UNITED STATES TARIFF COMMISSION

STEEL BARS, REINFORCING BARS, AND SHAPES FROM AUSTRALIA

Determination of Injury
in Investigation No. AA1921-62
Under the Antidumping Act, 1921,
As Amended

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UNITED STATES TARIFF COMMISSION

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UNITED STATES TARIFF COMMISSION
Washington

February 27, 1970

[AA1921-62]

STEEL BARS, REINFORCING BARS, AND SHAPES FROM AUSTRALIA

Determination of Injury

On November 28, 1969, the Tariff Commission was advised by the Assistant Secretary of the Treasury that steel bars, reinforcing bars, and shapes manufactured by The Broken Hill Proprietary Co., Melbourne, Australia, are being, and are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission on December 1, 1969, instituted investigation No. AA1921-62 to determine whether an industry in the United States is being, or is likely to be, injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

A public hearing was held beginning on January 20, 1970. Notice of the investigation and hearing was published in the Federal Register of December 5, 1969 (34 F.R. 19313).

In arriving at a determination in this case, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

On the basis of the investigation, the majority of the Commission has determined that an industry in the United States is being injured by reason of the importation of steel bars, reinforcing bars, and shapes manufactured by The Broken Hill Proprietary Co., Melbourne, Australia, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 1/

Statement of Reasons of Chairman Sutton and Commissioners Clubb, Leonard, and Moore

In our opinion, an industry in the United States is being injured by reason of the importation of steel bars, reinforcing bars, and shapes manufactured by The Broken Hill Proprietary Co., Melbourne, Australia, which are being sold at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended.

In making this determination under section 201(a) of the Antidumping Act, we have considered the injured industry to consist of the operations of U.S. facilities producing steel bars, reinforcing bars, and shapes of the class or kind being sold at less than fair value.

Imported products

The Treasury Department determined that imports of steel bars, reinforcing bars, and shapes from Australia were being imported at LTFV. Information developed during the investigation revealed that there were substantial LTFV imports of bars ranging from 3/8

1/ Commissioners Thunberg and Newsom determined in the negative.

inch through 1-1/2 inches in diameter, reinforcing bars ranging from 3/8 inch through 1 inch in diameter, and angles ranging in sizes 1 x 1 x 1/8 inch to 4 x 3 x 1/2 inches.

Conditions of competition

Sales and offers of sales of the LTFV imports were concentrated in two separate competitive market areas: California and the Northwest states. 1/ In view of the fact that interested parties in this case focused their attention almost exclusively on the impact of LTFV imports in the Northwest market, we first directed our consideration of the facts in the case to the injury incurred in that market. Because we have found substantial injury in that market, it is unnecessary to measure the injurious impact of LTFV sales in the California market where sales were even larger than in the Northwest market.

Significant imports of the Australian steel products sold at LTFV began in 1966. During that year imports, though substantial, were sold at various places within the United States. In 1967 sales of LTFV imports were relatively small, but concentrated in the two West Coast markets. In 1968 such imports again became substantial, exceeding all LTFV imports made during the preceeding two years, and sales were again concentrated primarily in the

1/ Both California and the Northwest states (Oregon and Washington) constitute separate competitive market areas because freight differentials limit sales of domestic steel products in such areas principally to the plants operating within the areas. For a more detailed discussion of the Northwest market area see the Commission's determinations in investigations No. AA1921-33 (steel reinforcing bars) and No. AA1921-39 (carbon steel bars and shapes).

West Coast area. About one-third of the LTFV imports in 1969 were sold in the Northwest market area.

In weighing the injury, we have applied the principle that an injury to a part of the national industry is an injury to the whole industry.

Pricing practices.--In the Northwest market, LTFV imports of reinforcing bars were sold at prices ranging from $24 to $31 per ton less than the price of comparable domestic reinforcing bars; LTFV imports of round bars were sold at prices ranging from $31 to $51 per ton less than the price of comparable domestic round bars; and LTFV imports of angles were sold at prices ranging from $9 to $48 per ton less than the price of comparable domestic angles. Further, the LTFV imports were priced below imports of comparable products from other foreign sources.

