Domestic producers' shipments increased from 300,469 tons in 1982 to 438,151 tons in 1984, and from 338,862 tons in January-September 1984 to 371,235 tons during the same period of 1985.[9] Thus, when we annualize domestic shipment data on a straight line basis and compare the result (494,980 tons) with 1982 shipments, domestic shipments increased by 65 percent during the four years.

Domestic producers increased their installed productive capacity by more than 8 percent from 1982-84.[10] During January-September 1985, domestic productive capacity decreased approximately 1 percent compared to the corresponding period of 1984.[11] Domestic productive capacity utilization increased from 26.3 percent in 1982 to 40.6 percent during the nine months of 1985.[12]

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8/ Report of the Commission (Report) at Table 2.

9/ Id at Table 1.

10/ Id. at Table 2.

11/ Id.

12/ Id.

The number of production and related workers for H-WR increased throughout the period of investigation.[13/] Wages paid, total compensation, and labor productivity all increased,[14/] and aside from a slight decline in 1983, hours worked by production and related workers producing H-WR likewise increased. Unit labor costs declined an annual average 12 percent from 1982 to 1984 and an additional one percent from January-September 1984 to January-September 1985.[15/]

The financial performance of the domestic industry improved irregularly over the period of investigation. The industry posted net operating losses of $11.6 million in 1982, but posted net operating income of $2 million during January-September 1985. The ratio of net operating income (or loss) to net sales shifted from (9.1) percent in 1982 to 1.7 percent during January-September 1985. The number of firms reporting operating losses decreased by 40 percent.[16/]

The industry has increased its productive capacity over the period of the investigation in spite of low capacity

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13/ Id. at Table 5.

14/ Id. at Table 6.

15/ Id.

16/ Id. at Table 7.

utilization. It has invested significant sums in capital expenditures, especially machinery and equipment used to produce H-WR.[17/] Thus, the domestic industry does not consider current levels of capacity utilization a bar to modernization and is willing to incur costs to buy new machinery, presumably because the producers expect to be able to use that new machinery profitably to lower costs and expand output.[18/]

Accordingly, the condition of the domestic industry has improved significantly during the course of the investigation. However, our negative determination rests primarily on the following analysis of causal factors.

No material injury by reason of the LTFV heavy-walled rectangular imports

In determining whether there is material injury to the domestic industry "by reason of" the imports subject to the investigation, the Commission must consider, among other factors, the volume of imports, the effect of the LTFV imports on prices in the United States for the like product,

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17/ Id. at Table 9.

18/ The costs associated with the purchase, installation, and start-up of this new capacity may have contributed to greater-than-normal costs and lower-than-normal profits during the period of the investigation.

and the impact of such imports on the relevant domestic industry.[19] In this investigation, we find that there is no material injury by reason of the imports. This conclusion rests principally on findings of: no significant increase in import market share in an expanding market; no significant impact on prices; increases in U.S. production, domestic shipments, and capital expenditures; and the extremely low weighted average dumping margin found by the Department of Commerce.[20]

A. Imports from Canada[21]

Imports from Canada, as a share of domestic consumption,

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

20/ Vice Chairman Liebeler finds five factors to be particularly helpful on the issue of causation. An affirmative vote is more likely when the following conditions are present: (1) a large and increasing market share; (2) a high margin of dumping or subsidization; (3) homogeneous products; (4) declining domestic prices, and (5) barriers to entry. See Certain Red Raspberries from Canada, Inv. No. 731-TA-196 (Final), USITC Pub. 1680 at 11-19 (1985) (Additional Views of Vice Chairman Liebeler). Four of these factors are discussed directly in the body of this opinion. She also notes that foreign supply elasticity is high as evidenced by Japan's substantial imports to the U.S. market. Given Japan's presence, it would not be rational for Canada to price discriminate and attempt to injure the U.S. industry.

21/ We note that Commerce excluded from its final affirmative determination H-WR imported by Acier Royalcor Steel (Royalcor) because it found a de minimis weighted average margin of dumping, 0.15 percent. However, the import data we have obtained during this investigation includes the

(Footnote continued on following page)

have declined during the period of this investigation.[22/] Thus, although Canadian imports have increased absolutely, they have not taken market share from domestic producers. Domestic consumption has increased rapidly from 445,085 tons in 1982 to 701,555 tons in 1984 and from 539,506 tons during January-September 1984 to 578,354 tons during January-September 1985.[23/] Given the sharp increases in domestic consumption, the absolute volume of imports is not a useful indicator of causation.

B. Prices and profits

In examining the price effects of the Canadian imports of H-WR, we find that prices of the Canadian and the domestic products have behaved similarly throughout the period of investigation, increasing and decreasing at about the same time. Moreover, there is no overall pattern of underselling

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(Footnote continued from preceding page)
H-WR imported by Royalcor. We do not have import information that excludes Royalcor. Thus, the data overstate the relevant import figures and likewise overstate import penetration.

22/ Report at Table 12.

23/ Id. at Table 1.

by the Canadian product. [24/] [25/]

Recent increases in domestic production and shipments have not led to significant increases in profitability. Although operating income as a percent of sales improved markedly after 1982, there has been little change in this profit measure since 1983. [26/] These results are explained by the low levels of capacity utilization discussed above, which suggest that substantial expansion in the demand for domestic output would not have much effect on domestic prices

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24/ Id. at Tables 13-16. Even though one imported item has consistently undersold the domestic product in the service center/distributors market, another imported product has consistently oversold the domestic item in the end user market. Id.

25/ Vice Chairman Liebeler and Commissioner Brunsdale believe that evidence of underselling is ordinarily not probative on the issue of causation. They do not find the particular data on underselling gathered by the Commission useful. Chairwoman Stern believes that evidence of underselling should be used only with caution.

In this case, we note that the relevant products are not usually the same (i.e. homogeneous) for different suppliers. Hence prices received by different suppliers are expected to vary and price differences among firms can persist over time. Thus, the observed price differences among firms are not helpful in analyzing causation. See Memorandum from Director, Office of Economics, EC-J-010 (January 7, 1986), at 8-22.

Vice Chairman Liebeler's views are more fully set forth in Certain Table Wine from the Federal Republic of Germany, France, and Italy, Invs. No. 701-TA-258-60 and 731-TA-283-85 (Preliminary), USITC Pub. 1771 at 34-36 (1985) (Additional Views of Vice Chairman Liebeler).

26/ Report at Table 7.

in the short run.[27] Thus, even assuming that the total volume of Canadian imports were to decline substantially and assuming that the entire decline were captured by the domestic producers, domestic capacity utilization would not be raised sufficiently to have a significant effect on profit margins in the industry.

C. Marketing considerations

The Commission received 26 specific lost sales allegations from five U.S. producers, involving 21 purchasers.[28] Although the Commission confirmed that price was one of several purchasing considerations by domestic purchasers, a significant number of purchasers emphasized reliability, delivery time, availability, and

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27/ Based on the information obtained in this investigation we believe that the domestic H-WR industry is competitive, capital-intensive and that the short-run supply curve is highly elastic in the relevant range. See testimony of Dr. Leone, Transcript of the hearing (Tr.) at 71.

28/ We note that the presence or absence of confirmed lost sales is rarely determinative or persuasive on the question of a causal link between LTFV imports and material injury to the domestic industry. Typically, an import that is sold at less than fair value affects the domestic industry in the same way regardless of whether it is a confirmed lost sale. Although it might be appropriate to inquire whether a sale by a respondent has been in lieu of sales by the domestic industry or, alternatively, at the expense of imports from other countries, Commission information on lost sales cannot normally provide an answer to such a question because the data are based on a small and biased sample.

"service." [29] Many purchasers stated that they consider the domestic producers to be the price leaders in the market. [30]

Moreover, none of the lost revenue allegations was confirmed. The Commission received 32 lost revenue allegations from three U.S. producers involving 19 purchasers. Four lost revenue allegations were denied and purchasers were unable to either confirm or deny the allegations in the other instances. [31]

D. LTFV sales analysis

One important factor that led us to our negative determination was the extremely low weighted average dumping margin. In this case, the weighted average dumping margin was an almost negligible 0.65 percent. The market context in this investigation is one in which the products and services offered for sale by different firms are not indistinguishable (i.e., not homogeneous). Although the products by themselves may have many identical physical characteristics, it is clear

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29/ Report at A-34. We note that at least some domestic producers are now willing and able to provide the same types of service, including "roll and hold," traditionally associated with the Canadian producers.

30/ Id. at A-34-37.

31/ Id. at A-38-39.

that purchase decisions are swayed by factors that extend beyond those characteristics. For example, many purchasers also consider such factors as product availability and other marketing services. 32/

In such a case, a very small change in price would not have a significant effect on sales since buyers highly value services relative to price. With a dumping margin of only 0.65 percent, the price of the imported product would have increased in the absence of LTFV sales at almost 65 cents for every $100.00 of imports. Given this extremely low dumping margin, a very special set of circumstances would have to exist in the domestic market for imports to cause injury to the domestic industry. Such special circumstances are not found in this investigation. 33/

E. Conclusion

Based on our analysis of all causal factors, we conclude that the domestic industry is not materially injured by reason of the imports of H-WR from Canada.

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32/ Purchase decisions were based on such factors as being able to obtain timed or expeditious deliveries, less-than-truckload deliveries, small bundle sizes, and size and variety of product inventory.

33/ The memorandum from Director, Office of Economics, EC-J-010 (January 7, 1986) provides an interesting general discussion of some economic factors and methodology relating to title VII.

34/ S. Rep. No. 249, supra, at 89; H.R Rep. No. 317, 96th Cong., 1st Sess. 47 (1979).

No threat of material injury by H-WR imports from Canada

The "threat of material injury" standard "[i]s intended to permit import relief under the . . . antidumping laws before actual material injury occurs." 34/ Section 612(a)(2)(b) of the Trade and Tariff Act of 1984 amended title VII of the Tariff Act of 1930 by adding a new subparagraph, section 771(7)(F), listing a series of factors that "[t]he Commission shall consider among other relevant economic factors" in making a determination of threat of material injury. Those factors include increased production capacity, increased market penetration, and substantial increases in importers' inventories in the United States. In this investigation, we conclude that there is no threat of material injury.

As noted above, H-WR imports from Canada have been present in the U.S. market for some time and they have maintained a stable market presence. Their actual share of apparent domestic consumption has declined irregularly over the course of this investigation dropping to 12.7% during the time period of January-September 1985, compared to 14.4% during 1982. 35/ At the same time, the Canadian producers

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35/ Report at Table 12.

have increased home market sales by more than 71 percent from 1982 to 1985. 36/

There is no evidence of record in this investigation that the Canadian producers intend to increase their share of the U.S. market. In fact, their 1986 marketing plans, which include only modest increases in shipments to the United States, will lead to a decreased relative presence in the U.S. market. 37/ There is no information that any Canadian mill intends to divert production to the United States.

We note that a new firm, Transamerican, has entered the domestic market for H-WR. The firm intends to import and sell Canadian H-WR. This does not alter our conclusion that there is no threat of injury. This new firm can only sell the product that is made available to it by Canadian mills, has no established track record in the United States, and will have to compete in an already crowded market. Thus, it is highly unlikely that the firm will have any significant impact on the market in the foreseeable future.

Finally, the Canadian producers have been experiencing ever-increasing levels of capacity utilization, far in excess

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36/ Id. at Table 10.

37/ There is no information of record that the increases in domestic consumption will abate during 1986.

of levels in the United States.[38] At the same time, the Canadian firms from which we have information have indicated an intention to significantly increase their domestic sales.[39]

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38/ Report at A-18.

39/ There is information of record that there will be increases in Canadian capacity during 1986. Id. at A-19. However, in view of the factors considered in the body, the fact of increased capacity, standing alone, is not sufficient to warrant a conclusion of threat of material injury. See American Spring Wire Corp. v. United States, 590 F.Supp. 1273, 1280-81, aff'd sub. nom. Armco, Inc. v. United States, 760 F.2d 249 (Fed. Cir. 1985).

## Separate Views of Commissioner Lodwick and Commissioner Rohr on Heavy Walled Rectangular Pipe and Tube from Canada

We concur generally with the conclusion of our colleagues, Chairwoman Stern, Vice Chairman Liebeler, and Commissioner Brunsdale, that the industry producing heavy-walled rectangular pipes and tubes (H-WR) in the United States is not materially injured, or threatened with material injury, and that there is no material retardation in the establishment of such an industry, by reason of imports of H-WR from Canada. Because of differences in our analysis of the facts of this investigation, we are stating our separate views on the issues of the condition of the domestic industry and the causal nexus between Canadian imports and that condition. 1/

### Condition of the Domestic Industry

As stated by our colleagues, the information received by the Commission on domestic consumption, production, shipments, capacity, wages, profitability, and the trends in these performance indicators reveal an industry whose condition has substantially improved from that in 1982. However, the issue before the Commission is whether the domestic industry is experiencing material injury. The fact that there have been some improvements in the condition of the industry does not

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1/ We concur with the views of Chairwoman Stern, Vice Chairman Liebeler, and Commissioner Brunsdale on the issues of like product/domestic industry and threat of material injury. We also agree that material retardation of the establishment of an industry is not at issue in this investigation.

necessarily mean that the industry is not materially injured.

We note that there have been increases in production and in the overall capacity of the domestic industry. Despite these increases in production, there is, at present, substantial underutilized capacity available for production. The overall improvement in performance has also had little effect on employment in this industry. Further, while the domestic industry has increased production in absolute quantities, consumption of this product has increased at an even more rapid pace, with the result that, over the last three years, overall domestic market share has steadily decreased.

Finally, the financial performance of this industry has remained weak. Net operating margins have improved from a negative 9.1 percent in 1982. However, subsequent net operating margins of 0.6 percent in 1983, negative 1.3 percent in 1984, and 1.7 percent in interim 1985 do not reflect a reasonably profitable industry. We therefore conclude that this industry is experiencing material injury.

Causation

We conclude that Canadian imports are not a cause of the material injury being experienced by the domestic industry. In reaching this conclusion we have considered all relevant information gathered by the Commission staff, submitted by the parties and presented by the witnesses at the Commission's public hearing.

The volume of imports from Canada, in absolute terms, has

increased. 2/ The Canadian share of total imports has decreased. More importantly, however, Canadian imports, relative to the dynamic conditions of the industry, have been stable. In particular, Canadian production has remained a stable proportion of U.S. production. Similarly, Canadian exports to the United States and Canadian home market shipments have been stable relative to Canadian production. Finally, Canadian exports have maintained a stable share of U.S. apparent consumption. 3/

While these indicia remained generally stable, Canadian market share dipped slightly in 1983 and interim 1985 (January to September). At the same time, the domestic industry achieved a small positive profitability. It might be argued that this negative correlation demonstrates a causal nexus between Canadian imports and material injury. However, these small fluctuations in profitability are explained by cost savings and domestic inventory practices. In particular,

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2/ We have used official import statistics to avoid disclosure of confidential information which would result from exclusion of imports from that single company excluded from Commerce's LTFV finding. We note that we are looking at the effects of Canadian imports over the entire period of investigation on the industry as a whole.

3/ As we have noted, domestic market share is decreasing. The data show that Canadian market share is stable, and that the decrease in domestic market share is attributable to third country imports.

despite substantial increases in net sales by the domestic industry in both 1983 and 1985, the total cost of goods sold actually declined from the levels of the prior years. 4/ This decline in cost of goods sold is attributable to factors such as changes in the value of raw material stocks and declines in unit labor costs. Thus, the increase in domestic profitability reflects this savings. It bears no relationship to Canadian imports.

In addition, we note that undue emphasis should not be placed on small changes in what is overall a stable pattern of aggregate indicators. Such changes can be due to lags in the reporting of statistics. For example, due to the differences in the timing of the data supplied by Canadian producers on the quantity of imports to the United States during 1982-1984, Canadian figures show a slight "dip" in import penetration in 1984 and no dip in 1983, while the official statistics of the Department of Commerce show the dip in 1983. 5/ The correlation between profitability and market share in this investigation therefore exists only because of the timing of official statistics. 6/

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4/ Significantly, capacity utilization remained at low levels throughout the period and in 1984 profitability dropped despite continuing increases in net sales.

