

# CERTAIN GRANITE FROM ITALY AND SPAIN

Determination of the Commission in  
Investigation No. 701-TA-289  
(Final) Under the Tariff Act of 1930,  
Together With the Information  
Obtained in the Investigation

Determinations of the Commission in  
Investigations Nos. 731-TA-381 and  
382 (Final) Under the Tariff Act of  
1930, Together With the Information  
Obtained in the Investigations

USITC PUBLICATION 2110

AUGUST 1988

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMISSIONERS**

**Anne E. Brunsdale, Acting Chairman**

**Alfred E. Eckes**

**Seeley G. Lodwick**

**Susan Liebeler**

**David B. Rohr**

**Ronald A. Cass**

*Staff assigned:*

**Rebecca Woodings, Investigator**

**Linda White, Commodity-Industry Analyst**

**Elizabeth Henning, Economist**

**L. Marshall Wade, Accountant/Financial Analyst**

**Mitchell Dale, Attorney**

**Vera A. Libeau, Supervisory Investigator**

**Address all communications to  
Kenneth R. Mason, Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436**

C O N T E N T S

	<u>Page</u>
Determinations-----	1
Views of the Commission-----	3
Additional views of Commissioner Ronald A. Cass-----	35
Information obtained in the investigations-----	A-1
Introduction-----	A-1
Background-----	A-1
Previous investigations concerning granite products-----	A-2
Nature and extent of the subsidies and sales at LTFV-----	A-3
Subsidies-----	A-3
Sales at LTFV-----	A-3
Italy-----	A-3
Spain-----	A-4
The products-----	A-5
Description and uses-----	A-5
Substitute products-----	A-9
Production process-----	A-9
Quarrying-----	A-9
Secondary cutting-----	A-10
Shaping and slabbing-----	A-10
Surface finishing-----	A-11
Perimeter cutting-----	A-11
Final finishing-----	A-12
U.S. tariff treatment-----	A-12
U.S. producers-----	A-12
U.S. quarriers-----	A-12
The petitioning companies-----	A-13
Nonpetitioning U.S. quarriers-----	A-14
Slab producers-----	A-14
Tile producers-----	A-15
Marble shops-----	A-15
Importers-----	A-16
Channels of distribution-----	A-18
Apparent U.S. consumption-----	A-18
The world market-----	A-19
The U.S. market-----	A-19
Consideration of alleged injury to an industry in the United States--	A-23
U.S. producers' capacity, production, and capacity utilization-----	A-23
Rough block-----	A-24
Slab-----	A-24
Finished granite-----	A-25
U.S. producers' shipments-----	A-26
Slab-----	A-26
Finished granite-----	A-28
Employment-----	A-29
Rough block-----	A-29
Certain granite-----	A-29
Financial experience of U.S. producers-----	A-30
Overall establishment operations-----	A-30
Operations producing certain granite-----	A-32
Financial experience of marble shop producers-----	A-34
Value of plant, property, and equipment-----	A-35
Capital expenditures-----	A-35
Operating rate of return on assets-----	A-35
Research and development expenses-----	A-35

## C O N T E N T S

	<u>Page</u>
Information obtained in the investigations--Continued	
The question of the threat of material injury-----	A-36
U.S. importers' inventories-----	A-37
Foreign producers-----	A-38
Italy-----	A-38
Spain-----	A-41
Consideration of the causal relationship between alleged material injury or the threat thereof and the subsidized and LTFV imports--	A-43
Discussion of market relationships-----	A-43
U.S. imports-----	A-46
Slab-----	A-47
Finished granite-----	A-49
Market penetration by imports from Italy and Spain-----	A-50
Slab-----	A-50
Finished granite-----	A-52
Prices-----	A-53
Price trends-----	A-54
Price comparisons-----	A-54
The bid process-----	A-54
Bid competition-----	A-57
Exchange rates-----	A-64
Appendix A. The Commission's notices of institution-----	A-67
Appendix B. Calendar of the hearing-----	A-73
Appendix C. Commerce's notices of final determinations-----	A-77
Appendix D. The U.S. International Trade Commission Building-----	A-105
Appendix E. Alternative calculations of consumption, imports, and market penetration-----	A-107
Appendix F. Sample bid specification pages-----	A-111

## Tables

	<u>Page</u>
1. Granite slab: U.S. shipments, imports, and apparent consumption, 1985-87, January-March 1987, and January-March 1988-----	A-21
2. Finished granite: U.S. shipments, imports, and apparent consump- tion, 1985-87, January-March 1987, and January-March 1988-----	A-22
3. Certain granite: U.S. capacity, production, and capacity utili- zation, 1985-87, January-March 1987, and January-March 1988-----	A-25
4. Certain granite: U.S. producers' company transfers, open market sales, U.S. shipments, export shipments, and total shipments, 1985-87, January-March 1987, and January-March 1988-----	A-27
5. Certain granite: Average number of production and related workers, hours worked, and hourly wages and compensation paid, 1985-87, January-March 1987, and January-March 1988-----	A-29
6. Income-and-loss experience of U.S. producers on the overall operations of their establishments within which certain granite is produced, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988-----	A-31

## C O N T E N T S

## Tables

	<u>Page</u>
7. Income-and-loss experience of U.S. producers on the overall operations of their establishments within which certain granite is produced, by producers, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988-----	A-32
8. Income-and-loss experience of U.S. producers on their operations producing certain granite, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988-----	A-33
9. Income-and-loss experience of U.S. producers on their operations producing certain granite, by producers, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988-----	A-33
10. Income-and-loss experience of U.S. marble ships on their operations producing finished granite, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988-----	A-34
11. Certain granite: End-of-period inventories of Italian, Spanish, and other imported products, 1985-87, January-March 1987, and January-March 1988-----	A-38
12. Slab and finished granite: Italian capacity, production, capacity utilization, home market shipments, exports to the United States, exports to all other countries, and end-of-period inventories, 1985-88, January-March 1987, and January-March 1988-----	A-40
13. Slab and finished granite: Spanish capacity, production, capacity utilization, home market shipments, exports to the United States, exports to all other countries, and end-of-period inventories, 1985-89, January-March 1987, and January-March 1988-----	A-42
14. Granite slab: U.S. imports from Italy, Spain, and all other countries, 1985-87, January-March 1987, and January-March 1988---	A-48
15. Finished granite: U.S. imports from Italy, Spain, and all other countries, 1985-87, January-March 1987, and January-March 1988---	A-49
16. Granite slab: Share of U.S. consumption supplied by Italy, Spain, all other countries, and U.S. producers, 1985-87, January-March 1987, and January-March 1988-----	A-51
17. Finished granite: Share of U.S. consumption supplied by Italy, Spain, all other countries, and U.S. producers, 1985-87, January-March 1987, and January-March 1988-----	A-52
18. Finished granite: Selected project and bid information including lost sale and lost revenue summaries-----	A-58
19. Exchange rates: Nominal and real exchange-rate indexes of the Italian lire and Spanish peseta in U.S. dollars, and producer price indexes in the United States, Italy, and Spain, by quarters, January 1985-March 1988-----	A-65
E-1. Certain granite: U.S. shipments, imports, and apparent consumption, 1985-87, January-March 1987, and January-March 1988-----	A-108
E-2. Certain granite: Subject imports from Italy and Spain and all other imports, 1985-87, January-March 1987, and January-March 1988-----	A-109
E-3. Certain granite: Share of U.S. consumption supplied by subject imports from Italy and Spain, all other imports, and U.S. producers, 1985-87, January-March 1987, and January-March 1988---	A-110

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

Investigations Nos. 701-TA-289 (Final)  
and T31-TA-381-382 (Final)

CERTAIN GRANITE FROM ITALY AND SPAIN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission unanimously determines, pursuant to section 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(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 Spain of certain granite, 2/ provided for in item 513.74 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be subsidized by the Government of Spain.

Further, the Commission unanimously determines, 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 Italy and Spain of certain granite, 2/ provided for in item 513.74 of the Tariff Schedules of the United States, that have been found by the Department of Commerce to be sold in the United States at less than fair value (LTFV).

---

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

2/ For purposes of these investigations, the term "certain granite" refers to granite that is 3/8 inch (1 cm) to 2-1/2 inches (6.34 cm) in thickness, including the following: rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite, including, but not limited to, building facing, flooring, wall and floor tiles, and crypt fronts. "Certain granite" does not include monumental stones, crushed granite, or curbing.

Background

The Commission instituted investigation No. 701-TA-289 (Final) effective December 24, 1987, following a preliminary determination by the Department of Commerce that imports of certain granite from Spain were being subsidized within the meaning of section 701 of the Act (19 U.S.C. § 1671). The Commission instituted investigations Nos. 731-TA-381 and 382 (Final) effective February 29, 1988, following preliminary determinations by the Department of Commerce that imports of certain granite from Italy and Spain 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 investigations and of a public hearing to be held in connection therewith was given by posting copies of notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register of March 24, 1988 (53 F.R. 9712) and of June 14, 1988 (53 F.R. 22230). The hearing was held in Washington, DC, on June 30, 1988, and all persons who requested the opportunity were permitted to appear in person or by counsel.



## VIEWS OF THE COMMISSION

We unanimously determine that an industry in the United States is not materially injured or threatened with material injury by reason of imports of certain granite from Spain that have been found to be subsidized and imports of certain granite from Italy and Spain that are being sold in the United States at less than fair value (LTFV).

I. The Like Product and Domestic Industry

In order to assess material injury, the Commission first must determine the relevant domestic industry. The term "industry" is defined as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product . . . ." <sup>1/</sup> In turn, "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 . . . ." <sup>2/</sup>

The imported article subject to investigation is "certain granite," which consists of granite products that are 3/8 inch (1 cm) to 2-1/2 inches (6.34 cm) in thickness and include rough sawed granite slab; face-finished granite slab; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. <sup>3/</sup>

In making its like product determination, the Commission traditionally considers five factors: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) customer or

---

<sup>1/</sup> 19 U.S.C. § 1677(4)(A). Because there is an established domestic industry, "material retardation" was not raised as an issue in these investigations and will not be discussed further.

<sup>2/</sup> 19 U.S.C. § 1677(10).

<sup>3/</sup> 53 Fed. Reg. 27187 (July 19, 1988). "Certain granite" does not include monumental stones, crushed granite, or curbing. Id.

producer perceptions of the articles, and (5) common manufacturing facilities, production processes, and production employees. <sup>4/</sup>

In these final investigations, petitioners urge that the Commission find one like product, while respondents maintain there are several different like products. <sup>5/</sup> Italian respondents urge the Commission to find four like products consisting of cut-to-size granite, slabs (a semi-finished product), pre-cut granite tiles, and pre-assembled granite cobblestone. <sup>6/</sup> Ingemar, S.A. and Ingemarga, S.A., two of the Spanish respondents, urge the Commission to find four like products consisting of rough-sawed granite slabs, face-finished slabs not cut-to-size, granite cut to size and finished, and 3/8 inch thick pre-cut granite tiles. <sup>7/</sup> Other Spanish respondents argue for three like products consisting of slab, finished cut-to-size granite, and pre-cut granite tiles. <sup>8/</sup>

---

<sup>4/</sup> See, e.g., Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367-370 (Final), USITC Pub. 2046 at 4 (Dec. 1987); Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 at 5 (Sept. 1987).

<sup>5/</sup> In the preliminary stage of these investigations, the Commission found a single like product, consisting of domestically produced finished granite within the size ranges and other parameters specified in the Department of Commerce's (Commerce) description of the imported article. See Certain Granite from Italy and Spain, Inv. Nos. 701-TA-288 and 289 (Preliminary) and 731-TA-381 and 382 (Preliminary), USITC Pub. 2016 at 5 (Sept. 1987).

<sup>6/</sup> Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-to-Size Granite at 1-6; Pre-Hearing Brief on Behalf of Italian Granite Slab Producers at 1-9; Pre-Hearing Brief on Behalf of Michael Vandever Associates at 1-4.

<sup>7/</sup> Pre-Hearing Brief on Behalf of Ingemar, S.A. and Ingemarga, S.A. at 3.

<sup>8/</sup> Post-Hearing Brief on Behalf of Artemarmol, S.A., Granitos, Ibericos-Grayco, S.A., Ramilo, S.A. and Santal, S.A. at 4-5.

In terms of physical characteristics and common production processes, there are a number of similarities among the various articles subject to investigation. Granite slab, which is sawed from large granite blocks, is an intermediate product that is further cut and finished to produce almost all of the various "finished" granite products. <sup>9/</sup> Cut-to-size finished granite refers to finished granite products that are custom-fabricated from granite slab. <sup>10/</sup> Most cut-to-size finished granite produced in the United States is "cladding" or "building facing," designed for use as an exterior building surface, or "veneer," generally a thinner material used to cover interior surfaces. <sup>11/</sup>

Cut-to-size granite also refers to finished products such as table tops and vanities. <sup>12/</sup> These products are nearly always custom-manufactured,

---

<sup>9/</sup> Pre-Hearing Brief on Behalf of Italian Granite Slab Producers at 3; Report of the Commission (Report) at A-6. "Face finished" granite slab is slab whose surface has been rubbed, ground, thermal-flamed, or polished. Id. at A-6-A-7; Pre-Hearing Brief on Behalf of Ingemar, S.A. and Ingemarga, S.A. at 5.

<sup>10/</sup> Report at A-6-A-7; Pre-Hearing Brief on Behalf of Italian Granite Slab Producers at 3 ("Granite slab is an intermediate product for all cut-to-size products subject to this investigation").

<sup>11/</sup> Report at A-7; Commission Hearing Transcript (Tr.) at 176; Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 1 n.2; Report at A-18. These products are cut to specification and may contain a variety of anchor holes, mitre cuts, and other "special works" cut into the stone to enable it to conform to a particular aesthetic design or to be hung as panelling or otherwise secured in place.

<sup>12/</sup> Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 1; Report at A-18.

vary greatly in dimension and detail, and have a polished surface. <sup>13/</sup> <sup>14/</sup>

Other cut-to-size granite products included within the definition of "certain granite" are flooring and paving, crypt fronts, and granite tile. Flooring and paving, products that average 1 inch in thickness and usually have a rough surface finish, are intended to bear pedestrian and vehicular traffic in sheltered and unsheltered areas. <sup>15/</sup> Crypt fronts are made of finished cut-to-size stone and are used as nonstructural ornamentation on crypts. <sup>16/</sup> Granite tile, which is similar in physical characteristics to smooth granite paving, crypt fronts, and veneer, usually is intended for nonstructural use on interior floor and wall surfaces. Although tile may include customized cut-to-size granite pieces, it usually is pre-cut to standard sizes. <sup>17/</sup>

---

<sup>13/</sup> Report at A-7. These customized products are ordinarily produced by so-called marble shops, small firms that purchase granite slab and fabricate cut-to-size finished granite products for small orders. Id. at A-15; Tr. at 141-142, 151-154, 240.

<sup>14/</sup> Although skilled employees use specialized cutting and finishing equipment in the final finishing of cut-to-size granite, particularly in fabricating "special works," there is evidence that most cut-to-size finished granite products undergo processing on common sawing/slabbing machinery, face finishing equipment, and perimeter cutting equipment. Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 by Commissioner Cass) at 7. Cf., Pre-Hearing Brief on Behalf of Ingemar, S.A. and Ingemarga, S.A. at 5-9. Also, there is evidence that employees typically are trained in several areas of the cut-to-size finished granite production process. Staff Memorandum EC-L-263 at 6.

<sup>15/</sup> Report at A-7.

<sup>16/</sup> Id.

<sup>17/</sup> Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 of Commissioner Cass) at 4-5. Tiles most commonly are 3/8 inches thick and 12 inches square, but may be cut as large as 24 inches square. Report at A-6. Floor tile usually has a rough surface finish, whereas a highly polished surface is popular for wall tile. Id.

Notwithstanding certain differences in their individual physical characteristics, the end uses and channels of distribution of the various imported articles overlap to a significant degree. As stated by petitioners, "products referred to as tile appear on walls, interior floors, mausoleums and exterior walkways but, depending on the application of the granite, are identified differently, e.g., paving, facing, crypt fronts." <sup>18/</sup> Similarly, wall surfaces may be covered with veneer or wall tiles, and floors may be covered with paving or pre-cut floor tiles.

With respect to channels of distribution, it is estimated that more than 90 percent of all granite purchases, by volume, are of cut-to-size granite, which consists largely of building cladding and veneer. <sup>19/</sup> This material generally is sold to developers/owners, general contractors, installers, and granite suppliers. <sup>20/</sup> Petitioners claim that most slab is also sold to installers, who compete with the domestic industry for large cut-to-size granite projects. <sup>21/</sup> Although tile often is sold by tile distributors, retail stores, and small marble shops, a significant amount of tile is sold directly by domestic producers for use in building construction projects. <sup>22/</sup>

---

<sup>18/</sup> Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 by Commissioner Cass) at 5. See also Tr. at 59, 188. Industry sources confirm that at least "small" quantities of tile are used in place of building cladding, Report at A-8, and petitioners have identified U.S. construction projects where thin set granite tile has been used as exterior building facing. Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 from Commissioner Cass) at 6.

<sup>19/</sup> Report at A-7.

<sup>20/</sup> Report at A-7, A-18; Pre Hearing Brief on Behalf of the Ad Hoc Granite Trade Group at 37; Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 4.

<sup>21/</sup> Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 by Commissioner Cass) at 2.

<sup>22/</sup> Id. at 4-6; Report at A-87.

Respondents' claim that slab constitutes a separate like product also raises the issue of the circumstances in which an article in an intermediate stage of a multi-stage production process is "like" an article at a later stage in that process. In addressing this issue, we traditionally consider, among other factors, whether the intermediate product imparts an essential characteristic, either physical or functional, to the finished product; the type and extent of further processing required to convert the intermediate product into a finished product; whether the intermediate product has an independent use or is strictly dedicated to use in the finished product; the extent to which the intermediate and finished products are sold through the same channels of distribution; and the degree of interchangeability of the articles at different stages of production. <sup>23/</sup>

Slab does not appear to have an independent end use other than as a semi-finished product to be used in the production of finished cut-to-size granite products. <sup>24/</sup> Paving, building facing, and pre-cut tiles may be cut

---

<sup>23/</sup> See, e.g., Certain Welded Carbon Steel Pipes and Tubes from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-131, 132 and 138 (Final), USITC Pub. 1519 (April 1984); Butt-Weld Pipe Fittings from Japan, Inv. No. 731-TA-309 (Final), USITC Pub. 1943 (Jan. 1987); Color Television Receivers from the Republic of Korea and Taiwan, Inv. Nos. 731-TA-134 and 135 (Final), USITC Pub. 1514 (April 1984); Oil Country Tubular Goods from Argentina and Spain, Inv. Nos. 731-TA-191 and 195 (Final), USITC Pub. 1694 (May 1985).

<sup>24/</sup> Pre-Hearing Brief on Behalf of Italian Granite Slab Producers at 3 ("Granite slab is an intermediate product for all cut-to-size products subject to this investigation").

from the same piece of granite slab. <sup>25/</sup> <sup>26/</sup> Thus, the processes of quarrying and extracting the granite, secondary cutting, the shaping and cutting of rough granite blocks into slabs and, in most cases, the perimeter cutting of the slab are common to nearly all of the "finished" granite products like the articles subject to investigation. <sup>27/</sup> According to petitioners, a limited amount of additional finishing is generally required to turn a piece of granite slab into an article of finished granite, <sup>28/</sup> and the cost of producing face-finished slab often constitutes most of the cost of producing finished granite products. <sup>29/</sup> We find that the type and extent of further processing required in producing finished granite products from slab are an insufficient basis for determining that slab is not "like" such end products.

---

<sup>25/</sup> Tr. at 21, 35.

<sup>26/</sup> The fact that slab is not interchangeable with the various finished products it is used in producing, such as tile, paving, etc., is not necessarily a basis for determining that slab is a separate, intermediate "like product." An intermediate or semi-finished product, by definition, is not a finished end product. Further, we note that paving, building cladding, granite furniture, and other products which all parties agree are included within the definition of "cut-to-size finished granite" are themselves not interchangeable.

<sup>27/</sup> See Tr. at 60-61, 35.

<sup>28/</sup> Considerably more finishing and processing of slab may be required in producing custom fabricated granite furniture, which constitutes a rather small portion of total sales of finished granite. See Tr. at 34.

<sup>29/</sup> See, e.g., Tr. at 34-35, 60-61; Post-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group (Response to Question 2 by Commissioner Cass) at 3.

In addition, we find that granite slab possesses the essential physical and commercial characteristics of all "certain granite" products. Granite is selected as a building or design material, in lieu of other kinds of dimension stone such as marble or travertine, <sup>30/</sup> or other building and design materials such as glass, steel, and concrete, because of granite's color, texture and durability. <sup>31/</sup> Accordingly, we find that it is these physical properties present in granite slab, rather than the further cutting and finishing of slab, that impart the essential physical and functional characteristics that distinguish finished granite products from other sorts of building materials.

Having carefully considered the parties' like product arguments in light of the foregoing factors, we do not find clear dividing lines among the articles subject to investigation. <sup>32/</sup> Further, we find that the similarities among "certain granite" products, in terms of their

---

<sup>30/</sup> The term "dimension stone" refers to natural rock that has been quarried, shaped and finished to certain specifications. Report at A-5, A-9.

<sup>31/</sup> See Report at A-19-A-20.

<sup>32/</sup> The Commission has stated that it looks for "clear dividing lines among products in terms of distinct characteristics and uses. Minor variations in products are insufficient to find separate like products." Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367-370 (Preliminary), USITC Pub. 1937 at 4 (Jan. 1987). See S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979); *Asociacion Colombiana de Exportadores de Flores v. United States*, Slip Op. 88-91 at 17 (Ct. Int'l Trade July 14, 1988).



characteristics and uses, production processes, and channels of distribution, outweigh their differences. 33/ 34/

Based upon the foregoing considerations, and in light of the record in these investigations, we define the like product to consist of "certain granite" products that are 3/8 inch (1 cm) to 2-1/2 inches (6.34 cm) in thickness and include rough-sawed granite slabs, face-finished granite slabs, and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving and crypt fronts. 35/

---

33/ As noted in the legislative history to the Trade Agreements Act of 1979, "[t]he requirement that a product be 'like' the imported article should not be interpreted in such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under investigations." S. Rep. No. 249, 96th Cong., 1st Sess. at 90-91 (1979).

34/ Although there are some significant dissimilarities in the physical dimensions of various finished granite products, in previous investigations the Commission has declined to find separate like products solely on the basis of differing physical dimensions, and we decline to do so here. See, e.g., Certain Bimetallic Cylinders from Japan, Inv. No. 731-TA-383 (Final), USITC Pub. 2080 at 5 (May 1988); Color Picture Tubes from Canada, Japan, The Republic of Korea, and Singapore, Inv. No. 731-TA-367-370 (Final), USITC Pub. 2046 at 5 (Dec. 1987).

35/ Certain granite products do not include monumental stones, crushed granite, or curbing.

Therefore, we define the domestic industry as the domestic producers of "certain granite." 36/ 37/ 38/

## II. Conditions in the Marketplace.

In order to determine the condition of the domestic industry and the impact of the subject imports in the domestic marketplace, the Commission believes that it is important first to understand the fundamental changes in the demand and uses for granite which began in the 1970s and have dramatically

---

36/ Report at A-12-A-15.

37/ Based upon the information in these final investigations the Commission has reconsidered its preliminary finding that excluded marble shops from the domestic industry. Although there is evidence that, until recently, marble shops have been unable to purchase significant quantities of slab from domestic producers, and therefore must fabricate finished granite products primarily from imported slab, Report at A-24; Tr. at 152-153, 240-241, a substantial amount of processing and finishing is required to transform slab into granite furniture and other finished granite products produced by marble shops. Because of the significant amount of work performed by marble shops on slab to produce finished granite products, we conclude that such marble shops are domestic producers of "certain granite." Further, we note that no parties have suggested excluding marble shops from the domestic industry as related parties. See 19 U.S.C. § 1677(4)(B).

38/ Commissioner Lodwick excludes marble shops from the domestic industry based on their position as an importer of granite slab -- which constitutes a major cost of their total finished granite costs -- and on their financial performance which differs considerably from other operations producing certain granite. Marble shops also differ from producers of certain granite as they do not quarry and slab granite stone as the producers of certain granite do; the marble shops must purchase slab which constitutes a major input cost. The inclusion of marble shops in the domestic industry would skew the data on financial performance of the U.S. industry as marble shops have better operating income levels than other producers of certain granite and that marble shops' sales are significant relative to the sales of producers of certain granite.

increased the demand for granite in general and imported granite in particular. Over the first three-quarters of this century, U.S. consumption of granite declined as other building products became available and popular. However, due to rising energy prices in the 1970s, glass, steel, concrete, and other building materials became increasingly costly to produce; buildings made of these materials became more costly to heat and cool. As a result, natural stone (including marble, limestone, travertine, and granite), a relatively more energy-efficient building material, became more desirable. <sup>39/</sup>

Demand for granite also increased for aesthetic reasons. For example, in 1979, the AT&T Building in New York City was constructed with a domestic granite exterior. Industry spokesmen agree that this project sparked a new trend in architecture, the Postmodern Movement, which emphasized classic design, detail, and the use of natural building materials such as granite and other dimension stone. This movement superseded the International Style, which was identified with minimalist lines and glass and steel construction materials. <sup>40/</sup>

In the early years of this movement, granite continued to be a relatively expensive material to use. <sup>41/</sup> Later, however, the more advanced fabrication equipment developed by Italian producers enabled them to offer thinner, and therefore less costly, cladding, veneer, and tile in the U.S.

---

<sup>39/</sup> See Report at A-18-A-19.

<sup>40/</sup> Id.

<sup>41/</sup> Id.

market. <sup>42/</sup> During this same period, technical advances in methods of adhering granite cladding and veneer to a structure further reduced the cost of using thin granite as an exterior surface. <sup>43/</sup>

Producers and consumers agree that, as a result of these developments, consumption of finished granite products -- both as an exterior building surface and as a material for tile and other elements of interior design -- rose dramatically. <sup>44/</sup> In addition, as the demand for granite increased generally, the demand for thinner granite and granite of unusual colors and textures has particularly increased. In particular, the Italian granite industry, that fabricates "certain granite" from numerous types of granite block imported from all over the world, pioneered the technological developments that essentially spurred the increased demand for granite

---

<sup>42/</sup> Multiblade "gang saws" and tile cutting equipment developed by the Italian stone cutting industry are claimed to offer the most efficient means of producing "thin" (3/4") veneer and (3/8") tile. See, e.g., Pre-Hearing Brief on Behalf of the Producers and Importers of Italian Cut-To-Size Granite at 6-10; Tr. at 180. Over the period of investigation, gang saws have been acquired by each of the petitioning firms, as well as by other domestic producers. Report at A-11, A-14, A-24.

<sup>43/</sup> Report at A-19; Conference Transcript at 14-18. As explained by respondents, by eliminating extra thickness, the weight and price of granite is significantly less. This also saves building costs by lowering the cost of the structural frame and other load-bearing elements. Also, thin granite cladding can be preassembled into panels that are delivered to the job site ready for installation, thereby reducing the time and, hence the cost required to "clad" a building exterior. Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 9; Tr. at 162-166; Report at A-53-A-54.

<sup>44/</sup> In 1985, it was estimated that granite consumption increased roughly 600 percent from 1980 to 1984. Report at A-20. See also Tile & Decorative Surfaces, "The 'Hot' New Tile is Stone!," at 28 (Oct./Nov. 1984).

and specializes in thin granite products of unusual color and textures. <sup>45/</sup>  
 It is in the context of these fundamental changes in production technology, total demand, and market preferences that we assess the condition of the domestic industry and the impact of the subject imports.

### III. Condition of the Domestic Industry

In assessing the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, production, capacity, capacity utilization, shipments, inventories, employment and financial performance. <sup>46/</sup>

During the period of investigation, the U.S. granite industry experienced growth and increases in several performance indicators. Apparent U.S. consumption of finished granite rose in volume from 11.0 million square feet in 1985 to 13.1 million square feet in 1986, and totalled 11.9 million square feet in 1987. <sup>47/</sup> U.S. consumption of finished products rose in value from \$119.1 million in 1985 to \$145.6 million in 1986, an increase of 22.2 percent, before falling slightly to \$140.5 million in 1987. <sup>48/</sup>

U.S. producers' shipments of finished granite <sup>49/</sup> rose steadily over the period of investigation, increasing from 4.8 million square feet in 1985

---

<sup>45/</sup> Report at A-39, A-46. Cf., Tr. at 205.

<sup>46/</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>47/</sup> Report at A-22.

<sup>48/</sup> Id.

<sup>49/</sup> U.S. producers' company transfers and open market sales.

to 5.4 million square feet in 1986 and 5.5 million square feet in 1987. Shipments in interim (January-March) 1988 fell to 1.3 million square feet, down from 1.4 million square feet in interim 1987. <sup>50/</sup> As measured by value, the domestic industry's shipments of finished granite increased steadily from \$64.3 million in 1985 to \$69.7 million in 1986 and to \$74.4 million in 1987. <sup>51/</sup> The value of shipments in interim 1988 was \$17.2 million as compared to \$17.4 million in interim 1987. <sup>52/</sup> The unit value of domestic shipments also rose, from \$13.26 per square foot in 1985 to \$13.54 per square foot in 1987. <sup>53/</sup>

U.S. shipments of granite slab also increased over the period of investigation. <sup>54/</sup> On an annual basis, domestic slab shipments increased steadily, both in terms of volume and value, from 1985 to 1987. <sup>55/</sup>

Domestic production capacity also increased. U.S. average-of-period capacity to finish granite increased from 8.4 million square feet in 1985 to 9.4 million square feet in 1986 and 9.5 million square feet in 1987. <sup>56/</sup>

---

<sup>50/</sup> Report at A-28.

<sup>51/</sup> Id.

<sup>52/</sup> Id.

<sup>53/</sup> Id. at A-27, table 4. We note that this increase in the square foot unit value of domestic shipments occurred notwithstanding the shift in market demand to thinner granite products.

<sup>54/</sup> We note that almost all of the domestic industry's slab production is captively consumed in the production of various finished granite products. Id. at A-26.

<sup>55/</sup> Id. In interim 1988, slab shipments declined by roughly 12 percent. Id.

<sup>56/</sup> Id. at A-25. Finished granite production capacity remained constant in interim 1988 as compared to interim 1987. Id.

Domestic production of finished granite rose from 4.9 million square feet in 1985, to 5.5 million square feet in 1986 and 5.9 million square feet in 1987. <sup>57/</sup> As a result of this increasing production, finished granite capacity utilization rose from 58.1 percent in 1985 to 61.7 percent in 1987. <sup>58/</sup>

Although the average number of production and related employees declined by three percent from 1985 to 1987, output increased significantly, and hours worked and hourly wages were higher in 1987 than in 1985. <sup>59/</sup> Finally, average total hourly compensation increased steadily over the period of investigation. <sup>60/</sup>

The financial performance of domestic producers' overall establishment operations was also favorable. <sup>61/</sup> Aggregate net sales decreased by 1.7 percent from \$149.6 million in 1985 to \$147.1 million in 1986, then recovered in 1987 to \$150.8 million. <sup>62/</sup> Operating income fell from \$15.7 million in

---

<sup>57/</sup> Id. at A-26. Production decreased from 1.4 million square feet in interim 1988, to 1.3 million square in interim 1987, a decline of 6.9 percent. Id.

<sup>58/</sup> Id.

<sup>59/</sup> See id. at A-29; EC-L-263 at 6.

<sup>60/</sup> Report at A-29.

<sup>61/</sup> Products sold in addition to those constituting "certain granite" include structural granite over 2-1/2 inches thick, granite monuments, mausoleums, crushed granite, and curbing.

<sup>62/</sup> Report at A-30. Net sales in interim 1988 totaled \$35.2 million, an increase of 5.9 percent over interim 1987 sales of \$33.3 million. Id.

1985 to \$13.4 million in 1986, and recovered to \$17.1 million in 1987. Operating income margins, as a percent of sales, were 10.5 percent in 1985, 9.1 percent in 1986, and 11.3 percent in 1987. <sup>63/</sup>

With respect to domestic industry operations producing "certain granite," net sales increased steadily over the period of investigation, rising from \$50.8 million in 1985 to \$64.0 million in 1987, an increase of 26 percent. <sup>64/</sup> Gross profits totalled \$9.4 million in 1987, up almost 150 percent from the \$3.8 million recorded in 1985. <sup>65/</sup>

The domestic industry suffered negative cash flows of \$1 million in 1985 and \$2 million in 1986, followed by a positive cash flow of \$0.4 million in 1987. <sup>66/</sup> Although the industry experienced net operating losses in each year over the period of investigation, the data reflect an improving trend in this regard, as operating losses totalling \$2.9 million in 1985 were reduced to \$1.0 million by 1987. <sup>67/ 68/</sup> As a percentage of sales, operating

---

<sup>63/</sup> Id.

<sup>64/</sup> Id. at A-32.

<sup>65/</sup> Id. at A-33, table 8.

<sup>66/</sup> In interim 1988, the industry enjoyed a positive cash flow of \$0.24 million, as compared to a negative cash flow totalling (\$0.16 million) in interim 1987. Id. at A-33, table 8.

<sup>67/</sup> Id. at A-33. Data as to operating losses and operating margins for 1986 are confidential. We note that notwithstanding an increase in shipments of finished granite in 1986 as well as in other indicators, profitability in the domestic industry deteriorated in 1986 as compared to 1985. This result certainly was due in part to expansion costs as domestic producers significantly increased capital investments in new slabbing and fabricating equipment. Id. at A-28, A-35.

<sup>68/</sup> We note that the production facilities of Georgia Granite Co., which declared bankruptcy and ceased production in December 1986 due -- according to petitioners -- to unfairly traded imports, have recently been purchased by another domestic producer that invested in those facilities and resumed production in April 1988. Id. at A-14.



losses totalling 5.8 percent in 1985 were reduced to 1.6 percent in 1987. <sup>69/</sup> Annual operating rates of return on assets dedicated to certain granite production showed similar improvement. <sup>70/</sup>

Net sales by marble shops increased substantially in 1985-1986, but declined somewhat in 1987. <sup>71/ 72/</sup> Marble shops that responded to Commission questionnaires were profitable throughout the period of investigation. <sup>73/</sup>

Despite a significant increase in imports of granite tile in 1986, <sup>74/</sup> Cold Spring Granite Co. introduced a line of tile products in 1986 and there is evidence in the record that domestic tile producers are operating at full capacity and are unable to keep pace with increasing demand. <sup>75/</sup>

---

<sup>69/</sup> Id. at A-32. Operating loss margins, as a percentage of net sales, also decreased in interim 1988 as compared with interim 1987. Id.

<sup>70/</sup> Id. at A-35.

<sup>71/</sup> Id. at A-34. The available data do not indicate the precise share of domestic production accounted for by marble shops. See Tr. at 224. However, most of the "certain granite" produced domestically is produced by petitioners and various nonpetitioning U.S. quarrier/producers, not marble shops. Report at A-12, A-14. See also id. at A-71, A-15.

<sup>72/</sup> We note that our analysis of the condition of the domestic industry would not differ if marble shops were to be excluded as related parties. See, nn.37 and 38, supra.

<sup>73/</sup> Report at A-34.

<sup>74/</sup> Id. at A-41-A-42.

<sup>75/</sup> See Pre-Hearing Brief on Behalf of Italian Tile Producers at 6-8; Tr. at 215-217.

Thus, the data show that as the domestic industry adjusted to changing production technologies and changing customer tastes, <sup>76/</sup> its condition improved. Moreover, in light of the improvement in almost all key performance indicators over the 1985-87 period, it is questionable whether the domestic industry is presently suffering material injury. <sup>77/</sup> Even assuming the domestic industry is presently suffering material injury, we conclude that such injury is not by reason of unfairly traded imports.

#### IV. Cumulation

Section 771(7)(C)(iv) of the Tariff and Trade Act of 1984 directs the Commission to assess cumulatively the volume and price effects of imports from two or more countries if the imports are subject to investigation and if they compete with each other and with the like products of the domestic industry in the United States. <sup>78/</sup> In the preliminary stage of these investigations, the Commission found that the statutory conditions for mandatory cumulation of imports from Italy and Spain were present. We are not persuaded by the information developed in these final investigations that the subject imports as a whole from both Italy and Spain do not compete with one another or with

---

<sup>76/</sup> See, e.g., Tr. at 180, 235, 256.

<sup>77/</sup> Based on the information collected in this final investigation, Commissioner Lodwick finds that the domestic industry has been materially injured. However, he does not find material injury by reason of imports.

<sup>78/</sup> 19 U.S.C. § 1677(7)(C)(iv).

the domestic like product. <sup>79/</sup> <sup>80/</sup> Accordingly, in these investigations we cumulatively assessed the volume and price effects of imports of certain granite from both Italy and Spain.

V. Causation <sup>81/</sup>

In making final determinations in antidumping and countervailing duty cases, the Commission must ascertain whether a domestic industry is suffering material injury "by reason of" the imports under investigation. <sup>82/</sup> In making this determination, the Commission shall consider, among other factors, the volume of imports of the class or kind of merchandise subject to investigation, the effect of those imports on prices in the United States for the like product, and the impact of imports on domestic producers of the like product. <sup>83/</sup>

---

<sup>79/</sup> We note that there is competition both between Italian and Spanish imports, and between such imports and the domestic products, with respect to tile, cut-to-size granite (which constitutes the great majority of both the subject imports and domestic production), and slab.

<sup>80/</sup> Vandever Associates, the sole importer of a pre-assembled cobble paving product known as "Eurocobble," contends that Eurocobble is a distinct like product and that the Commission cannot cumulate imports of Eurocobble with other imports because Eurocobble is not produced either in Spain or in the United States. We have defined the like product to be certain granite, which includes cobble paving. We find that, on the whole, there is meaningful competition between the subject imports from Spain and Italy and domestically produced certain granite. Further, we find that paving produced by the domestic industry and Spanish producers are similar in uses, channels of distribution, and customer perceptions, and compete with, Eurocobble.

<sup>81/</sup> Commissioner Cass joins in this section of the opinion. In his Additional Views, he also explains his analysis of certain other aspects of the causation issue that played a role in his decision, but are not fully treated in the Commission's opinion.

<sup>82/</sup> 19 U.S.C. §§ 1671d(b), 1673d(b).

<sup>83/</sup> 19 U.S.C. § 1677(7)(B).

The issue before the Commission in final antidumping and countervailing duty investigations is whether unfairly traded imports caused material injury. The Commission is not to weigh the various causes of material injury. <sup>84/</sup> We note, however, that the Commission must take into account any information demonstrating possible causes of injury to the domestic industry other than the subject imports. <sup>85/</sup>

Petitioners maintain that unfairly traded imports of certain granite from Italy and Spain caused material injury to the domestic industry. In particular, they stress that low import prices injured the domestic industry by causing price depression, lost revenue, and lost sales, further resulting in reduced domestic capacity utilization and employment. <sup>86/</sup> Respondents argue that any injury experienced by the domestic industry resulted from factors other than imports. For one thing, individual domestic producers failed to supply the demands of the marketplace. Second, certain product-specific characteristics (*i.e.*, color, quality, availability, reliability, and installed cost), rather than price alone, are the determining factors in the purchase of a particular granite from a particular supplier. <sup>87/</sup>

---

<sup>84/</sup> See, *e.g.*, *Hercules, Inc. v. U.S.*, 673 F. Supp. 454, 481 (Ct. Int'l Trade 1987); S. Rep. No. 249, 96th Cong., 1st Sess. 57 (1979).

<sup>85/</sup> S. Rep. No. 249, 96th Cong., 1st Sess. 58 (1979). Such alternative causes may include "the volume and prices of nonsubsidized imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry." *Id.* at 57.

<sup>86/</sup> See, *e.g.*, Pre-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group at 14-15, 26-31.

<sup>87/</sup> See, *e.g.*, Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 14-18, 23-32, 42-43.

With respect to the volume of imports, <sup>88/</sup> Italian and Spanish imports consist primarily of finished granite products, as opposed to slab. <sup>89/</sup> Questionnaire data indicate that imports of finished granite from Italy and Spain increased from 5.7 million square feet in 1985 to 7.1 million square feet in 1986, and then declined to 6.0 million square feet in 1987, <sup>90/</sup> while the value of such imports moved from \$50 million in 1985 to \$70 million in 1986 and \$62 million in 1987. <sup>91/</sup> Over the same period, slab imports increased from 0.8 million square feet in 1985 to 1.2 million square feet in 1986 and 1.5 million square feet in 1987. <sup>92/</sup> The increase in the value and unit value of the slab imports was equally significant. <sup>93/ 94/</sup>

---

<sup>88/</sup> The Commission has based its analysis of import volumes upon data derived from four sources: responses to Commission questionnaires, petitioners' estimate of the value of the subject imports, export data reported by foreign producers, and Department of Commerce determinations. Report at A-46-A-47. The data contained in the Commission's staff report fairly reflect the level of imports subject to investigation, following Commerce's exclusion from its investigation of imports of certain granite produced by Formai & Mariani S.r.l. (and its related company Northern Granites S.r.l.), Henraux, S.p.A. and Savema S.p.A. 53 Fed. Reg. 27187 (July 19, 1988).

<sup>89/</sup> Report at A-39 and A-41.

<sup>90/</sup> Id. at A-49, table 15. The level of imports in interim 1988 was 1.25 million square feet, down from 1.28 million square feet in interim 1987. Id. We note that the data reported from other sources differ, yet demonstrate similar annual trends. Id. at A-40, table 12 and A-42, table 13.

<sup>91/</sup> Id. at A-49. In interim 1988, the reported value of finished granite imports from Spain and Italy was \$13 million, down from \$14.1 million in interim 1987. Id. See also id. at A-109 for alternative calculations of the value of "certain granite" imports.

<sup>92/</sup> Id. at A-48, table 14. Slab imports from Italy and Spain in interim 1988 were 370,000 square feet, up from 282,000 square feet in 1987. Id.

<sup>93/</sup> Id. at A-48, table 14. This increase is due in part to the increase over the period of investigation in the value of the Spanish peseta and Italian lire against the U.S. dollar. Id. at A-65.

<sup>94/</sup> The data shows that domestic producers have not sold significant quantities of slab in the open market, thus diminishing the impact of slab imports on domestic producers' performance. See n.37.

Questionnaire data indicate that, over the period of investigation, the market share supplied by Italian imports' share of total U.S. consumption of finished granite, declined steadily whereas the considerably smaller share supplied by the Spanish imports increased from 1985 to 1986 and declined in 1987. <sup>95/</sup> The combined import penetration of the imports was 51.5 percent in 1985, 54.3 percent in 1986, and 50.5 percent in 1987. <sup>96/</sup> Although the domestic industry's market share declined from 44.1 percent in 1985 to 41.3 percent in 1986, and rose to 46.4 percent in 1987. <sup>97/</sup>

The share of the total value of U.S. consumption of finished granite accounted for by the unfair imports increased from 42.3 percent in 1985 to 48.3 percent in 1986 and declined to 44.0 percent in 1987. <sup>98/</sup> The domestic industry's share of the total value of U.S. consumption of finished granite was 54.0 percent in 1985, 47.7 percent in 1986, and 53.0 percent in 1987. <sup>99/</sup>

Thus, the absolute and relative levels of subject imports remained relatively constant as the condition of the domestic industry improved. Further, in considering whether the requisite causal link between imports and material injury exists, we believe it is important to consider the reasons why imports captured their market share.

---

<sup>95/</sup> Id. at A-52, table 17.

<sup>96/</sup> Id.

<sup>97/</sup> Id.

<sup>98/</sup> Id.

<sup>99/</sup> Id. Alternative calculations of import penetration show similar trends. Id. at A-110. At no time over the period of investigation did the subject imports of slab constitute more than 14 percent, either by volume or value, or total U.S. consumption. Id. at A-51, table 16.

With respect to the price effects of the cumulated subject imports, we note that several factors limit our ability to chart and analyze price trends, and to make price comparisons, in the granite industry. The square-foot price for a given specific color of granite to be used in building construction may vary significantly depending upon such factors as thickness, finish, and special works. <sup>100/</sup> Thus, consistent quarterly sales of a single specification of granite are rare, which makes it difficult to assess price trends. <sup>101/</sup>

Concerning comparisons of domestic and import prices, both domestic industry and importers agree that even the prices for two products of the same thickness often cannot be matched head-to-head. The square-foot price of granite of the same thickness may vary depending on differences in color (including color consistency), texture, finish, the availability of the granite, and its "workability" (how hard the granite is to cut and saw). <sup>102/</sup>

Over the period of investigation, unit values for imports of finished granite were below domestic unit prices, by margins ranging from 34 percent in 1985 to 25 percent in 1987. <sup>103/</sup> This differential, however, does not lead

---

<sup>100/</sup> Id. at A-54.

<sup>101/</sup> We note, however, that in questionnaire responses, importers and marble shops observed that prices for Italian granite, which constitute the bulk of the subject imports, have increased during the period of investigation, primarily due to the appreciation of the Italian lire against the U.S. dollar. Id.

<sup>102/</sup> Id. at A-53.

<sup>103/</sup> Id. at A-27, A-49.

us to conclude that there was significant underselling by homogeneous products. First, other things being equal, thinner granite costs less than thicker granite, and domestic producers ship a relatively thicker product than that which is imported from Italy and Spain. <sup>104/</sup> Second, unit values will vary according to the product mix for which those values are calculated and the data show, for instance, that compared to imports, domestic producers ship relatively more building facing and less tile. <sup>105/</sup>

In these investigations, direct comparisons between the square foot prices of imports and the domestic product may also be misleading and inconclusive, due to the nature of the bid process involved in the sale of finished granite for use in construction projects as building cladding or veneer. <sup>106/</sup> Bid prices for granite cladding often may include the service of installation, the cost of shop drawings of the individual pieces or panels to be installed, and the cost of such items as anchors or anchor holes for

---

<sup>104/</sup> Id. at A-8. In the preliminary investigations, Commission staff found that, in 1986, the largest percentage of the subject imports were 1-1/8 to 1-3/16 inches in thickness, while the most common thickness of U.S. produced granite was 1-1/4 inches thick; the second most popular imported product was 3/8 inch thick, whereas the next most common domestic product was 2 inches thick. These findings reflect both the importers' success in selling increasingly thinner finished granite cladding and veneer, and the different mix of imported versus domestically-produced products, inasmuch as U.S.-produced cladding is generally 1-1/4 inch in thickness and most imported tile is 3/8 inch thick. Id.