Price suppression or depression.--Of the three domestic steel producers in the Northwest market, one made no price reduction to meet the competition from LTFV imports. This firm, which has numerous plants in the United States and produces a large range of products, adhered to a national price structure and did not attempt to meet import competition. However, the other two producers, being local companies having more limited product lines

which closely paralleled the product mix of the LTFV imports, deemed it expedient to lower their prices on round bars and sold them at $10-$11 per ton below the national price. When LTFV offers and imports ceased, their prices for the bars rose to approximately the national average.

The two producers also found it necessary to lower sharply their prices of angles in incremental steps over a 2-year period. The total reductions amounted to as much as $24 and $29 per ton, or almost $40 per ton below the national price. Thus, we find that sales, and offers of sales, of imported LTFV round bars and angles have caused a decline in prices in a sensitive market where producers of the subject products would normally sell at prices slightly higher than the national prices for such products.

The two local producers did not generally lower their prices of reinforcing bars to meet LTFV import competition. One producer whose production consists largely of the sizes brought in at LTFV did negotiate lower prices on various occasions when the LTFV imports were most heavily concentrated in the immediate vicinity of his plant however. Prices of reinforcing bars during the relevant period were suppressed somewhat below prices that would have prevailed but for the LTFV imports.

Sales and offers of sales of the LTFV steel in the Northwest market area either depressed or suppressed prices of comparable steel products in such market, whether of foreign (other than Australian) or domestic origin. As a result, the prices of

domestic steel products could not rise to the level of their normal relationship to national price levels.

Market penetration.--In 1968, the first year in which LTFV imports were sold in substantial quantities in the Northwest market area, they accounted for 5.5 percent of the apparent consumption in that area of all steel products named in the Treasury determination. Such LTFV sales, moreover, were equivalent to about 8 percent of the estimated Northwest market area consumption of comparable steel products of equivalent sizes. Further, the LTFV sales penetration within the immediate market area of one producer--the complainant in this case--was even greater.

Sporadic sales at LTFV.--The exporter of the LTFV imports in this case has made it clear that it sells its steel products to the United States only when it has surplus production. The exporter depends primarily upon its lower prices to promote sales of its surplus. It has not sought a continuous market for its steel, preferring to sell in the various world markets wherever the most income can be readily, but easily, generated.

Sales resulting from unpredictable discriminatory pricing practices disrupt markets by causing declining prices, the shifting of customers, and the costly changing of product mixes. One of the principal purposes of the Antidumping Act is to prevent such practices.

Conclusion

The disruptions in the Northwest market of the United States steel industry considered in terms of the price impact on, and import penetration of, that market, all incurred as a result of the sales and offers of sales of the heretofore named steel products, are more than *de minimis* injury. Accordingly, we determine that an industry in the United States is being injured by reason of such LTFV imports.

Statement of Reasons for Negative Determination of
Commissioners Thunberg and Newsom

The industry with which this case is concerned is composed of those productive resources which manufacture carbon steel bars, reinforcing bars, and bar shapes. With only minor adjustments to certain equipment a rolling mill can readily shift from the output of reinforcing bars to bars to bar-sized shapes. Thus, because the resources required for the production of each of these items are essentially the same, the production of any one of them can be quickly substituted for another to respond to changing market conditions and together these items comprise the "commodity" produced by this industry. In contrast, because considerably more major and expensive modifications to the plant would be necessary to produce any other steel items (e.g., wire rods), steel bars, reinforcing bars and bar shapes are separated from other steel items (by a natural gap in the chain of substitutes in production) in this determination.

Among economists the geographic area to which the concept of a competitive commodity market is properly applicable is that area over which the same price prevails for the given commodity. It is thus meaningful to speak of a "world market" for a commodity, if the price of the commodity in all parts of the world differs only by

the cost of moving the products from one part to another. Similarly, the market for a commodity is defined as nationwide in scope if the price of the commodity is the same in all parts of the country after taking account of transportation costs.