5/ We note that apart from the differences in timing, the Canadian figures conform within one percent to the official statistics.

6/ It is not clear that either Canadian or official statistics is a good indicator of the time at which the imports actually affect the market.

Finally, we also note that volume indicators are only one factor to be looked at by the Commission.

Our examination of pricing factors, as required by statute, indicates that Canadian imports have not had a price depressing or suppressing effect. We note that there is no pattern of consistent Canadian underselling of the domestic industry. There are instances of both underselling and overselling, which supports the information gathered by Commission investigators that this is a very competitive market. The information also indicates that domestic producers have most frequently been the price leaders in this market. Rather, data from purchasers indicate that prices for imports from Canada are as likely to be higher than domestic prices as they are to be lower. Similarly, anecdotal evidence from Commission review of lost sales and lost revenue allegations supports the conclusion that imports from Canada have no real impact on price. The information also indicates that nonprice factors play an important role in this market. The information does not therefore support the conclusion that Canadian imports are a cause of material injury to the domestic industry.

## DISSENTING VIEWS OF COMMISSIONER ECKES

Although we differ in our determinations in this investigation, there should be complete agreement among a majority of the Commission that the domestic industry producing heavy-walled rectangular tubing (H-WR) is experiencing material injury. Only one month ago, a Commission majority wrote in its opinion on investigation No. 731-TA-295 (Preliminary) Heavy-Walled Rectangular Pipes and Tubes From Singapore: "...although there have been improvements in some of the indicia of the condition of the industry since we last examined it, the overall picture is of an industry that remains in a depressed condition. We conclude that there is a reasonable indication that the industry is suffering material injury."

Granted, the Singapore H-WR case was a preliminary investigation and this case, a final. However, no new information has been submitted in this investigation that would cast doubt upon the Commission's assessment of the domestic industry's condition. We obtained data through September 1985 for most of the indicators in the Singapore investigation. More complete responses to our questionnaires extended our information base in this final case, but the trends exhibited by the data remain the same.

Therefore, the Commission majority necessarily must base its negative determination in this case on finding no causal connection between imports from Canada and injury to the

domestic industry. After examining the statutory factors the Commission considers in a causation analysis -- the volume of imports, the effect on domestic prices of the like product, and the impact on the domestic industry -- I find that I cannot agree with the majority. There is a causal link between the injury experienced by the domestic H-WR industry and the imports from Canada.

Condition of the Domestic Industry

First, what has the Commission learned about the condition of the H-WR industry from this and previous investigations? We know that the level of construction activity determines the demand for H-WR, and the recession in 1982 caused a sharp downturn in domestic industry performance. Therefore, the base year for the current investigation shows the economic indicators for the industry at very low levels.

With better economic conditions after 1982, consumption increased 73% (if nine-month 1985 figures are annualized), and domestic production and shipments also increased steadily. Capacity utilization rose from a very low 26.3 percent in 1982 to a still deficient 40.6 percent in the first three quarters of 1985; and employment also rose throughout the investigation period.

However, during this period of increased demand for H-WR, the domestic industry steadily lost market share to imports from all sources until 1985, when there was a slight gain in

share. Although sales increased throughout the period of investigation, the industry operated at a loss in 1982 and 1984; and posted ratios of operating income to net sales of only 0.6 percent in 1983, and 1.7 percent in January-September 1985. Even during 1985, when the industry as a whole reported a slight profit, three of the seven firms submitting financial data to the Commission were operating at a loss. It is obvious that the domestic H-WR industry is experiencing material injury.

Material Injury by Reason of the LTFV Imports from Canada

When considering the volume of H-WR imports during the period of investigation, I did not follow the exhortations of counsel for the respondents to include only those specific imports reported by Commerce to be sold at less than fair value. This would involve separating single-company transactions into fair value and LTFV components and imputing the percentage of total transactions investigated by Commerce that were found to be LTFV to those imports Commerce did not investigate. This is not, and in my opinion, should not be Commission practice under title VII.

Since 1980, the Commission consistently has excluded imports from those foreign companies which have received negative determinations from Commerce. However, after the Commission began operating under title VII, it never has limited its import count to only the LTFV portion of imports from an offending company, nor has it applied the LTFV

percentage to imports from companies not investigated by Commerce. Even in the 1980 reconsideration of Tantalum Electrolytic Fixed Capacitators From Japan 1/ -- a case determined originally in 1976 under the 1921 Antidumping Act where a majority of the Commission did separate LTFV imports -- no member of the Commission separated imports from any one company into fair value and LTFV components for the second determination. Neither Congress nor the reviewing courts have questioned Commission practice in this regard.

Commerce identifies LTFV sales of selected companies over a six-month period. A Commission investigation examines what has happened to the domestic industry over at least a three-year period. Would it be appropriate to use the Commerce short-term finding when the Commission calculates the volume of dumped imports affecting the domestic industry over three years? Is it not possible that a much larger or smaller percentage of LTFV imports entered at a time period other than that period investigated by Commerce?

The six-month time frame used by Commerce also argues against the Commission considering the size of Commerce-found LTFV margins in its material injury causation analysis. Investigative margins are reviewed by Commerce, and there may be little relation between their size and the margins eventually found for determining antidumping duties. There also may be little relation between their size and dumping

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1/ Inv. No. AA-1921-159, USITC Pub. 1092 (1980)

margins that Commerce would have found at an earlier or later time in the Commission's investigative period or from choosing different foreign firms to investigate.

The Commerce final determination serves one purpose in the Commission's deliberations under title VII: it indicates whether alleged dumping has or has not occurred. If dumping has occurred, the Commission must make a final injury determination. I do not believe that Congress intends the Commission to consider the size of the individual company margins or the weighted average margin in determining whether unfair imports are a cause of material injury to the domestic industry over the longer period of our investigation. In fact, the debate on the 1984 Trade and Tariff Act (Congressional Record, July 26, 1984, H7908-H7909) indicates that margin analysis deliberately was excluded from the realm of Commission consideration by Congress.

In the current investigation, the volume of H-WR imports from Canada increased approximately 10 percent from 1982 to 1983 and then almost 43 percent from 1983 to 1984. The volume decreased slightly in January-September 1985 compared to the first three quarters of 1984. As the petition in this case was filed in March 1985, it is not surprising that Canadian import volume dropped in that year.

The share of domestic consumption claimed by Canadian imports varied, moving from 14.4 percent in 1982, to 12.8 percent in 1983, 14.4 percent in 1984, and 12.7 percent in January-June 1985. Most of the Canadian tonnage entered the

United States through the Great Lakes region where much of domestic H-WR is produced, and therefore did not suffer a transportation disadvantage in markets served by a large portion of domestic H-WR production.

The price data in this investigation are difficult to analyze. When we compared U.S. producers' and Canadian-tube importers' weighted average prices to distributers and end users for four H-WR specifications, 66 percent of those comparisons indicated lower prices for the Canadian product by an average margin of 6 percent. However, it is clear that there also were instances of overselling by the Canadian imports. The market for H-WR is highly competitive, with both domestic producers and importers trying to meet or beat their competitors' latest prices. Overall price trends for the U.S. and Canadian product are similar -- higher prices in 1984 than in 1983, and a downward trend in 1985. It is impossible to identify market leaders; in this very competitive market adjustments to competition occur frequently. We do know, however, from responses to lost sales allegations, that some purchasers chose to buy Canadian H-WR on the basis of a lower delivered price.

One pricing factor that cannot be quantified in this case is that of service provided. Representatives of Titan (the largest importer of Canadian H-WR) claimed, and some of its customers confirmed, that Titan gains sales in the United States through superior service. Titan does not assign a cost

to most of these services and maintains they are nonprice factors. However, services do cost money. For example, if Titan is willing to provide customers with just-in-time delivery, it has accepted the cost of carrying inventory. Shipping partial truckloads or providing small bundle sizes to customers sacrifices scale economies. Such services have a cost and therefore a value that is discounted in the prices to customers.

Several of the purchasers answering affirmatively to lost sales inquiries stated that these services were important to their choice of Canadian H-WR. If they also reported that Canadian prices were equal to or sometimes higher than U.S. prices, these "nonprice" services should be factored into the equation.

The presence of large volumes of LTFV Canadian H-WR in the U.S. market has had a perceptible effect on the domestic industry's performance during the period of investigation. In 1983, U.S. consumption went up 25 percent whereas Canadian imports rose 10 percent. Although the share of the market held by all imports increased, the Canadian penetration ratio declined. With increasing sales and lower cost of goods sold (primarily due to having inventories to work off), the domestic industry was able to post a minuscule profit.

However in 1984, the consumption increase was about the same (26.5 percent), but Canadian imports soared 43 percent and the Canadian penetration ratio also rose in the face of

continuing increases in imports from other countries. Even with high price levels for H-WR to cover a higher cost of goods sold, the domestic industry's operating margin turned downward. Sales rose, but not sufficiently to bring profitability.

The total volume of Canadian imports decreased in January-September 1985, very possibly reflecting the filing of this case. The Canadian penetration ratio also declined; and, although H-WR price levels decreased in 1985 compared to 1984, the domestic industry's sales continued to climb and its operating profit margin reached the highest level of the investigation period.

Of course intercompany competition and competition from the imports of countries other than Canada (primarily Japan) must have had some effect on the domestic industry's performance during the period of investigation. However, the changes in performance I observe accompanying changes in the level of competitive pressure from Canadian imports point to Canadian imports as a cause of the domestic industry's problems.

Therefore I find that the domestic industry producing H-WR is materially injured by reason of imports from Canada that the Commerce Department has determined are sold at less than fair value.

# INFORMATION OBTAINED IN THE INVESTIGATION

## Introduction

On March 25, 1985, a petition was filed with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce) by counsel on behalf of the following firms: 1/

Bull Moose Tube Co., St. Louis, MO;
Copperweld Tubing Group, Pittsburgh, PA;
Kaiser Steel Corp., Los Angeles, CA;
Maruichi American Corp., Santa Fe Springs, CA;
UNR-Leavitt, Chicago, IL; and
Welded Tube Co. of America, Chicago, IL.

The petition alleged that heavy-walled rectangular welded carbon steel pipes and tubes 2/ from Canada, provided for in item 610.3955 of the Tariff Schedules of the United States Annotated (TSUSA), are being sold in the United States at less than fair value (LTFV). Accordingly, the Commission instituted antidumping investigation No. 731-TA-254 (Preliminary) under section 731 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 threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports. On May 9, 1985, the Commission determined 3/ that there was a reasonable indication that an industry in the United States was materially injured by reason of imports from Canada of heavy-walled rectangular pipes and tubes that were allegedly being sold in the United States at LTFV.

On September 10, 1985, Commerce published notice in the Federal Register (50 F.R. 36910) of its preliminary determination that certain heavy-walled rectangular welded carbon steel pipes and tubes from Canada are not being, nor are likely to be, sold in the United States at LTFV. However, on November 22, 1985, Commerce made its final determination (50 F.R. 48238) that such pipes and tubes imported from Canada are being sold in the United States at LTFV. 4/ Accordingly, effective November 22, 1985, the Commission instituted investigation No. 731-TA-254 (Final) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of such merchandise.

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1/ These firms are members of the subcommittee on structural tubing of the Committee on Pipe and Tube Imports (CPTI), a trade association composed of pipe and tube producers organized into subcommittees according to the product lines that they produce; member firms producing specific products decide whether or not to file unfair trade petitions. Petition, pp. 2 and 3.

2/ Hereinafter in this report, the subject products will be referred to as heavy-walled rectangular pipes and tubes.

3/ Commissioner Lodwick did not participate.

4/ A copy of Commerce's final determination is presented in app. A.

Notice of the institution of the Commission's final investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of December 17, 1985 (50 F.R. 51468). 1/ The hearing was held in Washington, DC, on January 10, 1986. 2/ The briefing and vote was held on January 29, 1986. The statutory deadline for notifying Commerce of the Commission's determination is February 4, 1986.

## Other Commission Investigations

The Commission has conducted four other investigations concerning heavy-walled rectangular pipes and tubes. The CPTI was the petitioner in all of these investigations. Three investigations in 1983 and 1984 resulted in negative determinations by the Commission, as shown in the following tabulation:

| Investigation No. | Country | Date of determination | Determination by the Commission |
|---|---|---|---|
| 731-TA-131 | Republic of Korea | June 6, 1983 | Negative preliminary. |
| 731-TA-132 | Taiwan | June 6, 1983 | Negative preliminary. 1/ |
| 731-TA-138 | Republic of Korea | April 30, 1984 | Negative final. 2/ |

1/ Commissioner Haggart dissenting.
2/ Commissioners Rohr and Liebeler not participating.

The most recent investigation involved imports of heavy-walled rectangular pipes and tubes from Singapore (investigation No. 731-TA-295 (Preliminary)). On December 20, 1985, the Commission determined 3/ that there was no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of allegedly LTFV imports of heavy-walled rectangular pipes and tubes from Singapore.

## Nature and Extent of Sales at LTFV

On November 22, 1985, Commerce published notice in the Federal Register of its final determination that heavy-walled rectangular pipes and tubes from Canada are being sold in the U.S. at LTFV. Commerce compared the United States price with the foreign market value for sales by two firms, Titan

1/ A copy of the Commission's notice is presented in app. A.
2/ A list of witnesses appearing at the hearing is presented in app. B.
3/ Commissioners Eckes and Lodwick dissenting.

Industrial Corp. and Acier Royalcor Steel, during October 1984-March 1985. 1/ The foreign market value for Titan, the major Canadian exporter of heavy-walled rectangular pipes and tubes, was based on constructed value. The foreign market value for Royalcor was calculated on the basis of home-market ex-factory, packed prices to unrelated purchasers. The weighted-average LTFV margin found by Commerce for sales by Titan was 0.65 percent (this is also the LTFV margin applicable to exports by all firms other than Royalcor). Since the weighted-average margin for Royalcor was de minimis, at 0.15 percent, Royalcor was excluded from the determination. A summary of Commerce's findings is shown in the following tabulation:

| Item | Total sales examined | Sales made at LTFV | LTFV sales as a share of total sales (percent) |
|---|---|---|---|
| Number of transactions | *** | *** | *** |
| Quantity--short tons | *** | *** | *** |
| Value--1,000 dollars | *** | *** | *** |

The LTFV margins on the individual sales examined by Commerce ranged from *** percent to *** percent.

## The Products

### Description and uses

For the most part, the terms "pipes," "tubes," and "tubular products" can be used interchangeably. In some industry publications, however, a distinction is made between pipes and tubes. According to these publications, pipes are produced in large quantities in a few standard sizes, whereas, tubes are made to each customer's specifications regarding dimension, finish, chemical composition, and mechanical properties. Pipes are normally used as conduits for liquids or gases, whereas, tubes are generally used for load-bearing or mechanical purposes. Nevertheless, there is apparently no clear line of demarcation in many cases between pipes and tubes.

According to the method of manufacture, steel pipes and tubes can be divided into two general categories--welded or seamless. Each category can be further subdivided by grades of steel: carbon, heat-resisting, stainless, or other alloy. This method of distinguishing between steel pipe and tube product lines is one of several methods used by the industry. Pipes and tubes typically come in circular, square, or rectangular cross section.

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1/ Commerce also received questionnaire responses from two other companies, Welded Tube of Canada and Capco Tubular Products Co. However, neither was included in the Commerce analysis. The responses of Welded Tube were found to be untimely and inadequate, and the response of Capco represented only one sale, which was considered to be too insignificant to include in the analysis.

The American Iron & Steel Institute (AISI) distinguishes among the various types of pipes and tubes according to six end uses: standard pipe, line pipe, structural pipe and tubing, mechanical tubing, pressure tubing, and oil country tubular goods. 1/

Steel pipes and tubes are generally produced according to standards and specifications published by a number of organizations, including the American Society for Testing & Materials (ASTM), the American Society of Mechanical Engineers, and the American Petroleum Institute (API). Comparable organizations in Japan, West Germany, the United Kingdom, the U.S.S.R., and other countries have also developed standard specifications for steel pipes and tubes.