<sup>105/</sup> Id. at A-7.

<sup>106/</sup> Most finished granite is sold through a bid process for use as building veneer or cladding in large construction projects. See id. at A-55.



hanging the cladding on the building and other special works. <sup>107/</sup> Insofar as these related products and services can account for a significant portion of a total bid price (and many of the reported bid prices do not break out the cost of these items) a simple comparison of total bid prices does not demonstrate significant price underselling by the "imported merchandise" resulting in significant price suppression or depression. <sup>108/</sup>

Even if we assume, for the sake of argument, that the import prices "undercut" domestic prices, we are not persuaded that this resulted in significant price depression or suppression or lost sales. <sup>109/</sup> Unlike the demand for other, more substitutable products, the purchaser's decision to select a particular granite or granite supplier may be due to several factors other than price. <sup>110/</sup> For example, while price may be important to the

---

<sup>107/</sup> Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 25-27; Report at A-53, A-58, A-59; Tr. at 99. One bidder's price also may include the cost of paving and other material not included in other bids. See, e.g., Report at A-60.

<sup>108/</sup> Similar limitations on the use of pricing data were present in Certain Fabricated Structural Steel from Canada, Inv. No. 731-TA-387 (Preliminary), USITC Pub. 2062 (February 1988), where the price information on fabricated structural steel reflected total prices bid for the erection of steel skeletons for buildings, which included erection costs and the cost of engineering services and products not subject to investigation.

<sup>109/</sup> Although it is acknowledged that there has been tremendous downward pressure exerted on the square-foot price of granite, we find this is largely due not to the presence of unfairly traded imports, but to an external factor -- i.e., the technological advances in the fabrication of granite which increased efficiency and enabled various producers, to varying degrees, to meet the growing demand in the market for ever-thinner granite products. Report at A-53-A-54.

<sup>110/</sup> See Report at A-46, A-53.

architect or developer who is choosing acceptable granites for use in a construction project, <sup>111/</sup> there is evidence in the record that in many cases aesthetic considerations such as color and texture are more important. <sup>112/</sup> Thus, it is relevant that although U.S. producers quarry granite within all the major color ranges, they offer a relatively familiar and somewhat more limited range of colors than do importers. <sup>113/</sup> Furthermore, such nonprice factors as product availability <sup>114/</sup> and the bidding firm's responsiveness to bid specifications <sup>115/</sup> also influence the purchaser's decision. Finally, there also is evidence that domestic producers often have failed to provide timely pricing data, have shipped goods

---

<sup>111/</sup> Id. at A-46, A-56.

<sup>112/</sup> Tr. at 159, 217-218; Report at A-45-A-46, A-56, A-58-A-64.

<sup>113/</sup> Report at A-46; A-6; Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 29. We note that a particularly popular color of granite is Rosa Porrino or Spanish Pink, which is the major type of granite quarried in Spain. Report at A-41.

<sup>114/</sup> Report at A-58-A-59, A-59, A-61.

<sup>115/</sup> Id. at A-58, A-59; Tr. at 146-149. The Commission has previously held that sales "lost" to imports by reason of a domestic producer's submission of non-responsive bids do not establish the necessary causal link between the imports and alleged material injury, because a seller who does not meet the requirements of a particular bid solicitation cannot be said to be in head-to-head competition for the sale. See, e.g., Certain Automated Fare Collection Equipment and Parts Thereof From France, Inv. No. 701-TA-200 (Preliminary), USITC Pub. 1323 (Nov. 1982); Cell-Site Transceivers and Subassemblies Thereof from Japan, Inv. No. 731-TA-163 (Final), USITC Pub. 1618 (Dec. 1984).

late, and have simply ignored certain segments of the domestic market. 116/ 117/

In order to respond to petitioners' allegation that the imports had caused lost sales and lost revenue, Commission staff checked 38 of the projects named in these allegations. Of those projects, in only one does it appear that imported granite was selected in preference to domestic granite solely on the basis of price. 118/

In conclusion, we are not persuaded that there has been significant price suppression or price depression or significant lost sales or revenues by reason of unfairly traded imports. Further, although imported and domestic "certain granite" products may be "like," they are not entirely substitutable. Indeed, there are significant differences between them in terms of their product mix (including thickness), the market segments to which they are marketed, color, services, and other important nonprice factors that account for purchasers' selections of particular granites and particular suppliers.

---

116/ See, e.g., Report at A-60; Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 14-21.

117/ One segment of the market that respondents claim domestic producers "ignore" is the marble shops. We note that although petitioners explained their refusal to sell significant quantities of slab to domestic marble shops by stating that it is "financially absurd . . . to consider selling one to two slabs . . . ," Pre-Hearing Brief on Behalf of the Ad Hoc Granite Trade Group at 36, there is evidence that since the filing of their petition in these cases, domestic producers have offered slab for sale to marble shops. Tr. at 152-153, 240-241.

118/ Report at A-58-A-64.

Thus, based on our consideration of the volume of imports, their prices, and -- particularly within the context of reported examples of individual bid competitions -- their impact on domestic producers, we conclude that the domestic industry is not materially injured by reason of unfairly traded imports. <sup>119/</sup>

#### VI. No Threat of Material Injury

In making a determination as to whether there is a threat of material injury, the Commission is required to consider, among other factors:

- (1) the nature of the subsidies provided by a foreign country and their likely effects,
- (2) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,
- (3) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,
- (4) any substantial increase in inventories of the merchandise in the United States,
- (5) any increase in production capacity or existing unused capacity in the exporting countries likely to result in a significant increase in imports of the merchandise to the United States, and
- (6) the presence of underutilized capacity for producing the merchandise in the exporting country. <sup>120/</sup>

---

<sup>119/</sup> In addition, Vice Chairman Brunsdale, Commissioner Liebeler and Commissioner Cass note that the margins of unfair trading in these investigations are extremely low. Commerce determined that subsidies provided to Spanish granite producers were either 3.77 percent or 1.08 percent. The average dumping margin for Spanish producers ranged from 1.78 percent to 2.19 percent. The average dumping margin for the majority of Italian producers ranged from 1.02 percent to 4.98 percent, with one producer assigned a margin of 28.34 percent. These commissioners believe that these low margins are further evidence that imported granite is not causing material injury to the domestic industry in these investigations. For further discussion of this issue, see Additional Views of Commissioner Cass, infra.

<sup>120/</sup> 19 U.S.C. §§ 1677(7)(E) and (F).

A finding of a threat of material injury, however, must be based not on mere supposition or conjecture, but on a showing that the likelihood of harm is real and imminent. <sup>121/</sup>

The available data confirm the absence of any real and imminent threat of material injury to the domestic industry producing certain granite by reason of unfairly traded imports from Italy and Spain. <sup>122/</sup> We are not persuaded that imports from either country have caused, or will imminently cause, price depression or suppression. Also, we do not believe there is a significant potential for product shifting. There is no evidence the production facilities owned or controlled by respondents in which "certain granite" products are manufactured are also used to manufacture products that are either subject to investigation under section 701 or 731 of the Act or subject to final antidumping or countervailing duty orders. <sup>123/</sup>

The Spanish respondents argue that they are operating at or near full capacity, that home market sales are increasing, and that they expect other

---

<sup>121/</sup> Id.; *Alberta Gas Chemicals, Inc. v. United States*, 515 F. Supp. 780, 790 (Ct. Int'l Trade 1981).

<sup>122/</sup> We note that the statute provides for the use of cumulation in material injury analyses and makes no mention of cumulation in an analysis of threat of material injury. 19 U.S.C. § 1677(7)(C)(iv). However, as recently observed by the Court of International Trade, the Commission is not prohibited from cumulatively assessing threat of material injury in a manner that is appropriate to a particular case. *Asociación Colombiana de Exportadores de Flores v. U.S.*, Slip Op. 88-91 at 17 (Ct. Int'l Trade July 14, 1988).

<sup>123/</sup> See 19 U.S.C. § 1677(7)(F)(VIII).

markets to expand more quickly than the U.S. market. <sup>124/</sup> These statements are supported by information submitted on Spanish capacity, production, shipments, and inventories of certain granite, and on other factors. <sup>125/</sup>

We note that in its examination of Spanish export subsidy practices, the Department of Commerce found three programs with estimated net subsidy rates of 0.23 percent, 0.32 percent, and 0.03 percent in 1986, the period of review. However, more current data indicate that benefits under one of these programs were zero percent ad valorem and the other two programs have been terminated by the Government of Spain. Thus, such benefits pose no threat to U.S. producers of certain granite. <sup>126/</sup>

The data also show no rapid increase in U.S. market penetration by imports from Spain over the period of investigation. Slab imports from Spain accounted for a relatively constant share of total U.S. consumption and the share of U.S. consumption of finished granite accounted for by imports from Spain declined from 1986 to 1987. <sup>127/</sup> Further, exports to the United States accounted for a declining share of finished granite export shipments

---

<sup>124/</sup> See, e.g., Tr. at 232, 243-244; Pre-Hearing Brief on Behalf of Artemarmol, S.A., Granitos Ibericos-Grayco, S.A., Ramilo, S.A., and Santal, S.A. at 10-12; Post-Hearing Brief on Behalf of Ingemar, S.A. and Ingemarga, S.A. at 6-8.

<sup>125/</sup> Report at A-41 and A-42, table 13. We note that although Spanish respondents' finished granite capacity in 1987 was substantially greater than in 1985, it is not projected to increase significantly in 1988 or 1989. Id.

<sup>126/</sup> 53 Fed. Reg. 24340 (June 28, 1988). See 19 U.S.C. § 1677(7)(E)(i).

<sup>127/</sup> Staff Memorandum EC-L-263 at 3-4; Report at A-42, table 13, A-108-A-110.

from Spain over the period of investigation. <sup>128/</sup> Shipments of slab from Spain in 1988 and 1989 are expected to be below 1987 levels. <sup>129/</sup> Finished granite imports from Spain are expected to increase in 1988 and 1989. However, the amount of such increases are relatively minor in comparison with both total U.S. consumption and the level of imports in 1987, when the condition of the domestic industry improved significantly. <sup>130/</sup>

With respect to threat of material injury by reason of Italian imports, we note that the data do not indicate a rapid increase in the Italian share of domestic consumption of either slab or finished granite. Further, exports to the United States accounted for a declining share of finished granite exports over the period of investigation. <sup>131/</sup>

With respect to capacity, historically Italian fabricators have had far greater finished granite production capacity than does the domestic industry. <sup>132/</sup> Nevertheless, Italian producers operated at nearly full capacity throughout the period of investigation, <sup>133/</sup> and there is no evidence that they plan to expand present capacity. <sup>134/</sup> Moreover, since

---

<sup>128/</sup> Report at A-41.

<sup>129/</sup> Id. at A-42, table 13.

<sup>130/</sup> See id. at A-42, table 13 and A-22, table 2.

<sup>131/</sup> Id. at A-40, table 12.

<sup>132/</sup> Id.

<sup>133/</sup> See Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 45; Report at A-63.

<sup>134/</sup> Pre-Hearing Brief on Behalf of Producers and Importers of Italian Cut-To-Size Granite at 45. Cf., Tr. at 200.

cut-to-size granite is always custom fabricated, there are no significant domestic or foreign inventories of imported cut-to-size granite. <sup>135/</sup>

For these reasons, we conclude that there is no threat of material injury by reason of imports from Spain and Italy.

---

<sup>135/</sup> See Report at A-26, A-40, table 12, and A-42, table 13.



## ADDITIONAL VIEWS OF COMMISSIONER RONALD A. CASS

Certain Granite from Italy and Spain  
Investigations Nos. 701-TA-289 (Final)  
and 731-TA-381 and 382 (Final)

I concur with the Commission's negative determinations in these investigations and share the Views of the Commission. I offer these Additional Views to explain my analysis of certain issues relating to the question of causation that played a role in my decision in these investigations, but that are not fully treated in the Views of the Commission.

I. MATERIAL INJURY BY REASON OF UNFAIRLY TRADED IMPORTS

As I have explained in other opinions,<sup>1/</sup> in my view, Title VII of the Tariff Act of 1930, which governs these investigations, contemplates that, in evaluating whether the domestic industry has suffered material injury, the Commission will endeavor to determine how the condition of the domestic industry compares to the condition that would have existed if there had been no unfairly traded imports. The statute also suggests that this analysis should be carried out through a three-part inquiry. These inquiries and their statutory bases (including the division of specific statutory factors among the

---

<sup>1/</sup> See, e.g., Internal Combustion Engine Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) (Additional Views of Commissioner Cass); 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (April 1988) (Additional Views of Commissioner Cass).

parts of this inquiry) are described in detail elsewhere,<sup>2/</sup> and no purpose would be served by reiterating that discussion here. In brief, however, the essential elements of the inquiries are as follows.

First, the volumes and prices of the subject imports are compared with the volumes and prices that would have obtained if there had been no unfair trade practices. Second, it is necessary to determine how the prices and sales of the domestic like product were affected as a result of changes in the market for the imported products consequent to the unfair trade practices. Finally, in light of the conclusions reached respecting the nature of the market for the subject imports and the effect of the unfair trade practices on domestic industry prices and sales, conclusions must be reached concerning the extent, if any, to which employment in the domestic industry declined or became less remunerative as a result of the unfair trade practices; and the extent, if any, to which returns on investment in the domestic industry declined as a result of such practices. Each of these questions is examined at greater length below.

A. Subsidized and Less Than Fair Value Imports

In these investigations, the record strongly suggests that the unfair trade practices in question caused only a relatively small decline in the price of the subject imports and a concomitantly small increase in the total sales of those goods

---

<sup>2/</sup> Id.

in the United States. For both Italy and Spain, the dumping margins calculated by the Department of Commerce<sup>3/</sup> were quite small, with a sales-weighted average of 4.83% for all Italian producers under investigation and 1.93% for all such Spanish producers.<sup>4/</sup> The subsidy rate calculated by the Department of

---

<sup>3/</sup> Petitioner argued that it would be inappropriate for the Commission to analyze the margins in this case for a variety of reasons. First, Petitioner argued that the margins calculated by the Department of Commerce excluded most "large, customized projects", and claimed that it is these sales "where the most severe price undercutting has been experienced". Comments by the Petitioner Concerning the Final Determination by the Department of Commerce at 5-6. However, Petitioner has offered no evidence to support its position that severe price undercutting occurred in these large projects, stating only that it would be "logical" to expect this, given Respondents' supposed intention to maintain their capacity utilization. Id. at 6. Petitioner has also argued that the Department of Commerce failed to follow its "consistent practice" of examining 60% of the exports in question. Id. at 6-7. However, in conducting our investigations, it is not our role to judge whether the Department of Commerce failed to follow its own administrative procedures. Finally, Petitioner contended that the weighted average margins calculated by the Department of Commerce do not "bear any relationship" to the margins for individual sales, and argued that such margins can not be applied "to the margins of underselling found to exist during the Commission's investigation". Id. at 8. The average weighted margins, however, are derived from computations made for individual sales and are weighted to reflect the volume of each such sale. Moreover, I have not applied the margins in question to "margins of underselling" in this case; as discussed, infra, the margins are instead used to determine the extent to which the price and volume of the subject imports was affected by the unfair trade practices under investigation. I do not discern any basis in Petitioner's comments for a conclusion that the dumping margins and subsidy rates calculated by the Department of Commerce are inappropriate for this purpose in these investigations.

<sup>4/</sup> Report at A-3-5.

Commerce for the Spanish producers was even smaller yet, averaging only 0.85% on a sales-weighted basis.<sup>5/</sup>

Moreover, even these figures probably overstate, to at least some extent, the actual change in the price of the imports that resulted from the unfair trade practices under investigation. The sales that the Italian and Spanish producers made in the United States in each case accounted for a significant proportion of their total sales in the United States and their respective home markets.<sup>6/</sup> It is therefore unlikely that the LTFV sales resulted in a price decline equal to the full amount of the dumping margins.<sup>7/</sup> For the purposes of my analysis of this case, however, I have used the highest possible price effect for the subject imports, although I believe that this somewhat overstates the change in prices consequent to the unfair trade practices. I have taken this step because the dumping margins calculated by the Department of Commerce were in part based upon constructed value,<sup>8/</sup> rather

---

<sup>5/</sup> Id. at A-3.

<sup>6/</sup> Report at A-40, Table 12; A-42, Table 13.

<sup>7/</sup> See Internal Combustion Forklift Trucks from Japan, Inv. No. 731-TA-377 (Final), USITC Pub. 2082 (May 1988) (Additional Views of Commissioner Cass) at 130-31; 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (April 1988) (Additional Views of Commissioner Cass) at 80-82; R. Boltuck, Assessing the Effects on the Domestic Industry of Price Dumping, Part I (USITC Memorandum, May 10, 1988) at 13, 19-21.

<sup>8/</sup> Report at A-3-5.

than actual foreign market sales.<sup>9/</sup> The small changes in the price at which the subject imports were sold almost certainly did not impact significantly on the sales volume of these imports. The evidence of record in these investigations, discussed further in the next section of these Additional Views, suggests that physical characteristics, service and other attributes of the products to a substantial extent distinguish the imported Italian and Spanish products from the domestic like product, and that price is not the dominant factor in purchaser's considerations. These facts appear to have reduced the volume effect on the subject imports consequent to the unfair trade practices.

B. Domestic Prices and Production

The evidence in the record as a whole indicates that the subject imports had, at most, a very small effect on domestic prices and production. At first blush, such a conclusion might appear to be at odds with the fact that the subject imports from Italy accounted for a relatively large share of the domestic market, and the Spanish imports accounted for a

---

<sup>9/</sup> This does not mean, however, that I believe that such treatment of margins based upon constructed value is appropriate in every case. Constructed value margins, and other margins not based upon actual foreign market sales, may require elaboration of a more sophisticated means of deriving an inference from the available facts than I have employed in prior investigations. I do not at this point address the issues that such an extension of my analysis would raise, as I do not believe that they affect the disposition of these investigations.

lesser, but still significant, percentage of the market.<sup>10/</sup> However, the imported products sold in the United States by the Italian and Spanish producers are substantially different from the domestically-produced product in many critical respects, a fact that operated to limit their effect on the domestic products' price and sales volume.<sup>11/</sup>

Respondents argue, for example, that color is a critical determinant in purchasing decisions, and claim that they have provided U.S. consumers with superior color selection by processing granite drawn from quarries from all over the world; by contrast, they contend that, Cold Spring, the leading domestic producer, has offered only the limited array of colors obtainable from granite taken from its own quarries.<sup>12/</sup> They also assert that Respondents, particularly Italian Respondents, pioneered the development of technology that enabled them to provide very thin granite, while the domestic firms lagged sorely behind in producing this product.<sup>13/</sup> Respondents also

---

<sup>10/</sup> Report at A-21, Table 1; A-22, Table 2. At the same time, however, as the Commission's opinion points out, the domestic industry's share of the U.S. market rose significantly in 1987. See Views of the Commission, text at note 97.

<sup>11/</sup> The Views of the Commission recognize that a central element in our analysis is the extent to which the domestic and imported products are close substitutes from the standpoint of consumers.

<sup>12/</sup> See Prehearing Brief on Behalf of Producers and Importers of Italian Cut-to-Size Granite ("Italian Cut-to-Size Granite Respondents' Brief") at 27-29; Tr. at 159, 169-70, 207-10, 234-35, 237, 242.

<sup>13/</sup> See Italian Cut-to-Size Granite Respondents' Prehearing Brief at 6-13; Tr. at 142-45, 205-07, 235-36.

claim that they pay a great deal of attention to marketing and service, and that the domestic industry, by contrast, provides poor service,<sup>14/</sup> and in fact often declines to compete for potential business or submits non-responsive bids.<sup>15/</sup> Respondents also contend that they supply a substantial amount of granite tile to the U.S. market, and argue that Petitioner simply does not have the ability to supply this product in significant amounts.<sup>16/</sup>

Petitioner generally denies these claims. Petitioner argues that there are only ten basic granite colors and contends that the domestic firms provide a full color selection.<sup>17/</sup> Petitioner asserts that the domestic industry has been making thin granite for four decades and has ample capability to do so now.<sup>18/</sup> In a similar vein, Petitioner claims that the domestic industry produces a substantial amount of tile, and is seeking to expand its sales of that product.<sup>19/</sup> Petitioner denies that the domestic industry's marketing

---

<sup>14/</sup> See Italian Cut-to-Size Granite Respondents' Prehearing Brief at 15, 17-19; Tr. at 163-64, 192-93.

<sup>15/</sup> See Italian Cut-to-Size Granite Respondents' Brief at 15-16, 21-23, 28-31; Tr. at 148-49, 152-53, 163-64, 171-72, 236, 238, 240-41.

<sup>16/</sup> Italian Cut-to-Size Granite Respondents' Prehearing Brief at 8-10.

<sup>17/</sup> Tr. at 27-28, 52.

<sup>18/</sup> Tr. at 9-10.

<sup>19/</sup> Tr. at 72-74.

efforts or services are in any way inferior.<sup>20/</sup> Petitioner likewise contends that there is absolutely no basis for any claim that the domestic industry has failed to compete for business for which it could have been price-competitive.<sup>21/</sup>

In short, then, the parties take sharply different positions on these issues. In my view, however, the weight of the evidence suggests that there are substantial differences between the imported and domestically-produced products:

First, it is clear that the product mix of the subject imports is quite different than that of the domestically-produced product; a substantially greater percentage of the subject imports consists of thinner granite and granite tile.<sup>22/</sup> Respondents contend, and Petitioner apparently does not deny, that very thin granite is preferred for many uses, in part, because it substantially reduces construction costs.<sup>23/</sup> In construction projects, thinner granite not only reduces the cost of the stone required for the project; it is also more easily installed and may allow savings in the cost of the supporting structure.<sup>24/</sup> Thus, as the Views of the Commission

---

<sup>20/</sup> See, e.g., Petitioner's Posthearing Brief, Answers to Questions of Commissioner Liebler; Tr. at 26-27, 49-52.

<sup>21/</sup> See, e.g., Petitioner's Posthearing Brief, Answers to Questions of Commissioner Liebler; Tr. at 24, 40.

<sup>22/</sup> Report at A-7-8.

<sup>23/</sup> See, e.g., Italian Cut-to-Size Granite Respondents' Prehearing Brief at 8-9, 23-24; Tr. at 164-66. See also Report at A-46, A-53-54.

<sup>24/</sup> Report at A-56.



suggest,<sup>25/</sup> even though the Commission has accepted Petitioner's proposed like product definition, it is clear that certain kinds of granite have special advantages for particular end uses, and it appears that such granite accounts for a larger percentage of the subject imports than of the domestic product.

Further, the record on balance -- in particular, the data that the Commission collected in evaluating Petitioner's lost sales and lost revenue claims -- suggests that the foreign producers offer a wider array of colors than the domestic industry and that this factor significantly affects purchaser's decisions. There are also apparent differences in the way that the domestic and foreign producers bid for projects, with domestic firms, unlike the foreign producers, generally bidding a "lump-sum package" that includes not only the stone, but also design, anchoring and sometimes installation costs.<sup>26/</sup> Further, there are apparent service-related differences between the domestic and imported products. The architects and purchasers surveyed by the Commission indicated that consulting services are often important in deciding which product to purchase and stated that such consulting is more common for the foreign producers than for members of the domestic industry.<sup>27/</sup>

---

<sup>25/</sup> See Views of the Commission, text at note 104.

<sup>26/</sup> USITC Memorandum EC-L-263 (August 3, 1988) from Office of Economics.

<sup>27/</sup> Report at A-56.

Conversely, installers and general contractors generally reported that there are certain factors involved in dealing with foreign producers (e.g., language barriers) that present a problem for prospective purchasers of the imported product.<sup>28/</sup> Finally, the evidence in the record as a whole suggests that domestic producers have been generally reluctant, if not unwilling, to sell slab to domestic consumers.

Accordingly, substitutability between the domestic and imported products is more limited than Petitioner suggests. In this case, this fact is especially significant in considering the effect of the subject imports on domestic prices and production since the record evidence suggests that price, although a "major consideration in purchasing" decisions,<sup>29/</sup> does not appear to be the dominant one. As the Commission has noted, other considerations -- e.g., the color and the quality of the stone -- have an important impact on these decisions.<sup>30/</sup>

The evidence that price is not the dominant consideration in purchasing decisions, together with the fact that any such changes in the price and volume of the subject imports were themselves quite small, leads me to conclude that the impact of the unfairly traded imports on domestic prices and production was not significant.

---

<sup>28/</sup> Id. at A-45.

<sup>29/</sup> Report at A-46.

<sup>30/</sup> See Views of the Commission, text at notes 112-17; Report at A-45-46.

C. Impact on Employment and Investment in the Domestic Industry

The last part of the inquiry into the effects of the unfairly traded imports on the domestic industry relates the inferences drawn in the earlier inquiries to the record evidence respecting the returns realized by employees and investors in the domestic industry. The antidumping law specifies a number of factors that can assist the Commission in this inquiry -- such as actual and potential negative effects on employment, actual and potential negative effects on profits, return on investment, cash flow, ability to raise capital, and level of investment.<sup>31/</sup>

In this case, there is no probative evidence in the record indicating that the insignificant effects on domestic prices and production that resulted from the unfair trade practices under investigation have had a materially adverse impact on employment and investment in the domestic industry. The financial and employment data that the Commission has collected are mixed and inconclusive. The domestic industry incurred an operating loss in 1987, but this loss was significantly smaller in that year, when dumping was found to have occurred, than it

---

<sup>31/</sup> 19 U.S.C. Section 1677(7)(C).

was during preceding years.<sup>32/</sup> This trend of improving performance continued into the first quarter of 1988.<sup>33/</sup>

There is likewise little evidence in the record of an adverse effect on employment consequent to the LTFV imports. Employment of production and related workers in the industry decreased slightly in 1987, but the hourly compensation paid to production and related workers actually increased, both in 1987 and in the first quarter of 1988.<sup>34/</sup>

#### D. Conclusions

The evidence in this case indicates that the unfair trade practices under investigation produced, at most, a very small effect on domestic prices and sales, and there is no evidence directly demonstrating that any such price and volume effects had any significant adverse impact on employment and investment in the domestic industry. The evidence may suggest that the domestic industry was not healthy during the period of the Commission's investigations, including the period during which the unfair trade practices in question took place. However, as I have indicated in other opinions,<sup>35/</sup> this, in my opinion, is

---

<sup>32/</sup> In 1986, the Spanish producers were found to have received countervailable subsidies, but these were, as previously noted, quite small, and no evidence has been presented that suggests that the domestic industry's substantial operating losses in 1986 were caused by these subsidies.

<sup>33/</sup> Id.

<sup>34/</sup> Id. at A-29, Table 5.

<sup>35/</sup> 3.5" Microdisks and Media Therefor from Japan, Inv. No. 731-TA-389 (Preliminary), USITC Pub. 2076 (April 1988) (Additional Views of Commissioner Cass) at 61-62.

not the appropriate inquiry. The real question is whether there is any reason to believe that the unfairly traded imports materially and adversely impacted on the condition of the domestic industry. For the reasons previously stated, I do not believe that there is.



## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

On December 24, 1987, the United States Department of Commerce (Commerce) published in the Federal Register its preliminary determination that manufacturers, producers, or exporters of certain granite products 1/ in Spain receive subsidies (52 F.R. 48737). Effective that date, the United States International Trade Commission (Commission) instituted countervailing duty (CVD) investigation No. 701-TA-289 (Final) regarding such products imported from Spain. In the Federal Register of February 29, 1988, Commerce published its preliminary determination that certain granite products from Italy and Spain are being, or are likely to be, sold in the United States at less than fair value (LTFV) (53 F.R. 6021 and 53 F.R. 6023, respectively). Again, effective that date, the Commission instituted antidumping investigations Nos. 731-TA-381 and 382 (Final) regarding imports from Italy and Spain. These investigations were instituted under the provisions of the Tariff Act of 1930 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 into the United States. The statute directs that the Commission make its final determination within 45 days after receiving formal notification of Commerce's final determination. The Commission is scheduled to make its final determinations in these investigations on August 11, 1988.

Notice of the Commission's investigations was given by posting copies of the notices in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notices in the Federal Register. 2/ A public hearing was held on June 30, 1988. 3/ The briefing and vote on these investigations was held on August 5, 1988.

## Background

On July 28, 1987, petitions were filed with the Commission and Commerce by counsel for the Ad Hoc Granite Trade Group 4/ alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports from Italy and Spain of certain granite products that were alleged to be subsidized by the Governments of Italy and Spain and that were alleged to be sold in the United States at LTFV. Accordingly, effective July 28, 1987, the Commission instituted CVD investigations Nos. 701-TA-288 and 289 (Preliminary), under section 703 of the Tariff Act of 1930, and antidumping investigations Nos. 731-TA-381 and 382 (Preliminary), under section 733 of the

---

1/ For purposes of these investigations, the term "certain granite" refers to granite that is 3/8 inch (1 cm) to 2-1/2 inches (6.34 cm) in thickness, including the following: rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite, including, but not limited to, building facing, flooring, wall and floor tiles, and crypt fronts. "Certain granite" does not include monumental stones, crushed granite, or curbing.

2/ Copies of the Commission's Federal Register notices are presented in app. A.

3/ The calendar of the hearing is presented in app. B.

4/ Members of the Ad Hoc Granite Trade Group are Capitol Marble and Granite Co., Marble Falls, TX; Cold Spring Granite Co., Cold Spring, MN; and the North Carolina Granite Corp., Mount Airy, NC.

same act, to determine whether or not 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 imports of such merchandise into the United States. On September 11, 1988, the Commission determined that there is a reasonable indication that an industry in the United States is materially injured by reason of such imports. <sup>1/</sup> This determination was published in the Federal Register of September 23, 1987 (52 F.R. 35771).

Upon requests by the petitioner, Commerce postponed its preliminary CVD determinations until November 12, 1987 (52 F.R. 37489, Oct. 7, 1987) and then, again, until December 18, 1987 (52 F.R. 43379, Nov. 12, 1987). On December 24, 1987, Commerce published a negative CVD determination regarding imports of certain granite Italy (52 F.R. 48732).

On December 15, 1987, Commerce published a notice postponing the preliminary antidumping determinations until February 3, 1988 (52 F.R. 47618) and, on January 15, 1988, Commerce published a notice further postponing these determinations until February 23, 1988 (53 F.R. 1050). Commerce then extended the deadlines for the final CVD determinations to correspond to the deadlines for the final antidumping investigations (53 F.R. 2521, Jan. 28, 1988). These postponements and extension were also requested by the petitioner.

Upon the request of respondents, Commerce postponed its final antidumping determination for imports from Italy until June 20, 1988 (53 F.R. 8479, Mar. 15, 1988) and, similarly, Commerce postponed its final antidumping determination for products from Spain until June 21, 1988 (53 F.R. 12713, Apr. 18, 1988). In each notice, pursuant to petitioner's request for conforming deadlines, the final CVD determinations were extended, to June 20, 1988, and June 21, 1988, respectively.

On June 15, 1988, Commerce published a notice further postponing its final dumping determination for subject imports from Italy until July 13, 1988 (53 F.R. 22369). The final CVD determination for Italy was likewise postponed. On July 19, 1988, Commerce published a final negative CVD determination regarding certain granite from Italy (53 F.R. 27197).

#### Previous Investigations Concerning Granite Products

Granite products have been the subject of four previous investigations conducted by the Commission. Reports were issued in 1921 and 1929 on building and monumental granite. More recently, "manufactured granite," which was defined as building and monumental granite, was investigated by the Commission in 1974 (TEA-F-63) and in 1975 (TEA-F-67). In the latter investigation, conducted under section 301 of the Trade Expansion Act of 1962, the Commission reported to the President that, partly as a result of concessions granted under trade agreements, articles like or directly competitive with manufactured granite produced by Joseph Weiss & Sons, Inc. (the petitioner), were being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm. In the current investigations,

---

<sup>1/</sup> Commissioner Lodwick determined that there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports.



the product category under review is defined more narrowly than in previous investigations; specifically, monument stones and products that are more than 2-1/2 inches in thickness were included in previous investigations and are excluded from the current investigations.

#### Nature and Extent of the Subsidies and Sales at LTFV <sup>1/</sup>

##### Subsidies

In its final determination, published on June 28, 1988, Commerce found that benefits that constitute subsidies within the meaning of the CVD law are being provided to manufacturers, producers or exporters in Spain of certain granite products. Two firms, Granitos Ibericos-Grayco, S.A. and Santal, S.A. have de minimis duty deposit rates. Two other firms, Granitos Espanoles, S.A. and Marmoles y Granitos de Espana, S.A. did not respond to Commerce's questionnaire. They were therefore assigned the sum of the highest individual company net subsidy rates, which was 3.77 percent ad valorem. The countrywide subsidy rate applicable to all other manufacturers, producers, or exporters in Spain of certain granite was 1.08 percent. The review period was calendar year 1986. Because some of the countervailable benefits are no longer in effect, the duty deposit rate for Granitos Espanoles and Marmoles y Granitos de Espana is actually 3.54 percent ad valorem and the "all other" rate is 0.85 percent.

The Government of Spain requires Spanish commercial banks to maintain a certain percentage of their lendable funds in privileged-circuit accounts. These funds are available to exporters at below market interest rates through a variety of short-term credit programs. Commerce found that manufacturers and exporters benefited from three of these credits programs, which were found to be countervailable export subsidies: working capital loans, prefinancing of exports, and post-financing of exports. The countrywide estimated net subsidy rates for these programs are 0.23 percent, 0.32 percent, and 0.03 percent, respectively.

Commerce also found particular regional programs to have granted countervailable benefits to producers or exporters of certain granite. Grants and loans for industrial expansion in the region of Galicia were calculated to represent estimated countrywide net subsidy rates of 0.39 percent and 0.05 percent, respectively. Also, the estimated net subsidy rate determined for export promotion grants provided by the Basque Regional Government was 0.04 percent. Finally, certain rebates of interest paid on loans for investment in Galicia were found to be countervailable in the amount of 0.02 percent ad valorem countrywide.

##### Sales at LTFV

Italy.--On July 19, 1988, Commerce published its final affirmative dumping determination regarding imports of certain granite from Italy. Comparing the U.S. price with foreign market value, as explained below, Commerce calculated average dumping margins as presented in the following tabulation (in percent):

---

<sup>1/</sup> Copies of Commerce's Federal Register notices of these final determinations are presented in app. C.

<u>Producer/exporter</u>	<u>Margin 1/</u>
Campolonghi Italia S.p.A. 2/.....	1.42
Euomarble S.p.A.....	1.06
F.lli Guarda S.p.A.....	28.34
Formai & Mariani S.r.L 2/.....	0.21 3/
Henraux S.p.A.....	0.09 3/
Pisani Brothers S.p.A.....	3.71
Savema S.p.A.....	0.00 3/
All others.....	4.83

1/ As revised in a letter from Michael J. Coursey to Lynn Featherstone dated August 4, 1988.

2/ Includes related companies.

3/ These margins are de minimis; thus, the companies are excluded from the dumping determination and their products are excluded from those subject to investigation.

Commerce's preliminary determination stated that these producers and exporters accounted for approximately 63 percent of all Italian exports of certain granite during the period of investigation.

For all sales by F.lli Guarda and slab sales by Pisani Brothers, Commerce used the best information available, a combination of data presented in the petition, collected during verification, and submitted by other producers. For all other sales, Commerce used data submitted by the foreign companies, verified and adjusted as necessary.

The U.S. price was based on the purchase price, as adjusted. Commerce differentiated between cut-to-size granite and all other granite products in its calculation of foreign market value and in defining the period of investigation. Commerce determined that cut-to-size products were unique and thus not price comparable; the foreign market value was based, therefore, on constructed value. The period of investigation for these custom-manufactured products was January 1-August 31, 1987, although, to include additional sales of some larger projects (\$500,000 and over), certain data were requested on sales as early as July 1986.

For sales of rough slabs, face-finished slabs, and tiles by all companies except Euomarble, the foreign market value was calculated based on home-market prices; constructed value was used for sales of such products by Euomarble. The period of investigation for these products was March 1-August 31, 1987.

Spain.--On June 28, 1988, Commerce published its final affirmative antidumping determination regarding imports of certain granite from Spain. The methodology used was identical to that described above for Italy, except as noted below. According to the notice of the preliminary determination, companies accounting for more than 60 percent of all Spanish exports of certain granite submitted usable responses to Commerce. Foreign market value was based on home-market prices except for sales of cut-to-size granite, which required a constructed value calculation; however, Commerce found no LTFV sales of cut-to-size granite. 1/ The period of investigation was March 1-August 1, 1987, except for Ingemar, S.A., from which information was requested regarding a cut-to-size granite sale in November 1986. The average dumping margins are presented in the following tabulation (in percent):

---

1/ Transcript of the hearing, p. 233.

<u>Producer/exporter</u>	<u>Margin</u>
Artemarmol, S.A.....	2.19
Granitos Ibericos, S.A.....	2.19
Ingemar, S.A. and Ingemarga, S.A.....	1.78
All others.....	1.93

### The Products

#### Description and uses

The term "dimension stone" refers to natural rock that has been quarried, shaped, and finished to certain specifications. The U.S. Bureau of Mines' definition of dimension stone also includes blocks and slabs of specified dimensions. <sup>1/</sup> Of total 1987 dimension stone production, an estimated 47 percent was used in the construction of buildings, 26 percent for monuments, 14 percent as rubble, and 13 percent as curbing, flagging, and other products. <sup>2/</sup> Approximately one-half of the dimension stone produced in 1986 was granite, defined by the U.S. Bureau of Mines as "all feldspathic crystalline rocks of predominantly interlocking texture and with mineral grains visible to the naked eye; these include igneous and metamorphic rocks including quartz diorites, syenites, quartz porphyries, gabbros, schists, and gneisses. White, gray, black, pink, and red are the common colors for granite; greens, browns, and other shades are produced in some localities." <sup>3/</sup>

In the preliminary phase of these investigations, U.S. producers and importers of the subject products were requested to report their 1986 U.S. shipments by color. Although the import data were reported by importers accounting for less than one-third of 1986 imports in terms of value, these percentages provide a basis of comparison between the color range of granite sold by U.S. quarryier/producers and the selection imported from Italy and Spain. <sup>4/</sup> 1986 U.S. shipments and imports, by color, are presented in the following tabulation:

---

<sup>1/</sup> U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Mineral Facts and Problems, 1985 ed., p. 2.

<sup>2/</sup> U.S. Department of the Interior, Bureau of Mines, Mineral Commodity Summaries, 1988, p. 4.

<sup>3/</sup> U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Mineral Facts and Problems, 1985 ed., p. 2.

<sup>4/</sup> Information and data presented in this section of the report regarding certain granite from Italy have not been adjusted to exclude the products of Formai & Mariani, Henraux, and Savema. Because nonsubject material is similar to that subject to investigation, the data presented are not believed to be unduly distorted.

Color	U.S. producers	Imports from Italy and Spain
	----- (percent of total) 1/-----	
White.....	2.6	2.3
Grey.....	20.5	10.4
Buff.....	***	1.3
Beige.....	***	1.4
Pink.....	8.6	30.2
Red.....	***	31.6
Blue.....	***	1.2
Green.....	***	5.2
Brown.....	***	4.6
Black.....	3.1	11.3
Other 2/.....	***	0.5
Total.....	100.0	100.0

1/ \* \* \*

2/ Other colors reported by U.S. producers were multicolored granites.

These data show that a wide range of colors are supplied by domestic and foreign suppliers. However, pink, blue, and black granites accounted for a larger share of the subject imports while U.S. producers sold proportionately greater quantities of grey, buff, brown, and multicolored granites.

The products subject to these investigations include only those dimension granite products which, for the purposes of this report, are termed "certain granite," as defined above. These products will also be referred to as "slab" and "finished granite," or "thin granite." The different stone cuts and appropriate applications are as follows:

Rough-sawed granite slab--Stone sawed from blocks. Common commercial thicknesses range from 3/4 to 1-1/4 inch, although thicker products are also sold. Such slab is unfinished and usually measures no more than 10 feet by 5 feet. This product is intended to be further cut and finished.

Face-finished granite slab--Stone sawed from blocks and face-finished. Common commercial thicknesses range from 3/4 to 1-1/4 inch, although thicker products are also sold. Such slab has unfinished edges and usually measures no more than 10 by 5 feet. This product may be surface-finished in a variety of ways and is intended to be further cut and edge-finished.

Building facing--Finished, cut-to-size stone intended for nonstructural use on building surfaces. The majority of this material is used on exterior surfaces ("cladding") and is commonly about 1-1/4 inches (3 cm) in thickness. Interior "veneer" is generally thinner.

Wall and floor tile--Finished stone intended for nonstructural use on interior wall and floor surfaces. Tiles are generally cut to standard sizes; the most common dimension is 3/8 inch thick and 12 inches square although tile may be as large as 24 inches square. A rough surface finish is most practical for floor tile whereas a highly polished surface is popular for wall tile.

Flooring and paving--Finished stone intended to bear pedestrian and vehicular traffic in sheltered and unsheltered areas. These products are generally cut to standard sizes and have a rough surface finish. Flooring and paving granite averages 1 inch in thickness.

Crypt fronts--Finished, cut-to-size stone intended for nonstructural use on crypt structures. This material is commonly 1 inch thick.

Countertops, table tops, and other products--Finished, cut-to-size products intended for kitchen, bathroom, and table surfaces. These products are nearly always custom-manufactured, varying greatly in dimension and detail, with a polished surface. The material used is commonly 3/4 inch to 1-1/4 inches in thickness but may be thicker if adequately supported.

Slab is unfinished material that is further processed into a finished end product. Most U.S.-produced slab is captively consumed. In 1987, U.S. firms shipped 10.2 million square feet of slab; \* \* \* percent of that material was not sold outside the company but, rather, processed by the same firm into finished granite products. U.S. producers' sales of slab are a minor source of revenue. For importers, however, slab is a more significant article of trade. Slab represented 20.1 percent by quantity, and 15.1 percent by value, of reported 1987 U.S. imports of certain granite from Italy and Spain. In terms of quantity, imports supplied 14.1 percent of the total U.S. market for slab in that year and 91.3 percent of the non-captive U.S. market. 1/ Small-scale fabricators depend primarily on imported slab, the majority of which is imported as face-finished. Because of the slightly different producers of, and markets for, slab and finished granite, data for these products are presented separately in this report.

Five years ago, a trade publication reported that 60 percent of all dimension stone was used in exterior applications, 25 percent was for interior walls, 10 percent for interior floors, and 5 percent for table tops and counter surfaces. 2/ In these final investigations, U.S. producers and importers were asked to report 1987 U.S. shipments and imports, respectively, of finished granite by product. These data are presented in the following tabulation:

<u>Product</u>	<u>U.S. producers</u>	<u>Imports from--</u>	
		<u>Italy</u>	<u>Spain</u>
	----- (percent of the total) -----		
Building facing.....	76.8	44.6	49.8
Wall and floor tile.....	5.1	38.9	36.5
Flooring and paving.....	13.5	10.1	9.0
Crypt fronts.....	***	4.7	***
Countertops, etc.....	***	1.7	***
Total.....	100.0	100.0	100.0

These data show that, compared with imports, domestic producers ship relatively more building facing and proportionately less tile.

1/ These shares are understated because they are based on questionnaire responses; coverage of U.S. slab producers is over 90 percent whereas import coverage is approximately 75 percent.

2/ "The Return of Marvelous Marble," Dimensional Stone, Oct./Nov. 1983, p. 46.

Respondents argue that tile is a separate like product, produced on specialized equipment and sold through separate channels of distribution to different end users. A spokesman noted that a "gauged" (precisely measured) 1 cm (3/8 inch) thickness is required for the standard "thin-set" installation of this product; further, a separate trade installs tile than installs other granite products. 1/ However, petitioners counter that tile products may also be used as building facing and crypt fronts; thus, no meaningful distinction can be made. Industry sources report that small quantities of tile are used on the lower levels of building exteriors, in place of cladding; at this level, the "wind load" (stress from wind) is less than at higher levels where thicker material is required. 2/ Available data on tile are presented in this report.

Respondents also assert that Eurocobble, imported from Italy, is a separate like product that competes with U.S.-produced paving, some of which they suggest is greater than 2-1/2 inches in thickness. Eurocobble is formed of numerous individual stones, about 3 inches square, set in mortar. U.S.-produced cobblestone paving stones differ slightly in size and are not "pre-assembled," but clearly fall within the dimensions specified for certain granite. The products are designed to resemble European cobblestone in use and appearance. Available data on paving are presented in this report.

The granite products subject to investigation range in thickness from 3/8 to 2-1/2 inches. U.S. producers and importers were asked to report their 1987 U.S. shipments and imports, respectively, by thickness. These data are presented in the following tabulation:

<u>Thickness</u>	<u>U.S. producers</u>	<u>Imports from--</u>	
		<u>Italy</u>	<u>Spain</u>
	<u>----- (percent of the total) -----</u>		
3/8 inch - 5/8 inch.....	***	34.8	30.4
Over 5/8 inch - 1 inch.....	9.6	24.5	25.4
Over 1 inch - 1-1/4 inches.....	53.6	35.6	42.3
Over 1-1/4 inches - 1-3/4 inches..	***	3.9	***
Over 1-3/4 inches - 2-1/2 inches..	<u>19.0</u>	<u>1.1</u>	<u>***</u>
Total.....	100.0	100.0	100.0

These data illustrate that the domestic industry ships a relatively thicker product than that which is imported from Italy and Spain. There were similar findings in the preliminary investigations; specifically, in 1986, the largest percentage of the subject imports were 1-1/8 to 1-3/16 inches in thickness, while the most common U.S.-produced thickness was 1-1/4 inches; and the second most popular imported product was 3/8 inch in thickness, whereas the next most common domestic product was 2 inches thick. These findings are also consistent with the domestic and foreign product mix; U.S.-produced cladding is generally 1-1/4 inch in thickness and most imported tile is 3/8 inch thick.