Applying this generally accepted definition to the commodity with which this investigation is concerned (steel bars and bar shapes) the appropriate market area is unequivocally the entire nation. The same price structure for steel products prevails countrywide with differences reflecting only the cost of moving the commodity between different centers of production and consumption. The fact that transport costs are high in relation to selling prices limits most shipments to relatively short distances from the producing mills. A mill selling outside of its own freight advantage area would have to absorb part of the additional freight charge and therefore would derive a net price lower than that to producers selling within the area of freight advantage. Management would be motivated to do so only if a more favorable price should prevail elsewhere, or if by so doing it could raise its own net return per ton by working off excessive inventories or by achieving or maintaining a given volume of production. Such a diversion of output to more distant geographic areas would, by increasing supply in these areas, tend to cause the price there to decline. The possibility of such freight absorption thus operates to

maintain intact a national price structure wherein essentially the same price prevails for each purchaser.

The Treasury Department found that less than fair value (LTFV) imports from Australia amounting to 73,000 tons between May 1968 and January 1969 entered this country through Pacific, East and Gulf Coast ports, primarily Seattle, Portland, San Francisco, Los Angeles, Houston, and New Orleans. The largest volume entered through California ports and was sold in that State. The Pacific Northwest received the second largest volume with East and Gulf Coast ports receiving relatively minor quantities. Thus the immediate impact of the LTFV imports was dispersed along the Pacific, East and Gulf Coasts in the United States. In 1968 LTFV imports of steel bars, rebars and bar shapes amounted to one-half of 1 percent of domestic consumption. 1/ Obviously such imports were de minimis.

Despite the fact of a national market for steel products, the short-term impact of imports on a local area could conceivably be so severe as to be injurious. Over the longer term, the possibility

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1/ Commissioner Newsom notes that any injury determination as to these LTFV imports must take account of their reflection of the nationwide hedge-buying, prior to the 1968 labor settlements in the U.S. steel industry.

It is his view that such imports, under such circumstances, serve a desirable function in stabilizing supply-demand relationships at reasonable levels, with minimum short-term disruption, and thus does not dictate an injury finding under Sec. 201(a).

open to the domestic producer of selling outside the area of freight advantage would mean that the impact effect of imports on the local receiving area would be spread via a series of price or quantity ripples to the rest of the country. In the short term, however, it is producers in the immediate locale where the LTFV imports are sold who bear the full impact of these imports. In this case even the short-term localized impact of the LTFV imports was, in our opinion, not a source of injury to the local producers.

In 1968 LTFV imports were of greatest importance relative to local consumption in the Pacific Northwest. These LTFV imports amounted to about 5.5 percent of combined consumption in the States of Washington and Oregon in that year. During this same year, according to testimony developed at the hearing, the volume of dam and road construction activity in these two States declined significantly. Partial data available to the Commission suggest that employment in the mills producing this commodity in Washington and Oregon may have declined by 1 to as much as 8 percent. Despite the drop in dam and road construction, however, aggregate apparent consumption of bars and bar shapes in Washington and Oregon increased by about 20 percent in 1968 over 1967. Producers' shipments as well as total imports were higher. If in fact total man-hours worked actually declined by a significant amount in 1968,

labor productivity must then have increased. Further, prices charged by local producers except those for angles remained unchanged or increased during 1968. Thus, even in the short term the localized impact of imports at less than fair value by itself was not injurious.

In summary, we find no injury from less than fair value imports of steel bars, reinforcing bars and shapes manufactured by the Broken Hill Proprietary Co., Melbourne, Australia, neither in the usual sense of injury sustained over a medium-term period of time, nor in the short-term localized impact of LTFV imports. Nor do we find likelihood of injury, given the sporadic nature of availabilities of steel for export from the Australian producer and the current attraction of alternative markets.