The imported products covered by this investigation are rectangular (including square) welded carbon steel pipes and tubes having a wall thickness of 0.156 inch or greater. These products are supplied with cross sections in rectangles ranging from 3 by 2 inches to 20 by 12 inches and in 1-1/2 inch to 16-inch squares. They are used for support members for construction or load-bearing purposes in construction, transportation, farm, and material-handling equipment. The products are generally produced to ASTM specification A-500, grade B, and are commonly referred to in the industry as structural tubing.

Manufacturing process

Welded steel pipes and tubes are made by forming flat-rolled steel into a tubular configuration and welding along the joint axis. There are various ways to weld pipes and tubes; the most popular are the electric resistance weld (ERW), the continuous weld (butt weld), the submerged-arc weld, and the spiral weld. However, the rectangular pipes and tubes under investigation are produced only by the ERW process. 2/

All pipes and tubes are formed and welded in a cylindrical configuration. In the ERW process, the plate, sheet, or skelp 3/ raw material is cold-formed by tapered rolls into a cylinder. The weld is formed when the joining edges are heated to approximately 2,600 degrees F. Pressure exerted by rolls squeezes the heated edges together to form the weld. ERW mills produce both pipe in standard sizes and tubular products between 0.375 and 24 inches in outside diameter. Immediately after welding, the product may be reduced by rolling or stretch reducing or may be further formed into squares, rectangles, or other shapes by using forming rolls.

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1/ For a full description of these items, see Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea, Inv. No. 701-TA-168 (Final), USITC Pub. 1345 (1983).

2/ Transcript of the conference in investigations Nos. 731-TA-131 and 132 (Preliminary), pp. 52 and 53.

3/ Skelp is a flat-rolled, intermediate product used as the raw material in the manufacture of pipe and tube. It is typically an untrimmed band of hot- or cold-rolled sheet.

U.S. tariff treatment

Imports of the heavy-walled rectangular pipes and tubes covered by this investigation are classified in TSUS item 610.39 and reported under TSUSA item 610.3955, which includes welded nonalloy steel pipes and tubes of rectangular (including square) cross section, having a wall thickness not less than 0.156 inch, not threaded and not otherwise advanced, other than pipe conforming to API specifications for oil-well casing. During the Tokyo round of the Multilateral Trade Negotiations (MTN), the most-favored-nation (MFN) (col. 1) rate of duty 1/ for TSUS item 610.39 was changed from 0.1 cent per pound to 0.5 percent ad valorem, effective January 1, 1982. This MFN rate of duty is the final staged rate negotiated in the Tokyo Round. The column 2 rate of duty 2/ applicable to imports from non-MFN countries is 1 percent ad valorem. No preferential tariff treatment is afforded to products of countries other than Israel (duty-free entry under the U.S.-Israel Free Trade Area Agreement) and beneficiaries of the Caribbean Basin Economic Recovery Act (see TSUS general headnote 3(e)(vii)), whose products enter free of duty.

## U.S. Producers

There were 17 firms in the United States known or believed to be producing heavy-walled rectangular pipes and tubes during the period covered by this investigation. The following tabulation, which was compiled from data obtained in response to the Commission's questionnaires, shows the principal producers of heavy-walled rectangular pipes and tubes and each firm's share of total reported U.S. producers' shipments in 1984:

| Firm | Location | Share of shipments (percent) |
|---|---|---|
| Acme Roll Forming Co | Sebewaing, MI | *** |
| Bock Industries | Elkhart, IN | *** |
| Bull Moose Tube Co | Chicago Heights, IL<br>Trenton, GA<br>Gerald, MO | *** |
| Copperweld Corp | Chicago, IL | *** |
| Cyclops Corp., Tex-Tube Div | Houston, TX | *** |
| Delta Metalforming Co | Dallas, TX | *** |
| Eugene Welding Co | Marysville, MI | *** |
| Ex-L Tube | North Kansas City, MO | *** |
| Hanna Steel | Fairfield, AL | *** |
| Independence Tube Corp | Chicago, IL | *** |
| James Steel & Tube Co | Madison Heights, MI | *** |

See footnotes at end of tabulation.

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1/ The col. 1 rate is applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUSA.

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

| Firm | Location | Share of shipments (percent) |
|---|---|---|
| Kaiser Steel Corp | Los Angeles, CA | *** |
| Maruichi American Corp. | Santa Fe Springs, CA | *** |
| Mid States Tube Corp | Kenosha, WI | *** |
| Penn Central Corp., Harris Tube Div | Gardena, CA<br>Los Angeles, CA | *** |
| UNR-Leavitt | Chicago, IL | *** |
| Welded Tube Co. of America | Chicago, IL | *** |

1/ * * *.

2/ Although this firm did not complete the Commission's questionnaire, a letter estimating the firm's monthly shipments indicates that the producer's share of shipments would be *** percent.

3/ An incomplete questionnaire response was received from this firm; its data were unusable and are not included in this report. Although no shipments data were provided, the firm's reported 1984 production indicates that this producer's shipments share would be about *** percent.

4/ This firm has not responded to the Commission's questionnaire as of this time.

5/ Although this firm did not complete the Commission's questionnaire, estimates made by the company in a telephone call with the Commission's staff indicate that its share of shipments would be about *** percent.

6/ Although this firm did not complete the Commission's questionnaire, a letter estimating the firm's production indicates that the producer's share of shipments would be *** percent.

The production of heavy-walled rectangular pipes and tubes is heavily concentrated in the Great Lakes area of the United States, with the four largest producers, * * *, accounting for about *** percent of U.S. producers' total reported 1984 shipments.

## U.S. Importers

The net importer file maintained by the U.S. Customs Service identifies more than 50 firms that imported heavy-walled rectangular pipes and tubes from Canada during the period covered by this investigation. Although many U.S. firms import these products for their own consumption and some U.S. steel service centers import for resale, the bulk of the imports are accounted for by a few Canadian producers that export to, and market in, the United States through U.S. parent or U.S. subsidiary companies, or (less frequently) export directly to U.S. customers. The major importers and the share of imports from Canada each accounted for in 1984, as reported in responses to the Commission's questionnaire, are shown in the following tabulation:

| Importer 1/ | Share of imports 2/ (Percent) |
|---|---|
| * * *..... | *** |
| * * *..... | *** |
| * * *..... | *** |

1/ * * * sells in the United States through * * *; * * * sells in the United States through * * *.

2/ Imports reported in response to the Commission's questionnaire as a share of total imports from Canada as reported in official statistics of the U.S. Department of Commerce.

## Apparent U.S. Consumption

Apparent U.S. consumption of heavy-walled rectangular pipes and tubes increased during 1982-84, from 445,085 tons 1/ in 1982 to 701,555 tons in 1984, or by an annual rate of approximately 26 percent; apparent U.S. consumption during January-September 1985, at 578,354 tons, was 7 percent greater than such consumption during January-September 1984 (table 1). According to industry sources, the increase in apparent consumption during 1982-84 was due primarily to increases in construction starts, highway and bridge repair work, and industrial equipment demand. 2/ As shown in the table, imports supplied an increasing share of the market, from 33 percent in 1982 to 38 percent in 1984. This share was 36 percent during January-September 1985.

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

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

U.S. production of heavy-walled rectangular pipes and tubes, as reported in responses to the Commission's questionnaire, increased from 289,502 tons in 1982 to 444,698 tons in 1984. During January-September 1985, U.S. production, at 372,202 tons, was 8 percent greater than the level of production in the corresponding period of 1984 (table 2). Productive capacity for heavy-walled rectangular pipes and tubes, at 1.2 million tons per year in 1984, increased at an average annual rate of 4 percent during 1982-84. Capacity utilization increased from 26 percent in 1982 to 41 percent during January-September 1985.

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1/ Unless otherwise noted, all tons shown in this report are short tons (2,000 pounds).

2/ See notes of Dennis Rapkins of the Commission's staff in investigation No. 731-TA-254 (Preliminary).

Table 1.--Heavy-walled rectangular pipes and tubes: U.S. producers' shipments, imports for consumption, exports 1/ of domestically produced merchandise, and apparent U.S. consumption, 1982-84, January-September 1984, and January-September 1985

| Period | Shipments | Imports | Exports | Apparent consumption | Ratio of imports to-- | |
|---|---|---|---|---|---|---|
| | | | | | Shipments | Consumption |
| | Short tons | | | | Percent | |
| 1982 | 300,469 | 145,392 | 776 | 445,085 | 48.4 | 32.7 |
| 1983 | 370,932 | 184,501 | 893 | 554,540 | 49.7 | 33.3 |
| 1984 | 438,151 | 264,099 | 695 | 701,555 | 60.3 | 37.6 |
| Jan.-Sept-- | | | | | | |
| 1984 | 338,862 | 200,987 | 343 | 539,506 | 59.3 | 37.3 |
| 1985 | 371,235 | 208,399 | 1,280 | 578,354 | 56.1 | 36.0 |

1/ Data on U.S. exports, collected under Schedule B item 610.3060 (a "basket" classification for carbon steel structural pipes and tubes), may be overstated and apparent U.S. consumption similarly understated. Exports were reported by only two U.S. producers in the Commission's questionnaires; such exports amounted to *** tons in 1982, *** tons in 1983, *** tons in 1984, *** tons during January-September 1984, and *** tons during January-September 1985.

Source: Shipments, compiled from data submitted in response to questionnaires of the U.S. International Trade Commission; imports and exports, compiled from official statistics of the U.S. Department of Commerce.

Table 2.--Heavy-walled rectangular pipes and tubes: U.S. production, practical capacity, 1/ and capacity utilization, 1982-84, January-September 1984, and January-September 1985

| Item | 1982 | 1983 | 1984 | Jan.-Sept-- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Production--short tons | 289,502 | 373,436 | 444,698 | 343,773 | 372,202 |
| Capacity--do | 1,101,660 | 1,160,000 | 1,194,660 | 927,219 | 917,151 |
| Capacity utilization percent | 26.3 | 32.2 | 37.2 | 37.1 | 40.6 |

1/ Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operation.

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

U.S. producers' domestic and export shipments

U.S. producers' domestic shipments of heavy-walled rectangular pipes and tubes, as reported in responses to the Commission's questionnaire, increased from 300,469 tons in 1982 to 370,932 tons in 1983 and 438,151 tons in 1984; U.S. producers' shipments during January-September 1985, at 371,235 tons, were 10 percent greater than shipments in the corresponding period of 1984 (table 3). U.S. producers' exports of heavy-walled rectangular pipes and tubes, as reported in responses to the Commission's questionnaire, were negligible in each of the periods covered by this investigation (table 4).

Table 3.--Heavy-walled rectangular pipes and tubes: U.S. producers' domestic shipments, 1/ 1982-84, January-September 1984, and January-September 1985

| Item | 1982 | 1983 | 1984 | Jan.-Sept- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Quantity----------tons---- | 300,469 | 370,932 | 438,151 | 338,862 | 371,235 |
| Value----1,000 dollars---- | 147,081 | 165,502 | 197,605 | 153,832 | 160,428 |
| Unit value----------per ton---- | $490 | $446 | $451 | $454 | $432 |

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaire. No intercompany and intracompany transfers were reported.

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

Table 4.--Heavy-walled rectangular pipes and tubes: U.S. producers' export shipments, 1/ 1982-84, January-September 1984, and January-September 1985

| Item | 1982 | 1983 | 1984 | Jan.-Sept- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Quantity----------tons---- | *** | *** | *** | *** | *** |
| Value----------1,000 dollars---- | *** | *** | *** | *** | *** |
| Unit value----------per ton---- | $*** | $*** | $*** | $*** | $*** |

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaire.

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

U.S. producers' inventories

The level of end-of-period inventories of heavy-walled rectangular pipes and tubes, as reported by U.S. producers in response to the Commission's questionnaire, fell from 86,661 tons in 1981 to 74,609 tons in 1982, and then rose to about 83,233 tons in 1984. Inventories dropped to 73,248 tons as of September 30, 1985, compared with 85,578 tons in the corresponding period of 1984. Such inventories decreased from 25 percent of the responding producers' (annualized) shipments as of December 31, 1982, to 15 percent as of September 30, 1985. Reported end-of-period inventories and such inventories as a share of reported shipments are shown in the following tabulation:

| | Quantity 1/ (Tons) | Share of shipments (Percent) |
|---|---|---|
| As of Dec. 31— | | |
| 1981 | 86,661 | 2/ |
| 1982 | 74,609 | 25 |
| 1983 | 76,945 | 21 |
| 1984 | 83,233 | 19 |
| As of Sept. 30— | | |
| 1984 | 85,578 | 19 |
| 1985 | 73,248 | 15 |

1/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires.
2/ Not available.

U.S. employment, wages, and productivity

Data on U.S. employment, wages, and productivity in establishments producing heavy-walled rectangular pipes and tubes, as reported in the responses to the Commission's questionnaire, are provided in table 5 (number of employees and hours worked by production and related workers) and table 6 (wages and total compensation 1/ paid to production and related workers, labor productivity, hourly compensation, and unit labor costs). The ratio of total production and related workers to total employees ranged from a low of 75 percent in 1982 and 1983 to a high of 79 percent in 1984. Production and related workers producing heavy-walled rectangular pipes and tubes accounted for 36 percent to 44 percent of total production and related workers during the period covered.

The average number of production and related workers producing heavy-walled rectangular pipes and tubes remained steady in 1983, rose by 4 percent in 1984 to 466, and then decreased to 392 during January-September 1985. Hours worked by these workers decreased by 2 percent in 1983, rose by 19 percent in 1984, and then increased by 5 percent during January-September 1985 compared with the number of hours worked during the corresponding period of 1984.

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

Table 5.--Average number of employees, total and production and related workers, in U.S. establishments producing heavy-walled rectangular pipes and tubes, and hours paid 1/ for production and related workers producing heavy-walled rectangular pipes and tubes, 2/ 1982-84, January-September 1984, and January-September 1985

| Item | 1982 | 1983 | 1984 | Jan.-Sept- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Average employment: | | | | | |
| All employees: | | | | | |
| Number | 1,416 | 1,366 | 1,413 | 1,357 | 1,180 |
| Percentage change | 3/ | -3.5 | +3.4 | 3/ | 4/ -13.0 |
| Production and related workers producing-- | | | | | |
| All products: | | | | | |
| Number | 1,058 | 1,028 | 1,117 | 1,039 | 895 |
| Percentage change | 3/ | -2.8 | +8.7 | 3/ | 4/ -13.9 |
| Heavy-walled rectangular pipes and tubes: | | | | | |
| Number | 448 | 449 | 466 | 379 | 392 |
| Percentage change | 3/ | +0.2 | +3.8 | 3/ | 4/ +3.4 |
| Hours worked by production and related workers producing heavy-walled rectangular pipes and tubes: | | | | | |
| Number--1,000 hours-- | 780 | 765 | 908 | 581 | 612 |
| Percentage change | 3/ | -1.9 | +18.7 | 3/ | +5.3 |

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

2/ Understated to the extent that all U.S. producers did not respond to the Commission's questionnaires; producers providing usable employment data accounted for 79 to 84 percent of reported production in all periods.

3/ Data for the previous year or comparable period of the previous year are not available.

4/ January-September 1985 compared with January-September 1984.