Finally, in the preliminary investigations, U.S. producers and importers reported that roughly one-half of all 1986 shipments were sold with a polished finish and the other one-half had honed, thermal-flamed, or bush-hammered finishes.

1/ \* \* \* .  
2/ \* \* \* .

### Substitute products

Although granite represents about half of the dimension stone quarried in the United States, limestone, sandstone, travertine, slate, and marble are other common dimension stone types. <sup>1/</sup> However, industry sources report that the various types of natural stone are not considered substitutable by architects and builders. Especially in exterior applications, granite is more resistant to weather extremes and pollution. In heavy traffic areas, granite is more durable. Also, granite offers the greatest variation in color and texture.

Limestone, sandstone, and travertine all have a more homogeneous appearance than granite and are available in a more limited range of colors, primarily white, beige, and yellow. Slate is not widely used other than as a roofing material. After granite, marble is the most popular dimension stone used in the United States. Marble varies in color from pure alabaster to exotic veined reds and greens. In temperate climates, white marble is often used on building exteriors. Strikingly patterned marbles are also popular in interior applications, particularly in bathroom vanity surfaces. However, marble is softer and does not hold a polish well. Generally speaking, granite and marble offer two different "looks"--the former solid, the latter luxurious. Depending on the climate and aesthetics desired, one type of stone is generally preferred from the first planning stages of a project.

### Production process

The production steps in the fabrication of dimension granite are (1) quarrying or extraction of the stone from its natural geological setting; (2) secondary cutting, sizing the extracted stone to allow it to be transported conveniently to the finishing facility; (3) shaping and slabbing the rough block; (4) surface-finishing of the slab; (5) perimeter cutting of the slab to the required dimension and finishing of the edges, and (6) cutting anchor holes or slots if required. Tile may also be produced bypassing the slabbing process.

Quarrying.--The kind of quarry operation established at each site is based on information gathered from geological studies, physical exploration, core samples, market projections, and capital requirements. The quarry may be a simple or multiple shelf or step-like face in a hillside, an open pit, an underground mine, or a combination of the aforementioned, depending on various geological and economic factors. The quarrying plan is influenced principally by the orientation and thickness of the stone deposit to be quarried; its dimensions, slant, and internal structural features; and the directional features of the grain of individual blocks within the deposit. If the rock deposits to be quarried lie flat and are relatively thin, the quarry will tend to be wide and shallow; if beds are flat-lying and thick, it will probably be a deep open pit; and if stone beds dip beneath waste rock, underground quarrying may be required. In many cases, the internal structures of the stone such as orientation of joints, fractures, cleavage planes, or other lines along which

---

<sup>1/</sup> U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Yearbook, preprint for the 1986 ed., p. 1.

natural breakage tends to occur, will determine the direction from which the extraction process is initiated. 1/

Open pits are of two types, the shelf quarry and the pit quarry. Where the ledge of stone forms a hill, the floor of a quarry worked on a hillside may be only slightly, if at all, lower than the surrounding country. In such openings, known as shelf quarries, both transportation and drainage are simplified. Pit quarries are more common. They are sunk below ground level; access is gained by stairs, ladders, or mechanical hoists; and the material is conveyed from the quarry by derricks, a cable hoist system, or by front-end loaders and trucks along inclined tracks. 2/

Underground mining has several favorable and unfavorable inherent characteristics. Selective mining can be accomplished by following the most desirable beds. No stripping of the outer cover is required and the workers are not exposed to the weather. On the other hand, the cost of making a primary opening is high, and much stone must be left for roof support. A method of quarrying known as "undercutting," an intermediate technique between the open pit and the tunnel, is occasionally used. Channel cuts, or separations made by wire saws or other means along the quarry walls, are slanted outward; thus, the floor space is enlarged gradually. Wings or buttresses of stone may be left at intervals for wall support. 3/

The first step in any quarrying operation requires a primary cut to separate a block of stone from the rock mass. This may be accomplished by jet channeling, sawing, and/or drilling and separating the stone from the rock mass by small explosive charges. 4/ The released stone may then be lifted and moved to the secondary cutting site by a derrick, cable hoist, or front-end loading vehicle.

Secondary cutting.--When the large stone is separated from the solid rock mass, the next step is to subdivide it into blocks measuring some 10 by 5 by 4 feet, a size that is convenient to transport from the quarry to the finishing mill; this is typically accomplished with a wire saw. When the fabricating plant is located near the quarry, larger and more irregular blocks may be transported such shorter distances. Small, irregular, or flawed blocks cannot be used in the production of the larger cut-to-size granite products. In Italy, such blocks are specifically purchased, \* \* \*, by tile producers. 5/

Shaping and slabbing.--Quarry cut stone arriving at a finishing mill is fed through the mill's shaping and slabbing saws. The large-diameter rotary diamond saw, one of the most efficient cutting tools, has a single blade and is relatively costly to operate. This saw, therefore, is primarily used to shape the rough block for the gang saw and to cut thick granite slabs.

---

1/ U.S. Department of the Interior, Bureau of Mines, Information Circular 8391, "Dimension Stone," pp. 83-84.

2/ Ibid.

3/ Ibid.

4/ The Quarrying & Manufacturing Process, Elberton Granite Association, Inc., pp. 1-2.

5/ Letter from Guglielmo & Alberto Bonotti s.n.c. to Kenneth R. Mason, dated June 22, 1988, and meeting with a spokesman for Bonotti.



An older but still viable method of slabbing granite is by wire saw. Within a frame, single or multiple wire cables cut a granite block into slabs using abrasive materials. Wire saws cut through granite more quickly than do gang saws. Parties to these investigations debate the viability of wire sawing for slabbing. Petitioners claim to have perfected the use of wire saws but respondents consider them to be inefficient and inaccurate.

The gang saw is the newest innovation in the slabbing of thin granite. Within a single frame, 75-130 steel blades slice a block of granite into slabs using steel shot abrasive. This process generally takes from 2 to 3 days, depending on the hardness of the material. Computerized workstations allow round-the-clock slabbing operations with all three methods by allowing the presetting of the height and length of blocks to be cut and the required slab thickness.

Tile may be produced from slab or cut directly from granite block. Cold Spring Granite produces tile from thin slab produced with a gang saw, as described above. Bonotti, an Italian producer, produces tile using a "block saw." This machine has one circular diamond saw that cuts into the top of a block at the required thickness and to the required depth and a second that cuts into the side of the block, separating a thin strip of granite. 1/

The newer granite fabricating equipment is often fully automated and will automatically shut down during a machine malfunction, thus limiting damage and controlling waste. 2/ Much of this more advanced technology has been introduced into the United States from Italy during the past four years.

Surface finishing.--For products such as cobblestone paving, a quarried, "guillotined," or "rough-hewn" surface is desired. However, for most finished granite, it is necessary to rub, grind, or polish the sawn slab to the specified finish. Flat surfaces may be ground with a large horizontal cast-iron wheel called a rubbing bed; a water-sand mixture is used as an abrasive. Some polishing may be done by conventional grinding-polishing machines that move a spindle over the stone surface. Wheels using successively finer abrasives are set on the spindle, until the specified finish is produced. 3/ More modern plants have replaced rubbing beds with automatic surfacing machines using impregnated diamonds. The stone slabs are fed via a conveyer belt under a series of successively finer horizontal wheels. A variety of surface textures can be obtained and each surface treatment gives a subtly distinctive look to the material. Another popular finish, thermal-flamed, has a slightly rough surface. For the thermal-flame treatment, the sawn slab is exposed to high temperature flames. Only one face of the slab is finished.

Perimeter cutting.--The slabs are then cut to the desired width and length; the semifinished cuts continue along the conveyer system for calibration to exact thickness and edge shaping. A variety of edging treatments may be required by the purchaser; this work is often highly

1/ Letter from Guglielmo & Alberto Bonotti s.n.c. to Kenneth R. Mason dated June 22, 1988.

2/ The Quarrying & Manufacturing Process, Elberton Granite Association, Inc., p. 3.

3/ Society of Mining Engineers, Industrial Minerals and Rocks, 5th ed., vol. 1, 1983, p. 177.

customized and performed by skilled workers. Tile is cut and finished on an automated "tile line."

Final finishing.--It is at this point that anchor holes or slots may be drilled or cut, if required. The finished material is then dried, waxed (if required), offloaded with a vacuum suction cup, and packaged for shipment. 1/

#### U.S. tariff treatment

The scope of these investigations, as defined in the Commission's notices of institution, covers most of the products classified in item 513.74 of the Tariff Schedules of the United States (TSUS)--namely, granite and granite articles suitable for use as monumental, paving, or building stone that are pitched, lined, pointed, hewn, sawed, dressed, polished, or otherwise manufactured. The column 1 rate of duty 2/ is 4.2 percent ad valorem. The column 2 rate of duty of 60 percent ad valorem is applicable to imports from those Communist countries and areas specified in general headnote 3(d) of the TSUS.

#### U.S. Producers

#### U.S. quarriers

The Bureau of Mines reported that 625,000 tons of dimensional granite was produced in the United States in 1986, valued at \$97.0 million, an increase compared with 606,000 tons produced in 1985, valued at \$94.4 million, and 622,400 tons produced in 1984, valued at \$92.1 million. Georgia, Vermont, and New Hampshire accounted for 55 percent of the reported 1986 total. 3/ Production is estimated to have remained at 625,000 tons in 1987; 4/ other data are not available for 1987.

In 1985, 74 companies reported working 115 quarries. 5/ However, the large majority of these operations produced only rough granite block and manufactured products not subject to investigation (slab thicker than 2-1/2 inches, monument stones, curbing, and highway and landscape products). The equipment necessary to produce thin granite is technologically sophisticated and costly. The 10 U.S. quarriers that are known to have produced the granite products subject to investigation account for the large majority of total U.S. production.

---

1/ "Precision in Granite," Dimensional Stone, May/June 1986, p. 38.

2/ The rates of duty in col. 1 are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS, unless a preferential tariff program affords a lower duty rate to particular articles from eligible countries.

3/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Yearbook, preprint for the 1986 ed., pp. 2-3.

4/ U.S. Department of the Interior, Bureau of Mines, Mineral Commodity Summaries, 1988, p. 4.

5/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Yearbook, preprint for the 1985 ed., p. 1.

The petitioning companies.--The petitioner, the Ad Hoc Granite Trade Group, includes Capitol Marble and Granite Co., Inc. (Capitol), Cold Spring Granite Co. (Cold Spring), and the North Carolina Granite Corp. (North Carolina Granite). These three quarrier/producers account for a majority of U.S. production of the subject material.

Capitol Marble and Granite Co., Inc.--Capitol is the \* \* \* largest producer of thin granite in the United States, accounting for \* \* \* percent of reported 1987 U.S. shipments of finished granite, in terms of value. 1/ Such granite accounted for \* \* \* of the company's 1987 total net sales. In 1987, Capitol produced \* \* \*. Capitol began as a stone installation business in the 1950's, and steadily expanded its activities into the finishing and quarrying of marble and granite. The company quarries granite at seven locations and fabricates granite in Marble Falls, TX.

Cold Spring Granite Co.--Cold Spring is the largest producer of thin granite in the United States and also claims to be the world's leading supplier of structural and monumental granite products. In 1987, Cold Spring produced a wide variety of granite products, including those under investigation (thin slab, building facing, tile, flooring and paving, crypt fronts, and counter and table tops) and those not under investigation (block, thick slab, monuments, mausoleums, \* \* \*). The subject material accounted for \* \* \* of Cold Spring's 1987 total net sales. The company's share of reported 1987 U.S. shipments of finished granite was \* \* \* percent.

Cold Spring was founded in 1889 by the same family that currently directs it. The company maintains 25 quarrying operations in North America and 4 finishing facilities in the United States. The company's headquarters are located at Cold Spring, MN. Fully owned producing subsidiaries include Cold Spring Granite (Canada) Ltd., Lac du Bonnet, Manitoba; the Lake Placid Granite Co., Au Sable Forks, NY; the Raymond Cold Spring Granite Co., Raymond, CA; and the Texas Granite Corp., Marble Falls, TX. Two other fully owned subsidiaries, Stoneset, Inc. and Granit-Bronz, Inc., are installers of granite for buildings and suppliers of granite for monument products, respectively.

Cold Spring's financial data and selected trade data were verified by the Commission staff; no adjustments to the reported data were made as a result of verification. A discussion of findings and methodologies used is presented, where applicable, in this report.

North Carolina Granite Corp.--North Carolina Granite, founded in 1904, is the \* \* \* largest producer of finished granite in the United States, accounting for \* \* \* percent of 1987 U.S. shipments. Thin granite accounted for \* \* \* of total 1987 net sales. In 1986, North Carolina Granite expanded its capacity to produce certain granite. 2/ The company produces \* \* \*. North Carolina Granite operates two quarries, including one at Mt. Airy, NC, which the petition describes as the largest open-face granite quarry in the world. This quarry has been in operation since 1889.

---

1/ U.S. producers' shares of 1987 U.S. shipments are presented in terms of value, as somewhat more complete data are available on the value, rather than the quantity, of such shipments.

2/ U.S. Department of the Interior, Bureau of Mines, "Dimension Stone," Bureau of Mines Yearbook, preprint for the 1986 ed., p. 2.

Nonpetitioning U.S. quarriers.--The nonpetitioning U.S. quarrier/producers of thin granite during the period of investigation, their share of reported 1987 U.S. shipments of finished granite, and their position in the investigations are presented in the following tabulation:

<u>Company</u>	<u>Share of 1987 U.S. shipments</u>	<u>Position in these investigations</u>
Barretto Granite Corp.....	***	***
Castellucci & Sons, Inc.....	***	***
Fletcher Granite Co., Inc.....	***	***
Georgia Granite Co.....	***	***
Granite Panelwall Co.....	***	***
New England Stone Industries, Inc..	***	***
Rock of Ages Corp.....	***	***
Total.....	16.7	

Georgia Granite, the \* \* \* largest producer during 1986, declared bankruptcy and shutdown its granite fabricating facilities in December 1986. Most of its four active quarries ceased operating at this time also. Petitioners allege that Georgia Granite's financial difficulties were primarily the fault of unfair import pricing. However, respondents assert, and \* \* \*, that inexperienced management and legal action against the company were to blame. 1/ The production facilities have been purchased by Georgia Stone Industries, which is owned by New England Stone Industries; improvements have been made and production started in April 1988. Ownership of the Georgia Granite quarries is being disputed by creditors.

Most nonpetitioning quarrier/producers indicated support for the petition; these firms accounted for \* \* \* percent of 1987 U.S. shipments. \* \* \*.

The U.S. producers which indicated that they took no position in the preliminary investigations \* \* \*. \* \* \* since its machinery does not allow it to compete with the major U.S. and foreign suppliers.

Producers' questionnaires were sent to all known quarriers/fabricators of granite as identified by petitioners and verified against secondary sources.

Slab producers

Several producers of slab and finished granite are not quarriers and, instead, purchase granite block. Five such firms reported having 10 gang saws and \* \* \* diamond-blade rotary saws for slabbing; 4 of them reported U.S. shipments accounting for 8.7 percent of the 1987 finished granite total. Data for these companies are not presented separately from those of quarriers in this report. Of the five, \* \* \* regarding the petition.

The newest of these producers, the Savema Castellucci Venture, began operations in November 1986 as a joint venture between Castellucci & Sons,

---

1/ Building Design Journal, January 1987, p. 23; and \* \* \*.

quarriers of the popular Stony Creek granite, and Savema, S.p.A., an Italian fabricator.

\* \* \* \* \*

Tile producers

Other than Cold Spring, the only known U.S. producer of granite tile is Granite Tile Manufacturing Corp. of America, located in Massachusetts.

\* \* \* \* \*

\* \* \* plans to install a tile line in \* \* \* and begin producing tile by \* \* \*.  
\* \* \*. 2/

Marble shops

Industry sources have indicated that there are hundreds of small firms in the United States that purchase granite slab and produce finished granite products. 3/ These so-called marble shops depend heavily on imported slab as a raw material. The term "marble shop" comes from the fact that these companies used to produce mostly marble counters and table tops, and have expanded into granite as its popularity grew. The terms "fabricator" and, more rarely, "granite shop" are also used. Excluded from the definition of a marble shop are installation firms with one or two saws that are used only to recut improperly finished products or replace broken material.

The largest of these enterprises has the capacity to furnish the facing for a small building or veneer for lobbies. Such fabricators specialize in filling short-term orders at premium prices. These firms purchase slab directly from producers as well as from slab distributors. They also often import and supply finished granite fabricated abroad.

However, the typical marble shop is a small business, employing an average of four people, 4/ which fabricates table tops, kitchen counters, vanity tops, and other custom manufactured products from granite and marble. These fabricators generally buy slab from distributors rather than from producers. Small marble shops also sell granite, marble, and ceramic tile to the residential customer. These businesses can be found in urban areas throughout the United States.

Insufficient data are available to determine what percentage of total U.S. production of finished granite is accounted for by marble shops. A spokesman at \* \* \* estimated that 10 to 20 percent of his company's installation business consists of such products; however, \* \* \*. No responding marble shop accounted for more than \* \* \* percent of reported 1987 U.S. shipments of finished granite.

---

1/ Telephone conversation with company official, July 5, 1988.  
2/ Telephone conversation with a company official, July 11, 1988.  
3/ Transcript of the hearing, p. 151.  
4/ Transcript of the hearing, p. 152.

Marble shop questionnaires were sent to all importers who indicated, in a response to an inquiry from the Commission staff, that they also fabricated granite. Such questionnaires were also sent to firms identified by petitioners and secondary sources. Employment and financial data for marble shops are presented separately in this report. Regarding the petition, \* \* \* and all the other marble shops are in opposition.

#### Importers

Several hundred firms were identified \* \* \* as importers of granite classified in TSUS item 513.74 during the period of investigation. The petitioner also named 44 importers, based on an analysis of ships' manifests during 1986.

Letters were sent to 200 firms, each identified as having imported at least \$100,000 of material in either of two separate 12-month periods during January 1985-March 1988. In the letter, firms were asked to indicate the types of granite products they imported, and whether or not they fabricated granite as well. A small number of firms responded that they did not import the granite products under investigation.

Importers were also requested to check all applicable functions of the company; most companies checked several items. The following tabulation summarizes the 83 responses:

<u>Nature of business</u>	<u>Percent of total</u>
Installer.....	64
Importer and importer/broker.....	55
Marble shop.....	46
Stocking yard for slab.....	34
General contractor.....	30
Tile distributor.....	27
Representative of a foreign fabricator.....	22
Developer.....	10
Customshouse broker.....	8
U.S. producer.....	4

Importers' questionnaires were sent to 126 firms, including all those that did not respond to the earlier letter. The 42 importers that indicated that they operated marble shops were sent marble shop questionnaires. Five producers also were identified as importers. Import data were requested in all three questionnaire formats. Several marble shops and producers that were not among the importers identified reported small import volumes.

The largest volume of imports is accounted for by stone "setters" or "installers." Installation firms specialize in setting stone as specified by the architect and/or general contractor. Installers are generally awarded a contract for stonework for a project. As subcontractors, they arrange for delivery (including importation) of the finished material and install it at the job site. Some installers also draft the shop drawings (cutting and detailing instructions) for the fabricator. Most often, installers are not involved in the selection of stone; rather, they use whatever stone material has been selected for the project. Sometimes installers also do not influence the

selection of the fabricator. However, \* \* \* reported involvement in both the selection and purchasing of material.

Many importers described themselves also as brokers, meaning that they supply granite, typically to large-scale construction projects. A broker offers a variety of stone samples, including domestic and foreign granite and stone other than granite, to architects and owners to consider in designing a building. The broker may influence the selection of the material, the design of the granite work, and the choice of fabricator. The broker arranges for the quarrying and fabrication from the supplier(s), whether it is a domestic producer with its own quarries or a foreign quarryer and unrelated foreign finisher. The broker assures timely delivery of the finished product at the job site. His fee is generally a percentage of the value of the delivered material. Some large installers also act as brokers.

Many importers reported that they operate a marble shop, either in conjunction with their other activities or as a primary business. Marble shops are discussed above in the section so entitled.

Another type of importer is a stocking yard (distributor) for slab. Marble shops sometimes also act as stocking yards. As such, they purchase and hold large inventories of slab, which are available either for resale to other marble shops or for use in their own fabricating shops.

General contractors also account for a large quantity of imported granite. Importation by the general contractor occurs when the general contractor also performs as the installer, or when the subcontracting installer is not required to arrange for importation of the material. Industry sources report that, in recent years, general contractors have become more involved in the selection and procurement of granite. <sup>1/</sup>

Tile distributors buy and sell domestic and foreign-fabricated tile, whether of granite, other natural stone, or ceramic; their customers are marble shops and the building trade. Although some inventories of tile are held, the tile distributor may also arrange for a purchase from the source.

A number of importers represent foreign fabricators. Firms for which this is a primary activity, \* \* \*, promote the foreign producer, arrange for fabrication, and sometimes handle delivery of imports. Mostly, however, a broker or tile distributor represents a foreign fabricator by stocking samples of its merchandise and facilitating orders.

A few developers also import granite directly. This occurs when the developer also acts as the general contractor or when the developer does not delegate the purchasing and delivery of the granite to the general contractor. Developers have reportedly become more active in the importation of granite in recent years.

Several customhouse brokers were among the importers identified. These firms were asked to name the companies for which they entered thin granite. Most of the companies named had already been identified as importers because of their direct imports.

---

<sup>1/</sup> Meetings with installers and general contractors.

Finally, some U.S. quarryier/producers of thin granite also import these products. Specifically, \* \* \* imported small quantities of the subject product. U.S. producers were requested to report all such imports.

#### Channels of Distribution

The granite products subject to investigation are unfinished (slab) and finished (tiles and cut-to-size). These three categories of products are marketed quite differently. Slabs, both rough and face-finished, are priced per square foot, and either further fabricated into cut-to-size products or sold to marble shops for such further processing. Slab is imported in containers, often including a combination of granite and other stone. Stocking yards hold slab in inventory for sale to small fabricators.

Tile is produced in a variety of standard sizes and sold through distributors and marble shops to contractors and homeowners. Tiles are packaged in cartons of 10 and priced by the square foot.

Most finished granite is custom manufactured, with dimensions based on the interior and exterior design of the building as well as on the structural support system to which the granite will be attached. Industry sources estimate that more than 90 percent of all granite purchases, by volume, are of such cut-to-size products, with prices quoted on a square-foot basis. Cut-to-size granite is sold directly to general contractors, installers, granite suppliers, and developers/owners. Also included in the cut-to-size category are all products produced by domestic marble shops, such as tables, vanities, and kitchen counters.

U.S. quarryier/producers and importers were requested to report their 1987 shipments of finished granite, by market. These data are presented in the following tabulation (in percent):

<u>Market</u>	<u>U.S. producer/ quarriers</u>	<u>Imports from Italy and Spain 1/</u>
Installed by the firm.....	3.7	59.6
Shipped to related firms and subcontractors 2/.....	***	13.8
Shipped to unrelated firms:		
General contractors/developers..	42.4	4.7
Installers.....	***	11.2
Distributors/brokers.....	***	1.3
Other 3/.....	1.5	9.4
Total.....	100.0	100.0

1/ Excludes the imports of marble shops. Such imported products are sold largely to contractors and homeowners.

2/ These were mostly installers.

3/ Includes the private residential market (homeowners).

#### Apparent U.S. Consumption

Granite has been used as a building stone since ancient times. However, with the advent of lower cost steel and concrete construction, the use of



massive granite blocks as load-bearing structural members in buildings has become almost nonexistent in modern architecture. Consumption of granite declined through the first three quarters of this century as other building products became available and popular. However, during the 1970's, rising energy prices made glass, steel, concrete, and other synthetic building products increasingly costly to produce. Buildings made from these materials were also more expensive to heat and cool. Stone, on the other hand, is relatively energy efficient, in both its fabrication and, with proper installation, its use as a building material.

The world market.--Granite is quarried throughout the world. Over 75 percent of rough granite block comes from such major producers as the United States, Japan, Brazil, France, Belgium, Greece, India, and Spain. 1/ Italy, Japan, the United States, France, and Belgium are among the largest fabricators of granite; Italy is largely dependent on export markets and the rest are net importers of finished granite. A number of producers of raw granite are developing fabricating industries and exporting the bulk of this production; Spain, Brazil, Portugal, and Canada are among those that supply the U.S. market. Major markets for finished granite are the United States, Japan, Western Europe, some of the Arab countries, and some small Far East nations. 2/

Italy is in a unique position in this world market because of its dependence on imported raw material. Italy has limited natural granite resources but huge quantities of rough block enter via the ports of the Carrara region. The bulk of this material is processed into finished granite for export. Italian fabricators, therefore, discuss both supply and demand for granite in global terms. A small group of prestigious architects and major developers, general contractors, and installers are responsible for the design and construction of most large granite-clad buildings; these few individuals and firms are headquartered in the United States but are involved in major construction projects all over the world. 3/

The U.S. market.--In 1979, leading architects Philip Johnson and John Burgee designed the AT&T Building in New York City with a domestic granite exterior. This monumental construction project is considered by industry sources to have sparked the revival of stone architecture. The Postmodern Movement, with its classic design, detail, and natural building materials, began to replace the International Style, identified with minimalist lines and glass and steel construction materials. In the early years of revival, granite continued to be a relatively expensive building material to use, and granite projects were considered to be "prestige" or "monumental" buildings, often designed for large corporations. 4/ However, advances in stone cutting technology have increased the supply and variety of finished granite available and also reduced the cost of these products. The finished granite industry adapted to market demands by producing thin slabs, veneer, and tiles. Simultaneously, developments by the installation industry have reduced the cost of using granite as a building material.

1/ Societa Editrice Apuana, Marble in the World: the stone industry and its trade, 1986, p. 28.

2/ Ibid., p. 58.

3/ Meetings with Italian fabricators.

4/ Marble Architectural Awards U.S.A. 1985, Internazionale Marmi e Macchine Carrara, May 1985; and Albert Scardino, "New Look in Skyscrapers Revives Quarries," The New York Times, Aug. 5, 1987, p. 1.

In 1988, granite is no longer viewed as a building material reserved for prestigious corporations and luxury hotels. Banks and institutions also favor the solid image projected by granite. Developers hoping to attract up-scale businesses prefer to use granite in office and retail construction. Often, granite is limited to the most visible areas of a building to reduce costs. The U.S. International Trade Commission Building, at 500 E Street SW., is a good example of the use of granite today. 1/

Producers and consumers agree that consumption of finished granite has experienced spectacular growth during the 1980's. A 1985 Dimensional Stone article estimated that granite consumption had grown sevenfold from 1980 to 1984; this is three times faster than the rate of growth of marble during the same period. 2/ A survey conducted by the same publication in July of that year showed that, of 353 architects, 46 percent felt that use of granite would remain the same in the next 5 years and 25 percent felt that consumption would increase moderately. Less than 2 percent of the architects surveyed felt that granite would decline in use. During the preliminary investigations, leading architects told staff members that demand for granite would remain strong although several general contractors were of the opinion that there would be some return to the use of synthetic materials in building in the near future. 3/

Italian suppliers view the U.S. market as steady rather than growing; granite continues to be a preferred building material among architects and developers but construction activity overall has stagnated in certain areas. Particularly in Texas, consumption for granite has declined in recent years, while demand on the east and west coasts remains strong. 4/

Since the initiation of these investigations, there has been somewhat more uncertainty in the industry regarding consumption trends. End users argue that the imposition of substantial duties on granite from Italy and Spain would reduce consumption of granite in the United States by reducing the selection, availability, and affordability of material. Builders and installers report a reluctance to place orders with Italian and Spanish suppliers in the face of uncertainty regarding the ultimate price of the material. Petitioners maintain that demand for granite remains strong and that domestic and fairly priced imports can and will supply the needs of U.S. consumers.

No parties to these investigations were able to identify a public source of data on consumption of finished granite. Apparent consumption has therefore been calculated using available data on U.S. shipments and imports. Both U.S. shipments and imports are somewhat underestimated and, consequently, consumption is likewise underestimated. U.S. shipments represent the majority of U.S. quarrier/producers but exclude the production of most marble shops. These fabricators produce no slab and petitioners do not consider them to account for a significant share of finished production. Import data were obtained in response to questionnaire data and coverage of imports is not

1/ A discussion of this building, and the granite selection for it, is presented in app. D.

2/ "Dimensional Stone Usage Sets All-time Record," Dimensional Stone, Summer 1985, p. 13.

3/ Meetings with \* \* \*.

4/ Meetings with Italian fabricators.

complete. An alternative calculation of consumption, using import data based on official import statistics, as adjusted, is presented in app. E.

As most granite is used out of doors, winter weather restricts consumption in the first 3 months of each year in much of the country. Thus, partial-year data as presented in this report may not be representative of the year's activity. Because the length of time between order and shipment of material for most large projects is often 9 months or longer, the data presented in this report are not believed to be unduly distorted by the filing of this trade action.

Apparent U.S. consumption of slab, as reported in table 1, rose from 9.8 million square feet in 1985 to 11.0 million in 1986, representing a 12.5-percent increase. Consumption rose another 7.7 percent, to 11.8 million square feet, in 1987. There was a 7.2-percent decline in consumption during January-March 1988 compared with that during January-March 1987. Apparent U.S. consumption of slab in terms of value is largely based on captive U.S. shipments, valued at cost. The reported value of slab consumption rose from

Table 1  
Granite slab: U.S. shipments, imports, and apparent consumption, 1985-87,  
January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
Quantity (1,000 square feet)					
U.S. shipments <u>1</u> /.....	8,864	9,582	10,173	2,617	2,315
Imports from--					
Italy <u>2</u> /.....	623	1,118	1,323	234	290
Spain.....	148	165	190	48	81
Subtotal.....	771	1,283	1,513	282	370
All other countries.....	142	134	155	29	31
Total imports.....	913	1,417	1,668	311	401
Apparent consumption.....	9,777	10,999	11,841	2,928	2,716
Value (1,000 dollars)					
U.S. shipments <u>1</u> /.....	***	***	***	***	***
Imports from--					
Italy <u>2</u> /.....	3,838	7,790	9,912	1,762	2,277
Spain.....	754	870	1,061	275	425
Subtotal.....	4,592	8,661	10,972	2,037	2,703
All other countries.....	***	***	***	***	***
Total imports.....	***	***	***	***	***
Apparent consumption.....	68,433	76,538	83,911	21,218	20,404

1/ U.S. producers' company transfers and open-market sales.

2/ For the purposes of calculating consumption, the products of Formai & Mariani, Henraux, and Savema have not been excluded from the data presented.

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

\$68.4 million in 1985 to \$76.5 million in 1986, representing an 11.8-percent increase. Consumption rose another 9.6 percent, to \$83.9 million, in 1987. There was a 3.8-percent decline in the value of consumption during January-March 1988 compared with that during January-March 1987.

Apparent U.S. consumption of finished granite, as reported in table 2, rose from 11.0 million square feet in 1985 to 13.1 million in 1986, representing a 19.2-percent increase. Consumption declined by 9.3 percent, to 11.9 million square feet, in 1987. Consumption from January-March 1987 to January-March 1988 declined by an additional 2.3 percent. Apparent U.S. consumption of finished granite, in terms of value, rose from \$119.1 million in 1985 to \$145.6 million in 1986, representing a 22.2-percent increase. Consumption fell to \$140.5 million in 1987, representing a 3.5-percent decline. There was a further 3.9-percent decrease in the value of consumption during January-March 1988 compared with that in January-March 1987.

Table 2  
Finished granite: U.S. shipments, imports, and apparent consumption, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
<u>Quantity (1,000 square feet)</u>					
U.S. shipments <sup>1/</sup> .....	4,848	5,419	5,513	1,351	1,255
Imports from--					
Italy <sup>2/</sup> .....	5,147	5,563	5,001	1,087	1,014
Spain.....	520	1,561	1,010	197	240
Subtotal.....	5,667	7,124	6,011	1,284	1,254
All other countries.....	487	568	366	76	71
Total imports.....	6,154	7,692	6,377	1,360	1,325
Apparent consumption.....	11,002	13,111	11,890	2,711	2,580
<u>Value (1,000 dollars)</u>					
U.S. shipments <sup>1/</sup> .....	64,347	69,490	74,507	17,369	17,182
Imports from--					
Italy <sup>2/</sup> .....	46,736	59,045	53,958	12,643	10,705
Spain.....	3,598	11,283	7,871	1,475	2,328
Subtotal.....	50,334	70,328	61,829	14,118	13,033
All other countries.....	4,442	5,789	4,172	799	808
Total imports.....	54,776	76,117	66,001	14,917	13,841
Apparent consumption.....	119,123	145,607	140,508	32,286	31,023

<sup>1/</sup> U.S. producers' company transfers and open-market sales.

<sup>2/</sup> For the purposes of calculating consumption, the products of Formai & Mariani, Henraux, and Savema have not been excluded from the data presented.

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

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

The information presented in this section of the report was obtained from responses to questionnaires of the U.S. International Trade Commission. Seven quarrier/producers, 4 slab producers, and 17 marble shops, accounting for an estimated 85 percent of 1987 U.S. shipments of finished granite, provided capacity, production, and shipment information. Several of the smaller firms were not able to answer all parts of the questionnaire.

Three quarrier/producers did not respond to the Commission's questionnaire. These firms accounted for \* \* \* percent of reported 1987 shipments, in terms of value.

Marble shops reported significant difficulties in compiling the data requested. Many are small businesses handling a variety of stone and ceramic products. They report having neither the staff nor the records to provide usable data. Of the 93 marble shop questionnaires sent, 31 firms provided some usable data (frequently only imports) and 25 responded that they did not produce finished granite. Three companies that do not function primarily as marble shops, and for which granite fabrication did not represent 10 percent of sales, upon request, were excused from the questionnaire. The remainder failed to respond.

In the preliminary investigation, petitioners requested that the quarrying activity of producers be considered by the Commission in its assessment of injury to the subject U.S. industry. Therefore, data on the U.S. quarrying operations of domestic producers were requested and are presented in this report. Data on the operations of quarriers not associated with producers of the subject products are not presented. However, domestic producers reported as well their U.S. purchases of rough block. The data presented on block include the bulk of such material used in the production of slab. Production and related data for quarrying, slabbing, and finishing are not aggregated but are instead presented separately.

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

Some slab and finished granite is produced in production facilities that are used in the production of other dimension stone products. For example, the quarries that yield granite for building facing may also be sources for granite used in monuments. Also, some of the same equipment is used to slab and polish products that are 2-1/2 inches thick and less as well as thicker slab. Marble shops report using the same machinery to finish granite, marble, and other stone material. However, most of the finishing of tile and cut-to-size products is performed separately from memorialization and highway products. As \* \* \* noted, "most equipment is used primarily for one type of product or another" and producers therefore reported capacity allocated as appropriate.

From the data presented below, it would appear that U.S. slabbing capacity is greater than finishing capacity; in fact, the reverse is true. The data presented for slab are gross quantities and the data presented for finished products are net. Depending on the dimensions of the finished product, a part of the slab from which it is cut is wasted, although small pieces may be used to make pavers or be crushed to produce rubble.

Rough block.--The average-of-period capacity reported by U.S. producers to quarry rough granite block rose steadily during the period of investigation. This capacity increased from \* \* \* 1985 to \* \* \* 1986, representing a \* \* \*-percent rise. Capacity increased again, by \* \* \* percent, to \* \* \* 1987. From January-March 1987 to January-March 1988, capacity increased \* \* \*.

Cold Spring reported quarrying capacity based on a 168-hour workweek, operating 48 weeks per year. Company officials explained that this level of activity has been sustained \* \* \* during periods of peak demand and that moving to nighttime production requires only \* \* \*. An adjustment was made for the reduced efficiency of nighttime operations. \* \* \*.

U.S. producers of certain granite quarry the majority of the rough block they consume but also sell and purchase small amounts. Their production and other sources of rough block are presented in the following tabulation (in thousands of cubic feet):

<u>Period</u>	<u>Production</u>	<u>Sales</u>	<u>Net U.S. purchases</u>	<u>Net import purchases</u>	<u>Total available 1/</u>
1985.....	3,544	***	101	***	2,832
1986.....	4,017	***	69	***	3,283
1987.....	3,819	***	75	***	3,062
January-March--					
1987.....	803	***	17	***	690
1988.....	911	***	61	***	848

1/ Ignores inventories, which fluctuated between 565,000 and 630,000 cubic feet during the period of investigation.

The average capacity utilization of rough granite block producing facilities fluctuated slightly during the period of investigation. From \* \* \* percent in 1985, capacity utilization peaked \* \* \* in 1986 and declined \* \* \* in 1987. The capacity utilization rate of these quarries rose from \* \* \* January-March 1987 to \* \* \* January-March 1988.

Slab.--U.S. producers were asked to report their machinery employed in slabbing certain granite as of December 31, 1987. Responding firms reported operating 44 wire saws; one-quarter have a single or double wire cable, 1/ another quarter have 4 to 8 cables, and half have about 10 cables. There were also 34 multiblade gang saws and \* \* \*, most of which were acquired during the period of investigation.

Reported U.S. average-of-period capacity to produce thin slab also rose during the period of investigation (table 3). Such capacity was 13.2 million square feet in 1985, and increased by 1.8 percent to 13.5 million square feet in 1986. Capacity expanded to 13.8 million square feet in 1987, representing a 2.6-percent increase. Slabbing capacity remained at 3.5 million square feet in the partial year periods.

---

1/ \* \* \* reported an additional \* \* \* single wire saws, but these are used primarily in the production of granite thicker than that under investigation.

Table 3

Certain granite: U.S. capacity, production, and capacity utilization, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
Slab:					
Capacity:					
Quantity (1,000 sq ft)..	13,236	13,470	13,824	3,457	3,457
Percentage change.....	1/	1.8	2.6	1/	0.0
Production:					
Quantity (1,000 sq ft)..	8,873	10,177	9,967	2,498	2,275
Percentage change.....	1/	14.7	(2.1)	1/	(8.9)
Capacity utilization					
(percent) 2/.....	68.3	77.0	73.4	73.5	67.0
Finished granite:					
Capacity:					
Quantity (1,000 sq ft)..	8,369	9,417	9,541	2,373	2,373
Percentage change.....	1/	12.5	1.3	1/	0.0
Production:					
Quantity (1,000 sq ft)..	4,870	5,478	5,903	1,400	1,304
Percentage change.....	1/	12.5	7.8	1/	(6.9)
Capacity utilization					
(percent) 2/.....	58.1	58.1	61.7	59.6	54.7

1/ Not available.

2/ Capacity utilization is based on companies reporting both capacity and production data.

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

Cold Spring based their reported slabbing capacity on actual production records during periods of peak demand, working 168 hours per week, 48 weeks per year. Adjustments were made for downtime.

U.S. production of slab rose slightly less overall than did capacity. Production totaled 8.9 million square feet in 1985 and rose by 14.7 percent, to 10.2 million square feet, in 1986. Production declined in 1987 to 10.0 million square feet, or by 2.1 percent. From January-March 1987 to January-March 1988, production fell 8.9 percent, from 2.5 million square feet to 2.3 million square feet.

The capacity utilization of slabbing facilities also peaked in 1986, at 77.0 percent. It was 68.3 percent during 1985 and 73.4 percent for all of 1987. Capacity utilization for slab fell to its lowest point, 67.0 percent, during January-March 1988 from a level of 73.5 percent during January-March 1987.

Finished granite.--U.S. average-of-period capacity to finish granite also rose steadily from 1985 to 1987 as producers expanded their finishing facilities. Such capacity increased from 8.4 million square feet in 1985 to 9.4 million square feet in 1986, representing an increase of 12.5 percent. Capacity rose again in 1987, by 1.3 percent, to 9.5 million square feet. From

January-March 1987 to the corresponding period of 1988, reported capacity did not change significantly.

Cold Spring also reported capacity to finish granite based on a 168-hour workweek, 48 weeks per year. Company officials explained that this level of activity has been sustained during periods of peak demand.

\* \* \* \* \*

U.S. production of finished granite rose somewhat more than did capacity during the period of investigation. Production totaled 4.9 million square feet in 1985 and rose by 12.5 percent, to 5.5 million square feet, in 1986. Production increased again in 1987, to 5.9 million square feet, or by 7.8 percent. From January-March 1987 to the corresponding period of 1988, production decreased 6.9 percent, from 1.4 million square feet to 1.3 million square feet. Capacity utilization of granite finishing facilities for which both capacity and production were reported remained at 58.1 percent during 1985-86, then rose to 61.7 percent in 1987. From January-March 1987 to January-March 1988, capacity utilization dropped from 59.6 percent to 54.7 percent, as production fell without a corresponding decline in capacity.

Petitioners were requested to report separately their capacity and production of tile, pavers, and cobblestone paving. 1/ Data reported by Cold Spring are presented in the following tabulation:

\* \* \* \* \*

Capitol reported \* \* \*. North Carolina Granite reported \* \* \*.

U.S. producers' shipments

Inventories held by this industry are relatively unimportant as production is generally custom designed for a particular project. Shipments, therefore, followed production trends very closely. Also, export shipments are minimal; total shipments, therefore, do not differ significantly from U.S. shipments.

Slab.--As shown in table 4, U.S. shipments of slab rose from 8.9 million square feet in 1985 to 9.6 million square feet in 1986, representing an 8.1-percent rise. Shipments rose another 6.2 percent to 10.2 million square feet in 1987. From January-March 1987 to the corresponding period of 1988, U.S. shipments decreased from 2.6 million square feet to 2.3 million square feet, or by 11.5 percent.

Trends in the value and unit value of reported shipments show less expansion than do changes in volume during the period of investigation. U.S.-produced slab is nearly all captively consumed, with cost rather than market value being the predominant determinant of intercompany transfer values. Reported U.S. shipments of slab in 1985 totaled \* \* \* and in 1986 were valued at \* \* \*, representing an increase \* \* \*. This is a smaller increase than occurred in terms of volume as unit values fell \* \* \* from 1985 to 1986. 1987 shipments totaled \* \* \*, a \* \* \*-percent increase in terms of value compared

---

1/ Petitioners note that distinguishing capacity and production of tile is difficult because it overlaps in application with other finished granite products.



Table 4

Certain granite: U.S. producers' company transfers, open-market sales, U.S. shipments, export shipments, and total shipments, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
<u>Quantity (1,000 square feet)</u>					
Slab:					
Company transfers.....	***	***	10,014	***	***
Open-market sales.....	***	***	159	***	***
U.S. shipments <u>1</u> /.....	8,864	9,582	10,173	2,617	2,315
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
Finished granite:					
Company transfers.....	137	***	***	***	43
Open-market sales.....	4,711	***	***	***	1,212
U.S. shipments <u>1</u> /.....	4,848	5,419	5,513	1,351	1,255
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
<u>Value (1,000 dollars)</u>					
Slab:					
Company transfers.....	***	***	***	***	***
Open-market sales.....	***	***	***	***	***
U.S. shipments <u>1</u> /.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
Finished granite:					
Company transfers.....	***	***	***	1,395	431
Open-market sales.....	***	***	***	15,974	16,751
U.S. shipments <u>1</u> /.....	64,347	69,490	74,422	17,369	17,182
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
<u>Unit value (per square foot) <sup>2/</sup></u>					
Slab:					
Company transfers.....	***	***	***	***	***
Open-market sales.....	***	***	***	***	***
U.S. shipments <u>1</u> /.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
Finished granite:					
Company transfers.....	***	***	***	***	\$13.60
Open-market sales.....	***	***	***	***	13.67
U.S. shipments <u>1</u> /.....	\$13.26	\$12.87	\$13.54	\$12.65	13.67
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***

<sup>1/</sup> U.S. shipments include company transfers and open-market sales.

<sup>2/</sup> Based on shipments by companies reporting both value and quantity.

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

with those in 1986 but, again, less than the increase in quantities. Unit values of slab declined \* \* \* from 1986 to 1987. However, from January-March 1987 to the corresponding period of 1988, the value of such shipments declined less steeply than did quantities. Values fell \* \* \* and unit values rose \* \* \*.

End-of-period inventories of slab increased from December 31, 1985 to a peak as of March 31, 1987, and declined somewhat by December 31, 1987. They rose again slightly by March 31, 1988. The ratio of end-of-period inventories to total shipments likewise increased from 1985 to 1986 and declined in 1987. There was another slight increase during January-March 1988 compared with January-March 1987, as shown in the following tabulation:

\* \* \* \* \*

Finished granite.--U.S. shipments of finished granite increased in volume from 4.8 million square feet in 1985 to 5.4 million square feet in 1986, representing a 11.8-percent rise. Shipments rose another 1.7 percent to 5.5 million square feet in 1987. From January-March 1987 to the corresponding period of 1988, U.S. shipments declined from 1.4 million square feet to 1.3 million square feet, or by 7.1 percent.

U.S. shipments of finished granite in 1985 totaled \$64.3 million and in 1986 were valued at \$69.5 million, representing an increase of 8.0 percent. Again, this is less than the increase in volume; unit values declined 2.9 percent from 1985 to 1986. 1987 shipments totaled \$74.4 million, a 7.1-percent increase in terms of value compared with those in 1986. This larger increase in the value than in the quantity of shipments is evidenced by a 5.2-percent increase in unit values from 1986 to 1987. The value of shipments decreased less than did the volume from January-March 1987 to the corresponding period of 1988. Values declined by 1.1 percent and unit values rose by 8.0 percent. These data are also presented in table 4.

Finished granite is primarily custom made for a specific building project. Only tile is inventoried in significant quantities. Reported end-of-period inventories increased during the period of investigation, both in volume and as a percent of total shipments, as shown in the following tabulation:

<u>Finished granite</u>	<u>Dec. 31--</u>			<u>Mar. 31--</u>	
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>
Inventories (1,000 sq ft)..	56	93	122	99	116
Inventories/total shipments (percent) <u>1/</u> .....	1.6	2.2	2.7	8.8 <u>2/</u>	12.0 <u>2/</u>

1/ Excludes companies that were unable to provide inventory data.

2/ Inventories as of Mar. 31 as a percent of shipments during January-March.

\* \* \*

Cold Spring's shipments of tile, paving, and cobblestone paving are presented in the following tabulation (in thousands of square feet):

\* \* \* \* \*

In 1987, Capitol and North Carolina Granite reported \* \* \*.

Employment

Seven quarrier/producers supplied data on employment in the production of rough block and certain granite. Separate employment data are not available from these producers on a narrower product line. Six marble shops reported employment in the production of finished granite.

Rough block.--Employment data in quarrying activities are presented in the following tabulation:

<u>Period</u>	<u>Number of workers</u>	<u>Hours worked (1,000)</u>	<u>Productivity (cubic feet per hour)</u>	<u>Hourly wage</u>	<u>Hourly compensation</u>	<u>Unit labor costs (per cu. ft.)</u>
1985.....	549	1,106	3.03	\$9.02	\$10.68	\$3.50
1986.....	559	1,148	3.33	9.34	11.58	3.44
1987.....	516	1,021	3.59	9.73	12.23	3.37
January-March--						
1987.....	501	226	3.39	9.32	13.32	3.92
1988.....	488	241	3.68	9.84	15.10	4.10

Certain granite.--Quarrier/producers reported employment for their production of certain granite, i.e., for both slabbing and finishing operations (table 5). The number of such workers rose from 1985 to 1986, fell in 1987 and fell further during January-March 1988 compared with the number during the corresponding period of 1987. Hours worked likewise peaked in 1986 and have since declined. Hourly compensation rose throughout the period of investigation although from 1986 to 1987 there was a slight drop in the hourly wage rate. \* \* \*.

Table 5

Certain granite: Average number of production and related workers, hours worked, and hourly wages and compensation paid, 1985-87, January-March 1987, and January-March 1988

<u>Item</u>	1985	1986	1987	<u>January-March--</u>	
				1987	1988
Average employment:					
Workers (number).....	1,038	1,075	1,008	1,032	958
Percentage change.....	1/	3.6	(6.2)	1/	(7.2)
Hours worked:					
Number (1,000 hours).....	2,041	2,247	2,205	522	518
Percentage change.....	1/	10.1	(1.9)	1/	(0.8)
Hourly wages:					
Rate (per hour).....	\$8.76	\$9.02	\$8.97	\$9.02	\$9.02
Percentage change.....	1/	3.0	(0.6)	1/	.0
Hourly compensation:					
Rate (per hour).....	10.09	10.97	11.08	11.16	11.44
Percentage change.....	1/	8.7	1.0	1/	2.6

1/ Not available.

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

Usable data reported by marble shops are presented in the following tabulation:

<u>Period</u>	<u>Number of workers</u>	<u>Hours worked (1,000)</u>	<u>Productivity (square feet per hour)</u>	<u>Hourly wage</u>	<u>Hourly compensation</u>	<u>Unit labor costs (per square foot)</u>
1985.....	67	144	3.09	\$7.90	\$8.04	\$4.90
1986.....	71	139	3.47	8.89	8.97	4.42
1987.....	66	152	3.07	9.37	9.51	5.38

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

Five quarrier/producers furnished income-and-loss data for both their overall establishment operations and certain granite operations. Separate financial data are not available on a narrower product line basis.

Overall establishment operations. 1/--As shown in table 6, aggregate net sales of all establishment operations decreased by 1.7 percent from \$149.6 million in 1985 to \$147.1 million in 1986, then recovered in 1987 to \$150.8 million. Operating income was \$15.7 million in 1985, \$13.4 million in 1986, and \$17.1 million in 1987. Operating income margins, as a percent of sales, were 10.5, 9.1, and 11.3 in 1985, 1986, and 1987, respectively. For the interim period ended March 31, 1988, net sales were \$35.2 million, representing an increase of 5.9 percent compared with the March 31, 1987, interim period sales of \$33.3 million. Operating income margins, as a percent of sales, were 7.9 and 8.0 in interim 1987 and interim 1988, respectively. Net income before taxes, as a percent of sales, fell from 7.4 in 1985 to 5.8 in 1986, then recovered to 8.2 in 1987, with margins of 4.4 in interim 1987 and 5.4 in interim 1988. \* \* \*

---

1/ Overall establishment operations include production of all granite products, quarrying operations (whether or not physically separate from the establishments), finished granite installation, and other granite-related activities.

Table 6

Income-and-loss experience of U.S. producers 1/ on the overall operations of their establishments within which certain granite is produced, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985	1986	1987	Interim period ended Mar. 31--	
				1987	1988
<u>Value (1,000 dollars)</u>					
Net sales.....	149,615	147,058	150,832	33,259	35,206
Cost of goods sold.....	116,854	113,822	111,505	25,832	26,761
Gross profit.....	32,761	33,236	39,327	7,427	8,445
General, selling, and administrative expenses...	17,028	19,857	22,275	4,795	5,612
Operating income.....	15,733	13,379	17,052	2,632	2,833
Interest expense.....	5,440	5,638	5,124	1,287	1,096
Other income, net.....	773	750	486	115	163
Net income before taxes.....	11,066	8,491	12,414	1,460	1,900
Depreciation and amorti- zation included above.....	5,314	6,066	6,014	1,502	1,543
Cash-flow <u>2/</u> .....	16,380	14,557	18,428	2,962	3,443
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	78.1	77.4	73.9	77.7	76.0
Gross profit.....	21.9	22.6	26.1	22.3	24.0
General, selling, and administrative expenses...	11.4	13.5	14.8	14.4	15.9
Operating income.....	10.5	9.1	11.3	7.9	8.0
Net income before taxes.....	7.4	5.8	8.2	4.4	5.4
<u>Number of firms reporting</u>					
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	5	5	5	5	5

1/ \* \* \*.

2/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Establishment income-and-loss data for each of the producers are presented in table 7. Profitability of establishment operations, in the aggregate, was significantly greater than it was on certain granite operations.

Table 7

Income-and-loss experience of U.S. producers on the overall operations of their establishments within which certain granite is produced, by producers, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

\* \* \* \* \*

Products of the overall establishment other than the investigated product are \* \* \*.

\* \* \* \* \*

The Commission also received the annual statements for \* \* \*.

\* \* \* \* \*

Operations producing certain granite.--The income-and-loss experience of the U.S. producers on their operations producing certain granite is presented in table 8. Net sales increased 26.0 percent from \$50.8 million in 1985 to \$64.0 million in 1987. There were, however, operating losses in all periods; \$2.9 million in 1985, \* \* \* in 1986, and \$1.0 million in 1987. Operating income or (loss) margins, as a percent of sales, were negative throughout the period with (5.8) in 1985, (\* \* \*) in 1986, and (1.6) in 1987. Interim 1988 net sales were \$15.2 million, representing an decrease \* \* \* from the 1987 interim net sales of \* \* \*. Operating loss margins, as a percent of sales, were (\* \* \*) and (2.4) percent in the 1987 and 1988 interim periods, respectively. \* \* \* reported operating losses during 1985-87 and \* \* \* reported losses in interim 1988.

\* \* \* \* \*

Table 8

Income-and-loss experience of U.S. producers 1/ on their operations producing certain granite, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985	1986	1987	Interim period ended Mar. 31--	
				1987	1988
	Value (1,000 dollars)				
Net sales.....	50,787	57,304	64,001	***	15,180
Cost of goods sold.....	46,985	***	54,633	***	13,003
Gross profit.....	3,802	***	9,368	1,709	2,177
General, selling, and administrative expenses.....	6,747	8,267	10,375	2,304	2,536
Operating loss.....	(2,945)	***	(1,007)	(595)	(359)
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net loss before income taxes...	(4,346)	(5,642)	(2,783)	(982)	(616)
Depreciation and amortization included above.....	3,293	3,643	3,202	824	859
Cash-flow <u>2/</u> .....	(1,053)	(1,999)	419	(158)	243
	Share of net sales (percent)				
Cost of goods sold.....	92.5	***	85.4	88.8	85.7
Gross profit.....	7.5	***	14.6	***	14.3
General, selling, and administrative expenses.....	13.3	14.4	16.2	***	16.7
Operating loss.....	(5.8)	***	(1.6)	***	(2.4)
Net loss before income taxes...	(8.6)	(9.8)	(4.3)	***	(4.1)
	Number of firms reporting				
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	5	5	5	5	5

1/ \* \* \*.

2/ Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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

Selected finished granite income-and-loss data for each of the producers are presented in table 9.

Table 9

Income-and-loss experience of U.S. producers on their operations producing finished granite, by producers, accounting years 1984-86 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

\* \* \* \* \*

Financial experience of marble shop producers.--In addition to fully integrated granite producers, the Commission collected data from producers that perform primarily finishing operations with no quarrying or slabbing operations of their own. The data for these producers are presented in table 10.

Table 10

Income-and-loss experience of U.S. marble shops on their operations producing finished granite, accounting years 1985-87 and interim periods ended Mar. 31, 1987, and Mar. 31, 1988

Item	1985	1986	1987	Interim period ended Mar. 31--	
				1987	1988
<u>Value (1,000 dollars)</u>					
Net sales.....	7,617	10,015	8,203	2,158	***
Cost of goods sold.....	4,973	7,214	6,403	1,470	***
Gross profit.....	2,644	2,801	1,800	688	758
General, selling, and administrative expenses.....	1,720	2,052	1,472	***	***
Operating income or (loss)....	924	749	328	***	***
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net income or (loss) before taxes.....	837	700	428	(53)	174
Depreciation and amortization included above.....	134	192	148	***	52
Cash-flow <sup>1/</sup> .....	971	892	576	***	226
<u>Share of net sales (percent)</u>					
Cost of goods sold.....	65.3	72.0	78.1	68.1	73.5
Gross profit.....	34.7	28.0	21.9	31.9	***
General, selling, and administrative expenses.....	22.6	20.5	17.9	***	20.6
Operating income or (loss)....	12.1	7.5	4.0	***	5.9
Net income or (loss) before income taxes.....	11.0	7.0	5.2	(2.5)	***
<u>Number of firms reporting</u>					
Operating losses.....	***	***	***	***	***
Net losses.....	***	***	***	***	***
Data.....	5	5	5	4	4

<sup>1/</sup> Cash-flow is defined as net income or (loss) plus depreciation and amortization.

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



Value of plant, property, and equipment.--The data provided by the producers on their end-of-period investment in productive facilities in which finished granite is produced are shown in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>As of end of accounting year--</u>			<u>As of Mar. 31--</u>	
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>
All products of establishments:					
Original cost.....	87,246	98,861	105,371	98,511	103,748
Book value.....	56,244	61,661	62,632	60,803	60,475
Certain granite:					
Original cost.....	33,294	37,616	38,777	37,585	39,191
Book value.....	19,756	20,600	19,401	18,753	18,684

Capital expenditures.--The data provided by the producers relative to their capital expenditures for land, buildings, and machinery and equipment used in the production of finished granite are shown in the following tabulation (in thousands of dollars):

<u>Item</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Interim period ended Mar. 31--</u>	
				<u>1987</u>	<u>1988</u>
All products of establishments:					
Land and land improvements...	***	1,183	***	***	***
Building and leasehold improvements.....	***	2,459	***	***	***
Machinery, equipment, and fixtures.....	***	10,374	3,382	320	***
Total.....	***	14,016	3,994	378	***
Certain granite:					

\* \* \* \* \*

Operating rate of return on assets.--The annual operating rates of return on assets for the petitioners are presented in the following tabulation (as a percent):

\* \* \* \* \*

Research and development expenses.--Expenses incurred for research and development by the producers are shown in the following tabulation (in thousands of dollars):

\* \* \* \* \*

The Question of the Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. § 1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors 1/--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury, and

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation.

---

1/ Sect. 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

The available information on the nature of the subsidies found by Commerce (item (I) above) is presented in the section of this report entitled "Subsidies;" the available data on foreign producers' operations (items (II) and (VI) above) are presented in the section entitled "Foreign producers;" and information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between alleged material injury or the threat thereof and the subsidized and LTFV imports." "Product-shifting" (item VIII) is not at issue in these investigations. <sup>1/</sup> Available information on U.S. inventories of the subject products (item (V)) follows.

#### U.S. importers' inventories

Inventories of cut-to-size granite are not held because such material is custom produced and generally shipped immediately to the job site. However stocking yards maintain large slab inventories and some tile is also kept in inventory (table 11). The ratio of importers' inventories to shipments is much higher than that for U.S. producers. This is in part explained by the product mix; importers supply the noncaptive market with greater amounts of slab and tile, and less cut-to-size granite, than do domestic producers. Inventories increased steadily, relative to shipments, from 1985 to 1987 except for inventories of granite from Spain, which declined somewhat from 1985 to 1986 but then rose strongly in 1987. From January-March 1987 to January-March 1988, inventories of Spanish granite declined slightly, and finished granite from all other countries also fell, relative to shipments, and other inventories/shipments ratios increased. Firms that reported holding inventories of finished granite from Italy and Spain import primarily tile.

\* \* \* \* \*

---

<sup>1/</sup> Granite producers are limited in the products that can be produced with the machinery used in the manufacture of certain granite and none of these other products is subject to investigation or final orders under Title VII.

Table 11

Certain granite: End-of-period inventories of Italian, Spanish, and other imported products, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--1/	
				1987	1988
Slab inventories:					
From Italy:					
Quantity (1,000 sq ft)....	216	245	340	270	310
As a share of shipments (percent).....	56.6	58.6	68.9	224.6	365.6
From Spain:					
Quantity (1,000 sq ft)....	19	32	41	33	35
As a share of shipments (percent).....	32.0	1.6	3.4	10.7	10.6
From all other countries:					
Quantity (1,000 sq ft)....	26	28	36	29	30
As a share of shipments (percent).....	58.0	46.0	70.6	244.5	228.8
Finished granite inventories:					
From Italy:					
Quantity (1,000 sq ft)....	117	164	255	219	252
As a share of shipments (percent).....	2.3	3.0	5.5	21.4	25.5
From Spain:					
Quantity (1,000 sq ft)....	67	136	173	139	180
As a share of shipments (percent).....	13.8	12.5	19.3	80.5	80.3
From all other countries:					
Quantity (1,000 sq ft)....	4	5	7	5	11
As a share of shipments (percent).....	0.8	1.0	2.2	9.0	19.7

1/ Inventories as of Mar. 31 as a percent of shipments during January-March.

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

### Foreign producers

Italy. 1/--The Italian granite fabricating industry is based in the marble-producing region of Massa-Carrara, with some additional producers in the north near other natural stone deposits. Years ago, Italian stone workers began to use their surplus marble-cutting equipment to slab granite and other stone. Granite being a much harder stone, more durable and sophisticated machinery was needed to accomplish this task and produce commercial quantities

1/ Information on the Italian industry was obtained from Marble in the World: the stone industry and its trade, Societa Editrice Apuana, January 1986; "Il Settore Marmifero," Marco Tonelli, in Quadri di Economia Apuana, Societa Editrice Apuana, 1978; and during meetings with representatives of Bonotti, Campolonghi, Euromarble, Formai & Mariani, and Henraux.

of granite. U.S. stone producers and importers alike acknowledge that the Italian industry has consistently been at the forefront in stone production technology. Most of the machinery used by the U.S. industry today comes from Italy.

The Italian industry is structured very differently than the U.S. industry. Whereas most producers in the United States own and work their own quarries, Italian producers purchase the bulk of the rough granite block they finish. There are certain deposits of granite in Sardinia, but Italy imports huge quantities of rough granite block from all over the world. Thus, Italian fabricators offer finished products from a wide, and ever-increasing, variety of sources.

The Italian granite industry also differs from the American in that there are many small producers, most of which specialize in a particular fabrication process. There are an estimated 90 such firms in the Massa-Carrara region. Some Italian companies subcontract all actual fabrication to these producers. Others subcontract mostly finishing work. Generally speaking, the more dependent a supplier is on subcontractors, the shorter the delivery time is.  
\* \* \*

Capacity and production data, reported by seven major exporters subject to investigation, exclude the facilities of many small producers. According to these data, capacity to slab and finish certain granite has risen during the period of investigation although it declined slightly in 1987 compared with 1986 (table 12). Reported production was generally equal to reported capacity. \* \* \*. In the preliminary investigations, counsel for the Italian producers reported that 13 firms, accounting for \* \* \* of Italy's exports of finished granite to the United States, operated \* \* \* gang saws in 1984, \* \* \* in 1985, \* \* \* in 1986, and \* \* \* during January-March 1987, which is four times that of the U.S. industry. Although the productive capacity of the overall Italian industry is not known, an official at \* \* \*, which depends entirely on subcontractors, stated that orders placed by mid-June 1988 could not be delivered before the following November.

Reported shipments of certain granite represent the majority of the subject industry. Responding firms accounted for an estimated 68 percent of the subject Italian exports in 1986. The home market absorbs most slab production. 1/ Noncaptive home-market sales of slab have declined steadily but such sales of finished granite rose from 1985 to 1987, and are projected to increase 64.9 percent in 1988 compared with those in 1987. Home market sales of finished granite accounted for 13 to 25 percent of reported Italian shipments.

Italian granite exports consist primarily of finished products. The United States is the major market for Italian-produced finished granite, accounting for a majority of reported total shipments during 1985-86, but Italian fabricators note that dependence on the U.S. market is declining. Reported exports of both slab and finished granite from Italy to the United States peaked in 1986. Exports to all other countries have risen strongly since 1985. According to Italian fabricators, the Middle East market has been

---

1/ Data on captive shipments are not available but the majority of slab is internally consumed.

replaced in importance by Western Europe and the Far East. Inventory levels of both slab and finished granite declined overall, relative to shipments.

Table 12

Slab and finished granite: 1/ Italian capacity, production, capacity utilization, home-market shipments, exports to the United States, exports to all other countries, and end-of-period inventories, 1985-88, January-March 1987, and January-March 1988

Item	1985	1986	1987	1988 2/	January-March--	
					1987	1988
Capacity:						
Gang saws (number).....	***	***	***	***	***	***
Slab (1,000 sq ft).....	***	***	***	***	***	***
Finished granite (1,000 sq ft).....	4,278	4,773	4,305	5,143	1,133	1,307
Production:						
Slab (1,000 sq ft).....	4,956	5,107	5,131	5,568	1,057	1,351
Finished granite (1,000 sq ft).....	5,878	6,324	6,022	6,851	1,605	1,769
Capacity utilization 3/						
Slab (percent).....	***	***	***	***	***	***
Finished granite (percent).....	100.0	100.0	100.0	100.0	100.0	100.0
Home market shipments:						
Slab 4/ (1,000 sq ft)..	1,870	1,724	1,512	1,288	395	323
Finished granite (1,000 sq ft).....	1,267	1,053	1,353	2,231	362	346
Exports to the United States:						
Slab (1,000 sq ft).....	287	363	338	229	72	60
Finished granite (1,000 sq ft).....	4,514	4,767	2,962	2,853	751	750
Exports to all other countries:						
Slab (1,000 sq ft).....	1,134	878	1,842	4,356	341	892
Finished granite (1,000 sq ft).....	1,817	2,242	2,464	3,856	612	888
Inventories:						
Slab (1,000 sq ft).....	1,708	1,486	1,353	5/	1,483	1,468
Finished granite (1,000 sq ft).....	214	186	150	5/	116	112

1/ Includes Alimonti Fratelli, Bonotti, Campolonghi Italia, Euromarble, F.lli Guarda, Lombarda Graniti, and Pisani Brothers. Also includes some related companies.

2/ Projected. Includes certain estimates by staff based on available data.

3/ Based on companies reporting both capacity and production data.

4/ Excludes most intracompany transfers, i.e., slab that is captively consumed.

5/ Not available.

Source: Compiled from data submitted by counsel for the Italian respondents, except as noted.

Available data on subject exports of tile and preassembled paving to the United States are presented in the following tabulation:

\* \* \* \* \*

Three Italian exporters were excluded from the Commerce dumping determination and are therefore not subject to investigation. These companies--Formai & Mariani (and its related company Northern Granites S.r.l.), Henraux, and Savema--reported exports of certain granite to the United States as presented in the following tabulation (in thousands of square feet):

Item	1985	1986	1987	January-March--	
				1987	1988
Granite slab-----	***	***	***	***	***
Finished granite-----	***	***	***	***	***
Total-----	2,825	2,976	2,512	628	541

Spain--The fabrication of granite is a relatively new industry in Spain. Petitioners report that gang saw technology was introduced into Spain later than it was in the United States. Although Spain is a much smaller supplier to the U.S. market than Italy, a spokesman at \* \* \* a major installation company, described the quality of Spanish finished granite to be better than the Italian. Spain has large deposits of a common and popular granite known as Rosa Porrino or Spanish Pink. This is the major type of granite quarried in Spain.

At the hearing, counsel for the Spanish producers described their fabricating facilities as operating near full capacity, with a growing home market. Other markets were observed to be expanding faster than the United States. <sup>1/</sup> These statements are supported by data submitted to the Commission on Spanish capacity, production, shipments, and inventories of certain granite (table 13). All major producers and exporters provided these data to the Commission; the Spanish industry is not characterized by numerous small producers as is true in Italy. A decline in finished granite capacity utilization in 1986 is the result of \* \* \*. Capacity, production, and shipments of both slab and finished products have increased steadily during the period of investigation and are projected to continue to rise through 1989. The home market absorbs the majority of slab shipments and an increasing share of finished shipments. Exports to all other markets were slightly greater than exports to the United States and grew as a share of total shipments. Inventories also increased during the period of investigation.

The United States is Spain's largest export market for certain granite. Exports to the United States accounted for 2 percent of slab shipments during the period of investigation, and a declining share of finished granite shipments--from 40.7 percent of the 1985 total to 31.5 percent of 1987 finished granite shipments to a projected 26.6-percent share by 1989. Eighty-six percent, by volume, of reported 1987 Spanish exports to the United States of certain granite were finished products. These exports fell slightly from 1986 to 1987 but still rose overall during the period of investigation.

---

<sup>1/</sup> Transcript of the hearing, pp. 232 and 243.

Table 13  
Slab and finished granite: 1/ Spanish capacity, production, capacity utilization, home market shipments, exports to the United States, exports to all other countries, and end-of-period inventories, 1985-89, January-March 1987, and January-March 1988

Item	1985	1986	1987	1988 2/	1989 2/	January- March--	
						1987	1988
Capacity:							
Gang saws (number)..	90	90	102	97	100	96	102
Slab (1,000 sq ft)..	9,353	10,753	12,863	13,653	14,714	3,101	3,400
Finished granite (1,000 sq ft).....	2,750	4,252	4,900	5,004	5,431	1,178	1,245
Production:							
Slab (1,000 sq ft)..	8,936	10,360	12,224	13,231	14,273	2,934	3,308
Finished granite (1,000 sq ft).....	2,422	2,842	3,799	4,428	4,491	921	1,105
Capacity utilization:							
Slab (1,000 sq ft)..	95.5	96.3	95.0	96.9	97.0	94.6	97.3
Finished granite (1,000 sq ft).....	88.1	66.8	77.5	88.5	82.7	78.2	88.8
Home market shipments:							
Slab (1,000 sq ft)..	5,888 3/	6,614	8,598	9,449	10,157	1,879	2,078
Finished granite (1,000 sq ft).....	475 3/	568	993	1,191	1,209	194	308
Exports to the United States:							
Slab (1,000 sq ft)..	157 3/	185	185	166	171	44	22
Finished granite (1,000 sq ft).....	1,108 3/	1,178	1,141	1,235	1,164	310	351
Exports to all other countries:							
Slab (1,000 sq ft)..	1,171 3/	1,106	1,480	1,810	1,948	309	404
Finished granite (1,000 sq ft).....	1,136 3/	1,677	1,488	1,632	2,008	339	350
Inventories:							
Slab (1,000 sq ft)..	1,093	1,365	1,440	4/	4/	1,651	1,770
Finished granite (1,000 sq ft).....	73	93	125	4/	4/	104	123

1/ Includes Artemarmol, Granitos Ibericos-Grayco, Ingemar, Ingemarga, Ramilo, and Santal. \* \* \*

2/ Projected..

3/ \* \* \*.

4/ Not available.

Source: Compiled from data submitted by counsel for the Spanish respondents.

Reported exports of tile to the United States are presented in the following tabulation:

\* \* \* \* \*



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

Discussion of market relationships

Petitioners maintain that unfairly traded granite from Italy and Spain is the cause of material injury experienced by U.S. producers of the subject product. In particular, they stress the damaging effect of low import prices on capacity utilization, employment levels, and the financial performance of the U.S. industry. Respondents argue that any injury that individual U.S. producers have experienced is because they do not properly supply the demands of the marketplace. They assert that color, quality, availability, and installed cost, rather than price alone, are the determining factors in selecting and purchasing granite.

These views were presented orally at the hearing, and in writing in briefs and in letters to the Commission. A summary discussion was presented in the preliminary report to the Commission at pp. 24-27. Additional information and views regarding these issues, obtained from questionnaire responses and telephone conversations, are presented below. Input was sought from firms that work with both domestic and foreign suppliers. Concerning the U.S. industry, few references were made to producers other than Cold Spring. The examples discussed below, therefore, invariably involve that company to the near exclusion of others. This is not meant to indicate that other producers are insignificant in the marketplace; rather, purchaser comments are reported as communicated and happen mostly to relate to one, albeit major, producer. Cold Spring's share of the domestic production is presented in the section of the report entitled "U.S. producers."

First, respondents allege that U.S. producers will not sell slab to U.S. marble shops; petitioners respond to this accusation with the assertion that they do sell slab and, if they could obtain a reasonable price in the marketplace, they would be glad to supply more of it. 1/ Ten responding marble shops judged the marketing techniques of foreign suppliers to be superior to those of the U.S. producers; six saw no difference. 2/ Questionnaire data show that the unit price of domestic slab sales is less than the internal transfer value of slab. Such domestic sales of slab account for \* \* \* percent of total shipments.

\* \* \* \* \*

In Italy, slab is supplied primarily by producers whose slabbing capacity outstrips their finishing capacity; this is not true in the case of U.S. producers. Thus, whereas the slab market is an obvious one for some foreign suppliers, it is not for U.S. producers.

---

1/ Transcript of the hearing, p. 34.

2/ Marble shops reported that Italian and Spanish fabricators actively market granite through sales representatives, advertising brochures, and samples and offer a greater variety of colors than do domestic producers. Marble shop representatives stated that U.S. fabricators do not visit shops, are slow to respond to requests for granite samples, and are more interested in selling finished granite than slab.

Secondly, Cold Spring has been cited as not supplying tile to the U.S. market.

\* \* \* \* \*

Cold Spring has been criticized repeatedly for being slow to supply builders with the thin granite products that the construction industry claims are cheaper to produce, transport, handle manually, install, and support. Cold Spring officials maintain that the company has consistently supplied the products demanded in the marketplace; offering 1-1/4-inch facing as early as the 1940's. <sup>1/</sup> \* \* \*. Respondents argue that U.S. producers have had neither the machinery nor the know-how to produce adequate quantities of these products; however, purchasers generally perceive U.S. producers as capable of supplying their needs since the installation of gang saws. Petitioners maintain that their wire saws are likewise capable of producing thin granite. In certain applications, Cold Spring questions the structural integrity of thin granite and will not offer the product that is specified in a project. Petitioner notes that the building code of New York City limits building facing to not less than 1-1/4 inches. \* \* \* termed these concerns as "archaic" thinking, maintaining that engineering developments allow progressively thinner veneer to be safely used in building applications. Facing thinner than 1-1/4 inches is reportedly acceptable under the New York City Code in certain cases. <sup>2/</sup>

Respondents allege that Cold Spring is operating at such a high rate of capacity utilization, and orders are so backlogged, that the company is often unable to provide timely delivery of material, resulting in costly delays in construction. Capacity utilization calculations show Cold Spring to have operated its slabbing facilities at \* \* \* percent of capacity in 1987 with capacity based on a 168-hour workweek. \* \* \*. Petitioner notes that "backlog" is a term referring to orders, not late orders, and that delays in delivery result from any number of reasons beyond the control of the producer (including changes in designs by the architect). A spokesman at \* \* \* reported in the preliminary investigations that the producer was late on \* \* \*. Similar criticism is leveled at foreign suppliers, although not to the same degree. "Fast-tracking" (expediting the construction schedule) by U.S. builders seems very frequently to cause delivery problems for material suppliers. An official at \* \* \* explained that quarrying stone, as U.S. producers do, requires somewhat more time than using inventoried block, as Italian finishers do. Also, the greater cutting capacity of Italian suppliers allows them to subcontract jobs if necessary whereas U.S. producers have more limited capacity. The official reported a number of difficulties in working with foreign suppliers but late delivery was not the major one. In the preliminary investigations, Cold Spring and \* \* \* were requested to report to the Commission claims (backcharges) against them from customers since January 1, 1986. This information showed that \* \* \* for reasons other than late delivery.

\* \* \* \* \*

---

<sup>1/</sup> Transcript of the hearing, p. 10; and petitioner's prehearing brief, attachment 2.

<sup>2/</sup> See p. 206 of the transcript of the conference.

Respondents allege that Cold Spring is unresponsive to requests for price quotes for finished granite and that such practices make it impossible for many builders to rely on this producer. Petitioner maintains that U.S. producers service every legitimate request for cost information. In some cases, however, Cold Spring feels that such information is used only as a bargaining point from which to negotiate with foreign suppliers. \* \* \*.

In addition, Cold Spring's pricing is characterized by some purchasers as monopolistic; the company tends to promote the use of the granites it quarries and controls the availability of these materials \* \* \*. Purchasers report that the price of a given material depends in part on its availability; \* \* \* Cold Spring in fact controls the availability of its granites and this affects pricing. The Italian and Spanish fabricators, on the other hand, purchase rough block and offer a wide variety of slab and finished granite, in competition with each other. The pricing of imported granite is therefore not affected by control of the source material by the fabricator.

Some domestic purchasers have criticized the quality of U.S.-produced finished granite. Specifically, Georgia Granite and Cold Spring are named in respondents' postconference brief as having caused difficulties for builders with poor workmanship and out-of-sequence deliveries. Other firms have reported delivery problems in their dealings with Georgia Granite, which was taken over by relatively inexperienced management in 1984. For the most part, however, consumers praise the quality of Cold Spring's products. Besides the typically longer time period that occurs between order from, and delivery by, a domestic producer, installers and general contractors report that dealing with foreign suppliers poses more problems than reliance on domestic suppliers (communication difficulties, overseas travel, etc.).

Several firms that do business primarily with the Italians reported an absolute dislike of Cold Spring. \* \* \* went so far as to say that he detested doing business with the Italians but disliked Cold Spring equally; he relies on foreign suppliers because he feels that they are better able to supply the needs of U.S. builders. Conversely, another builder (\* \* \*) favors using domestic suppliers, Cold Spring in particular, because of the high quality of both the product and service they provide and the honesty with which they conduct business relations.

Respondents insist that any injury experienced by U.S. producers is not because of import volumes or prices. Specifically, they blame the financial difficulties of Georgia Granite on mismanagement. Several references were made by purchasers to irresponsible pricing by Georgia Granite. Company officials responded to these allegations by noting that \* \* \*.

Finally, respondents argue that factors other than price are the primary determinants in the selection of granite. First of all, color is of primary concern to the architect, who is most frequently the person who selects the stone to be used. U.S. producers of finished granite quarry nearly every color available, yet architects stress that every quarry in the world yields a slightly different stone. <sup>1/</sup> Petitioner brought samples of domestic and imported granite to the conference and hearing that appear commercially

---

<sup>1/</sup> Exceptions to this rule are large homogeneous granite deposits with several quarries extracting virtually the same stone.

interchangeable in terms of color and grain. Some architects, however, reportedly insist on the subtleties in one granite over another that is nearly identical. Also, architects working in granite sometimes prefer unusual stones, as this sets their work apart. The quarries of domestic producers yield beautiful granite but in a relatively familiar range of colors and shades. Generally, an architect or owner will specify several granites within a color range when soliciting price bids. Although the "specified" (first choice) granite may be the preferred stone of the architect, other considerations usually play a role in selection. Industry sources report that "you don't switch stone on I.M. Pei or Philip Johnson," but that specifications are negotiable in the majority of projects.

Respondents contend that U.S. producers offer a more limited granite color palette and thus exclude themselves from many sales. U.S. producers mostly supply the granites they quarry; petitioners contend that this is because they are unable to supply foreign granites at prices competitive with unfairly traded imports. \* \* \*

Other nonprice factors important in the selection of granite are quality and supply of the stone. For example, some granite has a difficult texture to work with. Also, sufficient stone must be available for the particular project; some quarries are capable of producing only limited quantities of block in a given period because of size, equipment, or weather conditions. A granite deposit may be difficult to work because of veins or extrusions in the rock. A boulder quarry can yield stones of limited dimension, for example. Availability of the stone is also influenced by the ability of the finisher to fabricate and deliver it. Foreign fabricators independent of quarries are less able to ensure sources, whereas a fabricator associated with a quarry can determine the supply of rough block.

Finally, although cases may be cited where the cost of granite may have been considered immaterial to the buyer, purchasers generally acknowledge that cost is a major consideration in purchasing any building material. The "skin" of a building is a significant component in the overall cost of construction. In the words of one general contractor, "there is a lot of money to be saved in pricing stone." This cost, however, is more complex than merely the price per square foot of the surface material. For example, the thickness of the stone affects the method of installation; a heavier piece of granite may need to be hand set, whereas lighter stone can be assembled in panels at an installation facility and trucked to the job site ready for placement on the building frame. Also, a lighter weight exterior material may allow savings in the supporting structure--less steel and concrete, which builders argue is a major savings in terms of an entire project. Timely delivery is also a cost consideration because delays in a construction project invariably "cost somebody something."

Petitioners do not claim that the price of finished granite is the only factor in a purchase decision, just as respondents do not claim that such a consideration is irrelevant. However, parties disagree on the importance of price in the purchase of material. Specific examples and allegations are presented in the pricing section of this report.

#### U.S. imports

Certain granite is classified under TSUS item 513.74, which also includes other granite products. Questionnaires were sent to 173 importers believed to

account for over 90 percent of the subject imports. Five firms responded that they did not import certain granite products from any country, 97 importers supplied usable data on imports, and 71 firms did not respond. Using the petition's calculation of total imports, coverage would appear to be 195 percent for Spain, 66 percent of all countries, and only 61 percent for Italy. The staff believes petitioners' data to be inaccurate and estimates actual questionnaire coverage to be closer to 75 percent for Italy <sup>1/</sup> and Spain and somewhat less for all other countries. From these data, it is not possible to identify and segregate nonsubject imports from Italy. <sup>2/</sup> However, because nonsubject imports from Italy account for about 30 percent of total imports from that country, and because questionnaire coverage is estimated to be about 70 percent, the reported data are believed to provide a relatively useful measure of subject imports from Italy. Imports from Spain and all other countries are believed to be understated by approximately 25 percent and 30 percent, respectively.

There are several problems associated with using official statistics to determine imports of certain granite. First of all, TSUS item 513.74 is a basket category including, for countries such as Spain and Canada, a large quantity of material not subject to investigation. Secondly, official statistics measure the quantity of imports of granite in terms of cubic feet, whereas it is the surface area, measured in terms of square feet, which is more important for the purposes of these investigations. Because of the trend toward thinner granite, an analysis of cubic foot volumes would underestimate increases in consumption, import volumes, and market penetration. Thirdly, petitioners document that the official import statistics significantly overestimate cubic foot volumes. <sup>3/</sup> Finally, data presented in this report discuss slab and finished granite separately, and only questionnaire data measure these products separately. Official statistics and petitioners' data combine imports of slab and finished products; this methodology would theoretically overstate consumption of finished products and import penetration by doublecounting imported slab and the finished product into which it is fabricated. Official statistics, adjusted by petitioners' methodology, are presented in app. E.

Slab.--As shown in table 14, reported U.S. imports of thin granite slab rose from 913,000 square feet in 1985 to 1.4 million square feet in 1986, or by 55.2 percent. Import levels rose by another 17.7 percent, to 1.7 million square feet, in 1987. Imports increased again, from 311,000 square feet during January-March 1987 to 401,000 square feet in the corresponding period of 1988; this represents a 28.9 percent rise. Imports from Italy followed an even sharper upward trend, increasing from 623,000 square feet in 1985 to 1.1 million square feet in 1986 and to 1.3 million square feet in 1987; this represents percentage changes of 79.5 and 18.4 percent, respectively. Imports from Italy rose 23.9 percent from 234,000 square feet during January-March 1987 to 290,000 square feet during the corresponding period of 1988. Slab imports from Spain also increased throughout the period of investigation--from 148,000 square feet in 1985 to 165,000 square feet in 1986 and to 190,000 square feet in 1987; this represents percentage increases of 11.7 and 15.0, respectively.

---

<sup>1/</sup> This estimate of coverage refers to all imports from Italy rather than only subject imports.

<sup>2/</sup> Because nonsubject material is similar to that subject to investigation, the data presented are not believed to be unduly distorted.

<sup>3/</sup> See the petition, p. 55.

Imports of slab from Spain then jumped 66.8 percent from January-March 1987 to the corresponding period of 1988. Throughout the period examined, Italy supplied at least 68 percent of total imported slab and Spain accounted for an average of 14 percent.

Table 14

Granite slab: U.S. imports from Italy, Spain, and all other countries, 1985-87, January-March 1987, and January-March 1988

Source	1985	1986	1987	January-March--	
				1987	1988
Quantity (1,000 square feet)					
Italy.....	623	1,118	1,323	234	290
Spain.....	148	165	190	48	81
Subtotal.....	771	1,283	1,513	282	370
All other countries.....	142	134	155	29	31
Total imports.....	913	1,417	1,668	311	401
Value (1,000 dollars)					
Italy.....	3,838	7,790	9,912	1,762	2,277
Spain.....	754	870	1,061	275	425
Subtotal.....	4,592	8,661	10,972	2,037	2,703
All other countries.....	***	***	***	***	***
Total imports.....	***	***	***	***	***
Unit value (per square foot) 1/					
Italy.....	\$6.16	\$6.97	\$7.49	\$7.53	\$7.86
Spain.....	5.09	5.26	5.58	5.70	5.27
Subtotal.....	5.96	6.75	7.25	7.22	7.30
All other countries.....	***	***	***	***	***
Total imports.....	***	***	***	***	***

1/ Based on shipments by companies reporting both quantity and value.

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

Reported U.S. imports of thin granite slab increased more steeply in value than in quantity. Imports from all countries increased from \* \* \* 1985 to \* \* \* 1986, or by \* \* \* percent. Import values rose by another \* \* \* percent to \* \* \* in 1987. Imports increased again, from \* \* \* during January-March 1987 to \* \* \* in the corresponding period of 1988; this represents a \* \* \* percent rise. Imports from Italy rose in value more rapidly than total imports, increasing from \$3.8 million in 1985 to \$7.8 million in 1986 and to \$9.9 million in 1987, representing percentage changes of 103.0 and 27.2 percent, respectively. Slab imports from Italy rose 29.3 percent from \$1.8 million during January-March 1987 to \$2.3 million during the corresponding period of 1988. Imports from Spain increased in value steadily but less steeply overall--from \$754,000 in 1985 to \$870,000 in 1986 and to \$1.1 million in 1987; this represents percentage increases of 15.5 and 21.9, respectively.

Imports of slab from Spain jumped 54.5 percent from January-March 1987 to the corresponding period of 1988.

In nearly all cases, unit values rose from one period to the next. However, from January-March 1987 to January-March 1988, the unit value of imports of slab from Spain fell from \$5.70 to \$5.27, as increases in volume outstripped increases in value. Unit values of reported imports from all other countries fell more than \$1 from 1986 to 1987. During the period of investigation, the unit value of slab imports from Italy ranged from 5 to 9 percent higher, and the unit value of slab imports from Spain were 12 to 27 percent lower, than the average of total imports.

Finished granite.--Reported U.S. imports of finished granite from all countries increased from 6.1 million square feet in 1985 to 7.7 million square feet in 1986, or by 25.0 percent (table 15). Such imports then fell by 17.1 percent, to 6.4 million square feet, in 1987. Imports totaled 1.4 and 1.3 million square feet during the respective partial year periods. Imports from Italy rose from 5.1 million square feet in 1985 to 5.6 million square feet in 1986 and fell to 5.0 million square feet in 1987, representing percentage changes of 8.1 and (10.1) percent, respectively. Finished granite imports from

Table 15

Finished granite: U.S. imports from Italy, Spain, and all other countries, 1985-87, January-March 1987, and January-March 1988

Source	1985	1986	1987	January-March--	
				1987	1988
<u>Quantity (1,000 square feet)</u>					
Italy.....	5,147	5,563	5,001	1,087	1,014
Spain.....	520	1,561	1,010	197	240
Subtotal.....	5,667	7,124	6,011	1,284	1,254
All other countries.....	487	568	366	76	71
Total imports.....	6,154	7,692	6,377	1,360	1,325
<u>Value (1,000 dollars)</u>					
Italy.....	46,736	59,045	53,958	12,643	10,705
Spain.....	3,598	11,283	7,871	1,475	2,328
Subtotal.....	50,334	70,328	61,829	14,118	13,033
All other countries.....	4,442	5,789	4,172	799	808
Total imports.....	54,776	76,117	66,001	14,917	13,841
<u>Unit value (per square foot) 1/</u>					
Italy.....	\$9.04	\$10.56	\$10.75	\$11.58	\$10.43
Spain.....	6.92	7.23	7.79	7.48	9.69
Subtotal.....	8.83	9.82	10.21	10.82	10.29
All other countries.....	9.11	10.20	11.41	10.51	11.31
Total imports.....	8.85	9.85	10.28	10.81	10.34

1/ Based on shipments by companies reporting both quantity and value.

Source: Compiled in response to questionnaires of U.S. International Trade Commission.

Italy totaled 1.1 and 1.0 million square feet in the respective partial-year periods. The volume of imports from Spain tripled from 1985 to 1986 and then fell by 35.3 percent in 1987 to 1.0 million square feet, double the 520,000 square feet imported in 1985. These imports rose another 21.8 percent from January-March 1987 to the corresponding period of 1988. Throughout the period examined, Italy supplied at least 72 percent of total imported finished granite, and Spain accounted for an average of 11 percent.

Reported U.S. imports of finished granite also rose more steeply in value than in volume during the period of investigation. Total imports increased from \$54.8 million in 1985 to \$76.1 million in 1986, or by 39.0 percent. Reported import values declined by 13.3 percent to \$66.0 million in 1987. Imports declined further from January-March 1987 to the corresponding period of 1988, from \$14.9 million to \$13.8 million. Imports from Italy rose from \$46.7 million in 1985 to \$59.0 million in 1986, or by 26.3 percent, and then declined by 8.6 percent to \$54.0 million in 1987. Imports from Italy fell by another 15.3 percent, from \$12.6 million to \$10.7 million, from January-March 1987 to the corresponding period of 1988. The value of imports from Spain fluctuated from \$3.6 million in 1985 to \$11.3 million in 1986 and \$7.9 million in 1987, more than doubling during these years. Finished imports from Spain jumped again in value from \$1.5 million in January-March 1987 to \$2.3 million in January-March 1988, which was a 57.8-percent increase.

Unit values of finished granite imports from all countries rose steadily during 1985-87 but declined in January-March 1988 compared with the corresponding period of 1987. Unit values for finished imports from Italy showed a similar trend but were consistently higher than the average. Spanish unit values, on the other hand, rose steadily but remained below the average for all countries.

#### Market penetration by imports from Italy and Spain

Market penetration as presented in this section is calculated using questionnaire data. As noted above, U.S. shipments of slab and finished granite are believed to be understated by approximately \* \* \* percent and 15 percent, respectively, and imports are believed to be understated by some 25 to 30 percent. Market penetration by imports is therefore understated. However, because reported imports from Italy approximate subject imports, the share of reported imports from Italy may actually be slightly overstated. An alternative calculation of market penetration is presented in app. E.

Slab.--In terms of volume, reported imports of slab from Italy have steadily increased their penetration of the U.S. market, jumping from 6.4 percent in 1985 to 10.2 in 1986, and rising further, to 11.2 percent, in 1987. The Italian market share also increased from January-March 1987 to the corresponding period of 1988, from 8.0 percent to 10.7 percent (table 16). Imports of Spanish slab remained at 1.5 percent of the market during 1985-86, rose to a 1.6-percent share in 1987, but nearly doubled their penetration from 1.6 percent in January-March 1987 to 3.0 percent during January-March 1988. The total reported import share also rose steadily throughout the period of investigation and the share of domestic producers declined correspondingly, from 90.7 percent of all slab in 1985 to 85.9 percent in 1987 and from 89.4 percent during January-March 1987 to 85.2 percent during January-March 1988.



Table 16

Granite slab: Share of U.S. consumption supplied by Italy, Spain, all other countries, and U.S. producers, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
	Quantity				
U.S. consumption (1,000 sq ft)..	9,777	10,999	11,841	2,928	2,716
Share of U.S. consumption supplied by--					
Italy 1/ (percent).....	6.4	10.2	11.2	8.0	10.7
Spain (percent).....	1.5	1.5	1.6	1.6	3.0
Subtotal (percent).....	7.9	11.7	12.8	9.6	13.6
All other imports (percent)...	1.5	1.2	1.3	1.0	1.1
All imports (percent).....	9.3	12.9	14.1	10.6	14.8
U.S. shipments (percent).....	90.7	87.1	85.9	89.4	85.2
Total (percent).....	100.0	100.0	100.0	100.0	100.0
	Value				
U.S. consumption \$1,000.....	68,433	76,538	83,911	21,218	20,404
Share of U.S. consumption supplied by--					
Italy 1/ (percent).....	5.6	10.2	11.8	8.3	11.2
Spain (percent).....	1.1	1.1	1.3	1.3	2.1
Subtotal (percent).....	6.7	11.3	13.1	9.6	13.2
All other imports (percent)...	***	***	***	***	***
All imports (percent).....	***	***	***	***	***
U.S. shipments (percent).....	***	***	***	***	***
Total (percent).....	100.0	100.0	100.0	100.0	100.0

1/ Imports from companies excluded from Commerce's determinations could not be identified and are therefore not excluded from the data presented; however, the reported data are believed to approximate subject imports.