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

Table 6.--Wages and total compensation 1/ paid to production and related workers producing heavy-walled rectangular pipes and tubes and labor productivity, hourly compensation, and unit labor costs in the production of heavy-walled rectangular pipes and tubes, 2/ 1982-84, January-September 1984, and January-September 1985

| Item | 1982 | 1983 | 1984 | Jan.-Sept-- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Wages paid to production and related workers: | | | | | |
| Value----------1,000 dollars--- | 7,978 | 8,423 | 9,934 | 6,360 | 6,766 |
| Percentage change---------- | 3/ | +5.6 | +17.9 | 3/ | 4/ +6.4 |
| Total compensation paid to production and related workers: | | | | | |
| Value----------1,000 dollars--- | 10,448 | 10,703 | 12,618 | 8,925 | 9,500 |
| Percentage change---------- | 3/ | +2.4 | +17.9 | 3/ | 4/ +6.4 |
| Labor productivity: | | | | | |
| Quantity--------tons per hour--- | .3056 | .3940 | .4169 | .5022 | .5118 |
| Percentage change---------- | 3/ | +28.9 | +5.8 | 3/ | 4/ +1.9 |
| Hourly compensation: 5/ | | | | | |
| Value----------per hour--- | $10.23 | $11.01 | $10.94 | $10.95 | $11.06 |
| Percentage change---------- | 3/ | +7.6 | -.6 | 3/ | 4/ +1.0 |
| Unit labor costs: 6/ | | | | | |
| Value----------per ton--- | $43.84 | $35.50 | $33.33 | $30.59 | $30.33 |
| Percentage change---------- | 3/ | -19.0 | -6.1 | 3/ | 4/ -.8 |

1/ Includes wages and contributions to Social Security and other employee benefits.

2/ Understated or overstated to the extent that all U.S. producers did not respond to the Commission's questionnaires; producers providing usable employment data accounted for 79 to 84 percent of reported production in all periods.

3/ Data for the previous year or comparable period of the previous year are not available.

4/ January-September 1985 compared with January-September 1984.

5/ Based on wages paid excluding fringe benefits.

6/ Based on total compensation paid.

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

The average wage for production and related workers producing heavy-walled rectangular pipes and tubes, which was $10.23 per hour in 1982, increased by 8 percent in 1983, decreased by 1 percent in 1984, and then increased by 1 percent to $11.06 per hour during January-September 1985. Labor productivity, which was 0.31 ton of heavy-walled rectangular pipes and tubes produced per hour worked during 1982, increased by 29 percent to 0.39 ton per hour worked in 1983, rose another 6 percent in 1984, and then increased by 2 percent during January-September 1985 compared with productivity in January-September 1984. Unit labor costs decreased by 19 percent in 1983 to $36 per ton and then decreased by another 6 percent in 1984; such costs decreased by 1 percent from January-September 1984 to $30 per ton during January-September 1985.

## Financial experience of U.S. producers

Seven firms, 1/ which accounted for 82 percent of U.S. producers' total reported 1984 shipments of heavy-walled rectangular pipes and tubes, furnished usable income-and-loss data on their operations producing these pipes and tubes and on their overall establishment operations. Four of the seven firms accounted for *** percent of 1984 shipments.

Heavy-walled rectangular pipes and tubes.--Net sales of heavy-walled rectangular pipes and tubes grew from $127.5 million in 1982 to $133.5 million in 1983, representing a 5-percent increase, and then jumped 24 percent to $165.8 million in 1984 (table 7). During the interim periods ended September 30, sales rose slightly from $113.1 million in 1984 to $114.6 million in 1985.

The industry sustained aggregate operating losses in 1982 and 1984 and reported nominal operating income in 1983. The operating loss in 1982 was $11.6 million, or 9.1 percent of sales; in 1984, it was $2.2 million, or 1.3 percent of sales. Operating income in 1983 was $792,000, or 0.6 percent of sales. During the interim periods ended September 30, operating income increased from a loss of $1.1 million in 1984 to a profit of $2.0 million in 1985. The interim period operating margins in 1984 and 1985 were a negative 1.0 percent and a positive 1.7 percent, respectively.

In 1982, five of the seven producers reported operating losses compared with two in 1983 and four in 1984. In the interim periods, five firms reported an operating loss in 1984 and three did so in 1985.

Overall establishment operations.--Net sales of all products produced in the establishments within which heavy-walled rectangular pipes and tubes are produced increased from $242.9 million in 1982 to $255.1 million in 1983, or by 5 percent, and then increased by 21 percent to $309.8 million in 1984 (table 8). During the interim periods ended September 30, sales slipped from $262.2 million in 1984 to $251.2 million in 1985, representing a decline of 4 percent.

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1/ The seven firms are * * *.

Table 7.—Income-and-loss experience of U.S. producers on their operations producing heavy-walled rectangular pipes and tubes, 1/ accounting years 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

| Item | 1982 | 1983 | 1984 | Interim period ended Sept. 30— | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Net sales——1,000 dollars— | 127,460 | 133,516 | 165,843 | 113,104 | 114,592 |
| Cost of goods sold——do—— | 121,665 | 117,909 | 153,682 | 104,354 | 103,552 |
| Gross profit ——do—— | 5,795 | 15,607 | 12,161 | 8,750 | 11,040 |
| General, selling, and administrative expenses 1,000 dollars— | 17,421 | 14,815 | 14,380 | 9,897 | 9,057 |
| Operating income or (loss)——1,000 dollars— | (11,626) | 792 | (2,219) | (1,147) | 1,983 |
| Depreciation and amortization 1,000 dollars— | 3,888 | 4,134 | 4,848 | 3,075 | 3,079 |
| Cash-flow from operations 1,000 dollars— | (7,738) | 4,926 | 2,629 | 1,928 | 5,062 |
| Ratio to net sales— | | | | | |
| Gross profit——percent— | 4.5 | 11.7 | 7.3 | 7.7 | 9.6 |
| Operating income or (loss)——do—— | (9.1) | .6 | (1.3) | (1.0) | 1.7 |
| Cost of goods sold——do—— | 95.4 | 88.3 | 92.7 | 92.3 | 90.4 |
| General, selling, and administrative expenses percent— | 13.7 | 11.1 | 8.6 | 8.7 | 7.9 |
| Number of firms reporting operating losses—— | 5 | 2 | 4 | 5 | 3 |

1/ U.S. producers submitting usable data accounted for 82 percent of total shipments of heavy-walled rectangular pipes and tubes in 1984, as reported in responses to the questionnaires of the U.S. International Trade Commission.

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

Table 8.--Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which heavy-walled rectangular pipes and tubes are produced, accounting years 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985

| Item | 1982 | 1983 | 1984 | Interim period ended Sept. 30-- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Net sales----1,000 dollars-- | 242,945 | 255,118 | 309,826 | 262,166 | 251,239 |
| Cost of goods sold----do---- | 229,877 | 226,750 | 281,485 | 236,222 | 229,068 |
| Gross profit ----do---- | 13,068 | 28,368 | 28,341 | 25,944 | 22,171 |
| General, selling, and administrative expenses 1,000 dollars-- | 29,497 | 25,556 | 26,823 | 21,223 | 20,166 |
| Operating income or (loss)----1,000 dollars-- | (16,429) | 2,812 | 1,518 | 4,721 | 2,005 |
| Depreciation and amortization 1,000 dollars-- | 8,176 | 7,676 | 9,179 | 6,686 | 6,846 |
| Cash-flow from operations 1,000 dollars-- | (8,253) | 10,488 | 10,697 | 11,407 | 8,851 |
| Ratio to net sales-- | | | | | |
| Gross profit----percent-- | 5.4 | 11.1 | 9.1 | 9.9 | 8.8 |
| Operating income or (loss)----do---- | (6.8) | 1.1 | .5 | 1.8 | .8 |
| Cost of goods sold----do---- | 94.6 | 88.9 | 90.9 | 90.1 | 91.2 |
| General, selling, and administrative expenses percent-- | 12.2 | 10.0 | 8.6 | 8.1 | 8.0 |
| Number of firms reporting operating losses---- | 3 | 2 | 2 | 2 | 3 |

1/ U.S. producers submitting usable data accounted for 82 percent of total shipments of heavy-walled rectangular pipes and tubes in 1984, as reported in responses to the questionnaires of the U.S. International Trade Commission.

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

The firms incurred an aggregate operating loss of $16.4 million in 1982, or 6.8 percent of net sales. In 1983 and 1984, the producers reported aggregate operating incomes of $2.8 million and $1.5 million, respectively, representing a decline of 46 percent in 1984. During the interim periods ended September 30, operating income plummeted 58 percent from $4.7 million in 1984 to $2.0 million in 1985. The interim period operating margins in 1984 and 1985 were 1.8 percent and 0.8 percent, respectively.

Three firms reported operating losses in 1982, and two firms reported such losses in 1983 and 1984. In the interim periods, two of the producers had an operating loss in 1984, whereas three reported operating losses in 1985.

Capital expenditures and value of fixed assets.--In 1982, six U.S. producers made $*** in capital expenditures for facilities used principally in the production of heavy-walled rectangular pipes and tubes (table 9). Such expenditures rose to $*** in 1983, before dropping to $*** in 1984. Capital expenditures were $*** during January-September 1985, compared with $*** during the corresponding period of 1984.

The original cost of fixed assets employed in the production of heavy-walled rectangular pipes and tubes rose from $68.8 million as of yearend 1982 to $85.3 million as of September 30, 1985. The book value of such assets was $43.0 million as of September 30, 1985.

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

### Consideration factors

In its examination of the question of the threat of material injury to an industry in the United States, the Commission takes into consideration such factors as the rate of increase in LTFV imports, the rate of increase in U.S. market penetration by such imports, the amounts of imports held in inventory in the United States, and the capacity of producers in the country subject to the investigation to generate exports (including the availability of export markets other than the United States). A discussion of the rates of increase in imports of heavy-walled rectangular welded carbon steel pipes and tubes and of their U.S. market penetration is presented in the section of the report entitled "Consideration of the Causal Relationship Between Alleged Material Injury or the Threat Thereof and LTFV Imports."

Table 9.—U.S. producers' capital expenditures and fixed assets employed in the production of heavy-walled rectangular pipes and tubes, 1982-84, and interim periods ended Sept. 30, 1984, and Sept. 30, 1985 1/

(In thousands of dollars)

| Item | 1982 | 1983 | 1984 | Jan.-Sept— | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| Capital expenditures: | | | | | |
| All products: | | | | | |
| Land and land improvements | *** | *** | *** | *** | *** |
| Buildings and leasehold improvements | *** | *** | *** | *** | *** |
| Machinery and equipment | *** | *** | *** | *** | *** |
| Total | 10,877 | 11,162 | 4,562 | 3,119 | 3,926 |
| Heavy-walled rectangular pipes and tubes: | | | | | |
| Land and land improvements | *** | *** | *** | *** | *** |
| Buildings and leasehold improvements | *** | *** | *** | *** | *** |
| Machinery and equipment | *** | *** | *** | *** | *** |
| Total | *** | *** | *** | *** | *** |
| Fixed assets employed in the production of— | | | | | |
| All products: | | | | | |
| Original cost | 126,397 | 138,820 | 142,906 | 140,960 | 144,948 |
| Book value | 70,616 | 77,902 | 74,537 | 72,665 | 72,260 |
| Heavy-walled rectangular pipes and tubes: | | | | | |
| Original cost | 68,847 | 79,133 | 81,159 | 81,713 | 85,273 |
| Book value | 35,639 | 43,976 | 41,708 | 41,112 | 43,011 |

1/ Data are for 6 producers: * * *.

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

U.S. importers' inventories

The Commission sent questionnaires to 14 firms believed to have imported the products subject to this investigation from Canada. Eight firms, accounting for 97 percent of imports of heavy-walled rectangular pipes and tubes from Canada in 1984, responded to the questionnaire. Only two of the eight (* * *) reported holding inventories in the United States of the subject Canadian products, as shown in the following tabulation (in tons):

| | Inventories 1/ |
|---|---|
| As of Dec. 31— | |
| 1982 | *** |
| 1983 | *** |
| 1984 | *** |
| As of Sept. 30— | |
| 1984 | *** |
| 1985 | *** |

1/ Other firms reporting imports stated that they do not maintain inventories. In response to a request by Mr. Reeves of the Commission's staff at the conference in the preliminary phase of this investigation, Titan reported that inventories held by its Canadian facilities amounted to *** tons at yearend 1984 and *** tons as of Apr. 18, 1985. Titan also supplied estimated yearend inventories of *** tons in 1982 and *** tons in 1983, which it indicates are believed to be accurate within approximately *** tons.

The Canadian heavy-walled rectangular pipe and tube industry and its capacity to generate exports

There are six major producers of heavy-walled rectangular pipes and tubes in Canada. These firms are IPSCO, Prudential Steel, Inc., Standard Tube Canada, Inc., Stelco, Inc., Welded Tube of Canada, Ltd., and Sonco Steel Tube Ltd. (which produces the subject products for Titan for export to the United States). These firms' production of heavy-walled rectangular pipes and tubes increased by an average annual rate of 18 percent from *** tons in 1982 to *** tons in 1985, and home-market sales rose by an average of 24 percent annually from *** tons in 1982 to *** tons in 1985 (table 10). These firms' sales to the U.S. market increased by an average annual rate of 22 percent from *** tons in 1982 to *** tons in 1985; third country sales were negligible during this period. Although capacity data are not available for the six firms, three firms (Sonco, Standard Tube, and Welded Tube of Canada), which accounted for *** percent of 1985 production, reported an average annual increase in production capacity of 4 percent from 1982 to 1985, as shown in the following tabulation:

| Item | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Production capacity——short tons— | *** | *** | *** | *** |
| Capacity utilization————percent— | *** | *** | *** | *** |

These three firms have also submitted estimates for 1986 production based on their business plans, which indicate a 5-percent increase in production, a 6-percent increase in U.S. sales, a 20-percent increase in domestic sales, a 12-percent increase in production capacity, and an 8-percent increase in capacity utilization.

Table 10.--Heavy-walled rectangular pipes and tubes: Canadian production, domestic shipments, and export sales, 1982-85

| Item | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Production----------short tons--- | *** | *** | *** | *** |
| Domestic shipments----------do--- | *** | *** | *** | *** |
| Exports to--- | | | | |
| United States-----short tons--- | *** | *** | *** | 1/ *** |
| Other----------do--- | *** | *** | *** | *** |
| Total----------do--- | *** | *** | *** | 1/ *** |

1/ * * *.

Source: Compiled from data provided by counsel for Canadian producers.

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

### U.S. imports

Imports from all sources.--Aggregate U.S. imports of heavy-walled rectangular pipes and tubes increased by an annual average rate of 35 percent from 145,392 tons in 1982 to 264,099 tons in 1984; such imports during January-September 1985 amounted to 208,399 tons, representing an increase of 4 percent above the level of imports in the corresponding period of 1984 (table 11). Japan and Canada were the first and second largest suppliers, respectively, of imports of heavy-walled rectangular pipes and tubes in each period, together accounting for over 90 percent of such imports.

Imports from Canada.--U.S. imports of heavy-walled rectangular pipes and tubes from Canada increased from 64,239 tons in 1982 to 70,720 tons in 1983 and 100,858 tons in 1984; however, such imports during January-September 1985, at 73,658 tons, were 2 percent less than the level of imports during the corresponding period of 1984. Imports from Canada accounted for declining shares of the total import market for heavy-walled rectangular pipes and tubes during the period, with 44, 38, and 35 percent in 1982, 1984, and January-September 1985, respectively.

Table 11.—Heavy-walled rectangular pipes and tubes: 1/ U.S. imports for consumption, by principal sources, 1982-84, January-September 1984, and January-September 1985

| Source | 1982 | 1983 | 1984 | Jan.-Sept- | |
|---|---|---|---|---|---|
| | | | | 1984 | 1985 |
| | Quantity (short tons) | | | | |
| Canada | 64,239 | 70,720 | 100,858 | 75,274 | 73,658 |
| Japan | 68,432 | 102,712 | 142,002 | 109,431 | 117,760 |
| France | 134 | 1,205 | 5,775 | 5,010 | 3,504 |
| Spain | 2,738 | 2,759 | 4,324 | 2,997 | 165 |
| Finland | 0 | 0 | 1,735 | 903 | 1,091 |
| All other | 9,849 | 7,105 | 9,404 | 7,372 | 12,221 |
| Total | 145,392 | 184,501 | 264,099 | 200,987 | 208,399 |
| | Value (1,000 dollars) | | | | |
| Canada | 30,770 | 31,026 | 45,154 | 33,400 | 30,560 |
| Japan | 26,912 | 34,354 | 49,763 | 37,924 | 40,004 |
| France | 59 | 373 | 1,952 | 1,684 | 1,214 |
| Spain | 1,130 | 903 | 1,479 | 1,018 | 53 |
| Finland | - | - | 598 | 318 | 359 |
| All other | 5,039 | 2,637 | 3,223 | 2,497 | 4,004 |
| Total | 63,910 | 69,293 | 102,169 | 76,841 | 76,194 |
| | Unit value (per ton) | | | | |
| Canada | $479 | $439 | $448 | $444 | $415 |
| Japan | 393 | 334 | 350 | 347 | 339 |
| France | 439 | 309 | 338 | 336 | 346 |
| Spain | 413 | 327 | 342 | 340 | 319 |
| Finland | - | - | 345 | 352 | 329 |
| All other | 512 | 371 | 344 | 339 | 328 |
| Average | 440 | 376 | 387 | 382 | 366 |

1/ Includes imports under TSUSA item 610.3955.