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

U.S. shipments are \* \* \* intracompany transfers, valued mostly at cost whereas imports are priced according to the market. In terms of value, imports of Italian slab steadily increased their penetration of the U.S. market, from 5.6 percent in 1985 to 11.8 percent in 1987, and further increased their market share to 11.2 percent during January-March 1988 compared with 8.3 percent in the corresponding period of 1987. Imports of Spanish slab rose from 1.1 percent of the market during 1985-86 to a 1.3-percent share during 1987 and accounted for 2.1 percent during January-March 1988 compared with 1.3 percent during January-March 1987. The total reported import share also rose steadily throughout the period of investigation and the share of domestic producers declined correspondingly \* \* \*.

Finished granite.--The domestic share of the U.S. market for finished granite declined in terms of quantity from 44.1 percent in 1985 to 41.3 percent in 1986 and rose to 46.4 percent in 1987 (table 17). From January-March 1987 to January-March 1988, the domestic market share dropped from 49.8 to 48.6. Market penetration by all imports declined and then increased correspondingly. The Italian market share fell from a peak of 46.8 percent in 1985 to 42.0 percent in 1987. This share fell further in interim 1988 to 39.3 percent from 40.1 percent during the corresponding period of 1987. Imports from Spain jumped from 4.7 percent of the U.S. market in 1985 to 11.9 percent in 1986 and then declined to 8.5 percent in 1987. Import penetration by the Spanish product rose again from 7.3 percent during January-March 1987 to 9.3 percent during January-March 1988.

Table 17

Finished granite: Share of U.S. consumption supplied by Italy, Spain, all other countries, and U.S. producers, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
<u>Quantity</u>					
U.S. consumption..1,000 sq. ft...	11,002	13,111	11,890	2,711	2,580
Share of U.S. consumption supplied by--					
Italy <u>1</u> / (percent).....	46.8	42.4	42.0	40.1	39.3
Spain (percent).....	4.7	11.9	8.5	7.3	9.3
Subtotal (percent).....	51.5	54.3	50.5	47.4	48.6
All other countries (percent)..	4.4	4.3	3.1	2.8	2.8
All imports (percent).....	55.9	58.7	53.6	50.2	51.4
U.S. shipments (percent).....	44.1	41.3	46.4	49.8	48.6
Total (percent).....	100.0	100.0	100.0	100.0	100.0
<u>Value</u>					
U.S. consumption (\$1,000).....	119,123	145,607	140,508	32,286	31,023
Share of U.S. consumption supplied by--					
Italy <u>1</u> / (percent).....	39.2	40.6	38.4	39.2	34.5
Spain (percent).....	3.0	7.7	5.6	4.6	7.5
Subtotal (percent).....	42.3	48.3	44.0	43.7	42.0
All other countries (percent)..	3.7	4.0	3.0	2.5	2.6
All imports (percent).....	46.0	52.3	47.0	46.2	44.6
U.S. shipments (percent).....	54.0	47.7	53.0	53.8	55.4
Total (percent).....	100.0	100.0	100.0	100.0	100.0

1/ Imports from companies excluded from Commerce's determinations could not be identified and are therefore not excluded from the data presented; however, the reported data are believed to approximate subject imports.

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

The domestic share of the U.S. market for finished granite rose less in terms of value than in terms of quantity during the period of investigation. U.S. producers supplied 54.0 percent of the market in 1985 and this share declined to 47.7 percent in 1986 before rising to 53.0 percent in 1987. From January-March 1987 to the corresponding period of 1988, the domestic market share rose from 53.8 to 55.4. Market penetration by all reported imports fluctuated correspondingly. The Italian market share rose from 39.2 percent in 1985 to 40.6 percent in 1987 and then declined to 38.4 percent. Italy accounted for 39.2 percent of the market in interim 1987 and 34.5 percent during the same period of 1988. Imports from Spain rose from 3.0 percent of the U.S. market in 1985 to 7.7 percent in 1986 and then declined to 5.6 percent in 1987. Import penetration by the Spanish product jumped by more than 50 percent from January-March 1987 to January-March 1988.

### Prices

Initial considerations in choosing granite are design, quality, image, color, and tone. After a schematic plan is determined, the owner and architect consider a range of options in terms of appearance and budget. Several importers and contractors, however, stressed that the primary considerations in selecting a granite are whether the quarry and fabricator are capable of meeting capacity, scheduling, dimensional, and color-consistency requirements. Only after these considerations are met, as well as the design considerations of the owners and architects, is the price of the granite taken into consideration. 1/

The quality of finished granite is determined by many different factors. Those mentioned most frequently include the exactness of the tolerances of the finished pieces, color uniformity and consistency, strength, durability, and the quality of the finishing--polished, flamed, or honed.

\* \* \* \* \*

Prices differ for finished granite in terms of thickness, the type of finish (polished, honed, or flamed), and any special works, such as anchoring systems and edging. Anchor systems consist, in part, of anchor holes cut into the back of cut-to-size granite with hardware installed to attach the piece to the structural frame. The average cost of cutting each hole is \$2 to \$3, with large projects requiring hundreds of thousands of anchor holes. 3/ Different edging work--such as quirk miters and kerfs--ranged from \$1 to \$3 per linear foot. 4/

Examples of the influence of new technology on the cost of fabricating and applying granite were given by project managers \* \* \*. They commented that these savings generally involve the use of a thinner granite, as well as different approaches in the application of the granite. \* \* \*, a leader in technical research and advice for the construction industry, commented that the ability to saw thinner granite (3 to 4 cm or approximately 1-1/4 to 1-3/4

---

1/ \* \* \*.

2/ Meeting with \* \* \* and questionnaire responses of importers and producers.

3/ Transcript of the hearing, p. 193.

4/ Based on responses to producer and importer questionnaires of the U.S. International Trade Commission.

inches) and new methods for applying the granite to the building exteriors have reduced costs drastically. He estimated that costs saved, not only on the granite itself but also on the structural steel, on the construction labor, and on the time needed for construction, can be up to 10 percent of the total cost of a project, and can cut 2 months off the time previously needed for construction and hand-setting of granite.

Price trends.--Several factors limit the ability to collect and analyze price trends in the granite industry. The square-foot price for one particular color of granite will vary depending on several different factors. Even when stone from the same quarry is being used on two separate projects, prices can vary according to thickness, size of the panel, finish, method of attachment, or even appearance of the stone. Consistent, quarterly sales of a single specification of granite, then, are not common.

Although granite tile is increasingly popular in the market for stone products, only \* \* \* reported capacity to produce thin tile. \* \* \* of this production is for specific building projects. In addition, stocking yards and marble shops that sell granite tile generally carry a wide variety of colors and sales of any one color do not necessarily occur in each quarter.

Producers, importers, and purchasers of granite agreed that technological advances in the fabrication of the granite, particularly in the ability to cut granite below 1-1/2 inches, have exerted a tremendous downward pressure on the square-foot price of finished granite. Importers and marble shops observed, in questionnaire responses, that prices for Italian granite have generally increased during the investigation period mainly because of the appreciation of the Italian lire against the U.S. dollar.

Marble shops sell tile and custom-designed products. Granite tile is priced at cost plus an approximate 50-percent markup. Custom work is priced at the cost of the granite slab plus an approximate 200-percent markup. \* \* \* was the only firm to submit a series of price lists for granite dating \* \* \*. When comparing prices for granite tile sold at the same level of distribution, prices for tile imported from Italy \* \* \*.

Price comparisons.--Because granite is often sold with customized dimensions and because there is an enormous variety of granite available in the market, price comparisons similar to those generated in most Commission reports are not possible. Both the domestic and importing representatives agree that no two products can be matched head to head. Producers and importers reported that even with granites that may appear similar in color and texture, prices can vary for those reasons cited above. All parties agree that cost is always an important factor, but that price comparisons are only one element of the purchasing decision. 1/

The bid process.--Finished granite is primarily sold through a bid process. For the producers and importers that responded to Commission questionnaires, the majority of 1987 sales were accounted for by commercial, institutional, and government construction projects awarded through a bid process. Marble shops do not generally sell granite through a bid process;

---

1/ Conversations with counsel for petitioners, Aug. 19, 1987, and counsel for respondents, Aug. 21, 1987.

instead, they sell cut-to-size products directly to wholesalers or end users. 1/

Several respondents reported that they subscribe to the Dodge Reports 2/ to find upcoming projects on which to bid. More frequently, however, developers/owners and general contractors invite producers and importers to submit bids based on architectural plans and specifications, including the extent of granite work included in the project and the type of granite to be used. 3/ Several general contractors reported that they ask a limited number of suppliers to submit bids, rather than opening up the process to all firms.

In the process of awarding a contract, the owner and architect of the project prepare plans and specifications, often consulting with granite suppliers and installers of finished granite. Generally, the architect specifies the preferred type of granite to be used, and may include alternate, acceptable granites. The choice of the type of granite to be used for interior or exterior applications depends on many factors, most notably the aesthetics desired by or personal preference of the owner and architect, the shape of the building, the exterior of other buildings in the immediate area of the planned project, and regional and environmental factors. 4/

Suppliers of finished granite indicated that during the initial stages of building design, architects and owners consult stone "libraries," or collections of different stones available for use in building interiors and exteriors; stones in these libraries include granite, marble, travertine, limestone, and other types of building stone. Granite is considered to be a prestige material, and is often used on highly visible projects. Thus, some owners feel that a building clad in granite can command higher square-foot lease rates than a building constructed of other materials. One developer commented that the choice of granite can be driven by not only what the owner can afford to pay but the price at which they can lease the office space.

Producers and importers agree that there have been instances where granite was replaced by other materials while the project was still in the development and early bid stages. The primary reason for replacing granite, according to questionnaire responses, is to keep the project within the predetermined budget. However, once the job is awarded as a granite project it will remain granite. Architects with the firms of \* \* \* commented that it is not unusual for a general contractor to cut costs elsewhere in the project so that the

1/ Marble shops responding to price questions in the questionnaire serve a geographic area limited either to the metropolitan area where they are located or to a 2- or 3-state area. Generally, the marble shops reported increased demand for granite products primarily because of the availability of thinner, lower priced veneers and new methods of application, as well as advertising. Italy was mentioned in all questionnaires as a principal source for purchases of granite slab and tile, with the United States, Brazil, Spain, Portugal, and Mexico also mentioned.

2/ A national clearinghouse for building plans and blueprints.

3/ Questionnaire response of \* \* \*.

4/ \* \* \* explained, as an example, that in the Pacific Northwest, due to the number of "non-sunny" days, very few buildings are constructed in darker shades of granite, such as black and dark reds. Architects and owners prefer lighter colors such as pinks, beiges, or whites. In the Southwest, however, granites that blend into the natural landscape of the desert are popular.

owner and architect can achieve the desired image from the building's exterior. 1/

Architects generally do not purchase granite; rather, they specify preferred granites, receive the approval of the owner, and give the responsibility for fitting the cost into the overall budget to the general contractor or a sub-contractor, such as an installer. \* \* \*. 2/ This also holds true for some general contractors. Contacts between installers and domestic producers are also on-going, but are described as less formal.

Several purchasers of granite indicated that after, or even during, the selection of the granite, suppliers of granite are often brought in on a consulting basis to assist in determining necessary thicknesses, availability of different types of granite, and other special considerations important to working with a natural product such as granite. 3/ In the experience of architects and purchasers surveyed by the staff, this consulting is more common for representatives of Italian fabricators and some suppliers of both domestic and imported granite and other stone products, than it is for representatives of the domestic industry. These architects agreed that this prior knowledge of the project sometimes gives these companies an edge when the invitation to bid is issued. By that time, many of the consultants have convinced the owner and architect to use a particular granite that they either fabricate or are able to purchase. \* \* \*.

Although granite is sold mainly through the bid process, in some cases an owner negotiates directly with a granite fabricator or supplier. This can occur if the owner desires a particular granite that can be supplied by only one firm. For example, one construction company \* \* \* was constructing \* \* \* of a project begun \* \* \* earlier; this company directly negotiated with the \* \* \* fabricator that supplied the granite for the previous building in order to keep a consistent appearance between the \* \* \* buildings. \* \* \*. 4/

General contractors indicate that they tend to be more cost conscious than architects when awarding a job, particularly if no definitive specification has been written for granite, or if the specified granite can be purchased from several different fabricators. For example, one general contractor indicated that if an architect were to select three granites, which all met the acceptable color palette, and had the necessary strength specifications, the contractor would probably award the contract to the firm with the lowest bid. A spokesman \* \* \* commented that if several companies are able to supply the same granite, price is a major consideration. However, if only one company can supply the stone and an architect wants that particular color, price will not play an important role. 5/ \* \* \* provided an example of a project where \* \* \* an imported granite, was the preferred stone, but several alternate \* \* \* stones were listed in the bid specification. The \* \* \* domestic companies submitting bids \* \* \* bid a proprietary granite, and \* \* \* importers each bid \* \* \*. The project was awarded to the firm with the lowest bid for \* \* \*. 6/

---

1/ Meetings with \* \* \*.

2/ Meeting with \* \* \*.

3/ Conversations with representatives of \* \* \*.

4/ Meeting with \* \* \*.

5/ \* \* \*.

6/ \* \* \*.

General contractors usually reduce the field of contending suppliers to two or three before beginning bid negotiations. They may then invite these suppliers to suggest areas where costs can be reduced, a process commonly known as value engineering. Most frequently, producers, general contractors, and installers reported that such savings occur by reducing the thickness of the granite.

Bid competition.--The Commission requested producers and importers of finished granite to provide information on the three largest bids submitted by each firm, but not necessarily awarded to the firm. Five producers 1/ and 60 importers responded to bid information and additional questions in the pricing section.

Domestic producers and importers agree that it is necessary to examine specific projects on which more than one party submitted bids and determine the reasons why one supplier was chosen over another as a source of granite of the required specification. After receiving bid information in the questionnaires, the staff followed up on these responses by contacting producers, importers, and other involved parties, such as architects, general contractors, construction managers, and installers.

The following information details bids on specific projects during the period of the investigations, with comments from companies involved in the projects, when appropriate. Also included in this section are summaries of lost sale and lost revenue allegations, all of which involved granite work on large-scale building projects. 2/

Table 18 briefly summarizes each of the projects covered in this section, including project names, the name of the company awarded the contract (usually the general contractor or installer), the value of the winning bid, those firms known to have competed for the project and the value of their bids, the country in which the granite for the project was fabricated and the fabricator, 3/ and a brief statement as to what prompted the award of the contract to a particular firm if this information was available from the purchaser.

1/ \* \* \*.

2/ Four producers of finished granite submitted instances during the period January 1985 through March 1988 in which they believe sales or revenues were lost because of price competition from Italian and Spanish granite. Alleged lost sales involving Italy totaled about 6.7 million square feet, valued at \$90.7 million, and lost sales involving Spain totaled 1.4 million square feet, valued at \$20 million. Lost revenues alleged due to Italian price competition were valued at \$1.5 million for 672,000 square feet of finished granite and those allegations involving Spanish price competition were valued at \$574,000 for 353,000 square feet. Several lost sale and lost revenue allegations were submitted that did not name a country of competition. These lost sales allegations totaled 124,000 square feet, valued at \$2.3 million, and the lost revenue allegations totaled 1 million square feet, valued at \$2.6 million. No allegations were submitted for lost sales or lost revenues on sales of \* \* \*. The Commission was able to follow-up on 38 of the projects named in these allegations. An additional three projects were bid on, but not awarded to, the firm contacted by the Commission.

3/ Three Italian fabricators--Formai & Mariani, Henraux, and Savema--were excluded from the dumping determination and their products are not subject to investigation.

Table 18

Finished granite: Selected project and bid information including lost sale and lost revenue summaries

\* \* \* \* \*

It is important to consider several factors when reviewing the project information. First, these bids represent only a small percentage of the total number of projects that have been, or are currently, under construction. Rarely were both winning and losing bids available from questionnaire responses. Conversations with parties involved in the projects provided information as to why one particular supplier was chosen over another. However, even when extensive information was available for a particular project, bids were often not comparable. This happens mainly because different firms bid different aspects of the same project. For example, one firm may have bid additional work--such as paving--that another firm did not include in its bid.

In general, conversations with developers, general contractors, and installers indicated that although price is an important consideration when selecting a granite to clad a building, equally important and often even more important were considerations such as aesthetics, fabrication capacity of the producers and foreign suppliers, and delivery scheduling. 1/

\* \* \*---\* \* \* alleged lost revenues \* \* \*. \* \* \* stated that the bidding for this project involved both materials and installation, and if \* \* \* did lower their price it probably involved a combination of these two areas. The \* \* \* granite was listed as an acceptable alternative by the architect \* \* \*. \* \* \* did not feel that price itself was the deciding factor in this project.

\* \* \* \* \*

\* \* \*---\* \* \* alleged losing \* \* \* to unfairly-traded \* \* \* imports. \* \* \*. \* \* \* general contractors for the \* \* \* project responded to the allegation with several reasons as to why \* \* \* was not awarded the project. First, he explained that \* \* \* granites were to be used for the project, but \* \* \* was bidding only \* \* \*. That \* \* \* accounted for only \* \* \* square feet of a \* \* \* square-foot project. Sec. 1, \* \* \*. Finally, \* \* \* felt that the owner and architect preferred the \* \* \*.

\* \* \*---\* \* \* alleged bidding \* \* \* but losing to \* \* \*. \* \* \*. However, the color was not acceptable so \* \* \*. \* \* \* found they were not able to purchase the \* \* \* granite in sufficient quantities or color consistency. A similar \* \* \* granite, \* \* \*, was instead selected. \* \* \* would have won the project had the quarry been able to operate at the necessary capacity for the project.

\* \* \*---\* \* \* alleged losing \* \* \* to lower-priced granite \* \* \*. \* \* \*. \* \* \* allege that the \* \* \* price was \* \* \*.

---

1/ Meetings with \* \* \*.



\* \* \* is the contractor for the project. \* \* \* commented on the allegation. First, he stated that \* \* \* is "not even in the ball park," when referring to the price paid for the granite, adding that \* \* \* bids \* \* \* throughout the process. He further stressed that price was not the determining factor in the purchase decision. \* \* \* said that the architect specified several granites, some of which were U.S. granites. However, when \* \* \* constructed mock-ups with these granites, \* \* \* were not pleased with \* \* \*. \* \* \* requested \* \* \* to submit other granites that would fall within the new specifications, but \* \* \* said that they had no such granites. \* \* \* found \* \* \* to be the only acceptable granite--\* \* \*. According to \* \* \*, the installer for the project, \* \* \* was interested in a building that would, both in the color and texture of the granite and the glass, offer a \* \* \* look \* \* \*.

\* \* \*.--\* \* \* accepted bids \* \* \* from \* \* \* Italian fabricators and \* \* \* domestic \* \* \* for \* \* \*. This project required \* \* \* and the granite specified by the architect was \* \* \*. \* \* \*, a contractor, won the contract in \* \* \* with a bid of \* \* \* and then subcontracted the granite to \* \* \*. The winning bid included materials and installation of the granite.

According to \* \* \*, the square-foot requirements of this project were high when compared with the capacity of \* \* \*. Despite the fact that \* \* \*, they would not have been able to meet the delivery schedules stipulated in the contract. In addition, the domestic industry would have substituted one of their own granites for the \* \* \* granite that was the preferred choice of the architect.

\* \* \*.--\* \* \* alleged losing \* \* \* to lower priced granite from \* \* \*. \* \* \*. \* \* \* said the winning bid was \* \* \*.

\* \* \* stated that price was not the issue in the awarding of the contract. He reported that the main issue was \* \* \*. Secondary issues were \* \* \*. \* \* \* said that \* \* \* submitted a bid, but he did not comment on the bid.

\* \* \*.--\* \* \* alleged losing the \* \* \* project, for which they reportedly bid \* \* \*, to imported granite because of the lower price for the imported product. \* \* \*, the installer for the project commented that the color being bid was a \* \* \* granite and that \* \* \* had voiced concerns about the capacity of the quarry. Additionally, the scope of the granite for this project was downsized, and the final cost for the granite was \* \* \*. \* \* \*.

\* \* \*.--\* \* \* reported losing \* \* \* to lower priced \* \* \* imports. According to a submission of the general contractor, \* \* \* different colors of granite were bid by several firms. \* \* \*, the granite supplier for the \* \* \*, commented that initially \* \* \* was competitive for the job \* \* \*. However, when the general contractor wanted bids broken out in order to value engineer, \* \* \* did not break out their bid, and \* \* \* was awarded the project.

\* \* \*.--\* \* \* alleged the loss of a project known as \* \* \*. \* \* \*, the general contractor for the project, reported that the project \* \* \*. The cost of the granite is \* \* \*. \* \* \*. The project was awarded based on a combination of factors, including material selection, price, delivery, and quality of the fabricator's product.

\* \* \*.-- acted as the general contractor for \* \* \*. In this project, the owner of the property selected the granites for the project based on color,

texture, and price requirements. The architect selected a granite quarried in \* \* \*, which met all of the owner's requirements, but the owner then invited \* \* \* to submit a bid \* \* \*.

\* \* \* delayed several weeks in providing a price estimate for the project, even after the general contractor contacted them several times. When \* \* \* finally did provide an estimate, it was "astronomical" and not given serious consideration, according to \* \* \*, the setter for the project. Thus, \* \* \* awarded the bid to one of the \* \* \* Italian fabricators who could supply the materials.

\* \* \*.--\* \* \* alleged the loss of \* \* \* due to lower priced \* \* \* granite.

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

\* \* \* commented that they initially \* \* \* were working with \* \* \*. \* \* \* was awarded the job \* \* \*, however, and they did not wish to work with \* \* \*. \* \* \*.

\* \* \*, the \* \* \* project manager for this job, stated that although the prices listed in the allegation sounded "about right," the \* \* \* fabricator was able to manufacture the granite closer to their construction schedule and was also able to commit to fabricating more square footage than was \* \* \*. The granites chosen were approved by the architects of the project.

\* \* \*.--\* \* \* alleged the loss of the \* \* \* project \* \* \* to lower priced \* \* \*. \* \* \*. \* \* \* the contractor for the project, submitted the list of estimates received from different granite suppliers for alternate \* \* \* granites (app. F). This list shows that \* \* \*.

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

A spokesman for \* \* \* pointed out that the selected granite \* \* \* was approved by both the owner and architect. \* \* \* also noted that the \* \* \* bid was not the lowest bid.

\* \* \*.--\* \* \*, in its response to the \* \* \* allegation of \* \* \* on the \* \* \* project, stated that \* \* \*. The costs (excluding taxes), broken out, were--

<u>Item</u>	<u>Cost</u>
Stone.....	***
Shop drawings.....	***
Transportation.....	***
Packaging and crating.....	***
Labor.....	***

\* \* \*.--\* \* \* alleged that they had to lower their price \* \* \* to compete with foreign granite and win the \* \* \* project. \* \* \* the installer for this project, reported that \* \* \* was chosen based only on color--\* \* \*, thus \* \* \* did not see price as an issue. \* \* \*.

\* \* \*.--The architect for \* \* \* selected a color scheme for this project that included both domestic and imported granites. The choice was

based on aesthetics, but the architect also approved several additional granites as likely substitutes for some of the preferred granites. \* \* \* domestic companies and \* \* \* were invited to submit bids, and the project was awarded to \* \* \*.

\* \* \* reported that they lost the bid, and believed it was due to the variety of possible combinations of domestic granites. A spokesman for \* \* \* commented that the domestic companies were able to put together a more attractive package in terms of cost. \* \* \*, which also was not awarded the job, reported that they bid \* \* \* but \* \* \* was not awarded the project.

A spokesman for \* \* \* commented that the firm was awarded the contract at a bid of \* \* \*. He added that this was not the lowest bid, but that it was price competitive with the other contending bidders. He believed that \* \* \* was awarded the contract because \* \* \* granite, which was used on the project, was preferred by the architect.

\* \* \*.--\* \* \* alleged \* \* \*. \* \* \* was installed by \* \* \*, but they did not purchase the granite, and \* \* \* was not aware of the purchase price of the granite. \* \* \* believes that the granite for \* \* \* was imported after being chosen by the owner of the building.

\* \* \*.--Although \* \* \* submitted this project as a lost sale, \* \* \*, the firm named in the allegation, reported that it was awarded the contract as specified by the architect--a \* \* \* stone for the exterior cladding and a \* \* \* stone for interior and fountain work. No alternate bids were accepted. \* \* \*.

\* \* \*.--\* \* \* alleged losing \* \* \* to lower priced granite imported from \* \* \*. \* \* \*. \* \* \* was the general contractor for \* \* \*. \* \* \* reported that \* \* \* the architect \* \* \* requested \* \* \* granite, \* \* \*. Although \* \* \* was not able to comment on \* \* \* bid, \* \* \*.

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

\* \* \*.--\* \* \* alleged losing \* \* \* to granite fabricated in \* \* \*. \* \* \*. \* \* \* stated that color was the deciding factor for awarding this project; he did not report the final cost of the granite. The architect selected a granite known as \* \* \*. \* \* \* commented that price is a contributing factor in any construction project since the general contractor must work within a certain budget, but in this case he would say that it was "price be damned" in regard to the exterior facing.

\* \* \*.--\* \* \* alleged losing \* \* \* to lower-priced \* \* \* granite. \* \* \*. \* \* \* responded to this allegation.

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

\* \* \* pointed out that no domestic granites were selected as alternates by the architect. The choice of the granite was limited to three \* \* \* stones. 1/

\* \* \*.--\* \* \* was alleged as a lost sale by \* \* \*. \* \* \*, the installer for the project, stated that the architect specified \* \* \* for the exterior and \* \* \* for the interior and accent work. The general contractor

---

1/ See app. F.

purchased the granite directly from the fabricators for \* \* \* to install.  
\* \* \*

\* \* \*.--\* \* \* alleged losing the \* \* \* project, in \* \* \*, because of lower priced \* \* \* imports. \* \* \* reported that the award of this project was not at all based on price, rather it was based entirely on color. According to \* \* \*, no U.S. companies had a color satisfactory to the architect and owner of the building. He stated that \* \* \* was wrong and that the \* \* \* granites selected for the building were higher priced than those bid by \* \* \*.

\* \* \*.--\* \* \* alleged bidding \* \* \* project that was later awarded to a \* \* \* company at a lower price. \* \* \* commented that the architect initially specified \* \* \* granite for the project, which at that time included \* \* \* thick material \* \* \*. The \* \* \* granite was reduced to \* \* \* granite after seeing the difference in costs associated with switching to the thinner material. During the bid process, however, \* \* \* and they selected two foreign granites. The award was based only on the selected color and no alternate granites were considered, according to \* \* \*. \* \* \*.

\* \* \*.--\* \* \* alleged a lost sale on \* \* \*. \* \* \*. \* \* \*, project manager for \* \* \*, commented that \* \* \*. He did not recall either \* \* \* as granites under consideration at any time during examination of bids.

\* \* \*.--\* \* \* alleged the loss of \* \* \* to lower priced \* \* \* imports. \* \* \*, the general contractor for \* \* \*, commented that \* \* \* was the high bidder, at \* \* \* and \* \* \* importers were close bidders at approximately \* \* \*. Although an importer won the project at \* \* \*, \* \* \* was not really in the running since \* \* \* was a required color (in order to match \* \* \*) and they were not bidding that particular color.

\* \* \*.--\* \* \* alleged a lost sale on \* \* \*.

\* \* \*. \* \* \*, project manager for \* \* \*, related the details of this project. Originally, the granite specifications were written for only \* \* \*. Before the invitation to bid was issued, however, this was revised to include \* \* \*. \* \* \* considered bids from \* \* \*. \* \* \* noted that, all things considered, the \* \* \* firms were close in price, with \* \* \* below \* \* \*. However, \* \* \* was basing their bid on a thinner specification of granite than was \* \* \*, so increasing the thickness would have increased \* \* \*'s price.

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

According to \* \* \*, the final decision to use granite fabricated in \* \* \*, however, was based more on information that developed concerning the \* \* \* condition of \* \* \* at the time of the negotiations \* \* \* than on the dollar amount bid by each company. \* \* \*.

\* \* \*.--\* \* \* alleged losing \* \* \* to \* \* \* due to lower priced \* \* \* imports. \* \* \*. \* \* \* also alleged losing \* \* \* allegedly won by \* \* \* imports.

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

\* \* \*. Before addressing the specific allegations, \* \* \* stated that on all jobs in which his company has worked with granite, the selection of the material was based primarily on aesthetics. He explained that in the \* \* \*

area, owners and architects often select materials that blend into the natural environment and surroundings of the region. In addition, most projects are bid not only for the materials involved, but also for the installation of the materials. \* \* \* bids included both the furnishing and installation of the finished granite. \* \* \* feels that foreign fabricators of granite are better able to meet the needs of the building industry in terms of delivery schedules, production, equipment and facilities, and organization than is the domestic industry.

\* \* \*. The architects selected \* \* \* granites from a sampling of \* \* \* granites; the main color was a \* \* \*. Their final decision was based on the desired aesthetics of the finished project as well as on the availability of the materials involved due to the extended time needed for completing this project. The granites selected originate in \* \* \* and will be fabricated in \* \* \*.

\* \* \* confirmed the statements of \* \* \*. He reported that the choice of the color palette was between only those foreign stones listed above. He did say that \* \* \* was the least expensive of the \* \* \* colors for which bids were accepted. He also said that a mock-up of each of the \* \* \* colors was erected on the site of the project to determine its match with the surrounding landscape.

The \* \* \* granites were selected by the architect of the project and will \* \* \* be fabricated in \* \* \*. Again, \* \* \* stressed that aesthetics played a more important role in the selection than did price.

\* \* \*.--\* \* \* tendered a bid and was awarded this project \* \* \*. \* \* \* the project specified \* \* \* granites, with acceptable foreign alternates. \* \* \*. \* \* \*, the transporter and setter for this project, explained that \* \* \*, and on such projects, he normally follows a "Buy America" clause \* \* \*. He stated that \* \* \* was not the lowest bid, but he preferred dealing directly with the fabricator, rather than through a supplier, and he had been confident of \* \* \*'s work from past projects.

\* \* \*.--\* \* \* reported losing the \* \* \* project to \* \* \*-fabricated, lower priced imports.

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

\* \* \* stated that the specified color was \* \* \* and that \* \* \* did not bid that color. Also, the import price for the granite was \* \* \*.

\* \* \*.--\* \* \* alleged \* \* \*. \* \* \* stated that they did not solicit any bids for imported granite for this project. \* \* \* said that \* \* \* granite was chosen because the granite installed on the \* \* \* project has to match the granite installed on a previously constructed building. He does not recall \* \* \* lowering.

\* \* \*.--\* \* \* alleged the loss of \* \* \* to lower priced \* \* \* imports.

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

\* \* \* pointed out, however, that even more important than price, the architect selected only one granite--\* \* \*. 1/

\* \* \*.--\* \* \* alleged losing the \* \* \* project because of lower priced \* \* \* imports. \* \* \*.

\* \* \*, the installer for the project, did not recall any U.S. companies even bidding on the project. He explained that bids were limited to \* \* \* granites quarried near each other and somewhat similar in look and color. The architect preferred \* \* \* and that was the stone selected. \* \* \*.

\* \* \*.--\* \* \* alleged losing a project to \* \* \* on \* \* \* because of price competition from \* \* \* imports. \* \* \*. \* \* \* reported that \* \* \* initially bid \* \* \* to furnish and install granite for the project, but lowered its bid to \* \* \*. He did not confirm the final cost for the selected granite. However, the job was awarded to an \* \* \* firm to supply granite fabricated in \* \* \*. Additionally, \* \* \*, project manager for \* \* \*, stated that the granite chosen was \* \* \* fabricated in \* \* \*, and was selected by the owner and architect, having often seen it \* \* \*. Price was not the top criteria in the selection, according to \* \* \*.

\* \* \*.--\* \* \* alleged lowering their price \* \* \* due to price competition from imports.

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

\* \* \*.--\* \* \* reported lowering their price \* \* \*. \* \* \*, the project's general contractor, indicated that their cost to \* \* \* was lowered \* \* \* after reducing the thickness of the granite \* \* \*. \* \* \*.

\* \* \*.--\* \* \* alleged \* \* \* because of competition from \* \* \*. \* \* \* stated that \* \* \* was only bidding against other domestic companies, and that \* \* \* was the price competition. \* \* \* explained that the acceptable granite was \* \* \*, a granite native to the United States. No foreign bids were solicited for this project.

\* \* \*.--\* \* \* alleged losing a sale to \* \* \* involving a \* \* \*. \* \* \*. The project was allegedly awarded to an \* \* \* importer for \* \* \*. \* \* \* stated that the architect of the project selected certain domestic granites as a basis for the bidding, but opened the bidding to substitute granites. Although the selection was written for \* \* \* granites, a foreign granite was selected. \* \* \* said that a domestic granite would have been selected if the U.S. companies had been more price competitive. The foreign granite was approved by both the architect and owner of the project.

#### Exchange rates

Table 19 presents quarterly data reported by the International Monetary Fund. During January 1985-March 1988 the nominal value of the Italian lira and the Spanish peseta appreciated 63.5 percent and 59.2 percent, respectively, against the U.S. dollar.

---

1/ Refer to the bid specification sheet for \* \* \*, app. F.

Table 19

Exchange rates: 1/ Nominal- and real-exchange-rate indexes of the Italian lira and Spanish peseta in U.S. dollars, and producer price indexes in the United States, Italy, and Spain, 2/ by quarters, January 1985-March 1988

Period	U.S.	Italy		Spain			
	Pro- ducer Price Index	Pro- ducer Price Index	Nominal- exchange- rate index	Real- exchange- rate index <u>3/</u>	Pro- ducer Price Index	Nominal- exchange- rate index	Real- exchange- rate index <u>3/</u>
1985:							
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	100.1	102.1	102.6	104.6	101.6	103.4	104.9
July-Sept..	99.4	102.1	106.6	109.5	102.5	107.8	111.2
Oct.-Dec...	100.0	103.0	115.4	118.9	103.4	113.2	117.1
1986:							
Jan.-Mar...	98.0	102.5	126.4	132.2	102.9	122.1	128.2
Apr.-June..	96.6	106.6	131.2	144.8	103.1	126.0	134.5
July-Sept..	96.2	99.9	140.7	146.1	102.7	133.1	142.1
Oct.-Dec...	96.5	100.6	145.3	151.5	102.5	133.6	141.9
1987:							
Jan.-Mar...	97.7	102.1	154.7	161.7	102.7	139.5	146.6
Apr.-June..	99.3	103.0	155.4	161.3	103.4	142.7	148.6
July-Sept..	100.3	103.9	151.9	157.3	104.0	144.4	149.8
Oct.-Dec...	100.8	105.4	161.8	169.2	104.6	157.7	163.7
1988:							
Jan.-Mar...	101.2	<u>4/</u>	163.5	<u>4/</u>	<u>4/</u>	159.2	<u>4/</u>

1/ Exchange rates are expressed in U.S. dollars per unit of foreign 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 indexed real exchange rate represents the nominal exchange rate adjusted for the relative economic movement of each currency as measured here by the Producer Price Index in the United States and the respective foreign country. Producer prices in the United States increased 0.8 percent during January 1985-December 1987, compared with increases of 5.4 percent in Italy and 4.6 percent in Spain during the same period.

4/ Not available.

Note.--January-March 1985=100.0

Source: International Monetary Fund, International Financial Statistics, May 1988.

Adjusted for inflation, the real value of the Italian lira and Spanish peseta rose more than the value represented by the nominal exchange rates. From January 1985-December 1987, the real value of the Italian lira increased by 69.2 percent against the U.S. dollar, and the Spanish peseta increased by 63.7 percent.





APPENDIX A

THE COMMISSION'S NOTICES OF INSTITUTION

**ACTION:** Institution of final antidumping investigations and scheduling of a hearing to be held in connection with the investigations and with countervailing duty investigation No. 701-TA-289 (Final).

**SUMMARY:** The Commission hereby gives notice of the institution of final antidumping investigations No. 731-TA-381 and 382 (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 States is materially retarded, by reason of imports from Italy and Spain of certain granite,<sup>1</sup> provided for in item 513.74 of the Tariff Schedules of the United States, that have been found by the Department of Commerce, in preliminary determinations, to be sold in the United States at less than fair value (LTFV). The Commission also gives notice of the scheduling of a hearing in connection with these investigations and with countervailing duty investigation No. 701-TA-289 (Final), Certain Granite from Spain, which the Commission instituted on December 24, 1987. The schedules for the countervailing duty and antidumping investigations regarding imports from Spain will be identical, pursuant to Commerce's extension of the countervailing duty investigation (53 FR 2521). Commerce will make its final LTFV determinations regarding imports from Italy on or before June 20, 1988. Commerce's final countervailing duty and LTFV determinations regarding imports from Spain will be on or before June 21, 1988. The Commission will make its final injury determinations within forty-five days after receipt of Commerce's final determinations (see sections 705(a), 705(b), 735(a), and 735(b) of the act (19 U.S.C. 1671d(a), 1671d(b)), 1673d(a), and 1673d(b))).

For further information concerning the conduct of these investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, subparts A and C (19 CFR Part 207).

<sup>1</sup> For purposes of these investigations, "certain granite" is  $\frac{3}{8}$  inch (1 cm) to 2 $\frac{1}{2}$  inches (6.34 cm) in thickness and includes the following: rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. "Certain granite" does not include monumental stones, crushed granite, or curbing. The articles covered by these investigations are provided for in subheading 2516.11.00, 2516.12.00, 6807.00.00, 6802.29.00, and 6802.93.00 in the proposed Harmonized Tariff Schedule of the United States (USITC) Pub. 2030.

and Part 201, Subparts A through E (19 CFR Part 201).

**EFFECTIVE DATE:** February 29, 1988.

**FOR FURTHER INFORMATION CONTACT:** Rebecca Woodings (202-252-1192), Office of Investigations, U.S.

International Trade Commission, 500 E. Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

**SUPPLEMENTARY INFORMATION:**

**Background—**These investigations are being instituted as a result of affirmative preliminary determinations by the Department of Commerce that imports of certain granite from Italy and Spain 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 investigations were requested in a petition filed on July 28, 1987, by the Ad Hoc Granite Committee. In response to that petition the Commission conducted preliminary antidumping investigations and, on the basis of information developed during the course of those investigations, 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 (52 FR 35771, September 23, 1987).

**Participation in the investigations—**Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (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 Chairman, 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 section 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 these investigations 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 investigations must be served on all other parties to the investigations (as identified by the

**INTERNATIONAL TRADE COMMISSION**

[Investigations Nos. 701-TA-289 (Final) and 731-TA-381 and 382 (Final)]

Certain Granite From Italy and Spain

AGENCY: United States International Trade Commission.

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 perhearing staff report in this investigation will be placed in the public record on June 13, 1988, pursuant to § 207.21 of the Commission's rules (19 CFR 207.21).

*Hearing*—The Commission will hold a hearing in connection with these investigations beginning at 9:30 a.m. on June 30, 1988, at the U.S. International Trade Commission Building, 500 E Street SW., 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 June 17, 1988. 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 June 22, 1988, in room 101 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is June 23, 1988.

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 Commission'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 July 7, 1988. 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 July 7, 1988.

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:* These investigations are 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).

By the order of the Commission.

Issued: March 18, 1988.

Kenneth R. Mason,

Secretary.

[FR Doc. 88-6419 Filed 3-23-88; 8:45 am]

BILLING CODE 7020-02-M

---



---

**INTERNATIONAL TRADE  
COMMISSION**

[Investigation No. 701-TA-289 (Final)]

**Certain Granite From Spain**

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

**ACTION:** Institution of a final countervailing duty investigation.

**SUMMARY:** The Commission hereby gives notice of the institution of final countervailing duty investigation No. 701-TA-289 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) to determine whether an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Spain or certain granite,<sup>1</sup> provided for in item 513.74 of the Tariff Schedules of the United States, that have been found by the Department of Commerce, in preliminary determination, to be subsidized by the Government of Spain. Commerce will make its final subsidy determination within forty-five days after notification of Commerce's final determination (see

<sup>1</sup> For purposes of this investigation, "certain granite" is 3/8 inch (1 cm) to 2 1/2 inches (6.34 cm) in thickness and includes the following: Rough sawed granite slabs, face-finished granite slabs, and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. "Certain granite" does not include monumental stones, crushed granite, or curbing. The articles covered by this investigation are provided for in subheadings 2516.11.00, 2516.12.00, 0201.00.00, 6802.23.00, and 6802.93.00 in the proposed Harmonized Tariff Schedule of the United States (USITC Pub. 2030).

section 705(a) and 705(b) of the act (19 U.S.C. 1671d(a) and 1671d(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:** December 24, 1987.

**FOR FURTHER INFORMATION CONTACT:**

Rebecca Woodings (202-252-1192), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1809.

**SUPPLEMENTARY INFORMATION:**

**Background**

This investigation is being instituted as a result of an affirmative preliminary determination by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 701 of the act (19 U.S.C. 1671) are being provided to manufacturers, producers, or exporters in Spain of certain granite. The investigation was requested in a petition filed on July 28, 1987 by the Ad Hoc Granite Committee. In response to that petition the Commission conducted a preliminary countervailing duty 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 (52 FR 35771, September 23, 1987).

**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 Chairman, 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 address 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.

#### Hearing, Staff Report, and Written Submissions

The Commission will hold a hearing in connection with this investigation at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC; the time and date of the hearing will be announced at a later date. A public version of the prehearing staff report in this investigation will be placed in the record prior to the hearing, pursuant to section 207.21 of the Commission's rules (19 CFR 207.21). The dates for filing prehearing and posthearing briefs and the date for filing other written submissions will also be announced at a later date.

**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).

By order of the Commission.

Issued: June 9, 1988.

**Kenneth R. Mason,**

*Secretary.*

[FR Doc. 88-13383 Filed 6-13-88; 8:45 am]

BILLING CODE 7020-02-M

---



APPENDIX B

CALENDAR OF THE HEARING

CALENDAR OF THE HEARING

Those persons listed below appeared as witnesses at the United States International Trade Commission's hearing in investigations Nos. 701-TA-289 (Final) and 731-TA-381 and 382 (Final), Certain Granite from Italy and Spain. The hearing was held in the Main Hearing Room of the United States International Trade Commission, 500 E Street, S.W., Washington, DC, on June 30, 1988, beginning at 9:30 a.m.

In support of the imposition of antidumping and countervailing duties:

Robins, Zelle, Larson & Kaplan--Counsel  
Washington, DC  
on behalf of

The Ad Hoc Granite Trade Group

Patrick Alexander, President, Cold Spring Granite Company  
Thomas E. Weber, Director/Executive Vice President, Cold Spring Granite Company  
Lacy S. Vernon, President and CEO, The North Carolina Granite Corp.  
Clark Hoffman, Vice President - Finance, Capitol Marble and Granite Company, Inc.  
Jack S. Thompson, Corporate Controller, Cold Spring Granite Company  
R. Scott Rinn, Vice President - General Counsel, Cold Spring Granite Company

Charles R. Johnston, Jr.)  
Pamela M. Deese )--OF COUNSEL



In opposition to the imposition of antidumping and countervailing duties:

Dow, Lohnes & Albertson--Counsel  
Washington, DC  
on behalf of

Alimonti Fratelli S.p.A.  
Antolini Luigi S.a.S.  
Associazione degli Industriali della Provincia di Lucca  
Associazione della Industria Marmifera Italiana e delle Industrie Affini  
Bonotti S.N.C.  
Campolonghi Italia S.p.A.  
The Committee to Defend the American Granite Industry  
Cremar S.p.A.  
Euomarble S.p.A.  
F.lli Guarda S.p.A.  
Formai & Mariani S.R.L.  
Granitex S.p.A.  
Henraux S.p.A.  
Marcolini Marmi S.p.A.  
Margraf S.p.A.  
Pisani Brothers S.p.A.  
Savema S.p.A.  
Serio Carlo S.p.A.  
Unione Generale degli Industriali Apuani del Marmo e Affini  
Michael Vandever Associates, Inc.

Malcolm S. Cohen, President, Domestic Marble and Stone Corp.  
Barry Donaldson, Executive Vice President, Tishman Realty and  
Construction  
J. Michael Blakl y, CEO, Blakley Corp.  
Michael Vandever, President, Michael Vandever Associates  
John C. Pisani, President, Pisani Brothers S.p.A.  
Louisa Parmeggiani, Bonotti Marble and Granite Group

William Silverman )  
Leslie H. Wiesenfelder)--OF COUNSEL  
Carrie Simon )

Kaplan, Russin & Vecchi--Counsel  
Washington, DC  
on behalf of

Ingemar, S.A.  
Ingemarga, S.A.

Charles S. Davenport, Marketing Manager, Ingemar Corp.  
Claude Ledgerwood, Chairman of the Board, The Marble Shop, Inc.

Kathleen F. Patterson)  
Francisco A. Laguna )--OF COUNSEL

In opposition to the imposition of antidumping and countervailing duties:

Cadwalader, Wickersham & Taft--Counsel  
Washington, DC  
on behalf of

Artemarmol, S.A.  
Granitos Ibericos-Grayco, S.A.  
Ramilo, S.A.  
Santal, S.A.

Frederick P. Waite--OF COUNSEL

Stokes, Shapiro, Fussell & Wedge--Counsel  
Atlanta, GA  
on behalf of

Dee Brown Masonry, Inc.  
Dekor National, Inc.  
Florentine Company  
Hatch Masonry, Inc.  
Intrepid Enterprises, Inc.  
Roubin & Janiero, Inc.

MacNeil Stokes--OF COUNSEL

APPENDIX C

COMMERCE'S NOTICES OF FINAL DETERMINATIONS

---

**International Trade Administration****[A-469-701]****Final Determination of Sales at Less Than Fair Value; Certain Granite Products From Spain****AGENCY:** Import Administration/  
International Trade Administration/  
Commerce.**ACTION:** Notice.