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

Note.—Because of rounding, figures may not add to the totals shown; unit values were computed from unrounded data.

U.S. market penetration

Imports from all sources.--Market penetration of imports of heavy-walled rectangular pipes and tubes from all countries increased from 32.7 percent of apparent U.S. consumption in 1982 to 37.6 percent in 1984; the market penetration by imports during January-September 1985 was 36.0 percent, compared with 37.3 percent during the corresponding period of 1984 (table 12).

Table 12.--Heavy-walled rectangular pipes and tubes: 1/ Ratios of imports from Canada and all countries to apparent U.S. consumption, 1982-84, January-September 1984, and January-September 1985

(In percent)

| Source | Ratio of imports to apparent consumption | | | | |
|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | Jan.-Sept- | |
| | | | | 1984 | 1985 |
| Canada | 14.4 | 12.8 | 14.4 | 14.0 | 12.7 |
| All countries | 32.7 | 33.3 | 37.6 | 37.3 | 36.0 |

1/ Includes imports under TSUSA item 610.3955.

Source: Tables 1 and 11.

Imports from Canada.--Imports of heavy-walled rectangular pipes and tubes from Canada dropped from 14.4 percent of consumption in 1982 to 12.8 percent in 1983 and then returned to 14.4 percent in 1984; during January-September 1985 such imports from Canada accounted for 12.7 percent of consumption, compared with 14.0 percent in the corresponding period of 1984.

The bulk of the imports of heavy-walled rectangular pipes and tubes from Canada enter the United States through the Great Lakes States. Information concerning the customs districts through which the subject imports from Canada entered the United States during January-October 1985, as compiled from official statistics of the U.S. Department of Commerce, is presented in the following tabulation:

| Customs district | Quantity | Share of total quantity |
|---|---|---|
| | Short tons | Percent |
| Detroit, MI | 48,410 | 58.5 |
| Buffalo, NY | 24,039 | 29.1 |
| St. Albans, VT | 5,156 | 6.2 |
| Ogdensburg, NY | 3,723 | 4.5 |
| Great Falls, MT | 942 | 1.1 |
| Pembina, ND | 273 | .3 |
| Seattle, WA | 153 | .2 |
| Portland, ME | 29 | 1/ |
| Cleveland, OH | 21 | 1/ |
| Total | 82,747 | 100.0 |

1/ Less than 0.05 percent.

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

## Prices

Heavy-walled rectangular pipes and tubes are generally priced on a per-hundred-feet basis. Although several U.S. producers distribute price lists to their customers, the prices are often discounted to meet competitive offers. U.S.-produced pipes and tubes are predominantly sold on an f.o.b. mill or warehouse basis. The imported products under investigation are normally sold freight equalized to competing U.S. production areas. For example, the imported products are often priced on an f.o.b. Chicago basis, although they are shipped directly from the Canadian mill. 1/ The customer pays freight costs as though the products were shipped from Chicago. Formal bidding is not the usual means of price competition for the pipes and tubes under investigation.

The Commission requested U.S. producers and importers to provide price data 2/ on their largest sale in each quarter of each of four product specifications to both a service center/distributor and an end-user customer. 3/ The four product specifications are as follows:

PRODUCT 1.—ASTM A-500, grade B structural tubing, carbon welded, 4-inch square, 1/4-inch wall thickness, 24-foot to 40-foot mill lengths.

1/ Transcript of the staff conference, p. 145.

2/ These are f.o.b. mill net selling prices for U.S. producers and f.o.b. Chicago, Detroit, or Buffalo prices (or delivered prices less U.S. inland freight) for importers.

3/ The bulk of all sales are to service centers/distributors; during 1982-84, 64 to 67 percent of domestic shipments and *** percent of importers' shipments were to service center/distributor customers.

PRODUCT 2.--ASTM A-500, grade B structural tubing, carbon welded, 6-inch square, 1/4-inch wall thickness, 24-foot to 40-foot mill lengths.

PRODUCT 3.--ASTM A-500, grade B structural tubing, carbon welded, 8-inch square, 1/2-inch wall thickness, 24-foot to 40-foot mill lengths.

PRODUCT 4.--ASTM A-500, grade B structural tubing, carbon welded, 2-inch by 4-inch rectangular, 1/4-inch wall thickness, 24-foot to 40-foot mill lengths.

Eight U.S. producers reported usable selling price data on the products for which information was requested. 1/ The eight U.S. producers accounted for approximately 88 percent of the total reported U.S. producers' shipments of heavy-walled rectangular pipes and tubes in 1984. Three importers of such products from Canada provided usable price data. These importers accounted for approximately *** percent of the tonnage of products under investigation imported from Canada in 1984. In addition to presenting Canadian price data in the aggregate, pricing data are also shown separately for Titan Industrial Corp., the largest importer of these products from Canada and the only importer specifically named in the petition. 2/

Price trends--U.S. and Canadian price trends for the four product specifications for which data were requested were very similar. 3/ Both U.S. and Canadian prices generally remained level or increased from the beginning of 1983 through late 1984 and then decreased through 1985. Details of the price movements for each of the four product specifications are discussed below.

The weighted-average net selling prices reported by U.S. producers and by importers for product 1 are shown in table 13. U.S. producers' quarterly selling prices per hundred feet of domestically produced product 1 to service centers/distributors fluctuated between January 1983 and September 1985. The price stayed between $*** and $*** from January 1983 to March 1984, then increased to $*** during July-September 1984, before falling to $*** in the corresponding period of 1985, or almost 3 percent below the price during January-March 1983.

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1/ Several U.S. producers, including * * * and * * *, which were reported by respondents to be low-price leaders in the U.S. market, were sent questionnaires but did not provide selling price data to the Commission.

2/ As indicated previously, the Department of Commerce found a weighted-average LTFV margin of 0.65 percent on sales by Titan, which accounted for about 80 percent of Canadian exports of the products under investigation to the United States during the period examined by Commerce.

3/ Because Canadian weighted-average prices are based on the responses of only three importers, some of the quarter-to-quarter changes in the price series result from different respondents, or changes in the weighting of the responses, rather than price changes.

Table 13.—Product 1 sold to service centers/distributors and end users: 1/ U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from Canada and the net selling prices for sales of Titan imports, and margins of underselling or (overselling) by imports from Canada, by quarters, January 1983-September 1985

(Per hundred feet)

| Period | U.S. product price | Canadian product | | | | |
|---|---|---|---|---|---|---|
| | | Total, Canadian product | | | Titan product | |
| | | Price | Margin of underselling or (overselling) | | Price | Margin of underselling or (overselling) |
| | | | Amount | Per-cent | | Amount | Per-cent |
| | For sales to service centers/distributors | | | | | |
| 1983: | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | 5.8 | $*** | $*** | *** |
| Apr.-June | *** | *** | *** | 5.1 | *** | *** | *** |
| July-Sept | *** | *** | *** | 6.2 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | 7.3 | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | (1.3) | *** | *** | *** |
| Apr.-June | *** | *** | *** | 7.7 | *** | *** | *** |
| July-Sept | *** | *** | *** | .5 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (2.4) | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | ( .3) | *** | *** | *** |
| Apr.-June | *** | *** | *** | (13.7) | *** | *** | *** |
| July-Sept | *** | *** | *** | 1.0 | *** | *** | *** |
| | For sales to end users | | | | | |
| 1983: | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | 14.6 | $*** | $*** | *** |
| Apr.-June | *** | *** | *** | 1.4 | *** | *** | *** |
| July-Sept | *** | *** | *** | (1.9) | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (3.0) | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | (5.6) | *** | *** | *** |
| Apr.-June | *** | *** | *** | (4.8) | *** | *** | *** |
| July-Sept | *** | *** | *** | (5.7) | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (2.3) | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | ( .5) | *** | *** | *** |
| Apr.-June | *** | *** | *** | (7.2) | *** | *** | *** |
| July-Sept | *** | *** | *** | (6.7) | *** | *** | *** |

1/ Product 1 is ASTM A-500, grade B, 4-inch square, 1/4-inch wall thickness structural tubing.

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

The Canadian price per hundred feet of product 1 to service centers/ distributors followed a similar trend over the period, staying in the $*** range through 1983, then increasing to a high of $*** during July-September 1984. The price then fell to $*** during July-September 1985, yielding an overall increase of 2 percent over the January-March 1983 price level.

Neither U.S. nor Canadian prices of product 1 to end users followed any discernible single trend over the period for which data were requested. Except for the first quarter of 1983, U.S. prices were fairly stable for most of the period before declining sharply in 1985. The Canadian prices were stable or rising and their decline was more gradual.

The weighted-average net selling prices reported by U.S. producers and importers for product 2 are shown in table 14. U.S. producers' quarterly selling prices per hundred feet of domestically produced product 2 to service centers/distributors fluctuated between $*** and $*** through March 1984. The price then increased to $*** during April-June 1984 before decreasing to $*** during July-September 1985, about 5 percent below the January-March 1983 level. The Canadian price of product 2 to service centers/distributors fluctuated quite a bit, increasing from $*** during January-March 1983 to $*** during July-September 1983, and then decreasing to $*** during the October 1983-March 1984 period. The Canadian price then increased to $*** during October-December 1984, before falling to $*** during July-September 1985, yielding an overall increase of 11 percent during the subject period. U.S. and Canadian prices of product 2 to end users followed approximately the same trends as did prices of this product to service centers/distributors.

The weighted-average net selling prices reported for product 3 by U.S. producers and importers of this product from Canada are shown in table 15. U.S. producers' quarterly selling prices per hundred feet for product 3 to service centers/distributors decreased from $*** during January-March 1983 to $*** by the end of that year before rising through 1984 to $*** and then falling in the first quarter of 1985 (the last quarter for which data on this product were requested) to $***, representing a 3-percent increase for the entire period. Prices of imports from Canada of product 3 to service centers/distributors experienced a similar pattern, falling from $*** in the first quarter of 1983 to $*** the next quarter, rising erratically to $*** by the end of 1984, and then falling to $*** during January-March 1985, for a 2-percent decrease over the period investigated. Prices of this product to end users fluctuated considerably over the period, showing no clear trend.

The weighted-average net selling prices reported for product 4 by U.S. producers and importers of this product from Canada are shown in table 16. U.S. producers' and importers' quarterly selling prices for product 4 to service centers/distributors showed little movement over the period. U.S. producer prices per hundred feet fell from $*** to $*** by the end of 1983, increased to a high of $*** in mid-1984, and then fell gradually to $*** during July-September 1985 for an overall reduction of 3 percent. Canadian prices to service centers/distributors decreased from $*** during the first quarter of 1983 to $*** in the corresponding period of 1984 before reaching a high of $*** in January-March 1985, but then fell to $*** during July-September 1985, essentially the same price as when the period began. Prices

Table 14.--Product 2 sold to service centers/distributors and end users: 1/ U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from Canada and the net selling prices for sales of Titan imports, and margins of underselling or (overselling) by imports from Canada, by quarters, January 1983-September 1985

(Per hundred feet)

| Period | U.S. product price | Canadian product | | | | |
|---|---|---|---|---|---|---|
| | | Total, Canadian product | | | Titan product | |
| | | Price | Margin of underselling or (overselling) | | Price | Margin of underselling or (overselling) |
| | | | Amount | Percent | | Amount | Percent |
| | For sales to service centers/distributors | | | | | | |
| 1983: | | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | 17.3 | $*** | $*** | *** |
| Apr.-June | *** | *** | *** | 8.6 | *** | *** | *** |
| July-Sept | *** | *** | *** | (1.0) | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | 4.2 | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 6.9 | *** | *** | *** |
| Apr.-June | *** | *** | *** | 3.9 | *** | *** | *** |
| July-Sept | *** | *** | *** | (2.9) | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (2.0) | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 2.7 | *** | *** | *** |
| Apr.-June | *** | *** | *** | 2.6 | *** | *** | *** |
| July-Sept | *** | *** | *** | 3.6 | *** | *** | *** |
| | For sales to end users | | | | | | |
| 1983: | | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | 6.2 | $*** | $*** | *** |
| Apr.-June | *** | *** | *** | 6.4 | *** | *** | *** |
| July-Sept | *** | *** | *** | 2.8 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (2.8) | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 9.3 | *** | *** | *** |
| Apr.-June | *** | *** | *** | 15.2 | *** | *** | *** |
| July-Sept | *** | *** | *** | (5.1) | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (2.5) | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 4.0 | *** | *** | *** |
| Apr.-June | *** | *** | *** | 4.7 | *** | *** | *** |
| July-Sept | *** | *** | *** | 1.3 | *** | *** | *** |

1/ Product 2 is ASTM A-500, grade B, 6-inch square, 1/4-inch wall thickness structural tubing.

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

Table 15.--Product 3 sold to service centers/distributors and end users: 1/ U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from Canada and the net selling prices for sales of Titan imports, and margins of underselling or (overselling) by imports from Canada, by quarters, January 1983-March 1985

(Per hundred feet)

| Period | U.S. product price | Canadian product | | | | |
|---|---|---|---|---|---|---|
| | | Total, Canadian product | | | Titan product | |
| | | Price | Margin of underselling or (overselling) | | Price | Margin of underselling or (overselling) |
| | | | Amount | Per-cent | | Amount | Per-cent |
| | For sales to service centers/distributors | | | | | | |
| 1983: | | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | (0.9) | $*** | $*** | *** |
| Apr.-June | *** | *** | *** | 8.0 | *** | *** | *** |
| July-Sept | *** | *** | *** | 3.8 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (4.8) | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | (.5) | *** | *** | *** |
| Apr.-June | *** | *** | *** | 5.6 | *** | *** | *** |
| July-Sept | *** | *** | *** | 7.3 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | 4.2 | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 4.2 | *** | *** | *** |
| | For sales to end users | | | | | | |
| 1983: | | | | | | | |
| Jan.-Mar | $*** | $*** | $*** | 4.8 | 2/ | 2/ | 2/ |
| Apr.-June | *** | *** | *** | 5.4 | $*** | $*** | *** |
| July-Sept | *** | *** | *** | 13.3 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | 6.0 | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.-Mar | *** | *** | *** | (3.3) | *** | *** | *** |
| Apr.-June | *** | *** | *** | (3.3) | *** | *** | *** |
| July-Sept | *** | *** | *** | 8.2 | *** | *** | *** |
| Oct.-Dec | *** | *** | *** | (5.3) | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.-Mar | *** | *** | *** | 0.4 | *** | *** | *** |

1/ Product 3 is ASTM A-500, grade B, 8-inch square, 1/2-inch wall thickness structural tubing.

2/ Not reported.

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

Table 16.—Product 4 sold to service centers/distributors and end users: 1/ U.S. producers' and importers' weighted-average net selling prices for sales of domestic product and for sales of imports from Canada and the net selling prices for sales of Titan imports, and margins of underselling or (over selling) by imports from Canada, by quarters, January 1983–September 1985

(Per hundred feet)

| Period | U.S. product price | Canadian product | | | | |
|---|---|---|---|---|---|---|
| | | Total, Canadian product | | | Titan product | |
| | | Price | Margin of underselling or (overselling) | | Price | Margin of underselling or (overselling) |
| | | | Amount | Percent | | Amount | Percent |
| | For sales to service centers/distributors | | | | | | |
| 1983: | | | | | | | |
| Jan.–Mar | $*** | $*** | $*** | 5.7 | $*** | $*** | *** |
| Apr.–June | *** | *** | *** | 5.8 | *** | *** | *** |
| July–Sept | *** | *** | *** | 6.1 | *** | *** | *** |
| Oct.–Dec | *** | *** | *** | 1.0 | *** | *** | *** |
| 1984: | | | | | | | |
| Jan.–Mar | *** | *** | *** | 5.6 | *** | *** | *** |
| Apr.–June | *** | *** | *** | 7.6 | *** | *** | *** |
| July–Sept | *** | *** | *** | 5.7 | *** | *** | *** |
| Oct.–Dec | *** | *** | *** | 6.9 | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.–Mar | *** | *** | *** | 1.7 | *** | *** | *** |
| Apr.–June | *** | *** | *** | 5.1 | *** | *** | *** |
| July–Sept | *** | *** | *** | 3.1 | *** | *** | *** |
| | For sales to end users | | | | | | |
| 1983: | | | | | | | |
| Jan.–Mar | $*** | 2/ | 2/ | 2/ | 2/ | 2/ | 2/ |
| Apr.–June | *** | $*** | $*** | 4.8 | $*** | $*** | *** |
| July–Sept | *** | *** | *** | (7.6) | *** | *** | *** |
| Oct.–Dec | *** | 2/ | 2/ | 2/ | 2/ | 2/ | 2/ |
| 1984: | | | | | | | |
| Jan.–Mar | *** | *** | *** | 3.8 | *** | *** | *** |
| Apr.–June | *** | *** | *** | 7.8 | *** | *** | *** |
| July–Sept | *** | *** | *** | (3.3) | *** | *** | *** |
| Oct.–Dec | *** | *** | *** | 2.8 | *** | *** | *** |
| 1985: | | | | | | | |
| Jan.–Mar | *** | *** | *** | (5.9) | *** | *** | *** |
| Apr.–June | *** | *** | *** | 5.5 | *** | *** | *** |
| July–Sept | *** | *** | *** | 6.8 | *** | *** | *** |

1/ Product 4 is ASTM A-500, grade B, 2-inch by 4-inch rectangular, 1/4-inch wall thickness structural tubing.

2/ Not available

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

to end users followed similar trends, declining until early 1984, reaching highs in late 1984, and then declining through the remainder of the period examined.

Price comparisons.--Price comparisons were computed from data received in response to the Commission's questionnaires for sales to service centers/ distributors and end-user customers in each quarter from January 1983 to September 1985 for three product specifications (to March 1985, based on questionnaire responses from the preliminary investigation, for a fourth). Fifty-four of the 82 comparisons of the weighted-average prices indicated lower prices for the Canadian product, by an average margin of 6 percent. In the remaining 28 price comparisons, the imported pipes and tubes were priced an average of 4 percent higher than comparable U.S.-produced pipes and tubes. Over the 82 comparisons, the Canadian price was, on average, 2 percent lower than the U.S. price. However, given that a range of prices was obtained from both U.S. producers and Canadian importers, in only about one-fourth of the comparisons (22 of 82) were all Canadian prices lower than all U.S. producer prices; in almost two-thirds of the cases (52 of 82) these price ranges overlapped.

* * * * * * *

In order to better gauge the nature of price competition in the market, questionnaires were sent to 70 purchasers (customers of both petitioners and respondents in this case), of whom 28 responded. They were asked some general questions about the market as well as detailed price data for the four product specifications given above. For each quarter from January 1983 through September 1985, they were asked to report the price paid (including delivery charges) for their largest purchase of each product from U.S. producers, importers of Canadian products, and importers of such pipes and tubes from other countries. The results are summarized in the tabulation below and discussed in the following pages: 1/

| Imports as a share of total purchases: | Increased | Decreased | No change |
|---|---|---|---|
| From Canada----------Percent---- | 27 | 36 | 36 |
| From other countries----------do---- | 13 | 13 | 75 |

1/ Due to rounding, totals may not add to 100 percent.

| Foreign-made product purchased at a lower price than that offered by U.S. producer: | | Never | Sometimes | Often | Always |
|---|---|---|---|---|---|
| Canadian product | Percent | 19 | 67 | 10 | 5 |
| Other country product | do | 0 | 25 | 38 | 38 |

| Would have purchased foreign-made product if U.S. price was comparable: | | |
|---|---|---|
| From Canada | Percent | 50 |
| From another country | do | 33 |

| For quarters in which a purchase of the same product was made from both a U.S. producer and an importer of Canadian products, the frequency and margin in which the— | | Frequency | Margin |
|---|---|---|---|
| Price of a large purchase from Canada lower | Percent | 38 | 4.6 |
| Price of a large purchase from Canada higher | do | 44 | 4.1 |
| Prices identical | do | 18 | - |

Overall price comparisons, average margin:
Prices of products from Canada were 0.02% higher than U.S. producer prices

The purchasers responding seemed not to have experienced major changes, on average, in their sources of heavy-walled rectangular welded tubing over the period examined. While 81 percent had purchased at least some tubing from Canada at a lower price than offered by a U.S. producer, all those purchasing from third countries (mostly Japan) reported purchasing at lower prices than offered by a U.S. producer. Consistent with the comments of purchasers (to be discussed below) concerning the importance of * * *'s quality of service as a purchasing consideration is the fact that almost half of the purchasers reported that they would have purchased the Canadian product even if the U.S. price was comparable. In terms of the quality of the products themselves (apart from delivery and other service considerations), there was near unanimity that all products sold in the U.S. market were equivalent.

Seventeen of the respondents provided price data; of these, 15 were able to provide price comparisons between U.S.- and foreign-produced purchases in at least some quarters for at least one of the four products specified. (Twelve of these purchasers were service centers/distributors, while the other three were end users.) There were a total of 221 purchaser/product/quarter observations. In 85 (or 38 percent), the Canadian price was lower than the U.S. producer price; in 39 (or 18 percent), the U.S. and Canadian prices were identical; and in 97 (or 44 percent), the Canadian price was higher than the U.S. price. When it was lower, the price of Canadian-produced goods was an average of 4.6 percent below the price of U.S.-produced items; when it was higher, the average margin was 4.1 percent. Averaged over all 221 comparisons, the price of imports from Canada was virtually identical (0.02 percent higher) to that of the comparable U.S. product. (Additionally, purchasers reported that in 80 percent of possible comparisons the price of imports from a third country—usually Japan—was lower than either the U.S. or Canadian prices.)

Few purchasers reported price data over the entire period requested. However, the limited information available suggests similar trends in prices of products from U.S. and Canadian sources--fairly steady or slowly increasing through 1983 and into 1984 and then falling beginning in late 1984 or early 1985. This generally agrees with the trends in reported producer and importer prices discussed above. The highly competitive nature of the domestic market for these products, attested to by numerous customers as well as producers, is reflected in the mixed pattern of prices of U.S. producers and Canadian importers revealed in the information gathered both from the producers and from purchasers. Some of the time one source has the lowest price, some of the time the other does, but on average their prices are quite similar.

Representatives for Titan stated at the hearing that Titan competes in the U.S. market largely on the basis of such nonprice factors as delivery, product availability, quality, and service. 1/ However, counsel for the petitioners contends that "A number of the 'non-price' factors cited by purchasers for buying Canadian rather than domestic H-WR tubing are in fact price factors. Services provided for free that cost the seller money and are usually charged for are not non-price factors." 2/

Counsel for respondents provided the Commission with letters from * * * and sworn testimony from * * * and from several customers attesting to the excellent service provided by Titan. These letters and testimony suggest that, even if U.S. producers were to offer the same kinds of services, they (the purchasers) would be reluctant to break away from the reliable source of supply offered by Titan, and note that they often pay a premium over available U.S. prices to deal with Titan.

A customer of * * *, another Canadian company, * * *, provided a letter stating that Canadians are not underpricing American producers of the products under consideration and that an American producer led the price cut occurring in the industry in March of 1985. Another customer, Dennis Wodarski of Thrall Car Manufacturing Co., testified at the hearing that a major explanation for his purchases from Titan is their willingness to "roll and hold," that is, to take an order, roll the product and keep it in their warehouse until needed by Thrall, at which point the needed quantities are shipped (and only invoiced then) on 1-day notice. At the hearing, Mr. Wodarski was asked about a similar program provided by Copperweld, one of the petitioners. In a subsequent telephone conversation he explained that * * *.

In connection with lost sales allegations and purchaser questionnaires, at least 10 customers of the products under investigation were contacted by telephone by the Commission staff and asked to describe the nature of the market and the pricing practices of the U.S. producers and Canadian importers. In these discussions, the consensus emerged that the market is highly competitive and would be so even in the absence of LTFV imports from Canada. The purchasers more often characterized the U.S. producers as more aggressive price cutters than the Canadians, viewing the prices of Canadian imports as more likely to follow than to lead. Several purchasers noted that a large buyer could obtain roughly the same price from any major mill (U.S. or

1/ Transcript of the hearing, pp. 47-55.
2/ Petitioners' prehearing brief, p. 9.

Canadian)---and often a lower price from smaller U.S. producers---and that is why service considerations can put Titan at an advantage. 1/

In their prehearing brief and at the hearing, petitioners claimed that the range of services provided by Titan adds to the cost, but whereas U. S.producers charge for these services, Titan does not. 2/ Although the added cost of many of these services may be small and difficult to quantify, to the extent no explicit charge is made for them by Titan the firm's customers may receive more value for their purchase price than do purchasers of U.S. products. 3/

Transportation costs

U.S. producers of heavy-walled rectangular pipes and tubes are concentrated in the Midwest (primarily the Chicago area) and along the west coast. Imports of these pipes and tubes are sold predominantly in the Northeast, Southeast, and Midwest. IPSCO, an importer of *** the subject products, markets the Canadian products in the Dakotas, Montana, Wyoming, and Utah. 4/

Trucking is the primary mode of transportation for heavy-walled rectangular pipes and tubes. Although transport costs are a major concern when marketing or purchasing heavy-walled rectangular pipes and tubes, there is reportedly no significant difference in transport costs when comparing the products of major U.S. producers located in the Midwest with most Canadian imports. 5/ U.S. inland transportation costs reported by the importers of the Canadian tubing ranged from 4 percent to 14 percent of the delivered price to U.S. customers. Transportation costs reported by U.S. producers ranged from 3 percent to 13 percent of the delivered price to U.S. customers.

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1/ This agrees with the presentation of Dr. Robert Leone, an economic consultant who testified at the hearing on behalf of Titan. Given excess capacity in the U.S. industry and the competitive nature of the market, Dr. Leone claimed that increases in imports from Canada, while they would reduce the sales of the U.S. producers, would have no impact on prices and little effect on profitability. Transcript of hearing, pp. 68-76.

2/ Prehearing brief, pp. 9 and 10; transcript of the hearing, p. 7.

3/ Titan, in a submission dated Jan. 16, 1986 (responding to a question from Commissioner Lodwick), argues that intangible marketing services involve no extra cost to Titan and that most tangible services require no additional costs "compared with the traditional manner of producing and distributing rectangular structural tubing." The tangible services cited by Titan as "key factors in the customer's decisions to purchase from Titan instead of domestic companies" are: (1) shorter cycle times on rollings, (2) better lead time on coil, (3) access to overnight slitting, (4) smaller minimums on subject-to-accumulation sizes, (5) mitre cutting, (6) overnight delivery, (7) full product range and sizes the customers want, (8) reliable supply, (9) just-in-time inventory, and (10) no over shipping. The only cost assigned to any of these intangible services was $*** per ton for mitre cutting, which Titan stated was added to the price that is quoted to the customer.

4/ Transcript of the conference in the preliminary investigation, p. 79.

5/ Ibid., pp. 70 and 144.

Exchange rates

Quarterly data reported by the International Monetary Fund indicate that during the period January 1982 through September 1985, the nominal value of the Canadian dollar depreciated relative to its U.S. counterpart by 11.1 percent (table 17). 1/ Because the level of inflation was appreciably higher in Canada than in the United States over this period, the Canadian real exchange rate (the international purchasing power of the Canadian currency) depreciated by only 2.8 percent relative to the U.S. dollar--significantly less than the commensurate apparent nominal depreciation of 11.1 percent.

Table 17.--U.S.-Canadian exchange rates: 1/ Indexes of nominal-exchange-rate equivalents of the Canadian dollar in U.S. dollars, real-exchange-rate equivalents, and producer price indicators in the United States and Canada, 2/ by quarters, January 1982-September 1985

| Period | U.S. producer price index | Canadian producer price index | Nominal-exchange-rate index | Real-exchange-rate index 3/ |
|---|---|---|---|---|
| | | | US$ per Can$ | |
| 1982: | | | | |
| January-March | 100.0 | 100.0 | 100.0 | 100.0 |
| April-June | 100.1 | 101.9 | 97.1 | 98.9 |
| July-September | 100.5 | 102.7 | 96.7 | 98.8 |
| October-December | 100.6 | 103.1 | 98.2 | 100.5 |
| 1983: | | | | |
| January-March | 100.7 | 103.8 | 98.5 | 101.5 |
| April-June | 101.0 | 105.3 | 98.2 | 102.4 |
| July-September | 102.0 | 106.2 | 98.1 | 102.1 |
| October-December | 102.5 | 106.6 | 97.6 | 101.5 |
| 1984: | | | | |
| January-March | 103.6 | 108.4 | 96.3 | 100.7 |
| April-June | 104.3 | 109.7 | 93.5 | 98.3 |
| July-September | 104.1 | 110.4 | 92.0 | 97.6 |
| October-December | 103.8 | 110.6 | 91.7 | 97.8 |
| 1985: | | | | |
| January-March | 103.6 | 111.8 | 89.3 | 96.4 |
| April-June | 103.7 | 112.5 | 88.3 | 95.8 |
| July-September | 103.1 | 4/ 112.7 | 88.9 | 97.2 |

1/ Exchange rates expressed in U.S. dollars per unit of Canadian currency.

2/ Producer price indicators--intended to measure final product prices--are based on average quarterly indexes presented in line 63 of the International Financial Statistics.

3/ The real value of a currency is the nominal value adjusted for the difference between inflation rates as measured here by the producer price indexes in the United States and Canada. Producer prices in the United States increased by 3.1 percent from January 1982 through September 1985 compared with a 12.7-percent increase in Canada during the same period.

4/ Preliminary.

Source: International Monetary Fund, International Financial Statistics, November 1985.



Note.--January-March 1982=100.

1/ International Financial Statistics, November 1985.

Lost sales

The Commission received 26 specific lost sales allegations from 5 U.S. producers, involving 21 purchasers 1/ to which they had allegedly lost sales to imports from Canada. The allegations amounted to 32,115 tons of heavy-walled rectangular pipes and tubes and covered the period May 1983 through March 1985. The Commission staff, in the preliminary case, investigated 20 of these allegations, involving almost 28,000 tons. The only major new allegation for the final case, of a lost sale of *** tons, was also investigated. 2/ Details of the allegations are discussed below.

*** was cited in two lost sales allegations totaling *** tons during 1984 and 1985. ***, product manager for the firm, confirmed having purchased approximately *** tons of Canadian heavy-walled rectangular tubing in 1984 and approximately *** tons during January-March 1985. *** stated that his primary reasons for purchasing the imported product were reliability, superior quality, shorter delivery time, and service. He noted that price is a consideration and that the U.S. and Canadian prices were approximately equal at most times. He also stated that if price were his primary concern he was certain that, given ***, he could easily negotiate a lower price with most U.S. producers. He cited *** and *** as price leaders in the U.S. market.

***, located in ***, was cited in *** lost sales allegations totaling *** tons during 1984 and 1985. ***, structural tubing manager for the firm, stated that *** tons was the firm's approximate annual requirement of heavy-walled rectangular tubing. A substantial part of the requirement was supplied by Canadian-produced tubing, but *** was unable to estimate the quantities of the Canadian product purchased. *** noted the Canadian product's better delivery time, availability, and lower delivered price to many of the firm's delivery points as the primary reasons for purchasing the imported tubing. *** reported that U.S. mills and Canadian producers were alternately price leaders in the U.S. market over the past 3 years.