---

**SUMMARY:** We have determined that certain granite products from Spain are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.**EFFECTIVE DATE:** June 28, 1988.**FOR FURTHER INFORMATION CONTACT:**  
Charles E. Wilson, (202) 377-5288 or  
James Riggs, (202) 377-1766, Office of  
Investigations, Import Administration,  
International Trade Administration, U.S.  
Department of Commerce, 14th Street  
and Constitution Avenue NW.,  
Washington, DC 20230.**SUPPLEMENTARY INFORMATION:****Final Determination**

We have determined that certain granite products from Spain are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff

Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

#### Case History

Since the last Federal Register publication pertaining to this investigation (the Notice of Preliminary Determination of Sales at Less Than Fair Value (53 FR 6023, February 29, 1988)), the following events have occurred.

On March 1, 1988, petitioner alleged that respondents' sales of slabs, not cut-to-size, and tiles, were at prices below their cost of production (See DOC Position, Comment 4).

On March 10, 1988, respondents requested that we postpone the final determination until June 21, 1988. On April 18, 1988, in accordance with section 735(a)(2)(A) of the Act, we published notice of the postponement of the final determination until June 21, 1988 (53 FR 12713).

Verification of the responses was conducted from March 14 through March 30, 1988. A public hearing was requested. This request was subsequently withdrawn. Final comments were received from petitioner, respondents, and interested parties.

#### Scope of Investigation

The products covered by this investigation are certain granite products. Certain granite products are  $\frac{3}{4}$  inch (1 cm) to 2 $\frac{1}{2}$  inches (6.34 cm) in thickness and include the following: rough-sawed granite slabs; face finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products are provided for under the *Tariff Schedules of the United States Annotated* (TSUSA) number 513.7400 and under the *Harmonized System* (HS) item numbers 2516.12.00, 6802.23.00, and 6802.93.00.

#### Period of Investigation

The period of investigation is March 1, 1987 through August 31, 1987, except for Ingemar, S.A. For this respondent, we requested data on a sale of cut-to-size granite slabs for a project which occurred in November 1986. We requested data concerning this sale in order to include an additional sale of a large project.

#### Fair Value Comparisons

To determine whether sales in the United States were made at less than fair value, we compared the United States price with foreign market value as specified below.

##### United States Price

We based United States price for all U.S. sales on purchase price in accordance with section 772(b) of the Act. These sales were made directly to unrelated customers in the United States prior to importation. Under these circumstances, section 772(b) requires that purchase price be used for determining the U.S. sales price.

We calculated purchase price based on the f.o.b. or c.i.f. packed prices to unrelated purchasers in the United States. We made deductions, as appropriate, for foreign inland freight and handling, ocean freight and marine insurance, and discounts.

##### Foreign Market Value

We calculated foreign market value based on home market packed prices to unrelated purchasers for all sales except for sales from Ingemar of cut-to-size slabs, in accordance with section 773(a) of the Act.

When basing foreign market value on home market prices, we made deductions, where appropriate, for inland freight and insurance, and discounts. In order to adjust for differences in packaging between the U.S. and home markets, we deducted the home market packing cost from the foreign market value and added U.S. packing costs. We made an adjustment for differences in circumstances of sale for credit expenses pursuant to § 353.15 of our regulations. We also adjusted for commissions on sales in the home market, where appropriate, using indirect selling expenses in the United States, as an offset to those commissions pursuant to § 353.15(c) of our regulations.

We established separate categories of "such of similar" merchandise pursuant to section 771(16) of the Act, on the basis of form of material (rough slabs, face finished slabs, and tiles), type of stone, dimensions, finishes, edgeworks, anchoring and assembly work. In accordance with section 773(a)(4)(C) of the Act, we made adjustments to similar merchandise to account for differences in the physical characteristics of the merchandise where there were no identical products in the home market with which to compare products sold in the United States. These adjustments were based on differences in the costs

of materials, direct labor and directly related factory overhead.

We calculated foreign market value based on constructed value in accordance with section 773(e) of the Act for cut-to-size slabs or projects of Ingemar sold in the United States because there were no comparable projects sold in the home market or third countries. We used the respondent's submissions for material and fabrication costs. Material costs were adjusted to reflect the actual prices reviewed during verification. For projects which incurred fabrication costs from finishing workshop process #408 (craftsman process performed on cut-to-size slabs), we adjusted the reported costs by the percentage of the difference between submitted and verified data.

We used U.S. selling expenses in accordance with the Department's usual methodology when there are no home market or third country sales which are comparable. General expenses for Ingemar were computed using the submission, adjusted for additional personnel expenses discovered during verification, income from fixed asset disposal, and deletion of bad debt items. Interest expense was offset for a proportion related to credit so as to avoid counting the selling expenses twice. Where the amount for general expenses was less than ten percent of the cost of materials and fabrication, we used the statutory minimum of ten percent.

Where the amount for profit was less than eight percent of the sum of the costs of materials, fabrication and general expenses, we used the statutory minimum of eight percent. Where appropriate for constructed value, adjustments were made under § 353.15 of the Commerce Regulations for differences in circumstances of sale between the two markets. This adjustment was for differences in credit expenses.

#### Currency Conversion

We made currency conversions as of the date of sale in accordance with § 353.56(a)(1) of our regulations. All currency conversions were made at the rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, we verified all information used in reaching the final determination in this investigation.

#### Interested Party Comments

*Comment 1:* Petitioner asserts that all responses contained numerous errors.

inconsistencies and omissions, and that the information submitted has not been verified in its entirety. Petitioner urges the Department to use the best information otherwise available as supplied by petitioner for purposes of the final determination.

Those respondents whose information was verified argue that the Department conducted a thorough and comprehensive verification, and that the petitioner's request that best information otherwise available be used is, therefore, groundless.

*DOC Position:* The Department conducted verifications at Ingemar, Ingemarga, and Artemarmol. The Department considers the responses of these companies to be verified. We have reported all significant issues raised at verification, our verification methods, and major discrepancies found. We do not, however, consider the errors, inconsistencies, and omissions found to be of a frequency or magnitude which would warrant rejecting respondent's data and using petitioner's data as best information otherwise available.

We did not conduct a verification for Modulgranito Iberico, a voluntary respondent, because it failed to confirm that all costs contained in its submission were actual. Given that Modulgranito Iberico was not required to respond to our questionnaire, we did not calculate a separate margin based on best information otherwise available. This company will thus be subject to the margin calculated for all other manufacturers, producers and exporters.

We also did not conduct a verification for Granitos Ibericos because it failed to submit all of the requested information (see *DOC Position, Comment 3*). This respondent, however, had been presented with a questionnaire, unlike Modulgranito Iberico. Therefore, consistent with our preliminary determination, we used the highest margin of all the responding companies as the best information otherwise available rather than the information supplied by the petitioner for two reasons. First, the petition discusses only cut-to-size granite slabs or projects whereas we believe that Granitos Ibericos exports to the United States not only cut-to-size slabs, but also the other granite products contained in the scope of the investigation. Second, the margins set forth in the petition do not appear to be the best information otherwise available given the significant difference between these margins, which are based upon a constructed foreign market value, and the margins calculated through verification of Ingemar, Ingemarga, and Artemarmol.

*Comment 2:* The petitioner argues that the dumping margins calculated for two of the respondents, Ingemar and Ingemarga be "collapsed," or weight-averaged, and that the resulting rate be applied to both companies. The petitioner is concerned that because both companies are owned by a single family, the two companies could evade the dumping law by redirecting U.S. sales by the company with the higher margin through the company with the lower margin.

The respondents argue that the companies should be treated separately because they operate, for the most part, as separate entities, and that any attempt to evade the dumping law as alleged by the petitioner would be detected during an administrative review.

*DOC Position:* Although not expressly required by the Act, the Department has a long-standing practice of calculating a separate dumping margin for each manufacturer or exporter investigated. The issue, then, is whether Ingemar and Ingemarga constitute separate manufacturers or exporters for purposes of the dumping law. We believe that, under this set of facts, these companies are not separate, and that it is appropriate to calculate a single, weighted-average margin for Ingemar and Ingemarga.

The administrative record establishes a close, intertwined relationship between Ingemar and Ingemarga based upon their joint ownership. Both Ingemar and Ingemarga are owned almost exclusively by the same individuals and share the same board of directors. Though only one transaction took place between Ingemar and Ingemarga during the period of investigation, these companies at times operate closely together. For example, Ingemar and Ingemarga share information on possible sales opportunities. Ingemar and Ingemarga are also billed jointly by outlets in the home market. Finally, the joint owners of Ingemar and Ingemarga have directed the day-to-day manufacturing process for each company by specifying which entity would import granite and which would use local quarries. Indeed, the production facilities at both companies consist of the same type of equipment so it would not be necessary to retool either plant's facilities before implementing a decision to restructure either company's manufacturing priorities. The only difference between these commonly-owned companies is that one uses domestic granite and the other, foreign granite, as inputs. Given these facts, it would be incorrect to

conclude that these entities constitute two separate manufacturers or exporters under the dumping law.

*Comment 3:* Respondent Granitos Ibericos argues that the best information available for determining whether its merchandise was being sold at less than fair value is the margin for "all others." Respondent claims that it consistently made good faith efforts to respond to the Department's questionnaires and should not be penalized by arbitrarily applying the higher margin, which was that of a company producing only tiles. Since Granitos Ibericos produces primarily cut-to-size granite slabs, the best information otherwise available would be that relating to companies similarly situated.

Petitioner urges the Department to use petitioner's data as best information otherwise available because Granitos Ibericos did not respond to the Department's questionnaires.

*DOC Position:* Granitos Ibericos did not provide the Department with sufficient data to ascertain definitively which granite products it sold to the United States. So deficient were the responses of this company that it was not possible to undertake verification. Therefore, we used the highest margin of all the responding companies as the best information otherwise available (see *DOC Position, Comment 1*).

*Comment 4:* Petitioner argues that the Department should have initiated a cost of production investigation based on petitioner's allegation that respondents' home market sales are being made below their cost of production. Petitioner argues that this allegation was submitted on a timely basis and that the basis for this assertion is reasonable. Respondents argue that the Department has already reviewed petitioner's allegation and that the petitioner has not supplied any new evidence. Respondents argue further that petitioner should not be allowed to wait until after the preliminary determination to allege sales at less than cost based on data obtained prior to the preliminary determination.

*DOC Position:* The Department agrees with respondents. Petitioner's request that the Department conduct a cost of production investigation was received after the preliminary determination in this investigation. Based on the facts in this investigation, we determined that we did not have sufficient time to conduct a full and proper investigation of this allegation. Furthermore, we believe that petitioner had sufficient information prior to the preliminary determination to allow the filing of a timely allegation. Therefore, we

determine that petitioner's cost of production allegation was not submitted in a timely manner.

Notwithstanding the fact that petitioner's allegation was untimely, we reviewed the allegations using the Department's cost of production figures and sample sales of each company. We found that less than one percent of the sample sales were made at less than cost.

*Comment 5:* Respondents Ingemar and Ingemarga argue that a level of trade adjustment was adequately justified at verification by the documented costs of the retail outlets in Spain. Petitioner argues that the costs documented are actually indirect selling expenses and are inadequate to document a level of trade adjustment. Petitioner further argues that respondents failed to provide information which substantiates that differences in price between the United States and home market are due to differences in costs.

*DOC Position:* We disallowed the level of trade adjustment because respondents failed to show that the selling expenses incurred on U.S. sales would have been incurred in the home market had there been sales at the same level of trade in that market.

*Comment 6:* Petitioner claims that "tolled" sales may not have been included in Ingemarga's response and that finishing work may not have been included in the total price. Respondent maintains that there were no "tolled" sales and no finishing work was done on U.S. sales.

*DOC Position:* The Department verified that there were no tolled sales and that finishing work was not done on U.S. sales.

*Comment 7:* Respondent Artemarmol claims that the proper comparison for sales to the U.S. of Blanco Castilla tile is the sales of Blanco Perla tile in the home market. Respondent argues that Blanco Castilla and Blanco Perla are virtually identical in appearance, technical characteristics, production costs, raw material costs, and price of the finished tile. Respondent argues that Azul Imperial tile, the comparison used in the preliminary determination, is different from Blanco Castilla tile in physical appearance, production experience, and raw material cost, and therefore should not be used as a basis for comparison.

Petitioner argues that the Department should continue to compare Blanco Castilla tile to Azul Imperial tile because the price list used by respondent to show that Blanco Perla and Blanco Castilla are sold at the same price is outside the period of investigation and thus cannot be used as impartial evidence.

*DOC Position:* The Department agrees with respondent. Verification substantiated that the characteristics of Blanco Perla are more similar to those of Blanco Castilla than those of Azul Imperial.

*Comment 8:* Petitioner argues that since four of Artemarmol's U.S. sales were found to be denominated in U.S. dollars, other sales may have been converted to pesetas or dollars using incorrect exchange rates. Petitioner urges the Department to use the exchange rate on the date the invoice was paid. Respondent maintains that all other sales were made in pesetas, and the Department used the correct exchange rates in the preliminary determination.

*DOC Position:* The Department agrees with respondent. The Department has converted all sales found to be denominated in pesetas at the Federal Reserve Bank rate in effect on the date of sale, in accordance with § 353.56(a)(1) of our regulations.

*Comment 9:* Petitioner urges the Department to adjust Artemarmol's U.S. sales to take into account the fact that inland freight on these sales is provided free of charge. Respondent argues that this issue is not relevant in an antidumping duty investigation.

*DOC Position:* The Department verified that Artemarmol incurred no inland freight costs on its U.S. sales. We, therefore, have made no deduction for this.

*Comment 10:* Petitioner urges the Department to assign a zero value to one of Artemarmol's U.S. sales which was invoiced at no charge because there was no written indication that the merchandise was replacement granite. Respondent claims that the transaction in question involved the replacement of tiles damaged in transit as evidenced by a letter from the customer to the Department provided in respondent's supplemental submission of May 31, 1988.

*DOC Position:* The Department agrees with respondent. Although there was no written proof on the invoice that this sale was for replacement granite, we can assume from Artemarmol's past experience and from the letter from the customer involved in this transaction that the sale was not simply given away free of charge, but was for replacement granite.

*Comment 11:* Petitioner argues that the Department must include the one slab sale made by the respondent Artemarmol to the United States. Respondent argues that this sale should not be included because it was merely a "pass-through" transaction to accommodate its customer, i.e.,

respondent purchased the slabs from an unrelated supplier and shipped and sold the slabs to its U.S. customer.

*DOC Position:* The Department has not included the one slab sale for the following reasons. First, based on the November 1988 purchase order for granite tile, which was sold on the same invoice as the slab sale, we believe that the slab sale was outside the period of investigation. Second, the Department verified that the slabs sold were a product of another company. Artemarmol acted in this transaction as a middleman. It bought the slabs from another company and shipped them directly to its U.S. customer without further manufacturing. When a producer is unrelated to a middleman and the producer knows that its good is destined for the United States, it is our practice to use the price the producer charges the middleman as the U.S. price. Since the producer which utilized Artemarmol as a middleman was not presented a questionnaire, we did not attempt to verify any information related to this sale.

*Comment 12:* Petitioner argues that Artemarmol's statement that it has no advertising or promotional expenses with respect to sales to "second-level customers or end-users in the U.S." implies that respondent does incur expenses for first-level customers. The Department should, therefore, apply an advertising expense using the best information available. Respondent claims that the language it used conforms to the language used in the Department's questionnaire.

*DOC Position:* The Department did not make the adjustment requested by petitioner because we verified that respondent does not incur any advertising directed at the customer's customer. We do not make an adjustment when the advertising is directed towards the party purchasing from the manufacturer or exporter.

*Comment 13:* Petitioner argues that the Department should use best information as provided by petitioner for waste loss and yield because respondent Ingemar was unable to provide actual waste loss and yield information on a per project basis for all granite types used.

Respondent notes that loss ratios were verified for the major project's primary color granite (which was the majority of all cut-to-size granite under investigation) and that the actual data verified indicated that the yields used in the submission were conservative.

*DOC Position:* The Department agrees that respondent's waste loss methodology, which was developed for

specific granite widths from available source documents, was an appropriate method to determine the waste loss for a project using a specific width of granite. Calculations related to the loss were tested extensively during verification. The tested population encompassed the majority of the cut-to-size granite under investigation and was reconciled to source documents. Therefore, no adjustments were made to waste loss in the submission.

*Comment 14:* Petitioner argues that Ingemar's lack of project-specific data concerning sawing, finishing, and dimensioning costs as reported in the submission constitute "unverifiable data." Petitioner also argues that labor and factory overhead costs reported by respondent cannot be considered verified because it utilized production ratios in its allocation to the projects. Petitioner thus concludes that the Department should use best information for sawing, finishing and dimensioning costs and production ratios for purposes of the final determination.

Respondent notes that its internal records are not normally kept on a project-specific basis, but that the production ratio methodology used for the submission is an integral part of its internal accounting system and was verified on a company-wide basis for the major granite types used in the projects under investigation.

*DOC Position:* Respondent's methodology and calculations for sawing, finishing and dimensioning costs were tested extensively during verification. The labor and factory overhead costs reported for these processes were traced to the appropriate cost centers and to source documents. Production ratios (the square meters of slabs produced from a cubic meter (commercial volume) of block) for different granite types and widths were compared with actual records. Since these reconciled, no adjustments were made to the production ratios used to prepare the submission or to the labor and factory overhead costs.

*Comment 15:* Petitioner contends that depreciation expense reported in the submission by Ingemar is incorrect because it is based on an allocation method using the prior year's depreciation expense.

Ingemar explains that depreciation is only computed at year end, after the submission had been prepared, and therefore an estimate for depreciation was computed using prior year financial statements to record depreciation expense. Respondent also notes that the reconciliation of the manual accounting system (from which the submission was prepared) to the electronic data

processing general ledger system (which computes the year-end depreciation) verified that the use of the manual cost data did not result in a distortion of the costs of production used for constructed value.

*DOC Response:* The depreciation expense reported in the submission could be compared to the actual depreciation expense computed for the year-end financial statements reviewed during verification. Therefore, no adjustments were made to the amount included in the submission.

*Comment 16:* Petitioner argues that the Department should allocate all expenses incurred by respondent to perform finishing workshop process #408 (craftsman processes performed on cut-to-size granite) to U.S. sales, since respondent was unable at verification to recompute the amounts reported in the submission for this process.

Respondent notes that all special processes that have units of production were relatively easy to allocate to the projects on a basis of cost per unit of production. Process #408 had no units of production on which to base an allocation. Respondent also notes that it was a relatively small processing cost item in the projects.

*DOC Position:* In the allocation of Ingemar's costs to the cut-to-size projects under investigation, the Department noted that the allocation of labor and factory overhead costs to finishing process #408 reported in the submission did not reconcile to allocated amounts calculated during verification. Therefore, the Department has adjusted the labor and factory overhead allocation per project for this specific process by the percentage of difference between the reported and verified data.

*Comment 17:* Petitioner believes that no drafting expenses were reported by Ingemar in the constructed values reported for the cut-to-size projects in the submission.

Respondent states that the drafting cost to which the petitioner refers is not incurred by Ingemar. It is instead incurred by purchasers of cut-to-size granite from Ingemar. Respondent further states that all in-house expenses related to the costs of the cut-to-size drawings have been included in the reported SG&A expenses.

*DOC Position:* The Department reviewed blueprints during verification specifying dimensions of cut-to-size pieces of granite used in the projects under investigation and noted that the drawings had been prepared by the client, not Ingemar. All costs reported in the submission (including SG&A) were reconciled to Ingemar's accounting

records for the period of investigation, and no adjustments were made for drafting expenses for the final determination.

*Comment 18:* Respondent Ingemar requests that the Department use the verified financial expenses as reported in the submission, citing the fact that certain financial expenses reported in the company financial statements have been identified and reported as adjustments to sales in the submission. Therefore, to include as SG&A the entire amount of financial expense per the financial statements, without adjusting the selling expenses, will result in counting financial expenses twice.

*DOC Position:* The Department reviewed during verification the SG&A expenses as reported in the submission and noted that certain adjustments were made by Ingemar to the financial expenses to avoid double counting those financial expenses which were reported as adjustments to sales, e.g., credit expenses.

For financial expenses incurred for bad debts, the Department determined that the provision for bad debts and collection on bad debts in excess of reserves, as reported in the SG&A, did not properly belong in the SG&A for the cut-to-size projects under investigation. Ingemar made a provision for future bad debts and recorded the collection of prior bad debts. These provisions, however, did not affect the specific costs of the projects under investigation. Therefore, the SG&A expense as calculated for Ingemar by the Department for the cut-to-size projects under investigation does not include provisions for, or collections of, non-project specific bad debt.

#### Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of certain granite products from Spain for all manufacturers/producers/exporters that are entered, or withdrawn from warehouse, for consumption, on or after the date of publication of this notice in the Federal Register. The Customs Service shall require a cash deposit or the posting of a bond equal to the estimated amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. The suspension will remain in effect until further notice. The weighted-average margins are as follows:



Manufacturer/Producer/Exporter	Margin percentage
Granitos Ibericos, S.A.	2.19%
Ingemar, S.A./Ingemarga, S.A.	1.78%
Artemarmol, S.A.	2.19%
All Others	1.93%

Article VI:5 of the General Agreement on Tariffs and Trade provides that "[n]o . . . product shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization." This provision is implemented by section 772(d)(1)(D) of the Act, which prohibits assessing dumping duties on the portion of the margin attributable to an export subsidy, since there is no reason to require a cash deposit or bond for that amount. However, in the countervailing duty investigation, the suspension of liquidation on entries of the subject merchandise was terminated on April 22, 1988, in accordance with Article 5, paragraph 3 of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade. Since no bonds or deposits are currently being posted in the countervailing duty investigation, the level of export subsidies (as determined in the final affirmative countervailing duty determination on certain granite products from Spain) will not be subtracted from the dumping margin for cash deposit or bonding purposes. If the ITC makes an affirmative determination of injury, in both investigations, the level of export subsidies will be subtracted from the dumping margin for cash deposit purposes.

The cash deposit or bonding rate established in the preliminary antidumping duty determination shall remain in effect with respect to entries or withdrawals from warehouse made prior to the date of publication of this notice in the *Federal Register*. This suspension of liquidation will remain in effect until further notice.

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. 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. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order on certain granite products from Spain, 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 published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

June 21, 1988.

Jan W. Mares,

Assistant Secretary for Import Administration.

[FR Doc. 88-14548 Filed 6-27-88; 8:45 am]

BILLING CODE 3510-09-M

[C-469-702]

#### Final Affirmative Countervailing Duty Determination; Certain Granite Products From Spain

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

**ACTION:** Notice.

**SUMMARY:** We determine that benefits which constitute subsidies within the meaning of the countervailing duty law are being provided to manufacturers, producers or exporters in Spain of certain granite products as described in the "Scope of Investigation" section of this notice. The estimated net subsidy and duty deposit rates are specified in the "Suspension of Liquidation" section of this notice.

We have notified the U.S. International Trade Commission (ITC) of our determination. If the ITC determines that imports of certain granite products materially injure, or threaten material injury to, a U.S. industry, we will direct the U.S. material injury to, a U.S. industry, we will direct the U.S. Customs Service to resume suspension of liquidation of all entries of certain granite products from Spain that are entered or withdrawn from warehouse, for consumption, on or after the date of publication of our countervailing duty order and to require a duty deposit on entries of the subject merchandise in an amount equal to the appropriate duty deposit rate as described in the "Suspension of Liquidation" section of this notice.

**EFFECTIVE DATE:** June 28, 1988.

**FOR FURTHER INFORMATION CONTACT:** Loc Nguyen or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-0167 (Nguyen) or 377-2438 (Tillman).

#### SUPPLEMENTARY INFORMATION: Final Determination

Based on our investigation, we determine that benefits which constitute subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), are being provided to manufacturers, producers or exporters in Spain of certain granite products. For purposes of this investigation, the following programs are found to confer subsidies:

- Certain types of short-term loans provided under the Privileged Circuit Export Credits Program.
- Regional Investment Incentives
- Grants under the Large Area of Industrial Expansion of Galicia Program (LAIEG)
- Preferential access to official credit under LAIEG
  - Grants under Basque decree 153/1985.
  - Rebates of interest on Long-term loans under Galician Decree 82/1984.

#### Case History

Since the publication of the preliminary determination (*Preliminary Affirmative Countervailing Duty Determination: Certain Granite Products from Spain* (52 FR 48737, December 24, 1987) (*Certain Granite*), the following events have occurred.

On December 30, 1987, petitioner requested an extension of the final determination to correspond with the antidumping final determination. On January 28, 1988, we published a notice agreeing to this extension (53 FR 2521, January 28, 1988). On March 10, 1988, respondents requested an extension of the antidumping determination from May 2, 1988, to June 21, 1988. On April 18, 1988, we published a notice agreeing to this extension (53 FR 12713, April 18, 1988).

Supplemental questionnaire responses were submitted by Ingemar, S.A. (Ingemar) and Ingemarga, S.A. (Ingemarga) on January 25, and February 10, 1988; Ingemarga also submitted a supplemental response on February 4, 1988. Artemarmol, S.A. (Artemarmol), Granitos Ibericos-Grayco, S.A. (GIG), and Santal, S.A. (Santal) submitted supplemental questionnaire responses on January 27, 1988. Ramilo, S.A. (Ramilo) submitted a supplemental questionnaire response of February 8, 1988. We conducted verification in Spain from February 8, to March 3, 1988, of the questionnaire responses of the government of Spain, Artemarmol, GIG, Ingemar, Ingemarga, Ramilo, and Santal. Amended responses based on information reviewed at verification were submitted by Artemarmol, GIG,

Ramilo, and Santal, on March 30 and June 13, 1988. Ingemar submitted amended responses on April 5, April 12, April 19, May 27, 1988. Ingemarga submitted amended responses on April 6 and May 27, 1988.

Although no public hearing was held, initial briefs were filed by petitioner and by all respondents except the government of Spain on May 18, 1988. Rebuttal briefs were filed on May 23, 1988, by petitioner and all respondents.

#### Scope of Investigation

The products covered by this investigation are certain granite products from Spain. Certain granite products are  $\frac{3}{8}$  inch (1 cm) to  $2\frac{1}{2}$  inches (6.34 cm) in thickness and include the following: Rough sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products are currently classified under *TSUSA*, item number 513.7400 and under HS item numbers 2516.12.00, 6802.23.00 and 6802.93.00.

#### Analysis of Programs

For purposes of this final determination, the period for which we are measuring subsidies ("the review period") is calendar year 1988, which corresponds to the fiscal year of all the respondent companies.

In our original questionnaire of August 27, 1987, we requested the government of Spain to identify all producers and exporters of the subject merchandise to the United States. On September 22, 1987, the government of Spain identified Artemarmol, GIG, Ingemar, Ingemarga, Santal, Granitos Espanoles, S.A. (GE), and Marmoles y Granitos de Espana, S.A. (M&G) as exporters of products under the Spanish basket tariff numbers which include the subject merchandise. Ramilo, along with several of the above-cited companies, was identified as an exporter under the basket tariff numbers in a September 18, 1987, telegram from our Embassy in Madrid. The Spanish government stated that it was very difficult to establish which companies actually export the subject merchandise to the United States, since the Spanish tariff classification includes all kinds of stone. Therefore, between September 22, 1987, and November 13, 1987, we had various discussions and correspondence with the Embassy of Spain attempting to identify actual exporters of the subject merchandise. On October 14, 1987, we received the government of Spain's response in which four companies,

Artemarmol, GIG, Ingemar and Ingemarga, were identified as producers and exporters of the subject merchandise. On the same date, we also received responses from these four companies.

Upon reviewing the responses, the export statistics submitted by the government of Spain and the telegram from our Embassy in Madrid, we determined that there appeared to be four more companies exporting the subject merchandise: GE, M&G, Ramilo, and Santal, which had not responded. Thus, on November 13, 1987, we requested in our supplemental questionnaire that these four companies respond by November 27, 1987. On November 27 and December 1, 1987, respectively, we received responses from Ramilo and Santal. In our preliminary determination, we stated that, if GE and M&G had not responded by the date of the preliminary determination, we might have to use best information available to calculate a rate for them in accordance with section 776(b) of the Act. Since we received no responses from GE and M&G, we are using as best information available for these companies the sum of the highest individual company rates found under each program in this determination, which is 3.77 percent *ad valorem*.

In countervailing duty investigations, it is our practice to calculate a country-wide rate. In calculating the country-wide rate, we normally calculate an average rate for all companies based on the sum of the benefits under each program divided by the sum of relevant sales. In this case, however, we cannot include GE and M&G in the calculation of the country-wide rate because we have no information on the value of their exports of the subject merchandise to the United States. Therefore, these two companies are receiving a separate rate and have not been included in the calculation of the country-wide rate.

Based upon our analysis of the petition, the responses to our questionnaire, verification, and written comments from respondents and petitioner, we determine the following:

#### I. Programs Determined To Confer Subsidies

We determine that subsidies are being provided to manufacturers, producers or exporters in Spain of certain granite products under the following programs:

##### A. Certain Types of Short-Term Loans Under the Privileged Circuit Export Credits Program (PCECP)

We verified that exporters of certain granite products from Spain are benefitting from a system of short-term

preferential loans mandated by the government of Spain for exporters. Under this system of "privileged-circuit export credits," at least four types of loans are alleged to be available to exporters of certain granite products: (1) Working capital loans, (2) pre-financing of exports, (3) short-term export credits or post-financing of exports, and (4) commercial service loans.

The government of Spain required all Spanish commercial banks to maintain a specific percentage of their lendable funds (the "investment coefficient") in privileged-circuit accounts. These funds were made available to exporters at below-market interest rates.

Under the terms of a Treasury Order dated April 14, 1982, the working-capital loan program for exporters was gradually phased out and terminated as of January 1, 1988. The other three types of export financing under the PCECP were terminated as of March 6, 1987, by Royal Decree 321/1987, issued on February 27, 1987.

While there was no direct outlay of government funds, the benefits conferred on the companies were the result of a government-mandated program to promote exports. We verified that the producers and exporters of certain granite products received three of the four types of PCECP loans: working-capital loans, pre-financing and post-financing export loans.

1. *Working Capital Loans.* Under the PCECP, firms were able to obtain working capital loans for one year, although we found at verification that some loans were paid off a few weeks late. The amount of loans for which a firm was eligible was based on a specified percentage of its previous year's exports. These loans were no longer available as of January 1, 1988, pursuant to a Treasury Order of April 14, 1982. We verified that GIG, Ingemar, and Ramilo had working capital loans outstanding during the review period.

As stated above, although no direct outlay of government funds was used to finance these loans, they were the result of a government-mandated program to promote exports. Because eligibility for this type of financing was contingent upon exports, we determine that it is countervailable to the extent that it was offered at preferential rates.

To determine whether these loans were made at preferential rates, we compared the interest rates charged on working-capital loans with the appropriate benchmark interest rate. Because the terms of these loans were a year, we determine that the most appropriate benchmark is the "one to three years" leading rate charged by

Spanish private banks as published in the *Boletín Estadístico* of the *Banco de España*. This comparison shows that the interest rates on these export loans are below the benchmark. Accordingly, we determine this program to be countervailable.

To calculate the benefit, we followed the short-term loan methodology which has been applied in virtually all final countervailing duty determinations and which is described in more detail in the *Subsidies Appendix* attached to the notice of *Cold-Rolled Carbon Steel Flat-Rolled Products from Argentina: Final Affirmative Countervailing Duty Determination and Countervailing Duty Order* (49 FR 18006, April 26, 1984). We compared the amount of interest actually paid during the review period to the amount the companies would have had to pay had the loans been at the benchmark commercial rate. We verified that working-capital export loans were not tied to specific export transactions. Therefore, for the country-wide rate, we allocated the 1986 benefits of Ingemar and Ramilo over the total value of exports of those respondent companies whose overall estimated net subsidy rates are above *de minimis* (0.50 percent or above). The country-wide rate for this program is 0.23 percent *ad valorem*. The rate is 0.32 percent *ad valorem* for GE and M&G. The rate is 0.02 percent *ad valorem* for GIG and zero for Santal.

We verified that this program was terminated by a Treasury Order of April 14, 1982, effective January 1, 1986, and that the respondent companies made the last interest and principal payments on this type of loan before our preliminary determination. Therefore, we determine that the duty deposit rate is zero for this program.

**2. Pre-financing of Exports.** We verified that the maximum term of pre-financing export loans was up to seven months and that Artemarmol, Ingemar and Ramilo had pre-financing export loans on which interest was paid during the review period. Although no direct outlay of government funds was used to finance these loans, they, like the working-capital loans, were the result of a government-mandated program to promote exports. Because eligibility for this type of financing was contingent upon exports, we determine that it was countervailable to the extent that it was offered at preferential rates.

To determine whether these loans were made at preferential rates, we compared the interest rates charged on pre-financing export loans to the appropriate benchmark, which we determine is the "three-month" lending rate charged by Spanish private banks

as published in the *Boletín Estadístico* of the *Banco de España*. This comparison shows that the interest rates on these export loans were below the benchmark. Accordingly, we determine this program to be countervailable.

To calculate the benefit arising from these loans, we compared the amount of interest actually paid during the review period to the amount the companies would have had to pay had the loans been at the benchmark commercial rate, in accordance with our short-term loan methodology. We verified that pre-financing export loans were tied to specific export transactions. We also verified that the loans were provided on shipments to the United States that included products other than the subject merchandise. Therefore, we allocated the 1986 benefits for Artemarmol, Ingemar and Ramilo over the value of exports of all products to the United States of all non-*de minimis* respondent companies to calculate an estimated net subsidy of 0.32 percent *ad valorem*. The estimated net subsidy for GE and M&G is 0.47 percent *ad valorem*. The rate is zero for GIG and Santal.

Even though this program was terminated by government decree as of March 6, 1987, we verified that interest and principal on loans given under this program were still outstanding after the date of our preliminary determination. Since benefits were still being provided under this program after our preliminary determination, (*i.e.*, the date of our suspension of liquidation), we do not consider the termination a program-wide change for purposes of calculating a separate duty deposit rate in this investigation.

**3. Post-Financing of Exports.** We verified that Artemarmol received post-financing export loans of up to seven months during the review period. Because availability of this type of financing is contingent upon exports, we determine that it is countervailable to the extent that it is offered at preferential rates.

To determine whether these loans were made at preferential rates, we compared the interest rates charged on post-financing export loans during the review period to the appropriate benchmark, which we determine is the "three-month" lending rate charged by Spanish private banks as published in the *Boletín Estadístico* of the *Banco de España*. This comparison shows that the interest rates on these export loans are below the benchmark. Accordingly, we determine this program to be countervailable.

To calculate the benefit arising from these loans, we compared the amount of interest actually paid during the review

period to the amount the companies would have had to pay had the loans been at the benchmark commercial rate, in accordance with our short-term loan methodology. We verified that the post-financing export loans reported by Artemarmol were tied to specific shipments of the subject merchandise to the United States.

Therefore, we allocated Artemarmol's 1986 benefit over the value of exports of the subject merchandise to the United States of all non-*de minimis* respondent companies to calculate on 0.03 percent *ad valorem*. The estimated net subsidy for GE and M&G is 0.50 percent *ad valorem*. The rate is zero for GIG and Santal.

Even though this program was terminated by government decree as of March 6, 1987, we verified that interest and principal on loans given under this program were still outstanding after the date of our preliminary determination. Since benefits were still being provided under this program after our preliminary determination, (*i.e.*, the date of our suspension of liquidation), we do not consider the termination a program-wide change for purposes of calculating a separate duty deposit rate in this investigation.

#### B. Regional Investment Incentives

Petitioner alleged that the granite industry in Spain may have benefitted from certain regional investment programs.

**1. Grants under the Large Area of Industrial Expansion of Galicia Program (LAIEG)—Royal Decree 1409/1981.** In 1981, the government of Spain established a program entitled "Large Area of Industrial Expansion" (LAIE) to award grants and loans to companies in certain areas of Spain. We verified that through Royal Decree 1409/1981 of June 19, 1981, the Government of Spain established the program entitled "Large Area of Industrial Expansion of Galicia" to award grants or loans for investment in new capital goods and/or for generation of employment to companies in the region of Galicia and to companies in other parts of Spain that plan to invest in Galicia.

Because this program is funded by the central government of Spain to benefit companies that do business in a specific region, we determine that this program confers a subsidy. GIG and Ingemarga received grants under this program.

In allocating subsidies, we prefer to use the weighted cost of capital as the discount rate; however, in this case, the government of Spain was unable to give us the national average rate of return on equity. Therefore, we were unable to

calculate the weighted cost of capital for GIG and Ingemarga. Instead, we are using as a surrogate discount rate the national average commercial interest rate for loans of "over three years" for the year in which the grant was authorized. This rate is published by the *Banco de Espana* in its *Boletin Estadistico*.

In accordance with past practice, we first determined if the amounts received by Ingemarga and GIG were more than 0.50 percent of the value of each company's total sales for the year in which the grant was disbursed. Since each of the grants exceeded 0.50 percent of sales, we allocated the grants over the average useful life of equipment in the granite industry, which is 15 years, as stated in the 1977 IRS Asset Class Life Depreciation Range System, to arrive at the benefit received during the review period. Use of the IRS tables is in accordance with past practice and is described in detail in the *Subsidies Appendix*. Because the overall subsidy rate for GIG is *de minimis*, we calculated the country-wide rate for this program by dividing Ingemarga's benefit over total sales of all non-*de minimis* respondent companies to arrive at an estimated net subsidy of 0.39 percent *ad valorem*. The estimated net subsidy for GE and M&G is 2.07 percent *ad valorem*. The rate is 0.43 percent *ad valorem* for GIG and zero for Santal.

2. *Preferential Access to Official Credit under LAIEG—Royal Decree 1409/1981*. Ingemarga received long-term financing from official lines of credit through the LAIEG program, which was outstanding during the review period.

Because this program is provided by the central government of Spain to a specific region of Spain, we determine that this program is limited to a specific enterprise or industry, or group of enterprises or industries. To determine whether these loans are given at rates that are inconsistent with commercial considerations, we compared the interest rates to the appropriate benchmark.

For fixed rate long-term loans to creditworthy companies, we prefer to use a company-specific commercial loan rate whenever possible. However, in this case, we verified that Ingemarga did not receive comparable commercial long-term credit in the year in which it received the LAIEG loan. Therefore, we used as our benchmark the national average commercial interest rate for loans of "over three years" applying to the year in which the terms of the loan were agreed upon. This rate is published by the *Banco de Espana* in its *Boletin Estadistico*. Because the interest rate charged to Ingemarga is lower than the

benchmark, we determine that the loan is inconsistent with commercial considerations.

To calculate the benefit, we followed our loan methodology for fixed rate long-term loans, which has been described in numerous previous cases. For the discount rate, we used the benchmark interest rate because we were unable to obtain the national average rate of return on equity which would have allowed us to calculate a weighted cost of capital.

For the country-wide rate, we allocated Ingemarga's 1986 benefit over total sales of all non-*de minimis* respondent companies to calculate an estimated net subsidy of 0.05 percent *ad valorem*. The estimated net subsidy for GE and M&G is 0.28 percent *ad valorem*. The rate is zero for GIG and Santal.

#### C. Grants under Basque Decree 153/1985

Decree 153, issued by the Basque regional government in 1985, established grants for commercial promotion activities, such as market studies, market survey studies, and establishment or expansion of commercial entities or divisions specializing in promotional activities. The amount of the grants can be up to 20 percent of investment costs in capital goods with a cap of 5,000,000 pesetas and up to 25 percent of operating costs during the initial period, with a cap of two years and 4,000,000 pesetas. Funding for the program is provided by the Basque regional government from its general revenue.

The decree states that grants are to be used for commercial promotion activities that will contribute to "the exportation of the productive sectors of the Basque country." We verified that Ingemarga received a grant under this program and that the grant was for the purpose of establishing a subsidiary company in the United States to promote commercial activities in this country. Since this grant was provided to promote exports to the United States, we determine that it constitutes an export subsidy.

Ingemarga received the grant under this program during the review period and the amount received was less than 0.50 percent of the value of its exports to the United States during the review period; therefore, we allocated the entire amount of this grant to the review period. We used exports to the United States for the 0.50 percent test because the grant was given specifically to establish commercial activities in the United States.

For the country-wide rate, we allocated the amount of the grant over the value of exports to the United States

of all non-*de minimis* respondent companies to calculate an estimated net subsidy of 0.04 percent *ad valorem*. The estimated net subsidy for GE and M&G is 0.05 percent *ad valorem*. The rate is zero for GIG and Santal.

#### D. Rebates of Interest on Long-Term Loans under Galician Decree 82/1984

On May 24, 1984, the Galician government passed Decree 82 to assist small and medium-sized companies registered in Galicia or making investments in Galicia. This assistance is given in the form of interest rebates. An agreement was signed in the same year between the Galician government and the commercial banks in Galicia to carry out this program. Funding for the program is entirely from monies collected by the Galician government from lotteries, bonds and patrimonial transactions. The rebates are awarded by the Chancery of Labor, Industry and Tourism and are paid out by the Chancery of Economy and Finance.

In 1984 and 1985, rebates were given on loans taken out for working capital as well as for new investment. By 1986, rebates were no longer given for working capital loans. We verified that all industries in Galicia are eligible for and have received the basic benefits of five percent for 1984 and 1985 and three percent for 1986 under this program. Therefore, we determine that the basic rebate level is not limited to a specific enterprise or industry, or group of enterprises or industries and is not countervailable.

However, we also verified that additional percentage points are given to companies for sector preference and special zone preference. Special zone preference percentage points are given to any company located in special industrial areas or industrial parks or structurally deprived zones. Sector preference, we were told at verification, refers to any company producing products whose inputs are found in Galicia. Respondents did not inform us of these additional percentage points until verification. Since the additional percentage points for special zone preference are given only to companies located in specific areas designated by the Galician government, we determine that they confer a subsidy. As for the percentage points given for sector preference, we were not provided with any information or documentation to show how many sectors or industries received this additional sector preference; therefore, we determine that this additional benefit also confers a subsidy.

We verified that Ingemarga and Ramilo received additional percentage points of rebates during the review period.

To calculate the benefit arising from these rebates, we divided the total amount of rebates received in Ingemarga and Ramilo during the review period by the total percentage points received, then multiplied the result by the additional percentage points received by these companies. For the country-wide rate, we divided the benefits due to the additional percentage points of rebate received in 1986 by Ingemarga and Ramilo by the total 1986 sales of all non-*de minimis* respondent companies to arrive at an estimated net subsidy of 0.02 percent *ad valorem*. The estimated net subsidy for GE and M&G is 0.08 percent *ad valorem*. The rate is zero for GIG and Santal.

## II. Programs Determined Not To Confer A Subsidy

We determine that subsidies are not being provided to manufacturers, producers or exporters in Spain of certain granite products under the following programs:

### A. Exemption of Import Duties on Imported Tools and Equipment—Law 1/1960 and Decrees 2386/85 and 932/1986

As part of its entry into the European Economic Community (EEC), Spain was required under Articles 31 and 37 of the Ascension Treaty to bring its tariff system into conformity with EEC rates by the end of 1992, *i.e.* it will levy no duty on products imported from the EEC and will levy applicable EEC rates on imports from third countries.

RD 2586, which went into effect on January 1, 1986, and which was clarified by RD 932 of May 9, 1986, is one of the first steps towards expediting the requirements of the Treaty. Based on the authority permitted under Law 1/1960, RD 2586 allows new equipment used in certain industries and sectors or in certain regions to be exempted automatically from duties if the products are not made in Spain and are imported from the EEC. These decrees specified that companies throughout Spain dealing in 22 sectors and industries, including aeronautics, electronics, computer science, mining, energy, pharmaceuticals, highway construction, farm products, vehicles and vehicle components, iron, steel, metal, textiles, chemicals, naval, and electrical household appliance industries received an automatic exemption of import duties in 1986 and 1987.

In addition, any company within the LAIE areas that does not deal in the 22 sectors specified in the decrees can also

apply for duty exemption on new equipment, not made in Spain and imported from the EEC. However, since granite products subject to this investigation are classified in the mining sector, one of the 22 sectors that are automatically exempt from duties on imports not produced in Spain and imported from the EEC, the respondent companies do not receive import duty exemptions due to location in an LAIE.

We also verified that, under Law 1/1960, hundreds of other products in an appendix, first published in 1965 and occasionally updated, are exempted from import duties if the products are not manufactured in Spain and are imported from the EEC. The most recent version of the 1965 appendix, which specifically refers to Articles 31 and 37 of the Ascension Treaty, is 29 pages long and includes hundreds of products ranging from potatoes to medical equipment, hydraulic system pumps to typewriters, textile fibers to chrome, agricultural tractors to laser ray generators.

Since we verified that RD 2586/1985 and RD 932/1986 were established under the auspices of Law 1/1960 and did not set up a separate program and since the exemptions provided to producers of the subject merchandise under these decrees are not limited to a specific region or to a specific enterprise or industry, or group of enterprises or industries, we determine that this program is not countervailable.

### B. Grants under Guipuzcoa Decree 41/1985

Decree 41/1985 of the provincial government of Guipuzcoa administers grants to small companies within the province of Guipuzcoa. The decree lists a wide range of sectors and industries that are eligible to receive assistance under this program including chemicals, agriculture, hotels, land transportation, technical investigations, services rendered to companies, and other manufacturing industries. We verified that 23 sectors and/or industries including fishing, smelting and iron works, non-metal minerals, metallurgy, mechanical shops, electronics, machinery, food, textiles, paper, rubber and plastics, construction, repairs, transport, and services were approved for grants in 1985 and 1986. We verified that the funding for this program was authorized by the Province of Guipuzcoa and comes from the general budget of the province, which is made up to taxes collected by the province.

Since this program is available to companies throughout the province of Guipuzcoa and since funding for this program is authorized by the Guipuzcoa

government and comes from the Guipuzcoa general revenues, we determine that it is neither limited to a specific enterprise or industry, or group of enterprises or industries, nor is it limited to a specific region and, therefore, it is not countervailable.

### C. Interest Rebates on Long-term Loans under Basque Government Program

Petitioner alleged that producers of the subject merchandise benefit from subsidies in the form of preferential loans, loan terms and loan guarantees. We verified that only one of the companies involved in this investigation received medium- or long-term loans on terms inconsistent with commercial considerations (See section I.B.2. above).