***, located in ***, was cited in a lost sales allegation totaling *** tons during 1984. ***, purchasing manager for the firm, confirmed that the firm had purchased approximately *** tons of Canadian-produced heavy-walled rectangular tubing in 1984. *** stated that the product's lower delivered price was his primary reason for purchasing the imported tubing. He cited two U.S. mills, *** and *** as price leaders in the U.S. market.

***, a service center/distributor in ***, was cited in a lost sales allegation totaling *** tons in 1984. ***, director of purchases for the firm, confirmed purchasing an estimated *** tons of Canadian heavy-walled

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1/ Based on a listing of *** transactions used by the Department of Commerce in its LTFV calculations, the staff can identify 11 of these purchasers as having been found by Commerce to have made some purchases at LTFV prices during October 1984-March 1985. We cannot, however, generally determine if the specific lost sales alleged were made at LTFV.

2/ In addition, for the final case one U.S. producer repeated its allegation that *** tons of annual requirements of customers were lost in 1985 as well as in 1984 (as previously alleged).

rectangular tubing in 1984. He noted that his firm purchases *** percent of its tubing requirements from U.S. mills and purchases the Canadian product solely on the basis of its availability. He stated that the Canadian delivered price is usually higher than that of comparable U.S. material, and cited *** and *** as price leaders in the U.S. market.

***, a service center/distributor in ***, was cited in a lost sales allegation involving *** tons in 1984. ***, a purchaser for the firm, confirmed purchasing approximately *** tons of the Canadian product in 1984. He cited the imported product's delivered price, which he estimated to be *** percent lower than comparable U.S. prices, as his primary reason for purchasing the Canadian tubing. *** cited *** and *** as price leaders in the U.S. market.

***, located in ***, was cited in a lost sales allegation that occurred in 1984 involving an estimated *** tons of various size heavy-walled rectangular pipes and tubes. The alleged rejected price quote was $*** per ton and the alleged Canadian price accepted was $*** per ton. *** confirmed that he does buy from Canadian suppliers and also from various U.S. producers; he did not quantify the amount purchased from Canadian suppliers. Price is the most important factor in determining which firm gets ***'s business, according to ***; occasionally delivery time is a factor but most sales are on the basis of price. *** stated that he never tells a supplier the identity of another supplier that has given him a lower bid, so he doesn't know how any U.S. firm can claim to have lost a sale to a Canadian supplier. *** stated that *** had lower prices than ***; until recently, when *** lowered its prices, it was not price competitive, according to ***.

***, a service center, located in ***, was cited in a lost sales allegation that occurred in 1984 involving an estimated *** tons of various size heavy-walled rectangular pipes and tubes. The alleged rejected price quote was for $*** per ton and the alleged Canadian price accepted was $*** per ton. Although ***, purchasing agent for ***, was unable to confirm any specific lost sale to any single U.S. firm, she stated that *** did buy about *** tons of Canadian heavy-walled rectangular pipes and tubes from *** during 1984. *** stated, however, that if the Canadian material had not been bought, the sales would normally have been divided up among several U.S. firms rather than any single U.S. firm. *** stated that ***'s prices are higher than domestic prices for *** material by about $*** per ton; material this size accounted for about *** percent of the *** tons of Canadian heavy-walled rectangular pipes and tubes purchased in 1984, according to ***. On the other hand, the remaining *** percent of the Canadian material purchased was of sizes *** and in these sizes, the Canadian product is priced about $*** per ton under the U.S. firms. *** stated that price is not the only consideration for ***--exhibited by the fact that substantial purchases of the Canadian material were at higher prices than those offered by U.S. firms--service is also important. When asked if *** provided any services not offered by U.S. firms, *** cited such items as partial deliveries of an order timed to ***'s requirements, shipments of less than a truckload at no extra charge, small bundle sizes (*** to *** pieces per bundle from *** compared with *** to *** pieces for U.S. firms' bundles), and a good variety of pipe and tube lengths in inventory.

***, a service center located in ***, was cited in a lost sales allegation involving an estimated *** tons of various sizes of heavy-walled rectangular pipes and tubes and occurring in 1984. The alleged rejected price quote was $*** per ton and the alleged Canadian price accepted was $*** per ton. ***, purchasing agent for ***, stated that he had bought a total of about *** tons of such pipes and tubes in 1984--about *** percent from Canada (***), *** percent from ***, and *** percent from ***. *** stated that purchases were made on the basis of price; other concerns, such as service, product quality, and delivery time were all about the same, in his experience, between U.S. and Canadian suppliers. ***'s prices are usually lower, by about $*** to $*** per ton delivered to ***'s warehouse, and that's why it has so much of the firm's business, according to ***.

***, located in ***, was cited in a lost sales allegation involving a total of *** tons of various sizes of heavy-walled rectangular pipes and tubes and occurring in ***. The rejected price quotes totaled $*** and the alleged Canadian total price accepted was $***. ***, new product development manager for ***, confirmed that he had bought a total of *** tons of such products from *** in the first quarter of 1985. This was the first time *** purchased from ***, although *** had submitted bids six times. According to ***, the purchase was made because the prices of the Canadian products ranged from $*** to $*** less per piece--amounting to a $*** to $*** savings for ***.

***, a service center, located in ***, was cited in a lost sales allegation that occurred in *** involving *** tons of ***. ***, purchasing manager for ***, was unable to confirm that the firm had made any purchases of *** tubes in *** because, without a purchase order number, he was unable to trace sales placed with the supplier (whether Canadian or U.S.) and shipped directly to ***'s customer; *** did confirm that there was no such purchase in *** for inventory stock. *** stated that the firm does buy Canadian heavy-walled rectangular pipes and tubes from ***. For ***, the decision to buy from one supplier over another is dependent on price whenever speed of delivery is not important and availability, regardless of price, whenever delivery time is important. Service and maintaining a diversity of suppliers are also considerations. *** stated that *** provided some services not offered by U.S. firms, e.g., it would break bundles, ship less than a truckload without *** being charged with the delivery costs for a full truckload; it also quickly responds to inquiry. ***'s price was *** to *** percent less than U.S. firms up until the beginning of ***, according to ***; then U.S. firms reduced their prices by about *** percent. ***. Whenever delivery time is crucial and there is minimal lead time, *** would have an advantage, according to ***, because of their warehouse stocks.

***, a service center in ***, was cited in a lost sales allegation that occurred in *** involving *** tons of various sizes of rectangular tubes. ***, product manager, stated that although he would be happy to respond to any questions put to him in writing, he would not answer any questions placed over the telephone.

***, located in ***, was cited in a lost sales allegation totaling *** tons during 1984. ***, owner of the firm, confirmed that his company had purchased approximately *** tons of Canadian-produced heavy-walled rectangular tubing in 1984. He stated that the firm purchases approximately *** percent

of its heavy-walled rectangular tubing requirements from U.S. producers. He noted that the Canadian and U.S. products were selling at about the same price level. He stated that the large U.S. mills are the price leaders in the U.S. market.

***, was cited in *** allegations totaling *** tons during *** 1983 and *** 1985. *** was unable to confirm any purchases of heavy-walled rectangular tube that occurred in 1983 and could not confirm a purchase in *** 1985 larger than about 12 percent of the alleged lost sale. He noted that his firm purchases both Canadian- and U.S.-produced rectangular structural tubing.

***, located in ***, was cited in an allegation involving *** tons of heavy-walled rectangular tubing during *** 1985. ***, purchaser for the firm, confirmed having purchased approximately *** tons of the Canadian product, mainly on the basis of delivered price, which he estimated to be *** percent lower than competing U.S. tubing. He noted that the imported tubing he purchases is ***. He stated that the Canadian *** product has been more price competitive than the Canadian *** tubing.

***, a distributor located in ***, was cited in *** lost sales allegations that occurred in *** 1984 involving *** tons of various sizes of heavy-walled rectangular pipes and tubes. ***, product manager at ***, confirmed that *** had bought about *** tons of the Canadian (***) product and noted that the Canadian product's sales price had been about *** percent higher than the U.S. price quote. *** stated that the *** sale was made on the basis of price; he said the sale was an unusual situation in that the price of the Canadian material was lower than the U.S. price, whereas, the Canadian prices were usually higher. In the last 18 months, according to ***, the Canadians have not competed pricewise with the U.S. firms. As a result, the Canadian firms' share of ***'s heavy-walled rectangular pipes and tubes requirements has been only about *** percent in the last 18 months, whereas, previously it had been about *** percent. *** said purchases from Canadian suppliers (both *** and ***) are sometimes made because of their ability to deliver more rapidly than U.S. firms because they maintain larger inventories of the various pipe and tube products that *** requires (although material length is not an issue since *** purchases only *** lengths--common lengths for both Canadian and U.S. firms).

***, a service center/distributor located in ***, was cited in an allegation involving *** of heavy-walled rectangular tubing in *** 1984. ***, purchaser for the firm, confirmed having purchased *** tons of the Canadian product primarily on the basis of delivered price, which he estimated to be *** percent below that of the competing U.S. product at that time. He noted that the Canadian tubing usually has a shorter delivery time, which is also a reason for purchasing the imported product.

Lost revenues

The Commission received 32 lost revenue allegations from three U.S. producers involving 19 purchasers. Total lost revenue alleged was $232,254 on sales of 10,781 tons of heavy-walled rectangular pipes and tubes due to competition from imports produced in Canada. The Commission staff investigated nine of the allegations involving $153,283 of lost revenue to six purchasers. Purchasers found it very difficult to confirm or deny lost revenue allegations without the name of the producer and other specifics such as point of delivery and invoice number, all of which is confidential. Purchasers were unable to confirm or deny the alleged lost revenues involving $137,150 in five of the nine allegations investigated by the Commission. None of the lost revenue allegations were verified by the purchasers. Four lost revenue allegations totaling $16,133 were denied by the purchasers. Details of the allegations are discussed below.

***, a ***, was cited in three lost revenue allegations totaling $*** during the period March 1983 through March 1985. ***, vice president of purchasing for the firm, stated that prices are often lowered to meet competitive offers but could not verify the allegations without specific delivery points and the producer involved. *** noted that his firm does purchase Canadian heavy-walled rectangular tubing primarily for delivery to the firm's *** locations.

***, a *** service center/distributor located in ***, was cited in two lost revenue allegations totaling $*** for *** tons during late 1984 and *** tons during *** 1985. ***, structural tubing manager for the firm, could not comment on the 1984 allegation without specifics, but did state that no U.S. producer had lowered its price on the alleged *** tons of tubing in *** 1985.

***, located in ***, was cited in a lost revenue allegation totaling $*** on *** tons during *** 1985. ***, product manager for the firm, denied the allegation, stating that the Canadian price was higher than the U.S. producer's price. He noted that the U.S. producer reduced its price unilaterally "across the board" and that other U.S. mills soon followed.

***, a distributor located in ***, was cited in a lost revenue allegation totaling $*** for *** tons of various size heavy-walled rectangular pipes and tubes and occurring in *** 1985. ***, product manager at ***, denied the allegation. He stated that in *** 1985, the Canadian prices were higher than the U.S. prices and any reduced price obtained on a sale at that time was because of price competition among U.S. producers rather than a lower price offered for Canadian material.

***, a service center, located in ***, was cited in a lost revenue allegation that occurred in *** 1983 totaling $*** for *** tons of *** tubes. ***, purchasing manager for ***, was unable to confirm that the firm had made any purchases of *** tubes in *** 1983 because, without a purchase order number, he was unable to trace sales placed with the supplier (whether Canadian or U.S.) and shipped directly to ***'s customer; *** did confirm that there was no such purchase in *** 1983 of product for inventory stock. See

the lost sales section of this report for a more complete discussion of this firm's purchase considerations.

***, a service center, located in ***, was cited in a lost revenue allegation that occurred in *** 1985 totaling $*** for *** tons of *** sizes of heavy-walled rectangular pipes and tubes. ***, confirmed that *** had made a purchase of *** sizes of subject pipes and tubes in *** 1985, but denied that there was any competing U.S. price quote inasmuch as *** had no Canadian price quote since *** 1984. According to ***, if any competing price was used to negotiate a reduced price, it would have been another U.S. firm's price quote.

# APPENDIX A
# FEDERAL REGISTER NOTICES

**International Trade Administration**

**[A-122-502]**

## Certain Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes From Canada; Final Determination of Sales at Less Than Fair Value

**AGENCY:** International Trade Administration/Import Administration/ Commerce.

**ACTION:** Notice.

**SUMMARY:** We have determined that certain heavy-walled rectangular welded carbon steel pipes and tubes (rectangular pipes and tubes) from Canada are being sold in the United States at less than fair value. The United States International Trade Commission (ITC) will determine within 75 days of publication of this notice whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** November 22, 1985.

**FOR FURTHER INFORMATION CONTACT:** William D. Kane, Office of Investigations, United States Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230, telephone: (202) 377-1766.

**SUPPLEMENTARY INFORMATION:**

### Final Determination

Based on our investigation and in accordance with section 735(a) of the Tariff Act of 1930, as amended (the Act), we have reached a final determination that rectangular pipes and tubes from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the Act. The weighted-average margins are indicated in the "Suspension of Liquidation" section of this notice.

### Case History

On March 25, 1985, we received a petition from the Committee on Pipe and Tube Imports on behalf of the domestic industry producing rectangular pipes and tubes. In compliance with the filing requirements of § 353.36 of the Commerce Regulations (19 CFR 353.36), the petition alleged that imports of rectangular pipes and tubes from Canada are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, as amended (the Act), and that these imports are materially injuring, or threatening material injury to, a United States industry.

B-2

After reviewing the petition, we determined that it contained sufficient

grounds upon which to initiate an antidumping duty investigation. We notified the ITC of our action and initiated such an investigation on April 15, 1985 (50 FR 15771). On May 9, 1985, the ITC determined that there is a reasonable indication that imports of rectangular pipes and tubes from Canada are materially injuring a U.S. industry (50 FR 20302).

We presented an antidumping duty questionnaire to Titan Industrial Corporation (Titan), whose exports account for approximately 80 percent of the products under investigation, on May 10, 1985. Its response to our questionnaire was received on June 25, 1985. Additional voluntary responses were received from Welded Tube of Çanada (Welded Tube) on June 25, July 10, and July 30, 1985, from Acier Royalcor Steel, Inc. (Royalcor) on July 2, 1985, and from Capco Tubular Products Co. (Capco) on July 27, 1985. The responses of Welded Tube were found to be untimely and inadequate for consideration. The response of Capco represented only one sale of the subject merchandise, which we considered to be too insignificant to warrant inclusion in our analysis. The response of Royalcor was included in our analysis.

On September 3, 1985, we preliminarily determined that rectangular pipes and tubes from Canada were not being, nor were likely to be, sold in the United States at less than fair value (50 FR 36910). Our notice of preliminary determination provided interested parties an opportunity to submit views orally and in writing.

Verifications were conducted at Titan's New York corporate offices and the offices of their Canadian subsidiary, Dominion Steel Export Company (Dominion) in Canada, on September 9 through September 13, 1985. Verification was conducted at Royalcor in Montreal, Canada during the week of September 30, 1985.

On October 11, 1985, we held a public hearing.

**Scope of Investigation**

The products covered by this investigation are certain welded carbon steel pipes and tubes of rectangular (including square) cross section, having a wall thickness not less than 0.156 inches, not threaded and not otherwise advanced, other than pipe conforming to American Petroleum Institute specifications for oil well casing, currently provided for in item 610.3955 of the *Tariff Schedules of the United States, Annotated.*

**Fair Value Comparisons**

To determine whether sales of the subject merchandise in the United States were made at less than fair value, we compared the United States price with the foreign market value.

**United States Price**

As provided in section 772(b) of the Act, we used the purchase price of the subject merchandise to represent the United States price because the merchandise was sold prior to the date of importation to unrelated purchasers in the United States. We calculated the purchase price based on the ex-factory or C and F, duty paid, delivered, packed price. We made deductions, where appropriate, for U.S. inland freight, foreign inland freight, U.S. brokerage charges, foreign brokerage charges, and U.S. customs duty.