We found, however, that Ingemar received reimbursement of a part of the interest it paid on long-term loans under an agreement made between the Basque regional government and the banks in the Basque region. The agreement stated that the program is available to all industries in the Basque region. The Basque government also provided us with information indicating that over 2,000 companies in a broad range of industries, including food, chemicals, textiles, paper, electronics, construction, public works, transportation, wholesalers, retailers, and hotels have received interest rebates under this program.

Since that program is available to companies throughout the Basque region and since funding for this program is authorized by the Basque regional government and comes from the Basque general revenues, we determine that it is neither limited to a specific enterprise or industry, or group of enterprises or industries, nor is it limited to a specific region and, therefore, it is not countervailable.

### D. Grants Under Galician Decree 107/1984

Decree 107/1984 is an umbrella decree that establishes an overall program of assistance. Under this decree, Galician ministries or chanceries issue ministerial orders creating assistance programs to sectors or industries under their authority. The funds for these programs come from the budgets of the relevant ministries. These ministerial budgets, in turn, are authorized by the Galician government and allocated from the Galician regional budget.

The mining sector budget comes under the auspices of the Chancery of Industry, Energy, and Commerce. On October 19, 1984, the Chancery issued an order providing assistance in the form of grants for fixed assets or

investigative studies to mining companies or associates of mining companies in Galicia. We verified that all types of mining in Galicia have received grants under this ministerial order. We also verified that other sectors, industries, and groups such as agriculture, fisheries, tourism, trade associations, labor unions, and over 20 others have received grants under Decree 107/1984.

Since this umbrella program provides benefits to companies throughout the region of Galicia and since funding for this program is authorized by the Galician government and comes from the Galician general revenues, we determine that it is neither limited to a specific enterprise or industry, or group of enterprises or industries, nor is it limited to a specific region and, therefore, it is not countervailable.

#### E. Grants under Basque Decree 146/1985

We verified that Ingemar received a grant from the Basque regional government under Decree 146/1985 for the generation of employment. The goal of this program is to facilitate the generation of employment in the Basque country in order to resolve social needs, provide access to the job market, provide job training, create jobs and reduce unemployment. Funding for this program is authorized by the Basque government and comes from the Basque government's general budget. According to the decree, any company within the Basque region is eligible to receive grants under this program as long as it has a net increase in the size of its staff. We verified that a variety of sectors, industries, and groups throughout the Basque region including agriculture, fisheries, metals, chemicals, textiles, leather, banks and insurance companies, hotels and restaurants, construction, transportation, retailers, and schools have received grants under this program.

Because Decree 146/1985 is not limited to a specific area of the Basque region or to a specific enterprise or industry, or group of enterprises or industries, we determine that it is not countervailable.

#### III. Programs Determined Not To Be Used

We determine, based on verified information, that manufacturers, producers or exporters in Spain of certain granite products did not apply for, claim, or receive benefits during the review period for exports of granite to the United States under the following programs. These programs were described in *Certain Granite*, supra, unless otherwise noted:

A. Commercial Service Export Loans under the Privileged Circuit Export Credits Program

B. Warehouse Construction Loans

C. Loans and Loan Guarantees from the Instituto Nacional de Industria (INI)

D. Free or Inexpensive Land

E. Grants from the Regional Board of the Province of Alava

F. Zones for Urgent Reindustrialization (ZURs)

Petitioner alleged that the granite industry in Spain receives grants from the government of Spain under the ZUR program. The ZUR is part of the LAIE program. We verified that none of the companies under investigation have facilities that are located in a ZUR.

G. Royal Decree 180/1985

In October 1984, the Government of Spain, the Spanish business confederations and the Spanish General Workers' Union (UGT) ratified an economic and social agreement to generate employment. Royal Decree 180 formalized this agreement. There were three types of grants given under this program: (1) "Technical assistance"; which gave grants for market or viability studies; (2) "interest grants", which gave grants as partial payments of principal amounts of commercial loans taken out by enterprises to finance a project; and (3) "grants for fixed investments" which gave grants to companies for payment of fixed assets.

We verified that none of the companies under investigation benefitted from any RD 180 grants during the review period.

H. Galician Decree 151/1984

At verification, we found that grants and low interest loans under Galician Decree 151/1984 were given to companies in Galicia to stimulate employment. This program was in effect only during the last quarter of 1984 and calendar year 1985. We verified that none of the companies under investigation received loans or grants under this program prior to or during the review period.

#### IV. Programs Determined Not To Exist

We determine, based on verified information, that the following programs do not exist. These programs were described in *Certain Granite*:

1. Reduction in Imports Duties on Imported Tools and Equipment

We verified that the only program for reduction and/or exemption of import duties in Spain is the one discussed in Section II.A. above.

2. Reduction in Taxes

We found no indication that there was any program dealing with regional reduction of taxes.

#### Interested Party Comments

*Comment 1:* Petitioner argues that the Basque programs should not be treated as autonomous, but rather as programs funded from general government of Spain revenues for purposes of a specific regional development scheme. Even though the Basque government has a unique arrangement in which it collects all taxes within the Basque region and then, after a negotiation with the government of Spain, pays a certain amount of these revenues to the government of Spain for national services such as defense, petitioner argues that the verification report does not indicate what the other services include (social security, roads, telephones and telegraphs, etc.) nor does it indicate what amounts are historically paid to the government of Spain. Without this type of information, it is impossible, in petitioner's view, to know whether the central government is merely transferring funds to the Basque government.

Respondents argue that the Basque government is independent of the government of Spain and that it has express and sole authority to levy, manage, inspect and collect *all* taxes, with the exception of those which apply to customs and those collected as fiscal monopolies. Furthermore, the sum turned over to the government of Spain is calculated using a predetermined formula and is not an arbitrary amount. Respondents state that the tax collecting agreement between the government of Spain and the Basque government dates back to the late nineteenth century.

*DOC Position:* Whether taxes are collected by the central government, the regional government or the provincial government, the decision as to whether a program is countervailable because it is a regional program and, therefore, limited to a specific enterprise or industry, or group of enterprises or industries is based on which government authorizes or earmarks the usage of the funds for the program. There is no evidence that the tax collecting arrangement of the Basque region constitutes a direction of funds from or by the national government to the region. In this case, the funds are taxes collected by the Basque government and, except for the portion remitted to the central government, constitute the general revenues of the

Basque region, expenditure of which are authorized by the Basque government.

In the case of the Basque region, taxes are collected by the three Basque provinces. Some of the funds are then paid by the provincial governments to the regional government, which, in turn, pays some of these funds to the central government of Spain. Each government authorizes and earmarks the use of its own budget or revenues.

For the other regions, the central government collects all taxes and gives each regional government a share. That share enters the regional government's general revenues. Whether the central government collects the tax revenue and passes some back to the regions or the regional government collects the taxes and passes a share of those revenues to the central government, the result is the same. As long as it is the regional or provincial government that earmarks the use of its general revenue for programs authorized by its legislature, the funding of a program cannot be determined to be from general central government funds and, therefore, the program cannot be construed as a regional subsidy.

*Comment 2:* Petitioner argues that any programs administered by the Galician government that are funded by national tax revenues must be considered as part of a regional development scheme and, as such, are countervailable. Petitioner argues that, even though some revenues, such as revenue from bonds, lotteries, etc., are collected by the regional government, the funds used by the Galician government to support its regional development are based on national revenues. Petitioner further points out that nothing indicates that the tax revenue allocation obtained by the Galician government from the Spanish government has a direct correlation to the amount of taxes collected in that region. Therefore, it is likely that national funds are distributed as the national government sees fit.

Respondents argue that the government of Spain has no control or discretion over the Galician budget, nor does it earmark any of the funds it transfers to Galicia; therefore, any program whose funds are earmarked by the Galician government from its own budget and whose benefits are "generally available" should be determined not countervailable.

*DOC Position:* The fact that the central government allocates a certain amount of national taxes collected to the general budget of a region or province and the fact that some of this money is then authorized and appropriated by the regional or provincial government to be used in programs established by its legislature

does not make these programs regional. A program is determined to be regional and, therefore, limited only when its funding is specifically authorized by the central government to benefit only some regions within its jurisdiction as in the case of the LAIEG program. (See section I.B.)

We verified that the distribution of tax proceeds provided by the central government to the Galician government went into the general revenues of the province of Galicia and was not provided for specific programs. (See also *DOC Position on Comment 1*).

*Comment 3:* Petitioner argues that, in determining whether a program is limited to a specific industry or enterprise or group of industries or enterprises, the Court of International Trade (CIT) in *Cabot v. United States*, 620 F. Supp. 722 (CIT May 15, 1985) (*Cabot*) and *PPG Industries, Inc. v. United States*, Slip Op. 87-57 (USCIT 1987) (*PPG Industries*) requires the Department to review the actual availability and receipt of benefits under each program and determine whether, *inter alia*, "a group of industries" has benefitted as opposed to the society in general. Petitioner argues that the fact that there is a "variety" or "many" industries, whether it be 10 or 10 sectors or industries, does not mean that the benefits are not limited to a "specific group."

Respondents point out that in *PPG Industries*, the CIT held "that the mere fact that a program contains certain eligibility requirements for participation does not transform the program into one which has provided a countervailable benefit."

*DOC Position:* There is no conflict between the CIT's most recent pronouncements and our determination in this case. During this investigation, we have reviewed both the laws and regulations governing various Spanish programs as well as the actual availability and receipt of benefits under such programs. In each instance, we have made a factual determination whether benefits were conferred in such a manner as to be properly considered limited to a specific industry or group of industries.

*Comment 4:* Petitioner argues that, since the *Banco de España* (Bank of Spain) refused to cooperate in verifying commercial rates for loans, the Department should use the highest average commercial interest rate paid by the respondents and verified by the Department as the benchmark in this investigation.

*DOC Position:* During verification, the Bank of Spain refused to meet with us to discuss the interest rates for loans

published in the *Boletín Estadístico*. In this case, we considered it important to discuss these rates to ensure that the statistical base used in developing the average rates does not include interest on non-commercial loans such as personal credit loans, mortgages, etc.

Since the Bank of Spain would not meet with us, we examined published information on interest rates from such independent sources of interest rate information as the Morgan Guarantee *World Financial Markets* and the International Monetary Fund. The short- and long-term interest rates from these sources are comparable to the average rates listed in the *Boletín Estadístico*. During verification, we found that the average commercial interest rates paid by the respondents are also within the range of the average rates published by the Bank of Spain. Therefore, we determine that the average *Boletín Estadístico* interest rates are the best information available in this case.

*Comment 5:* Petitioner argues that verification regarding the PCECP was incomplete due to the refusal by the Bank of Spain and the Banco Exterior to meet with the verification team. Since the date of when the last PCECP loan was cancelled was not verified, the Department should not consider the program terminated.

Respondents argue that the Department should find that the PCECP is terminated, or in the alternative, should impose a zero deposit rate for the PCECP program, since the PCECP program was completely phased out as of March 6, 1987.

*DOC Position:* We verified at the government of Spain the *de jure* termination of the PCECP working capital loans as of January 1, 1986. We verified at the companies that the last PCECP working capital loans were paid off before our preliminary determination. Therefore, we are taking into account this termination and are imposing a zero cash deposit rate for the PCECP working capital loan. (See section I.A.)

As for the PCECP pre- and post-export loans, we verified at the government the *de jure* termination of these loans as of March 6, 1987. We noted at the company verifications, however, that some pre- and post-financing export loans were still outstanding as of the date of our preliminary determination, *i.e.*, after the imposition of suspension of liquidation. Therefore, in this investigation, we did not take into account the termination of the PCECP program with regard to pre- and post-financing export loans. (See sections I.A.2 and I.A.3.)

*Comment 6:* Respondents argue that the Department's calculation in the preliminary determination of net benefits received by Ingemar under the PCECP is erroneous because some loans were utilized to pre-finance exports of non-granite products.

*DOC Position:* We found at verification that many export shipments include both the subject merchandise and other products; therefore, in calculating the benefits under the PCECP for this final determination, we used as the denominator the total value of exports to the United States. (See section I.A.2).

*Comment 7:* Petitioner argues that Basque Decree 153/1985 is countervailable due to the explicit "export" orientation of the program. In addition, petitioner argues that the fact that a large number of applicants in 1985 and 1986 were denied benefits demonstrates that this program is not "generally available."

Respondents argue that this program should be found not countervailable because it benefits both domestic and export promotion. They argue that the term "exports" as used in the decree refers to products exported from the "autonomous community of the country", be it within Spanish territory or abroad. In support of their position, respondents cite *Final Affirmative Countervailing Duty Determination: Certain Fresh Atlantic Groenfish from Canada* (51 FR 10041 (March 24, 1986)); where the Department determined that the New Brunswick Marketing and Promotion Activities was not countervailable "because the services performed by the DCF are available to all industries, for both domestic and export promotion."

*DOC Position:* The grant given to Ingemar under Decree 153/1985 was for the specific purpose of setting up an office to promote sales in the United States. Since this grant was tied specifically to export promotion, we find it to be an export subsidy. (See section I.C.)

*Comment 8:* Respondents argue that should the Department find that Decree 153/1985 is countervailable in 1986, it should find the program to be terminated and impose a zero deposit rate. They cite *Final Affirmative Countervailing Duty Determination: Certain Fresh Cut Flowers from Israel* (52 FR 3318, 3318, February 3, 1987), where the Department imposed a zero deposit rate for programs that were terminated prior to the preliminary determination.

*DOC Position:* The Basque government did not provide us with any documentation to show that Decree 153/

1985 has been terminated; therefore, we are not adjusting the deposit rate for this program.

*Comment 9:* Petitioner contends that even though Basque Decree 146/1985 is not limited to a specific enterprise or industry, or group of enterprises or industries, it is supported by funds from the government of Spain, and, as such, is a regional development program.

Respondents argue that the Department should determine that this program is not countervailable because it is available to all companies in the Basque country that employed individuals in "hard-to-place" sectors of the work force.

*DOC Position:* We agree that Decree 146 is not limited to a specific enterprise or industry or group of enterprises or industries and, therefore, not countervailable. With regard to petitioner's contention that this program is supported by government of Spain funds and, as such, is a regional development program, see *DOC Position on Comment 1.*

*Comment 10:* Petitioner argues that grants given under Galician Decree 107/1985 are funded by national tax revenues disbursed to Galicia by the national government. Since the government of Spain has not given adequate information regarding regional budgets and development programs, there is no information on the record regarding the methods of allocating national tax revenues to the regional or local authorities and, therefore, there is no information regarding the criteria by which the national government funds regional programs. Thus, Decree 107/1984 should be determined a regional program and countervailable. Furthermore, petitioner argues that it is industry-specific because it is not given to all industries.

Respondents argue that assistance given under Decree 107/1984 should be found not countervailable, because it is an umbrella decree establishing an overall assistance program by the government of Galicia to all industries in Galicia.

*DOC Position:* We verified that benefits under Decree 107/1984 were given under various ministerial orders to all types of mining as well as to other industries throughout Galicia. We also verified that funding for the program came from the general budget of the Galician government and not from the government of Spain and that the government of Spain did not earmark any funds specifically for Decree 107/1984 when it allocated revenues to the Galician government.

The fact that benefits were given to the mining sector as a whole as well as

to various other industries makes the program too broad to be considered specific. The fact that benefits were available to companies throughout Galicia, that funding came from the Galician general budget and not from the government of Spain budget, and that it was the Galician government which earmarked the funds and administered the program precludes it from being considered a regional subsidy.

*Comment 11:* Petitioner argues that even though Galician Decree 82/1984 is funded entirely by Galician revenues, it is drafted and administered on a selective basis that limits the companies eligible for its benefits. Only small- or medium-sized companies registered or investing in Galicia are eligible for benefits under this program. Furthermore, increased percentage points were available if the product is produced in Galicia and if the company locates the facility in a special industrial area or industrial park. Petitioner argues that, if nothing else, this latter incentive would qualify as a regional incentive which is countervailable under U.S. law.

Respondents argue that the Department should find Galician Decree 82/1984 to be not countervailable since it is funded by Galician government funds and is available to the vast majority of companies in Galicia.

*DOC Position:* We agree with respondents that the basic benefits given under this program are not limited to a specific industry or group of industries and, therefore, are not countervailable. However, the zone and sector preferences are limited and, therefore, countervailable. (See section I.D.)

*Comment 12:* Petitioner argues that under the LAIEG program, the entire grant should be found countervailable because this is a regional program funded by the government of Spain.

Respondents argue that the zone preference and sector preference grants given under the LAIE program are "generally available" and, therefore, not countervailable.

*DOC Position:* We agree with petitioner that benefits under the LAIE program as a whole are countervailable. (See section I.E.1).

*Comment 13:* Petitioner argues that due to the "inability to verify the operation or receipt of benefits under the LAIE program, the Department should use best information available and countervail any below-market-rate credits obtained by respondents who have qualified for general LAIE benefits." Petitioner further argues that the benchmark for determining the value



of such credits should be the highest average commercial rate for the relevant commercial credits that are otherwise verified by the Department in this investigation.

Respondents argue that, as part of the LAIE program, access to official credit is "generally available" to any company eligible to benefit under the program and, therefore, is not countervailable.

*DOC Position:* The LAIE program is a central government program designed to give benefits to certain regions of Spain. Therefore, long-term loans given under the program on non-commercial terms are limited and countervailable. (See section I.B.2).

However, we do not agree with petitioner that all below-market-rate credits given to respondents who have qualified for general LAIE benefits should be treated as having been provided under the LAIE program. We verified at the companies that loan agreements given under the LAIE specifically mentioned the fact that they were given under this program. Furthermore, LAIE loans were reported in the company records as such.

As for petitioner's argument regarding the benchmark, see *DOC Position on Comment 4*.

*Comment 14:* Petitioner argues that the program dealing with import duty exemptions under RD 2586/1985 and 932/1986 should be found countervailable because the program offers selective duty exemptions for new equipment to be used in LAIE areas or by "industries that produce high technology capital goods." The fact that only certain sectors are listed as beneficiaries under this program serves as conclusive evidence that the program is limited to a specific group of enterprises or industries. Furthermore, petitioner argues that the fact that duty exemptions are available on a "discretionary basis" under other programs such as Law 1/1930 cannot be deemed sufficient evidence that the RD 2586 program is "generally available."

Respondents argue that the Department correctly concluded in the preliminary determination that this program is not countervailable because RD 2586/1985 (succeeded by 932/1986), together with Law 1/1930, established the framework for the entire tariff system in Spain and a program whereby any company in Spain can obtain importation of duty-free goods from the EEC that are not manufactured in Spain. Furthermore, respondents argue that when Spain joined the EEC in 1986, it accepted the obligation of bringing its tariff system into conformity with that of the communities by 1992. This means that by 1992, no duty will be levied on

any product traded among the member nations of the EEC. Consistent with this obligation, Spain implemented RD 2586/1985 and 932/1986. These decrees provide for the immediate duty-free entry of certain products imported from the EEC. These two decrees constitute the first step in realizing the goal of complete duty-free trade among Spain and other members of the EEC.

*DOC Position:* We have determined that benefits given under RD 2586/1985 and 932/1986 are not countervailable because they are not limited to a specific enterprise or industry, or group of enterprises or industries. We verified that hundreds of products have received automatic duty exemptions and that companies throughout Spain are exempted. (See section II.A.).

*Comment 15:* Petitioner points out that the verification report indicates that the Basque interest rebate program is available only to small- and medium-sized companies and that the agricultural, energy and hydro-power sectors were excluded from this program. In addition, petitioner notes that the program is further limited by providing interest rebates *only* if the small- or medium-sized company uses the loan to purchase new capital assets. Petitioner further states that although there may be many recipients and relatively few rejections, there were clearly many who did not even apply because they were ineligible. Petitioner contends, therefore, that it is evident from the record that the interest rebate program is limited in its availability and, therefore, countervailable.

Respondents argue that the Department should confirm its finding that this program is not countervailable because it did not benefit a specific enterprise or industry, or group of enterprises or industries.

*DOC Position:* We have determined that the Basque rebate program is not countervailable. The fact that all sectors and industries except agriculture, energy and hydro-power have received rebates under this program makes it too broadly used to be considered limited in its availability. Furthermore, the fact that it is available only to small- and medium-sized companies does not limit it to a specific enterprise or industry, or group of enterprises or industries (See *Final Affirmative Countervailing Duty Determination and Countervailing Duty Order: Certain Textile Mill Products from Mexico* (50 FR 10324, March 16, 1985)). Reasonable eligibility requirements, such as these, do not necessarily make a program industry-specific. (See section II.C.).

*Comment 16:* Petitioner argues that the verification report supplies

information that demonstrates clear discrimination in the application of the program under Guipuzcoa Decree 41/1985. Petitioner points out that benefits under this program are available only to small- and medium-sized companies and that these companies must show that the money will be used to develop new product designs, technologies and/or foreign markets. This latter aspect demonstrates the export-oriented feature of the program.

Respondents argue that, in its preliminary determination, the Department rightly concluded that Basque Decree 149/1985 and Guipuzcoa Decree 41/1985 are linked and that the program established by these decrees is not countervailable. Respondents further argue that, even were Guipuzcoa Decree 41/1985 to be considered separately, it should be determined to be not countervailable, since the program is "generally available" to companies in Guipuzcoa and funded by monies collected in Guipuzcoa by Guipuzcoan authorities, as evidenced in the verification report.

*DOC Position:* We agree with respondents that benefits under Decree 41/1985 are not countervailable. We verified that the program is not limited to an industry or group of industries and that the program is funded by monies from Guipuzcoan general revenues.

We disagree with petitioner's argument that the program is discriminatory in nature. We verified that small- and medium-sized companies, whether they are exporters or not, can and have received benefits under this program. Furthermore, we found no specific export conditions attached to the grants received by the respondent companies. (See section II.B.)

*Comment 17:* Petitioner argues that, although administered by the Galician government, Decree 151/1984 was funded by national tax revenues; therefore, it constitutes a regional development program.

Respondents argue that grants received under Decree 151/1984 are not countervailable because the program was funded solely by revenues raised by the Galician government and because the program was generally available to all companies in Galicia.

*DOC Position:* This program was not used by the companies under investigation during the review period, so the issue is moot. (See section III.H.).

*Comment 18:* Petitioner argues that there are significant discrepancies between the government of Spain's export figures and those reported by the companies and that respondent

companies failed to subtract currency exchange losses, sales cancellations, service charges, resale of unfinished block, and/or credits from the gross sales figures; therefore, the Department should make every possible deduction from the sales and export values.

*DOC Position:* During verification, we took into account all sales cancellations, service charges and/or credits from the gross sales before arriving at the sales figures. For some companies, currency exchange losses/gains with respect to sales were also taken into account. For others, the companies' records did not segregate the exchange losses/gains on sales, so we did not take them into account; however, the exchange losses/gains are so small that they would have had no effect on the calculation of the benefits.

*Comment 19:* Petitioner argues that the Department should find that any and all export financing obtained by the respondents below the average commercial market rate was given under the PCECP program and, as such, is countervailable. Petitioner states that, according to one company, loan agreements did not necessarily have to specify the fact that the loans were made under the auspices of the PCECP program.

*DOC Position:* We disagree. Even though the loan agreements between the banks and some of the companies do not specify that they were made under the auspices of the PCECP program, we were able to distinguish which ones were PCECP loans through the interest rates charged, the length of the loans, and the stated purposes of the loans as identified in the loan agreements. These factors are different for PCECP loans as opposed to other types of loans. Therefore, we are not countervailing loans other than those described in section LA.

*Comment 20:* Petitioner argues that respondents benefitted from RD 942/1964 warehouse construction loans during the review period because the program, as part of the PCECP system, was not terminated until March 1987. Because the government of Spain proffered no documentation on the beneficiaries under the program, petitioner argues that insufficient verification requires the Department to use best information available regarding the benefits available and used under the program.

*DOC Position:* We disagree. Although we were unable to verify at the government the usage of this program, we verified at the companies under investigation that they did not have any such loans on which principal or interest

was outstanding during the review period.

*Comment 21:* Petitioner argues that loans obtained at non-commercial rates from the Banco Exterior during the review period are countervailable because the bank is a government-owned entity, the function of which is to promote exports, and because "interest rates for export-oriented loans (not necessarily based on PCECP) issued by the bank were preferential and lower than normal commercial rates."

*DOC Position:* We disagree. Government ownership or control of a bank does not necessarily lead to the conclusion that the bank is operating in other than a commercial fashion, nor does it mean that all funds provided are part of a countervailable program. The fact that the Banco Exterior is government-owned does not automatically make all its loans preferential and countervailable. In fact, we found that interest rates charged by the Banco Exterior to the respondent companies were both above and below the average commercial rates. Furthermore, we found no indication at verification that there was any other government-sponsored short-term loan program to promote exports except the PCECP.

*Comment 22:* Petitioner argues that the Department should use the best information available to determine that the tax deductions taken under Law 46/1985 and RD 1667/1986 discovered at verification are limited to a specific group of enterprises or industries, because no copies of the law or decrees were made available by the government of Spain or the respondents and because these programs were not properly verified.

*DOC Position:* Neither of these programs was alleged by petitioner. We found use of these tax deductions by several companies during verification. We requested and have been provided with copies of Law 46/1985 and RD 1667/1986. The laws indicate that these are general tax provisions which apply to all taxpayers, including public organizations and individuals as well as private companies, just as the companies stated at verification. Section 775 of the Act states that, "If, in the course of an investigation under this title, the administering authority discovers a practice which appears to be a subsidy, but was not included in the matters alleged in a countervailing duty petition, then the administering authority shall include the practice in the investigation if it appears to be a subsidy with respect to the merchandise which is the subject of the investigation." Since there is no

indication that these two tax provisions appear to be subsidies, we are not considering them in this final determination.

*Comment 23:* Petitioner argues that the tax deduction received by one of the respondents for over-payment of pre-IVA (value-added) taxes should be treated as a government grant and, therefore, countervailable since nothing was submitted to explain the over-payment of pre-IVA taxes nor why that amount should enjoy a special deduction under the new IVA instituted in 1986. Petitioner argues that the Department should not accept such a deduction without further corroboration from the government of Spain regarding the tax consequences of the conversion from the old tax system to the new IVA system.

*DOC Position:* We verified that the company did not receive benefits from this tax deduction during the review period, therefore, we are not considering it in this investigation.

*Comment 24:* In its May 16 brief, petitioner states that a commercial office operating in the United States under the auspices of the government of Spain's National Institute for Fostering Exports had been promoting sales of Spanish wine as late as 1985. Petitioner argues that, since the office is still in operation, it is reasonable to assume that other sectors of the Spanish export market were also being supported including the granite industry. Petitioner requests that the Department consider the existence and activities of this office and assign a value to its services that benefited the Spanish granite export industry in 1986. Petitioner argues that a "justifiable benchmark would be the total advertising costs of the largest Spanish exporter of the year."

In the same brief, petitioner states that the non-confidential version of the antidumping verification report reported that one of the respondents received free inland freight from the shipping companies. Petitioner argues and requests that this practice be reviewed with other Spanish companies to determine the extent of this subsidization.

Also in its May 16 brief, petitioner alleges that one of the respondent companies in the United States is supported by an arrangement between McDonnell Douglas Aircraft Company and the government of Spain. Petitioner argues that this service is "clearly government supported and should be countervailed." Petitioner suggests that an appropriate rate would be the costs attributable to a full-time agent (including commissions) in the United

States. Petitioner also cites the non-confidential antidumping verification report to support this allegation.

**DOC Position:** These are untimely allegations, raised after our preliminary determination and verification and thus too late for the Department to investigate and verify, as required by sections 355.34 and 355.39 of our Regulations; therefore, we will not consider them in this investigation.

**Comment 25:** Petitioner contends that the questionnaire responses were general and, therefore, inadequate and that the bulk of the information regarding the programs was given only at verification. Petitioner argues that "these tactics mock the investigative process contemplated by Congress in which petitioner and the Department should be able to review data and issues in a timely manner." Petitioner urges the Department to make its determination using inferences adverse to the non-responding part, *i.e.* the respondents.

**DOC Position:** We disagree. The respondents provided us with adequate information to make the preliminary determination. At verification, we were provided with back-up documentation to verify the information given in the responses as well as additional information and documentation to clarify some questions we had on certain programs. This additional information was submitted in supplemental responses at our request. We do not consider the additional information obtained at verification to be sufficiently significant to justify disregarding the responses and using best information available.

**Comment 28:** Petitioner argues that the OECD loan program should also be treated as a government-supported, export-financing scheme that benefits Spanish exporters by making financing available at preferential rates. Therefore, since the OECD program "replaced" the PCECP and there is a lack of verified information regarding several aspects of the PCECP and OECD programs, the Department should use best information available and treat as countervailable all forms of financing provided to Spanish granite producers at below the highest average commercial market rate verified by the Department.

**DOC Position:** We verified that none of the companies under investigation received loans under the OECD program.

**Verification**

In accordance with section 776(a) of the Act, except where noted in this determination, we verified the information used in making our final determination. We followed the

standard verification procedures including meeting with government and company officials, examination of relevant accounting records, and examination of original source documents of the respondents. Our verification results are outlined in detail in the public versions of the verification reports which are on file in the Central Records Unit (Room B-099) of the Main Commerce Building.

**Suspension of Liquidation**

In accordance with our preliminary affirmative countervailing duty determination, published on December 24, 1987, we directed the U.S. Customs Service to suspend liquidation on the products under investigation and to require a cash deposit or bond equal to the duty deposit rate. This final countervailing duty determination was extended to coincide with the companion final antidumping determination, pursuant to section 606 of the Trade and Tariff Act of 1984 (section 705(a)(1) of the Act). Under Article 5, paragraph 3 of the Agreement of Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement on Tariffs and Trade (the Subsidies Code), provisional measures cannot be imposed for more than 120 days without final affirmative determinations of subsidy and injury. Therefore, on April 19, 1988, we instructed the U.S. Customs Service to discontinue the suspension of liquidation on the subject merchandise entered on or after April 22, 1988, but to continue the suspension of liquidation of all entries or withdrawals from warehouse, for consumption, of the subject merchandise entered between December 24, 1987, and April 22, 1988. We will reinstate suspension of liquidation under section 703(d) of the Act, if the ITC issues a final affirmative injury determination, and require duty deposits on all entries of the subject merchandise except entries from Granitos Ibericos-Grayco, S.A., and Santal, S.A. in the amounts indicated below:

Manufacturer/producer/exporter	Estimated net subsidy	Duty deposit rate
Granitos Espanoles, S.A. ....	3.77	3.54
Marmoles y Granitos de Espana, S.A. ....	3.77	3.54
All others .....	1.08	0.85

Granitos Ibericos-Grayco, S.A., and Santal, S.A., are excluded from this

determination because their duty deposit rates are *de minimis* (less than 0.50 percent *ad valorem*) and zero respectively. Therefore, their entries will not be subject to the suspension of liquidation.

**ITC Notification**

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If the ITC determines that material injury, or the threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or cancelled. If, however, the ITC determines that such injury does exist, we will issue a countervailing duty order, directing Customs officers to assess countervailing duties on all entries of certain granite from Spain entered, or withdrawn from warehouse, for consumption, as described in the "Suspension of Liquidation" section of this notice.

This determination is published pursuant to section 705(d) of the Act (19 U.S.C. 1671d(d)).

June 21, 1988.

Jan W. Mares,

Assistant Secretary for Import Administration.

[FR Doc. 88-14549 Filed 6-27-88; 8:45 am]

BILLING CODE 2510-06-01

(A-475-701)

**Final Determination of Sales at Less Than Fair Value; Certain Granite Products from Italy**

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

**ACTION:** Notice.

**SUMMARY:** We have determined that certain granite products from Italy are being, or are likely to be, sold in the United States at less than fair value. The U.S. International Trade Commission (ITC) will determine, within 45 days of publication of this notice, whether these imports are materially injuring, or are threatening material injury to, a United States industry.

**EFFECTIVE DATE:** July 19, 1988.

**FOR FURTHER INFORMATION CONTACT:** Charles E. Wilson (202) 375-5288 or Steven Lim (202) 377-4087, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230.

**SUPPLEMENTARY INFORMATION:****Final Determination**

We have determined that certain granite products from Italy are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735(a) of the Tariff Act of 1930, as amended (19 U.S.C. 1673d(a)) (the Act). The weighted-average margins are shown in the "Suspension of Liquidation" section of this notice.

**Case History**

Since the last Federal Register publication pertaining to this investigation (the Notice of Preliminary Determination of Sales at Less than Fair Value (53 FR 6021, February 29, 1988)), the following events have occurred.

On March 2, 1988, respondents requested that we postpone the final determination until June 20, 1988. On March 10, 1988, in accordance with section 735(a)(2)(A) of the Act, we postponed the final determination until

June 20, 1988 (53 FR 8479, March 15, 1988).

Verification of the responses was conducted from March 14 through April 1, 1988. A public hearing was requested. This request was subsequently withdrawn. Final comments were received from petitioner and respondents.

On June 2, 1988, respondents requested that we postpone the final determination until not later than 135 days after the date of publication of our preliminary determination. On June 9, 1988, in accordance with section 735(a)(2)(A) of the Act, we postponed the final determination until July 13, 1988 (53 FR 22369, June 15, 1988).

**Scope of Investigation**

The products covered by this investigation are certain granite products. Certain granite products are  $\frac{3}{8}$  inch (1 cm) to 2 $\frac{1}{2}$  inches (6.34cm) in thickness and include the following: Rough-sawed granite slabs; face-finished granite slabs; and finished dimensional granite including, but not limited to, building facing, flooring, wall and floor tiles, paving, and crypt fronts. Certain granite products do not include monumental stones, crushed granite, or curbing. Certain granite products are provided for under *TSUSA* item number 513.7400 and under *HS* item numbers 2516.12.00, 6802.23.00 and 6802.93.00.

**Period of Investigation**

For rough slabs, slabs not cut-to-size, and tiles, the period of investigation (POI) is March 1, 1987 through August 31, 1987. For cut-to-size slabs or projects, the POI is January 1, 1987 through August 31, 1987, for projects completed by November 30, 1987. In order to include additional sales of some larger projects, we requested data on projects sold as early as July 1986. (See Comment 9.)

**Fair Value Comparisons**

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

For the reasons cited below, we have determined, in accordance with section 776(b) of the Act, that use of best information otherwise available (BIA) is appropriate for all sales by F.lli Guarda S.p.A. (Guarda) and for sales of slabs not cut-to-size by Pisani Brothers S.p.A. (Pisani).

With respect to Guarda, we were unable to verify almost all sales price information, including charges or adjustment information, as it was

submitted in the response. We were also unable to verify any of the cost information submitted for constructed value calculations. During verification of costs, the company was unable to explain the methodology used in its response. Additionally, the company could not provide support for its calculations. (See Comment 8).

For these reasons, we have assigned Guarda a BIA rate that is based on a combination of adjusted constructed values as found in the petition, data collected during the Guarda verification relative to sales prices to the United States, and verified information submitted by other producers. We could not use petition data exclusively for our BIA rate as it was apparent that various parts of the constructed value computations found in the petition required adjustment due to assumptions which are invalid for the Italian granite industry. Specifically, the petition used actual size of blocks rather than the smaller commercial size in which granite is sold. The petition's calculations included freight which is typically paid by trading companies in the Italian market. In addition, the petition including packing in determining SG&A and profit in its constructed value calculation, both of which are inappropriate. Furthermore, as the U.S. prices for projects shown in the petition did not specify material thicknesses, they could not be reasonably compared to our adjusted, BIA constructed values. Finally, the petition established rates only for cut-to-size sales while Guarda sold both cut-to-size and slabs in the U.S. during the POI.

The use of certain information collected on-site during the Guarda verification for BIA should not be construed as a willingness on the part of the Department to reconstruct responses for respondents at verification.

With regard to Pisani's sales of slabs not cut-to-size, the cost of production information supplied by this company could not be reconciled to company documentation pertaining to slab production. (See Comment 8). For this reason, we have used BIA to determine foreign market value for these sales. BIA is based on verified information for other companies, as the petition contained no information on the home market price of slabs. (See Comment 8.)

**United States Price**

Except where BIA was used, we based United States price for all U.S. sales on purchase price in accordance with section 772(b) of the Act. These sales were made directly to unrelated customers in the United States prior to

importation. Under these circumstances, section 772(b) clearly requires that purchase price be used for determining the U.S. sales price.

We calculated purchase price based on the ex-factory, f.o.b., c.i.f., or c.i.f., duty paid, packed prices to unrelated purchasers in the United States. We made deductions for foreign inland freight and handling, ocean freight, marine insurance, U.S. duty and inland freight, as appropriate.

#### Foreign Market Value

For rough slabs, slabs not cut-to-size, and tiles, we established separate categories of "such or similar" merchandise, pursuant to section 771(16) of the Act, on the basis of form of material, type of stone, dimension, finish, edgework, anchoring and assembly work.

Where there were no identical products in the home market with which to compare products sold in the United States, we made adjustments to similar merchandise to account for differences in the physical characteristics of the merchandise, in accordance with section 773(a)(4)(C) of the Act. These adjustments were based on differences in the costs of materials, direct labor and directly related factory overhead.

The petitioner alleged that home market sales of slabs not cut-to-size were at prices below the cost of producing the merchandise. Having determined that these allegations were sufficiently documented, the Department initiated a cost investigation for Campolngi Italia S.p.A. (Campolngi), and Freda S.p.A. (Freda), Henraux S.p.A. (Henraux), Euromarble S.p.A. (Euromarble), Formai and Mariani S.r.l. (Formai), and Psiani. We examined production costs which included all appropriate costs for materials, fabrication and general expenses. The cost of production calculation for each respondent was adjusted for those costs which were not appropriately quantified or valued in the response. Except for certain types of stone sales by Euromarble, where we used constructed values, we found sufficient home market sales above the cost of production to allow us to use these prices for foreign market value, in accordance with section 773(a)(1)(A).

For sales of rough slabs, face-finished slabs not cut-to-size, and tiles, we calculated foreign market value based on unpacked prices to unrelated purchasers in the home market, in accordance with section 773(a) of the Act. We made deductions, where appropriate, for inland freight. We made adjustments for differences in circumstances of sale for credit

expenses pursuant to § 353.15(b) of our regulations, and for commissions on sales in the United States and in the home market pursuant to § 353.15(c) of our regulations. Where appropriate, we used indirect selling expenses to offset commissions. We deducted home market packing costs and added the packing costs incurred on sales to the United States.

For cut-to-size projects, we calculated the foreign market value based on constructed value in accordance with section 773(e) of the Act because there were no comparable sales in the home market by producers being investigated. The constructed value was based on the costs for the cut-to-size projects sold in the United States.

In calculating general expenses for constructed value, we used U.S. selling expenses for the projects since these were such unique items that there were no comparable home market or third country sales.

Where the amount for general expenses was less than ten percent of the cost of materials and fabrication, we used the statutory minimum of ten percent. Where the amount for profit was less than eight percent of the sum for the costs of materials, fabrication and general expenses, we used the statutory minimum of eight percent. We also added the cost of U.S. packing.

When calculating constructed value, the respondents' submissions were used, except when all costs were not appropriately quantified or valued.

The following adjustments were made for each respondent:

#### For Campolngi:

(1) The block costs were reduced by the net exchange gains on purchases.

(2) Cost of production was increased to reflect the accelerated method of depreciation used in the respondent's accounting system.

(3) The slabbing waste was changed from the overall 7 mm per cut to the actual slabbing waste computed by granite type.

(4) Polishing costs were increased to reflect the cost from unrelated suppliers based on commercial square meters.

(5) Special works were adjusted, based on differences in quantities obtained at verification.

(6) The dimensioning waste was revised to reflect the amount computed for each granite type.

(7) General expenses were changed from the statutory minimum of 10 percent to include the actual general, administrative, and interest expenses of the company and the U.S. selling expenses for the projects. For calculating the cost for producing slabs;

home market selling expenses were used.

(8) Interest income related to short-term investments was included as an offset to interest expenses.

(9) The costs incurred by the related company, Granite Marketing Associates (GMA), were used for the blocks purchased by Campolngi in calculating the cost of producing Campolngi's slabs.

#### For Freda:

(1) The block and fabrication costs used to establish the costs of Capao Bonito granite in the respondent's submission were changed to the price paid for finished slabs, since the only block which was purchased by Freda was sold one month later by the company.

(2) The slabbing waste was changed from the overall 7 mm per cut to actual slab waste for each specific type of granite.

(3) The price charged by a related company for sawing was adjusted to reflect a market value based on invoices of an unrelated fabricator.

(4) The material costs for certain slab sizes, which, in the response, had been based on the block costs, were revised to reflect the actual cost of slabs purchased because these sizes had not been sawn by the company.

(5) The price of slabs purchased from Campolngi were revised to reflect the market price for the slabs.

(6) The dimensioning waste was revised to reflect an average dimensioning waste for the types of granite used in the projects under investigation.

(7) General expenses were revised to include the actual general and administrative expenses, interest, and U.S. selling expenses for the projects. For calculating the cost of producing slabs, home market selling expenses were used.

#### For Henraux:

(1) The block costs were revised to reflect the cost of the actual granite blocks used in the cut-to-size projects.

(2) Where appropriate, general expenses were changed from the statutory minimum of 10 percent to include the actual general and administrative expenses, interest, and U.S. selling expenses for the projects. For calculating the cost of producing slabs, home market selling expenses were used.

#### For Savema S.p.A. (Savema):

(1) The slabbing waste was adjusted to reflect the actual slabbing waste for the specific types of granite the Department investigated during the course of the verification. The

Department calculated an average slabbing waste factor for those granite types which were included in project under investigation, but which the Department was unable to review during the verification.

(2) Factory overhead costs for the flaming and polishing processes were revised to reflect the losses which occur during the dimensioning stage.

(3) General expenses were changed from the statutory minimum of 10 percent to the actual general and administrative expenses, interest expenses of the company, and the U.S. selling expenses for the projects.

*For Formai and Northern Granites S.r.l. (Northern Granites):*

(1) The cost of manufacturing, used as the basis for allocating general, administrative, and interest expenses, was revised by reclassifying certain costs which were not considered by the Department to be part of the manufacturing costs. U.S. selling expenses were included for the projects. For calculating the cost for producing slabs, home market selling expenses were used.

*For Pisani:*

(1) For projects using Balmoral Red granite, we used the weighted-average cost of the blocks of Balmoral Red rather than the cost submitted in the response, which was based on the lowest-priced block, because the company was unable to identify the actual blocks used in the projects.

(2) The Department used BIA for slabbing waste because the response waste figures could not be verified.

(3) Sawing costs were increased by the average of the "additional charges" noted on the sawing invoices which were reviewed during verification.

(4) The verified average dimensioning waste was used instead of the dimensioning waste submitted in the response.

(5) The actual lease expense for the company's computer equipment was included instead of the imputed expenses submitted in the response.

(6) Certain costs, such as expenses for production consultants, outside drafting, architectural consulting, quality control, and salaries and termination pay funds for the production manager, project manager, and draftsman, were included in the cost of manufacturing and deducted from the general and administrative expenses.

(7) The U.S. selling expenses were included in general expenses for the projects. For calculating cost of producing slabs, home market selling expenses were used.

(8) General and administrative expenses and interest expenses were

based on the amounts on the financial statements, appropriately adjusted.

*For Euromarble:*

(1) The material cost and fabrication costs were revised to reflect the cost of blocks and special works resubmitted by the respondent at the verification for some of the cut-to-size projects.

(2) The dimensioning waste factor was revised to reflect a weighted-average waste factor.

(3) Factory overhead was revised to include certain expenses, such as rent and other industrial costs, in the calculation of overhead expenses.

(4) General and administrative expenses, including financial expenses, were revised to reflect the information on their 1987 financial statement.

#### Currency Conversion

We made currency conversions as of the date of sale in accordance with section 353.56(a)(1) of the Regulations. All currency conversions were made at the rates certified by the Federal Reserve Bank.

#### Verification

As provided in section 776(a) of the Act, and except where noted, we verified all information used in reaching the final determination in this investigation.

#### Interested Party Comments

*Comment 1:* Henraux and Savema state that the Department should not make an adjustment for commissions paid to their related companies.

*DOC Position:* We agree. At verification, the Department ascertained that these commissions were paid to related companies. Therefore, we made no adjustment for these commissions in our final determination.

*Comment 2:* Henraux and Savema contend that the Department may not offset commissions paid on home market slab sales with indirect selling expenses incurred in Italy for sales to the United States.

*DOC Position:* We disagree. The Act and regulations place no geographic test on the commission offset. In our preliminary and final determinations, the Department offset commissions paid on home market sales with indirect selling expenses incurred in connection with sales to the U.S. market, including those incurred in Italy. The Department did not use indirect selling expenses incurred in home market sales of slabs to offset commissions paid on sales in the same market. See *Silver Reed v. United States*, Slip Op. 68-37 (CIT, March 18, 1988).

*Comment 3:* Campolonghi, Formai, Henraux and Savema point out that the

Department erred in using 1987 exchange rates for certain sales of cut-to-size projects made in 1986.

*DOC Position:* We agree. In its final determination, the Department has used the proper exchange rates for these sales.

*Comment 4:* Euromarble and Henraux point out that, for certain of their slab sales, the Department erred in calculating a single weighted-average foreign market value for each type of stone, regardless of thickness, in our preliminary determination.

*DOC Position:* We agree. The Department has corrected this calculation for purposes of our final determination by calculating individual weighted-average foreign market values for different thicknesses of stone.

*Comment 5:* Respondents contend that the Department should calculate separate margins for various groups of companies which the Department believes are related to Campolonghi and Formai.

*DOC Position:* Although not expressly required by the Act, the Department has a long-standing practice of calculating a separate dumping margin for each manufacturer or exporter investigated. The issue, then, is whether companies of the Campolonghi group and companies of the Formai group constitute separate manufacturers or exporters for purposes of the dumping law. We believe that, under the facts present on the record, the companies within each of these groups of companies are not separate, and it is appropriate to calculate a single, weighted-average margin for each group of firms.