For Royalcor a number of keypunching errors resulting in double entries of line items in the computer sales listing were discovered. These repetitions were deleted for our final calculations. The system used to allocate brokerage charges was found to be based on a random sampling of freight bills and an estimate of invoice product mix. This allocation method was determined to be less reliable than an allocation of total brokerage charges over total tonnage shipped during the period, and the latter method was adopted for our final calculations. U.S. customs duty was calculated on a price which included non-dutiable charges. For our final calculations non-dutiable charges were deducted prior to calculating the duty. For Titan two incorrect freight charges, resulting from a clerical error and a computation error, were corrected for our final calculations. Two sales of rejects were found to be erroneously included in the listing of sales, and were deleted.

**Foreign Market Value**

In accordance with section 773(a) of the Act, we calculated foreign market value for Titan based on constructed value, as there were insufficient sales in the home market or to third countries to provide viable comparisons. For Royalcor, we calculated foreign market value based on home market ex-factory, packed prices to unrelated purchasers.

For Royalcor packing costs are incorporated in their acquisition cost of the subject merchandise, and appear to be identical for both markets. No claims were made for differences in circumstance of sale. However, we could not verify Royalcor's claim that credit terms are the same in both markets. Therefore, based on our sample of sales in each market, we have calculated the number of days for which credit was extended in the respective markets, and have made an adjustment to foreign market value to reflect that difference. We made comparisons of such or similar merchandise based on grade, dimension, wall thickness, and whether or not cut to length, as selected by Commerce Department industry experts.

To determine foreign market value of Titan, we calculated constructed value by totaling the costs of materials used in producing such or similar merchandise, fabrication, general expenses, profit and the cost of packing on U.S. shipments. We used the actual amount of general expenses, as this was greater than the statutory minimum of 10 percent of the cost of materials and fabrication. The amount added for profit was the statutory minimum of eight percent of the sum of materials, fabrication costs, and general expenses, since the actual level of profit was less than eight percent. We made circumstance of sale adjustments, where appropriate, for after sale warehousing expenses incurred on United States sales, in accordance with § 353.15 of the Commerce regulations.

In calculations for our preliminary determination we included pre-sale warehousing charges as part of fabrication costs. For our final determination we have concluded that these costs are more properly costs associated with the sale of the merchandise and have included them in selling, general and administrative expenses. Those costs associated with cutting pipes to length in the warehouse have been segregated, and continue to be included in costs of fabrication.

In our preliminary determination we included a conversion contract penalty payment in costs of fabrication, allocating this cost based on production figures available at the time. We continue to treat this penalty payment as a cost of fabrication. However, our basis of allocation is the yearly production data developed at verification.

For our preliminary determination we used constructed values based on Titan's entire fiscal year 1984. However, for our final calculations we find it more appropriate to use those costs associated with merchandise sold during the period of investigation in construction a value, in accordance with § 353.6 of the Commerce Regulations.

At the time of verification a detailed reconciliation of reported costs to audited financial statements was made. The variance between the cost of

production data verified and the cost of manufacture reflected in the financial statements was found to be reasonable given the product mix of merchandise included in the financial statements and the different purposes for which the two sets of data were prepared.

**Verification**

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

**Petitioner's Comments**

*Comment 1*

The petitioner claims that the verification report did not disclose that the cost of production information had been reconciled with the audited financial statements.

*DOC Position*

The cost of production had been reconciled to the financial statements by the respondent. As is its usual practice, under similar conditions, the Department reviewed in detail this reconciliation and disclosed this procedure in its verification report.

*Comment 2*

The verification report did not disclose whether freight costs for shipment of narrow coil between Titan's third party coil supplier and the converter had been reviewed.

*DOC Position*

The freight costs for shipment of narrow coil between Titan's third party coil supplier and the converter were included in the raw material costs, and were reviewed at the time the raw materials amounts were tested.

*Comment 3*

Titan did not increase the constructed value by the amount of the flash removal charge for each sale which included this extra.

*DOC Position*

The respondent did include the flash removal charge for each sale which included this extra.

*Comment 4*

The respondent's methodology for calculating conversion scrap loss and the weight savings rate (difference between theoretical and actual weights) produces results which do not comport with United States industry experience and are patently unreasonable. Given the information contained in the respondent's Daily Rolling Reports, a much more accurate indication of the scrap loss could be made by an alternative method which also eliminates the need for the "weight savings rate" step.

*DOC Position*

The Department agrees with the petitioner that the two step scrap loss and weight savings rate method is unnecessary because these two steps could have been combined in one calculation. However, we reconciled the differences between the petitioner's and respondent's methods and found that the results would have been identical, if the respondent and petitioner had both used the weighted average scrap loss for the total product line and if the petitioner had accounted for the revenues resulting from the sale of "rejects". The Department used the respondent's method for determining the scrap loss.

*Comment 5*

In the preliminary determination, the Department used the constructed value based on cost incurred for fiscal year 1984. The Department should use a more appropriate period which covers only the costs associated with products sold during the period of investigation.

*DOC Position*

The Department agrees. For the final determination the Department has followed its usual practice under similar conditions, and used the costs incurred for the sales of the product during the period of investigation.

*Comment 6*

Under a long-term contract with a third party converter of tube Titan may receive a rebate if orders exceed a specific amount. Titan should not include as an offset to cost, the incremental allowance rebate which it received based on production which was not sold during the period of investigation.

*DOC Position*

Since the incremental rebate was not received as part of the cost of production used for the determination, the Department did not include these rebates.

*Comment 7*

Under a long term comtract with a third party convertor of tube, Titan is required to pay a penalty if it does not order a specified amount of fabrication work each year. The 1984 penalty payment from Dominion to the third party convertor should be included in cost of production as part of the cost of manufacture, and not as a selling expense.

*DOC Position*

The Department agrees. The actual penalty payment which is directly related to the production of the product under investigation in 1984 was included. The penalty payment was included in the "cost of manufacture" instead of "selling expenses" since it is a term of the conversion contract between Dominion and the third party convertor.

*Comment 8*

Pre-sale warehousing expenses were properly considered to be a cost of fabrication rather than a general expense by the ITA in the preliminary determination.

*DOC Position*

The Department does not agree. Dominion's warehouse in Canada is a depot from which the products under investigation are shipped directly to customers in the United States. These expenses were included in general expenses. The warehouse is not a manufacturing facility. The part of the warehousing which was used for fabrication was identified and included in the cost of manufacturing.

*Comment 9*

Petitioners claim that two errors found in Titan's freight charges at verification require alternatively that either a reverification of these charges be conducted using a larger universe of sales, or that the margins of error found in the two sales be applied proportionately to the entire U.S. sales listing.

*DOC Position*

We have determined that the error rate represented by these two sales in relationship to the total of items of data checked at verification was not greater than would reasonably be expected, and that the causes of the errors were not of a methodological or other nature which could cause a repetitive effect throughout the listing of sales. One such cause was a clerical transposition of weight numbers which resulted in a very minor change in the freight figure. The second was engendered by a misrepresentation of individual truck weights and their totals on billing slips submitted to Titan by their freight forwarder and used as source

documents for their calculations. The errors found were corrected for our final calculations. In these circumstances we consider the error rate acceptable and the verification of these charges adequate.

**Respondents Comments**

*Comment 1*

In the preliminary determination, the ITA included pre-sale warehousing expenses in cost of manufacturing. Titan's warehousing expenses are selling expenses and should be included in cost of production as a selling, general and administrative expense.

*DOC Position*

The Department agrees. See the response to the petitioner's comment number 8 regarding warehousing expense.

*Comment 2*

The 1984 penalty payment from Dominion to the third party convertor should not be included in cost of production since the penalty payment had no effect on Dominion's income during the period of investigation. If the ITA does include the penalty payment in cost of production, it should be considered as part of SG&A since it is in no way related to the cost of producing the products covered by the investigation.

*DOC Position*

The Department disagrees. See the response to the petitioner's comment number 7 regarding the penalty payment.

*Comment 3*

At verification, it became apparent that certain interest income amounts from unrelated parties were not included in reported SG&A. These amounts should be included as an offset to SG&A expenses.

*DOC Position*

The Department disagrees. Interest income which did not result from production or sales of the products under investigation is not applied to offset the cost of production, because it is not related to those products. Interest income had not been included in the submission nor was the source of such income identified. Therefore, the Department did not offset the costs.

*Comment 4*

Dominion correctly reported all costs of manufacture in the original currency, Canadian dollars. The Canadian to United States dollar exchange rate conversion required by United States generally accepted accounting principles (FASB-52) is not relevant in this case.

*DOC Position*

The Department agrees. The Department converted the "constructed value" in accordance with its regulations. Therefore the method prescribed by FASB #52 is not relevant.

**Suspension of Liquidation**

We made fair value comparisions on all reported rectangular pipes and tubes sold in the United States by the two Canadian companies during the investigative period. With regard to Royalcor we found its weighted-average margin to be 0.15 percent. As this is *de minimis*, we are excluding Royalcor from this determination. The weighted-average margin for Titan and all other producers is 0.65 percent.

In accordance with section 733(d) of the Act, we are directing the United States Customs Service to suspend liqudation of all entries of rectangular pipes and tubes from Canada, with the exception of those produced by Acier Royalcor Steel, Inc., which are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. The United States Customs Service will require the posting of a cash deposit, bond, or other security in amounts based on the following weighted-average margins.

| Company | Weighted-average margin |
|---|---|
| Titan Industrial Corp. (Dominion Steel Export Company). | 0.65 percent. |
| Acier Royalcor Steel, Inc. | 0.15 percent (de minimis) (excluded) |
| All others | 0.65 percent. |

*ITC Notification*

We are notifying the ITC and making available to it all nonprivileged and nonconfidential information relating to this determination. We will allow the ITC access to access to all privileged and confidential information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Deputy Assistant Secretary for Import Administration. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all securities posted as a result of the suspension of liquidation will be refunded or cancelled. If the ITC determines that such injury does exist, we will issue an antidumping order directing Customs officers to assess an antidumping duty on certain heavy-walled rectangular welded carbon steel pipes and tubes from Canada entered, or withdrawn from warehouse, for consumption after the suspension of liquidation, equal to the amount by which the foreign market value exceeds the United States price.

This determination is being published pursuant to section 735(d) of the Act (19 U.S.C. 1673d (d)).

**William T. Archey,**

*Acting Assistant Secretary for Trade Administration.*

November 18, 1985.

[FR Doc. 85-27948 Filed 11-21-85; 8:45 am]

BILLING CODE 3510-DS-M

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigation No. 731-TA-254 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United Sttes is materially retarded, by reason of imports from Canada of welded carbon steel pipes and tubes of rectangular (including square) cross section, having a wall thickness not less than 0.156 inch, not threaded and not otherwise advanced, other than pipe conforming to American Petroleum Institute (A.P.I.) specification for oil-well casing, provided for in item 610.39 of the Tariff Schedules of the United States, whch have been found by the Department of Commerce, in a final determination, to be sold in the United States at less than fair value (LTFV). The Commission will make its final injury determination by February 4, 1985 (see section 735(b) of the act (19 U.S.C. 1673d(b))).

For further information concerning the conduct of this investigation, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** November 22, 1985.

**FOR FURTHER INFORMATION CONTACT:** Cynthia Wilson (202-523-0291) or Robert Eninger (202-523-0312), Office of Investigations, U.S. International Trade Commission, 701, E Street NW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Comission's TDD terminal on 202-724-0002.

**SUPPLEMENTARY INFORMATION:**

**Background**

This investigation is being instituted as a result of an affirmative final determination by the Department of Commerce that imports of certain heavy-walled rectangular welded carbon steel pipes and tubes from Canada are being sold in the United States at less than fair value within the meaning of section 731 of the act (19 U.S.C. 1673). The investigtion was requested in a petition filed on March 25, 1985, by counsel on behalf of Bull Moose Tube Co., St. Louis, Mo; Copperweld Tubing Group, Pittsburgh, PA; Kaiser Steel Corp., Los Angeles, CA; Maruichi American Corp., Santa Fe



[Investigation No. 731-TA-254 (Final)]

## Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes From Canada

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

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

[3] Commissioner Lodwick determines that an industry rather than industries, is the subject of material injury.

Springs, CA; UNR-Leavitt, Chicago, IL; and Welded Tube Co. of America, Chicago, IL. In respone to that petition the Commission conducted a preliminary antidumping investigation and, on the basis of information developed during the course of that investigation, determined that there was a reasonable indication that an industry in the United States was materially injured by reason of imports of the subject merchandise (50 FR 20302, May 15, 1985).

**Participation in the Investigation**

Persons wishing to participate in this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than twenty-one (21) days after the publication of this notice in the Federal Register. Any entry of appearance filed after this date will be referred to the Chairwoman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

**Service List**

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

**Staff report**

A public version of the prehearing staff report in this investigation will be placed in the public record on December 23, 1985, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

**Hearing**

The Commission will hold a hearing in connection with this investigation beginning at 11:00 a.m. on January 10, 1986, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on January 3, 1986. All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 9:30 a.m. on December 30, 1985, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is January 3, 1986.

Testimony at the public hearing is governed by § 207.23 of the Commission's rules (19 CFR 207.23). This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted. Any written materials submitted at the hearing must be filed in accordance with the procedures described below and any confidential materials must be submitted at least three (3) working days prior to the hearing (see § 201.6(b)(2) of the Comission's rules (19 CFR 201.6(b)(2))).

**Written Submissions**

All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with § 207.22 of the Commission's rules (19 CFR 207.22). Posthearing briefs must conform with the provisions of § 207.24 (19 CFR 207.24) and must be submitted not later than the close of business on January 16, 1986. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before January 16, 1986.

A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the Commission's rules (19 CFR 201.8). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

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

**Authority**

This investigation is being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.20 of the Commission's rules (19 CFR 207.20).

Issued: December 6, 1985.

By order of the Commission.

Kenneth R. Mason,

*Secretary.*

[FR Doc. 85-29835 Filed 12-16-85; 8:45 am]

BILLING CODE 7020-02-M

# APPENDIX B

## LIST OF WITNESSES APPEARING AT THE COMMISSION'S HEARING

# TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject : Heavy-Walled Rectangular Welded Carbon Steel Pipes and Tubes from Canada

Inv. No. : 731-TA-254 (Final)

Date and time : January 10, 1986 - 11:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

Roger B. Schagrin, P.C.--Counsel
Washington, D.C.
on behalf of

The Committee on Pipe and Tube Imports and the individual producer members of this subcommittee

Roy A. Herman, Vice President, Marketing/Planning
UNR-Leavitt, Div. UNR, Inc.

William O. Nostrand, President, Welded Tube Company of America

James Murray, Manager, Market Development, Copperweld Coporation

Michael T. Szum, Product Manager, Structural Tubing, Copperweld Corporation

Roger B. Schagrin)
Paul W. Jameson )--OF COUNSEL

- more -

IN OPPOSITION TO THE IMPOSITION
OF ANTIDUMPING DUTIES:

Barnes, Richardson and Colburn--Counsel
Washington, D.C.
on behalf of

IPSCO Inc., Regina, Saskatchewan, Canada
and
IPSCO Steel Inc., Kingswood, Texas

Rufus E. Jarman, Jr.)
Matthew J. Clark ) --OF COUNSEL

Dow, Lohnes & Albertson--Counsel
Washington, D.C.
on behalf of

The Titan Industrial Corporation, Standard Tube Canada, Inc., Woodstock, Ontario, and Welded Tube of Canada Limited, Concord, Ontario

Marie Nonni, Sales

Michael Levin, President

Robert Leone, Economist, Lecturer in Public Policy, Kennedy School of Government, Harvard University

Dennis Wodarski, Thrall Manufacturing Company

John Krzystof, Independent Sales Agent

William Silverman )
Michael P. House )
Margaret Dardess ) --OF COUNSEL
Leslie H. Wiesenfelder)