The administrative record establishes close, intertwined relationships between the companies within both the Campolonghi group and the Formai group. Each group is predominantly owned by a small group of individuals and the companies in each group share common boards of directors.

Transactions have taken place between companies within each of these groups during the period of investigation. The various production facilities within each group share the same type of equipment, so it would not be necessary to retool a particular plant's facilities before implementing a decision to restructure manufacturing priorities within either group. Given these facts, we believe it would be incorrect to conclude that each of these entities constitutes separate manufacturers or exporters under the dumping law. Therefore, we have treated the Campolonghi group of companies and the Formai group of companies each as a single entity for

purposes of determining a dumping margin.

*Comment 6:* Respondents contend that the Department's final determination should specify, by company, what percentage of sales by each respondent was made at less than fair value. Respondents believe that this would assist the ITC in its analysis of injury from imports of merchandise sold at less than fair value.

*DOC Position:* We believe this unnecessary. We always make all privileged and business proprietary information in our files available to the ITC, if requested.

*Comment 7:* Respondents argue that the Department may not use any of petitioner's confidential data as BIA since petitioner has not submitted this data in accordance with the Department's requirements. Respondents also argue that petitioner has not properly summarized its confidential data.

*DOC Position:* We have determined that petitioner has properly submitted its business proprietary data. Where appropriate, we have used data provided in the petition as BIA.

*Comment 8:* Petitioner argues that because respondents' data contain numerous errors, inconsistencies and omissions, the Department should base its final determination on the BIA, which is the data submitted by petitioner.

*DOC Position:* Except for all sales by Guarda and sales of slabs not cut-to-size by Pisani, the Department considers the responses of the other companies to be verified. We have reported in our verification reports all significant issues raised at the verification of these other companies, our verification methods, and discrepancies found. We do not, however, consider the errors, inconsistencies and omissions we found to be of a frequency or magnitude to warrant rejecting the data submitted by these companies and using petitioner's data as BIA.

With respect to Guarda, during our attempted verification of its sales and cost responses, we found that the extent of the errors, inconsistencies and omissions in these responses did not permit satisfactory analysis or verification. For example, with regard to Guarda's cost response:

#### 1. Materials

- materials could not be traced to actual inputs for any of the projects;
- certain costs, e.g., bank charges, were omitted;
- slabs taken out of inventory were not included in the material costs;

—the blocks included in one project were removed from inventory one day before the project was shipped.

#### 2. Sawing

—five different rates of sawing waste were used by the respondent in its response, depending upon the hardness of the stone. However, during verification, the company calculated an average rate;

—the average rate used was an estimate for 1987 since actual 1987 data was not available. Guarda estimated that the slabbing waste in 1987 was lower than in 1986.

#### 3. Fabrication

—the costs for honing, dimension cutting, and special works were based on estimated production and usage rates, which the company could not support;

—costs calculated during verification did not agree with the response nor could these costs be verified;

—subcontractors' costs for extra thicknesses were not included;

—special works were not included in the response. The company provided estimates during verification.

#### 4. Dimension Waste

—the company could not explain the dimension waste calculation used in the response;

—a recalculated dimension waste factor was based on estimates of the "cost of making a polished edge in special work." The company could not explain the relationship between these costs and dimensioning costs, nor could they support them.

Regarding Guarda's sales response:

1. Guarda waited until verification to revise the originally reported amounts for quantity and value of sales.

2. On three out of five projects under investigation, Guarda miscalculated the total volume of the investigated granite. This resulted in discrepancies in the sales price of three sales.

3. Guarda could not explain its reported packing expenses.

4. Reported credit expenses were based on the terms stated on the invoice rather than the actual credit period.

5. Guarda used the wrong interest rate to calculate credit expenses.

6. Guarda failed to provide any explanation of indirect selling expenses until verification. In addition to the questionnaire, this information was specifically requested by the Department in deficiency letters on November 24 and December 11, 1987.

For costs of Pisani's slabs not cut-to-size, the following discrepancies were noted regarding its cost response:

1. Invoices for block purchases used to establish the cost of materials were dated after the sawing and finishing invoices and, therefore, could not have been the actual invoices for the blocks used to produce the slabs in the reported sale.

2. Invoices used for sawing and finishing were for blocks other than those identified in the response.

3. Invoices for sawing and finishing could not be reconciled to the company's records.

4. Sawing costs for one sale were based on November 1985 costs. No slabs were in inventory for this type of granite as of June 30, 1986. The origin of the materials that were used could not be explained.

5. The same invoice was used to calculate the cost of production for slabs sold in the U.S. and for slabs sold in Italy.

Faced with responses containing numerous fundamental flaws, the Department could not properly base its determination on the information submitted by Guarda or information on cost of production submitted by Pisani. It is not acceptable, in such situations, that the Department bear the responsibility for attempting to identify and perform the numerous and substantial recalculations necessary for the development of accurate sales and cost of production data. Such a role would place too great a burden on the resources of the Department under the time constraints and procedural framework of this investigation. As stated in *Photo Albums and Filler Pages from Korea; Final Determination of Sales at Less Than Fair Value* (50 FR 43754, October 29, 1985): "[I]t is the obligation of respondents to provide an accurate and complete response prior to verification so that the Department may have the opportunity to fully analyze the information and other parties are able to review and comment on it." A respondent cannot shift this burden to the Department by submitting incomplete and inaccurate information and expect the Department to correct its response during the course of verification. Verification is intended to establish the accuracy of a response rather than to reconstruct the information to fit the requirements of the Department or to perform the recalculations necessary to develop accurate information. Nevertheless, as discussed above in the "Fair Value Comparisons" section of this notice due to lack of information in the petition, certain information collected at verification was used as BIA.

*Comment 9:* Petitioner asserts that the Department has not considered at least 60 percent of exports from Italy during the period of investigation (POI) as required by § 353.38(a) of the Commerce Regulations, 19 CFR 353.38(a).

*DOC Position:* Under normal circumstances, we do look at 60 percent of the dollar value of exports. However, given the fact that many of the sales under investigation consisted of long-term projects for which constructed values had to be calculated, the Department believed it was appropriate to amend its typical practice to fit the somewhat atypical circumstances of this case. After analyzing the constructed value submissions for cut-to-size granite slab projects, it was apparent that respondents had not furnished actual cost data for almost all of their larger project sales made during the POI (March 1, 1987 through August 31, 1987). This was because these projects had not been completed by the time the responses were due. On the basis that such data might not be sufficiently representative, we extended the POI back to January, 1987 and requested respondents to report constructed value information for all projects completed by November 30, 1987. Moreover, to capture the actual costs of some larger cut-to-size projects (i.e., those valued at approximately \$500,000 or more), we also requested information on some projects sold as early as July 1986. Consequently, our POI for cut-to-size granite slabs is January 1, 1987 through August 31, 1987 plus, some larger projects sold as early as July, 1986, if completed by November 30, 1987. By using these as our criteria, we have captured over 60 percent of total sales completed within the POI.

*Comment 10:* Petitioner argues that, because the U.S. dollar has declined against the Italian lira, the Department should include currency exchange costs as a direct expense for sales to the United States.

*DOC Position:* We have determined that there is no basis in the Act or in the regulations for such an adjustment. Section 353.53(a)(1) of our regulations stipulates that any necessary conversion of a foreign currency into its equivalent in United States currency will be "as of the date of purchase or agreement to purchase, if the purchase price is an element of the comparison." Therefore, it is not the Department's policy to take into account differences in home market currency revenue based on currency fluctuations in calculating direct selling expenses, regardless of whether the fluctuations are favorable or unfavorable.

*Comment 11:* Petitioner argues that the Department should compare U.S. slab sales to verified constructed values:

*DOC Position:* We disagree. Since we found that all respondents, except for Euromarble in certain instances and Pisani and Guarda, had sufficient home market sales at prices above their costs of production, we have no reason to make comparisons on anything other than a price-to-price basis.

*Comment 12:* Petitioner has alleged that processors related to the respondents are "dumping" their input materials and fabrication services. Petitioner contends, therefore, that the Department should initiate cost investigations of these processors.

*DOC Position:* We disagree. For any element of value included in constructed value, section 773(e)(2) of the Act requires the Department to determine whether prices charged by related parties fairly reflect the amount usually reflected in sales to unrelated parties in the market under consideration. Therefore, when these materials and fabrication services are provided at market rates, the Act neither requires nor allows us to do a cost analysis of these inputs.

*Comment 13:* Respondents state that the Department must eliminate from its analysis the nine percent additional slab loss that it presumed existed with respect to Henraux and the other respondents and which was applied in the preliminary determination.

*DOC Position:* The Department verified waste losses for the respondents who used a slab waste factor and dimensioning waste factor as a basis to calculate their total cost of production for the projects. These companies were Campolonghi-Freda, Savema, Euromarble, Pisani and Guarda. In all cases, except Guarda (whose response could not be verified), the slabbing waste factor and/or the dimensioning waste factor, which was documented at verification, was markedly higher than the losses reported in the response. Therefore, the Department used the actual waste losses obtained at verification as a basis for its final determination.

#### General Constructed Value Comments

*Comment 14:* The respondents argue that the Department incorrectly used imputed credit costs for calculating general expenses in the preliminary determination. They contend that the Department is bound to use actual expenses in its constructed value. The respondents cite cases and determinations which they allege support this position. They are *Hercules Inc. v. United States*, *Al Tech Speciality*

*Steel Corp. v. United States*, *Industrial Nitrocellulose from France*, *Tubeless Steel Disc Wheels from Brazil*, *Titanium Sponge from Japan* and *Oil Country Tubular Goods from Israel* in support of this position. The respondents further state that actual expenses should be used in the final determination.

The petitioner states that it is essential for the Department to include imputed credit expenses in the constructed value calculations, because such expenses are imputed in the U.S. price. The petitioner further states that the Department's failure to include such imputed credit expenses would result in an improper comparison.

The petitioner claims that the Department should follow its usual methodology and include the "credit expense" as a selling expense in the constructed value.

*DOC Position:* The Department followed its usual methodology and included an imputed credit expense as part of selling expenses in constructed value. This practice was recently upheld in *Silver Reed v. United States*, Slip. Op. 88-5 (CIT, January 12, 1988). In the Department's view, this credit expense reflects the costs incurred by the company (costs of debt and equity) in financing its accounts receivable for the product. To avoid double-counting, the portion of actual interest expense attributable to accounts receivable was deducted from total interest charges.

*Comment 15:* The respondents argue that the Department must use the home market selling expense because section 773(e) of the Act requires that general expenses be use "equal to that usually reflected in sales of merchandise of the same general class or kind as the merchandise under consideration which are made by producers in the country of exportation."

Petitioner claims that U.S. selling expenses should be used because (1) home market selling expenses have not been verified, and (2) the sales in the home market for the products under investigation are very dissimilar from the U.S. sales.

*DOC Position:* We agree that generally the Department should use home market selling expenses in calculating constructed value. With respect to sales of cut-to-size projects, however, the Department determined that, due to the uniqueness of the merchandise, there was no comparability between sales in the home market and sales in the U.S. Therefore, the Department used the U.S. selling expenses as a surrogate for each individual U.S. project for which a constructed value was computed. The



Department used home market selling expenses for slabs.

**Constructed Value/Cost Comments—  
Henraux**

*Comment 16:* The petitioner argues that Henraux's raw block costs are underreported because Henraux used the moving average cost method in its response. The petitioner further states that the Department must use the respondent's highest raw material costs for the final determination.

Henraux argues that changing from the moving average inventory method to the cost for specific blocks used for cut-to-size projects actually reduced Henraux's material costs.

*DOC Position:* The moving average inventory method was not used because it averaged the costs of the current period with costs from prior periods. Using Henraux's accounting system, we were able to identify specifically the blocks used on each cut-to-size project. Therefore, the Department used the cost of the specifically identified blocks for the final determination. The effect was to increase the cost of some projects and to decrease the cost of others.

*Comment 17:* The petitioner argues that, if Henraux used an inflated allocation of cost to marble and to granite with thicknesses over 2½ inches, it would unjustifiably reduce the constructed value for the projects.

*DOC Position:* The allocations of the costs for marble and granite with thicknesses over 2½ inches for the projects were reviewed at verification. We found no inflated allocations.

*Comment 18:* The petitioner argues that costs of production of Henraux's related company, Lavorazioni, rather than the invoiced prices, should be used for the cut-to-size projects. The petitioner further states that comparing related party invoices to unrelated party invoices is questionable because petitioner believes that the fabrication input of unrelated parties is being provided at less than cost. Respondent states that all Lavorazioni sales are to Henraux. The respondent argues that for purposes of constructed value, the related party prices should be used if they reflect prevailing market prices offered by other suppliers.

*DOC Position:* For purposes of constructed value, we have used the transfer prices of the related company, in accordance with section 773(e)(2) of the Act, since these prices were comparable to prices charged by unrelated suppliers.

For purposes of the cost of production of slabs, we would ordinarily use the cost of the input from related companies. However, since the transfer

prices presented in Henraux's response were equivalent to the cost of production, the Department did not revise the response.

*Comment 19:* The petitioner argues that the sawing loss attributed to the cost of production for Henraux's granite slabs appears to be unsubstantiated, theoretical waste and does not account for breakage or second quality slabs.

Henraux states that it accounted fully for all waste costs.

*DOC Position:* Henraux measures the usable size of the granite blocks and computes the actual sawing waste for the slabs in its records. Therefore, the actual sawing waste was used in the final determination for the cost of production for slabs, rather than the theoretical waste reported in its original response.

*Comment 20:* The petitioner argues that the administrative record indicates that the cost of dimensioning waste for the cut-to-size projects has not been verified and, therefore, the Department should use the best information otherwise available.

*DOC Position:* Total material cost was used for the cut-to-size projects. Therefore, the Department did not need to measure the dimension waste in calculating constructed value.

*Comment 21:* Petitioner questions whether the factory overhead for Henraux was calculated properly. Petitioner argues that the overhead assigned to the projects appears to be low and, therefore, the highest, verified factory overhead amount should be used. Henraux states that it accurately included all overhead costs in its constructed value calculations.

*DOC Position:* The factory overhead in Henraux's response, including quality control, maintenance, depreciation, yard handling, block selection, and indirect salaries, was assigned to various aspects of the cost of cut-to-size projects such as block cost and surface treatment. Other factory overhead items, such as internal transport, handling, insurance, and consumable material, were assigned to the projects and listed in the costs separately. Therefore, no adjustments were necessary.

*Comment 22:* Petitioner states that the respondent has not used the most similar merchandise for the difference in merchandise calculations and, therefore, the petitioner's data should be used.

Henraux has submitted several alternative product comparisons.

*DOC Position:* We disagree with petitioner as regards use of BIA. For purposes of comparisons, we have used that slab, not cut-to-size, found to be most similar to the slab sold to the United States. This comparison is

different from that made at the time of our preliminary determination.

*Comment 23:* Petitioner argues that all costs may not be included for one project for which the material was sold to an independent contractor and then repurchased as completed cut-to-size pieces. The respondent states that all costs of the project were included in the constructed value.

*DOC Position:* We agree with the respondent. At verification, we determined that granite blocks were purchased for the project. A portion of the blocks were sawn into slabs and polished prior to the sale of the slabs and the sale of the remaining blocks to an unrelated supplier. The amount received from the supplier was deducted only from the material cost (not the total value which would include the costs of material and fabrication) to arrive at a negative balance for the material cost. However, since the cost of processing by Henraux and Henraux Lavorazioni and the cost of repurchasing the finished product from the unrelated supplier were included in total cost, the amount received from the sale of the slabs and blocks should have been deducted from the total cost. The net effect would have been the same without giving the appearance of obtaining a profit on the sale of material.

**Constructed Value/Cost Comments—  
Campolonghi**

*Comment 24:* The petitioner argues that the Department should use the market price of the granite block purchased by Campolonghi from its related company, Granite Marketing Associates (GMA). The market price should be the price charged to unrelated customers. The petitioner further states that distribution costs should not be deducted from the sales price because the statute requires that every element of value reflected in sales to unrelated parties be included in the price to unrelated parties.

The respondent states that commissions and handling fees incurred for sales to unrelated companies are not incurred for sales to Campolonghi and, therefore, should be deducted from the sales price to unrelated companies when comparing the prices.

*DOC Position:* We do not need to address this issue. The application of either measure of price has no impact on the margins for the projects.

*Comment 25:* The petitioner states the Department must use the highest block prices verified for Campolonghi, because the Department was unable to obtain permission from the Swiss Ministry of Foreign Commerce to verify

the cost of blocks purchased and sold to Campolonghi by GMA.

Campolonghi states that both it and GMA have cooperated fully in attempting to obtain permission to verify the records in Switzerland. Campolonghi further states that it should not be penalized for circumstances over which it has no control.

*DOC Position:* We were granted permission to verify the cost and sales records of GMA in Switzerland and based the final determination on verified data.

*Comment 26:* The petitioner argues that the Department must include all costs of GMA for the granite blocks obtained from them for the cost of production for slab sales.

Campolonghi argues that the transfer price should be used for the cost of production. The respondent states there is no legal or logical justification for the Department using related party prices in its cost of production analysis but not in its constructed value calculations. The respondent refers to *Washington Red Raspberry Commission v. United States*, 657 F. Supp. 537 (CIT, 1987).

*DOC Position:* The Department used the costs incurred by GMA in computing the cost of production for the slab sales. The constructed value related party provision contained in section 773(e)(2) is not directly applicable to cost of production calculations, because, by its terms it only refers to constructed value calculations. See, *Mirrors in Stock Sheet and Lehr End Sizes from the Federal Republic of Germany* 51 FR 43403 (1986). The Department based its cost of production calculations on "generally accepted accounting principles." According to these principles, when one company is at least 50 percent owned by another company, the costs are based on the consolidated financial information of the two companies.

*Comment 27:* The petitioner argues that a certain unaccounted for amount of money in the respondent's revised methodology for special works should be allocated to the granite sold during the period of investigation.

*DOC Position:* We have adjusted the "special works" in the response in accordance with the revised calculation obtained at verification. Approximately one half of the difference was not assigned to specific special works operations. This amount was so insignificant that it would have no effect on the cost of the special works.

*Comment 28:* Petitioner states that the highest verified dimension waste factor must be used for the final determination, rather than the amounts provided by Campolonghi prior to verification.

*DOC Position:* During the course of the verification, actual dimensioning waste for each granite type used in the projects was obtained. This information was tested against underlying documentation and was used in the final determination. For those granite types for which a specific waste loss was not ascertained, we applied the weighted-average waste loss obtained at verification.

*Comment 29:* The petitioner argues that the Department should use the highest verified sawing waste factor in the final determination.

*DOC Position:* Calculations related to this loss factor were tested extensively against underlying documentation for two of the stone types and verified. Therefore, the sawing waste factor computed for each stone type was used in the final determination.

*Comment 30:* The petitioner argues that the polishing cost for the final determination must be based on commercial square meters instead of actual square meters.

*DOC Position:* We agree and have used the unit cost based on commercial square meters in the final determination.

*Comment 31:* Petitioner argues that the Department should not accept the deduction from selling, general and administrative expenses of legal expenses that the respondents incurred in the antidumping investigation.

Respondent argues these expenses should not be included because they relate to future sales and not to sales under investigation. The respondent refers to *Industrial Nitrocellulose from France* (51 FR 43230, December 1, 1986) and *Certain Steel Pipes and Tubes from Japan* (48 FR 1206, January 11, 1983).

*DOC Position:* We agree with respondents. Following our precedents in *Industrial Nitrocellulose and Steel Pipes and Tubes and Televisions from Japan* (53 FR 4050, February 11, 1988), the Department has not included the expenses incurred by Campolonghi in defending the antidumping investigation.

*Comment 32:* The petitioner argues that the Department should use the accelerated depreciation used by the company in its accounting records instead of the straight line depreciation calculated for the submission.

The respondent states the company used a systematic method of depreciation for the response instead of the voluntary accelerated method used to defer corporate tax liability.

*DOC Position:* The Department applied the method of depreciation which was the method used by the company in its accounting records and accepted in Italy for financial statement purposes.

*Comment 33:* Petitioner argues the overall cost should be increased at least 34 percent to correct respondent's underreporting of raw material costs as a result of the computation of dimension waste.

*DOC Position:* For the final determination, the dimension waste factor has been computed for each granite type on the basis of the percentage of the quantity of waste to the output of material quantities from the dimensioning process. This factor was then applied to the cost of the project incurred prior to the dimension process in order to obtain a dimension waste cost. Since the factor used was based on verified quantities of output, an additional increase in cost is not warranted.

#### Constructed Value/Cost Comments—Freda

*Comment 34:* Petitioner argues that Freda's purchases of granite blocks from its related company, Campolonghi, should not be relied upon for the final determination. Petitioner states that Freda made all of its purchases of granite blocks from related companies, and cites one instance where Freda purchased granite block from Campolonghi and resold it one month later at a profit. Petitioner states that the calculation of Freda's constructed value is overwhelmingly dependent on the raw material cost used for granite block. If this price is inaccurate, the Department must increase Freda's raw material costs to reflect market values.

Freda states that the block it purchased from the Campolonghi and sold to a third unrelated slabbing company for a higher price one month later was not sold to that slabbing company for its own production process. Freda required the third company to purchase the block. The block had been sent to this company for conversion into slabs for Freda's use. As the slabs were found to be unsatisfactory, Freda billed the slabbing company the cost of the block plus a profit.

*DOC Position:* The Department analyzed the block and slab prices paid by Freda to Campolonghi and compared these to invoice prices of the same type and size of product purchased from unrelated companies. We found that unrelated companies charged a higher price. Therefore, in accordance with section 773(e)(2), the Department increased Freda's material costs by the difference between the invoice prices between Freda and Campolonghi and the invoice prices for the same material for transactions between unrelated companies, when exact comparisons

could be made. The Department used an average of these comparisons to increase material costs for the granite types for which an exact comparison could not be found.

The details of the purchase of the block and its resale one month later were not provided to the Department during Verification and, therefore, could not be verified.

*Comment 35:* Petitioner argues that constructed values for a significant number of projects were calculated erroneously, because Freda reported the cost of granite blocks from related companies rather than the cost of finished slabs purchased from unrelated companies.

*DOC Position:* The Department revised the material costs to reflect arm's length transaction prices using the slabs that had been purchased and used for the projects instead of the granite blocks which had not actually been sawn and finished by the company for the projects.

*Comment 36:* Petitioner argues that Freda stated that its block vendor credits Freda's account for broken, defective, or otherwise unusable slabs. Freda, however, provided no documentation to support this statement. The petitioner further states that undocumented comments by a respondent should not be considered verified information or relied upon for the final determination, and that the sawing waste factor of respondent should be discarded or at least increased for the broken, defective or unusable slabs.

*DOC Position:* The Department used the actual verified slab waste for those specific granite types used in the projects under investigation for its final determination.

*Comment 37:* Petitioner argues that the Department verified the polishing costs for only one type of granite and, therefore, the unverified nature of Freda's other cost of production requires that the overall cost of production be determined by using petitioner's information as the best information available.

*DOC Position:* When all or some elements of specific types of reported costs could not be verified, the Department made adjustments based on information developed at verification. However, these adjustments were confined to limited areas. Therefore, the Department accepted the remainder of Freda's response which could be verified.

*Comment 38:* Petitioner states that the Department's verification report shows that the dimensioning waste factor used by Freda is incorrect. The petitioner

further states that the verification report indicated that the amount calculated by respondent at verification must be increased by netting the beginning cut-to-size granite inventory against net granite output. The report then states that the respondent did not make such beginning cut-to-size inventory figures available to the Department at verification. Petitioner states that this refusal to cooperate with the Department's verifiers must lead the Department to discard the figures provided by respondent.

Freda argues that the opening cut-to-size slab inventory for 1987 was not included in its waste calculations because the inventory included none of the granite types subject to the investigation. Moreover, the opening inventory was not provided to the Department during verification because it was not requested by the Department at that time. Respondent further states that Freda personnel were cooperative with Department personnel and were willing to answer questions and recalculate or revise certain data as requested by the Department during the verification process.

*DOC Position:* The Department requested that Freda provide its dimensioning waste calculation during verification. Beginning inventory is one of the factors which must be considered for this calculation. Therefore, the company should have provided this information to the Department during verification. Since Freda did not do so, the Department had to rely on a BIA number for this component.

As BIA, the Department derived a dimensioning waste factor by calculating "beginning inventory" based on the company's financial statements. After adjusting the waste factor for the beginning inventory, the Department applied the company's dimensioning waste factors to the company's costs.

#### Constructed Value/Cost Comments— Formai and Northern Granites

*Comment 39:* The petitioner alleges that material costs were not verified for Formai and Northern Granites because the companies could not trace raw granite blocks from purchase to the completion of cut-to-size projects and certain critical documentation, such as invoices and ending inventory, were not provided. Therefore, the material costs were not verified and the Department should use "best information."

*DOC Position:* The Department performed various verification procedures to determine whether all materials used for a project were included in the cost of production. The Department inspected the official "block

purchased book", which the company is required to maintain for the Italy Tax Authority, and traced actual invoices of the fabricators from cut-to-size pieces to slabs and blocks for the projects. The Department concluded that all material costs were included in the projects reviewed.

*Comment 40:* The petitioner contends that movement expenses related to bringing the block to the company and exchange gains and losses of the company should be included in fabrication expenses for cut-to-size granite and for slabs.

*DOC Position:* The movement expenses related to bringing the block to the company were included as material costs since they were incurred in order to make the material available for use in production. These were appropriately classified as material costs.

The exchange gains and losses related to material purchases could not be segregated from the company's overall exchange gains and losses. However, the net amount was so insignificant as not to have an effect on the cost of materials.

*Comment 41:* Petitioner argues that since the cost of production of Northern Granites was higher than the prices charged by unrelated contractors for sawing block, the actual costs should be used.

*DOC Position:* In calculating constructed value for cut-to-size projects, the Department used the invoice prices between Formai and Northern Granites (Formai's related company) for sawing performed by Northern Granites, pursuant to section 773(e)(2), since these prices were comparable to prices paid to unrelated companies. For cost of production purposes, the Department used respondent's submission which was based on transfer price, since transfer price was equivalent to cost.

*Comment 42:* Petitioner states that there is no evidence on the record that Formai's and Northern Granite's selling, general and administrative expenses were satisfactorily verified.

*DOC Position:* The information presented in Formai's response was reconciled to the underlying records of both companies. However, certain costs included in the cost of manufacturing, which was the basis used to allocate the G&A expenses, were misclassified by Formai. Therefore, the Department adjusted the calculation by reclassifying these expenses.

*Comment 43:* The petitioner claims that the project included in Formai's response, which was not completed by November 30, 1987, should not be

excluded because the Department is not reviewing sixty percent of respondents' U.S. exports during the period of investigation.

**DOC Position:** As explained in response to comment 9, the Department obtained information on 60 percent of the sales completed during the POI. In our view, this information is sufficient to determine whether Italian granite is being, or is likely to be, sold at less than fair value. Therefore, we have not considered this additional sale by Formai.

#### Constructed Value/Cost Comments for Euromarble

**Comment 44:** Petitioner contends that, for the final determination, the Department should not rely on any data submitted by Euromarble, but should rely on the BIA. Petitioner bases this contention on the belief that Euromarble failed to establish the reliability and credibility of its data during verification. Although Euromarble resubmitted its data, correcting the specific numbers verified by the Department, the Department should not assume that unverified information resubmitted by the respondent is correct.

**DOC Position:** The Department verified the actual costs incurred by Euromarble for purposes of the final determination. The Department did not use the unverified information submitted by the respondent.

**Comment 45:** Petitioner contends that Euromarble initially failed to submit all of the costs incurred under factory overhead and general expenses for the granite under investigation. The corrected figures should be used in the final determination, if the Department does not rely on the best information available, as petitioner insists.

Respondent contends that Euromarble does not engage in drafting of any kind either before or after a U.S. sale is made. Since Euromarble revised overhead costs and general expenses during the verification, the Department should use these verified expenses.

**DOC Position:** Neither Euromarble's submission nor its revised calculations included certain factory overhead expenses, such as rent and other industrial costs. Therefore, the Department included these amounts which it obtained during the course of verification and allocated these expenses based on the "cost of sales" in 1987.

**Comment 46:** Petitioner contends that all companies incur a certain amount of additional waste at the slabbing stage due to breakage, slabs cuts whose veining makes them second quality slabs, and other factors. This additional

waste must be accounted for in the final determination, since none of this additional waste is accounted for by respondent's theoretical waste figure. Respondent contends that the Department scrutinized Euromarble's slabbing production data and reviewed information showing that sawing waste figures used by Euromarble were reasonable and accurate.

**DOC Position:** The Department examined actual slabbing waste for six different types of granite during the verification and reviewed actual slabbing waste for some cut-to-size projects. Based on this analysis, the average waste factor used by the respondent was confirmed.

**Comment 47:** Petitioner contends that the dimensioning waste percentages examined by the Department are not necessarily indicative of the percentages experienced on projects other than the two projects examined at verification. Therefore, if the Department uses the dimensioning waste factor submitted by the respondent, at a minimum, the Department should use the highest percentage of dimensioning waste factor submitted by the respondent.

Euromarble contends that the waste figures used in the submission were conservative and reasonable, as the sample transactions that the Department examined during verification demonstrated.

**DOC Position:** The Department's analysis of dimensional cutting waste, during and subsequent to verification, reflected a higher overall dimensioning waste than the estimated average used by the respondent in its submissions. Therefore, a revised weighted-average waste factor was used for the final determination.

**Comment 48:** Petitioner contends that Euromarble's claim for a reduction in its costs, based on its related company overcharging for sawing three centimeter thick slabs for one type of granite, should not be accepted. There is no indication in the verification report whether the revised price for this sawing was a reasonable market value.

Respondent contends that the revised price, in fact, reflected market prices as demonstrated to the Department during verification.

**DOC Position:** The Department verified the amount claimed through the published price list for the subcontracting service and then compared this amount to other invoices for the same or similar service. After this analysis, the Department concluded that the amount was actually higher than the price that should have been charged and, therefore, accepted Euromarble's claim.

#### Constructed Value/Cost Comments for Savema

**Comment 49:** The petitioner argues that the Department should not use Savema's theoretical sawing waste figures to determine the amount of cubic meter raw block which was necessary to produce a square meter of finished granite, because such information was not verified. Instead the petitioner's information or the average sawing waste for the three granite types which were verified should be used.

The respondent argues that the slabbing waste used in the submission was not theoretical. The amount used in the response, the company claims, was the average sawing waste rounded to the nearest tenth of a centimeter and that this sawing waste was tested at verification by a physical measurement. Therefore, the submission should be used.

**DOC Position:** The Department calculated the slabbing waste for three granite types from documentation provided by the company during verification and adjusted the material cost for those projects which used the granite types. The slabbing waste for all three types, which accounted for a substantial amount of the granite used in the projects under investigation, were higher than the slabbing waste reported in the submission. The Department, therefore, used a weighted-average slabbing waste based on these granite types.

**Comment 50:** The petitioner claims that the Department should account for the exchange losses in the material costs calculations.

**DOC Position:** The exchange losses related to material purchases were so insignificant that there was no effect on the costs of the materials.

**Comment 51:** The petitioner claims that the verification report does not state whether the sawing services, finishing, dimensioning, dimensioning waste and subcontract labor were successfully verified.

**DOC Position:** During verification the Department did not note any methodological questions or issues related to the reconciliation of the information presented in the response with the data maintained in the books of the company in its ordinary course of business. The dimensioning waste for the granite types verified by the Department confirmed the average dimensioning waste used by the respondent.

**Comment 52:** The petitioner argues that, in some cases, the allocation method used to attribute factory

overhead to different departments bore no relationship to the use of the costs.

*DOC Position:* The Department tested the allocation of overhead using a method which appeared to be more reflective of the actual usage of specific overhead costs and found that this method did not yield a different result in the method used by the respondent.

*Comment 53:* The petitioner claims that certain technical expenses, such as drafting shop tickets and other services, should be project-related and should, therefore, be included in the cost of manufacturing, rather than general expenses. Since Savema could not identify these services with a project, the full amount should be included and allocated to the projects. Savema contends that the expenses recorded are properly classified as general expenses, because:

(1) Technical services and administrative functions are performed by an unrelated company which billed for both of these services in one amount not segregated as to the administrative or to the technical services;

(2) The company pays an even, fixed administrative fee; and

(3) Certain drafting costs are related to bids, not specific projects.

*DOC Position:* The Department did not revise the respondent's submission since the amount of technical services which were related to a specific project and which would have been considered part of the cost of manufacturing, could not be determined.

#### Constructed Value/Cost Comments for Pisani

*Comment 54:* Respondent claims that some of the deficiencies noted during verification related to the dimensioning waste are insignificant and other statements are in error. For example, although the Department states that there are no sales made from miscellaneous inventory, the company did, in fact, make some sales. Also, according to the information attributed to one project, the full amount of the block used in that project should not be attributed to the project since, in fact, the block was defective.

*DOC Position:* The Department's verification report summarizes the information obtained during verification. Although there may be additional facts related to some of the statements made in the report, the company did not provide such information during verification nor documentation to support such statements. Therefore, any information submitted is untimely. We base our final determination on verified information.

*Comment 55:* The petitioner argues that, since the slabbing waste could not be verified for Pisani, the Department should use the total waste for the two granite types which were obtained during verification.

*DOC Position:* Because the Department could not verify that the total output of slabs from the sawing process were usable slabs for the cut-to-size projects, the Department had to resort to best information available. As BIA, the Department based the slabbing waste on the overall waste for the two granite types reviewed during verification and a third type analyzed subsequent to verification. The Department deducted the dimensioning waste from the overall waste to calculate a "best information" amount for slabbing waste.

*Comment 56:* The petitioner claims that the Department should use the actual lease expense reported on the company's financial statements, not the imputed amount which the company calculated for its submission.

*DOC Position:* The Department agrees with the petitioner and has included the amount for the lease reported on the company's financial statements.

*Comment 57:* The petitioner argues that the costs for production consultants, drafting, architectural consulting, quality control inspection, and the salaries and termination pay for the production manager, project manager, and draftsman, should be included in the cost of manufacturing, because these costs are related to manufacturing.

*DOC Position:* The Department agrees with the petitioner and has reclassified these expenses as part of the costs of manufacturing.

*Comment 58:* The petitioner argues that the Department should not accept the unverified sawing invoice charges as evidence that related companies charge the same prices as unrelated companies. The Department must use "best information available" based on the petitioner's information.

*DOC Position:* The Department reviewed the invoice in question and has no basis to believe that it is not an invoice from an unrelated party. Therefore, the Department used this invoice to adjust Pisani's fabrication costs in accordance with section 773(e)(2) of the Act.

*Comment 59:* The petitioner argues that the Department should use the highest price for Pisani's block purchases of Balmoral Red since the company could not identify the block used in the project under investigation.

The respondent contends that it told the Department during verification that

the lower-priced blocks were used for the project.

*DOC Position:* Since the specific block used in the project could not be determined from the company's records, the average prices for purchases of blocks of Balmoral Red were used.

*Comment 60:* The petitioner contends that Pisani's sawing costs should take into account the additional amounts charged by its subcontractor. Therefore, the sawing costs should be increased by the amount of the subcontractor's charge.

The respondent argues that the material costs were based on list price and that, in addition to these charges, discounts were also received.

*DOC Position:* The Department agrees that the additional charges reflected on the invoices for sawing costs should be included when determining the total costs for these services. The company did not provide invoices or other evidence reflecting the discounts during verification.

*Comment 61:* The petitioner claims that the Department should not reduce the costs of slabs for reimbursements for defective slabs because there is no evidence on the record which supports respondent's claim.

*DOC Position:* The Department did not make an adjustment for reimbursement for defective slabs because the respondent did not provide support for the statement.

*Comment 62:* The petitioner states that, unless the Department has verified that Pisani pays no transportation costs from the non-Italian quarry to Italy, it should attribute to Pisani's purchases of raw granite block the highest transportation expenses incurred by another respondent to ensure that all costs have been included in the constructed value.

The respondent claims that all of its purchases are from granite trading companies with offices located in the Carrara area and, therefore, transportation cost should be the same.

*DOC Position:* The Department could not verify the transportation cost which Pisani submitted in its questionnaire response. Therefore, as best information available, the Department used the amount of transportation costs reflected in Pisani's financial statements and allocated this amount to each project based on its cost of manufacturing.

#### Other Comments

*Comment 63:* An interested party argues that if contracts negotiated by importers prior to the time of the Department's preliminary determination are not exempted from the suspension of

liquidation order, material injury will be caused these parties.

**DOC Position:** Section 733(d)(2) of the Act, 19 U.S.C. 1673b(d)(2), requires the posting of a cash deposit, bond, or other security for each entry subject to the Department's suspension of liquidation order. The Act does not allow the Department to make this sort of exception for merchandise subject to the investigation.

#### Continuation of Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of certain granite products from Italy for all manufacturers/producers/exporters, with the exception of Formai, Henraux and Savema, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this note in the Federal Register. For Formai & Mariani S.r.l. and its related company, Northern Granites S.r.l., Henraux S.p.A and Savema S.p.A., liquidation is not suspended. For the remaining firms, the Customs Service shall require a cash deposit or the posting of a bond equal to the estimated amounts by which the foreign market value of the merchandise subject to this investigation exceeds the United States price as shown below. This suspension will remain in effect until further notice. The weighted-average margins are as follows:

Manufacturer/producer/exporter	Margin percentage
Campolonghi Italia S.p.A. and its related companies, Freda S.p.A and Olympia Marmi S.p.A.	1.54
Euromarble S.p.A.	1.02
F. 11i Guarda S.p.A.	28.34
Formai & Mariani S.r.l. and its related company, Northern Granites S.r.l.	0.21
Henraux S.p.A.	0.09
Pisani Brothers S.p.A.	4.93
Savema S.p.A.	0.00
All others	4.98

With respect to all companies except Formai & Mariani S.r.l. and its related company, Northern Granites S.r.l., and Henraux S.p.A., the cash deposit or bonding rate established in the preliminary antidumping duty determination shall remain in effect with respect to entries or withdrawals from warehouse made prior to the date of publication of this notice in the Federal Register. This suspension of liquidation will remain in effect until further notice. With respect to Formai & Mariani S.r.l., and its related company Northern Granites S.r.l., and Henraux S.p.A., any bond of other security ordered in its

preliminary antidumping duty determination are hereby released or refunded.

#### ITC Notification

In accordance with section 735(d) of the Act, we have notified the ITC of our determination. 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. However, if the ITC determines that such injury does exist, the Department will issue an antidumping duty order on certain granite products from Italy, 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 published pursuant to section 735(d) of the Act (19 U.S.C. 1673d(d)).

July 13, 1988.

Jan W. Mare,

Assistant Secretary for Import Administration.

[FR Doc. 88-16213 Filed 7-18-88; 8:45 am]

BILLING CODE 3510-05-M

#### [C-475-702]

#### Final Negative Countervailing Duty Determination; Certain Granite Products From Italy

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

**ACTION:** Notice.

**SUMMARY:** We determine that *de minimis* countervailable benefits are being provided to manufacturers, producers or exporters in Italy of certain granite products as described in the "Scope of Investigation" section of this notice. Since the estimated net subsidy is either *de minimis* or zero for all manufacturers, producers or exporters in Italy of certain granite products, our determination is negative.

We have notified the U.S. International Trade Commission (ITC) of our determination.

**EFFECTIVE DATE:** July 19, 1988.

**FOR FURTHER INFORMATION CONTACT:** Mark Linscott, Lori Cooper or Barbara Tillman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 377-8330, 377-8320 or 377-2438.

#### SUPPLEMENTARY INFORMATION:

##### Final Determination

Based on our investigation, we determine that *de minimis* countervailable benefits are being provided to manufacturers, producers or exporters in Italy of certain granite products. For purposes of this investigation, the following programs are found to confer subsidies:

- Preferential Transportation Rates
- Interest Rebates on Conversion Loans from the European Coal and Steel Community (ECSC)
- Reductions in Social Security Payments for Companies Located in the Mezzogiorno
- Tax Concessions under Law 614.

We determine the estimated net subsidy under these programs to be *de minimis* or zero for all manufacturers, producers or exporters in Italy of certain granite products.

##### Case History

Since the publication of the preliminary determination [*Preliminary Negative Countervailing Duty Determination: Certain Granite Products from Italy* (52 FR 48732, December 24, 1987)] (*Certain Granite*), the following events have occurred. On December 30, 1987, petitioner requested an extension of the final determination to correspond with the final determination in the concurrent antidumping duty investigation of certain granite products from Italy. On January 28, 1988, we published the extension notice (53 FR 2521). On March 2, 1988, respondents requested a postponement of the final antidumping duty determination from May 9, 1988, to June 20, 1988. On March 15, 1988, we published a postponement notice (53 FR 8479, March 15, 1988). On June 2, 1988, respondents requested another postponement of the final determination in the antidumping duty investigation to July 13, 1988. This postponement notice was published on June 15, 1988 (53 FR 22369).

The Government of Italy (GOI) and respondent companies submitted supplemental questionnaire responses on the following dates: January 28, 29, February 1, 2, and March 29, 1988.

From April 5 to May 2, 1988, we conducted verification in Italy of the questionnaire responses of the GOI and the following respondent companies: Campolonghi and related companies Freda and Olympia Marmi, Euromarble, Henraux and related company Giuseppe Furrer; Pisani, Fratelli Guarda, Bonotti, Antolini Luigi, Granitex, Margraf, Marcolini Marmi and Cremar.

APPENDIX D

THE U.S. INTERNATIONAL TRADE COMMISSION BUILDING

The granite facade of the International Trade Commission Building was designed by \* \* \* of the architectural firm \* \* \*. \* \* \*. \* \* \* is a leading architectural firm which has been active in the use of granite in building design. On the Commission building, granite is used up to the height of about two floors (three floors around the main entrance), about the range the eye casually scans. The facing on the first floor facade is highly polished granite, enhancing the natural red of the stone. However, on the second floor of the facade, a granite aggregate material is used and appears almost grey. The grey effect on the second floor then blends evenly into the upper floors of the facade, which are concrete. The outdoor paving is thermal-flamed, providing a rough surface for walking but yielding a rich color and shine like that on the first floor facing. The lobby and public hallways on the ground floor continue this effect with a mixture of flamed and polished wall veneer and floor tile. The impression for the casual observer is of a great deal of granite, lending a solidity and luxury to the building. As the building's primary tenant, the Commission has a tradition and function which are well suited to the institutional character of granite construction.

\* \* \* is familiar with different granites through \* \* \*. For the Commission building, \* \* \* granites were specified (identified as approved), with the preferred choices being \* \* \*. These granites all are large-grained deep pink/light red. The U.S. granites are quarried \* \* \*. The other \* \* \* specified granites were \* \* \*. \* \* \*. Samples of some of these granites may be viewed in room 615J.

\* \* \* \* \*



APPENDIX E

ALTERNATIVE CALCULATIONS OF CONSUMPTION, IMPORTS,  
AND MARKET PENETRATION

Table E-1

Certain granite: U.S. shipments, imports, and apparent consumption, 1985-87, January-March 1987, and January-March 1988

(In thousands of dollars)

Item	1985	1986	1987	January-March--	
				1987	1988
U.S. shipments <u>1</u> /.....	64,145	67,134	72,261	19,009	17,514
Imports from--					
Italy <u>2</u> /.....	78,480	109,716	91,867	21,169	24,394
Spain <u>3</u> /.....	5,038	6,228	5,884	1,350	1,630
Subtotal.....	83,518	115,944	97,751	22,519	26,024
All other countries.....	11,360	12,678	14,879	3,585	5,429
Total imports <u>4</u> /.....	94,878	128,622	112,630	26,104	31,453
Apparent consumption <u>5</u> /....	159,023	195,756	184,891	45,113	48,967

1/ U.S. producers' company transfers and open market sales of finished granite. Understated by an estimated 15 percent.

2/ Equals 87 percent of imports from Italy under TSUS 513.74.

3/ Equals 47 percent of imports from Spain under TSUS 513.74.

4/ Equals 76 percent of imports from all countries under TSUS 513.74.

5/ This figure includes imports of slab, which are further processed into finished granite and sold, primarily by marble shops. However, because the majority of marble shops did not respond to the questionnaire, there is minimal double-counting.

Source: U.S. shipments data compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Import data is based on official statistics of the Department of Commerce, as adjusted in the petition at p. 58.

Table E-2

Certain granite: Subject imports from Italy and Spain and all other imports, 1985-87, January-March 1987, and January-March 1988

(In thousands of dollars)

Source	1985	1986	1987	January-March--	
				1987	1988
Subject imports from:					
Italy <u>1/</u> .....	52,993	78,435	65,487	14,269	18,633
Spain <u>2/</u> .....	5,038	6,228	5,884	1,350	1,630
Subtotal.....	58,031	84,663	71,371	15,619	20,263
All other imports.....	36,847	43,959	41,259	10,485	11,190
Total imports <u>3/</u> .....	94,878	128,622	112,630	26,104	31,453

1/ Equals 87 percent of imports from Italy under TSUS 513.74, minus the estimated value of fairly traded products. This estimated value is based on reported export volumes and calculated unit values of imports from Italy. Although there is a time lag between export from Italy and import into the United States, holidays and winter weather reduce the volume of granite shipments in December and January; thus, the data presented are not believed to be unrepresentative.

2/ Equals 47 percent of imports from Spain under TSUS 513.74.

3/ Equals 76 percent of imports from all countries under TSUS 513.74.

Source: Compiled from official import statistics of the U.S. Department of Commerce, adjusted according to the petition, at p. 58; from data submitted by counsel for the Italian fabricators regarding exports from Italy to the United States of fairly traded products; and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table E-3

Certain granite: Share of U.S. consumption supplied by subject imports from Italy and Spain, all other imports, and U.S. producers, 1985-87, January-March 1987, and January-March 1988

Item	1985	1986	1987	January-March--	
				1987	1988
U.S. consumption.....\$1,000..	159,023	195,756	184,891	45,113	48,967
Share of U.S. consumption supplied by--					
Subject imports from--					
Italy.....percent..	33.3	40.1	35.4	31.6	38.1
Spain.....percent..	<u>3.2</u>	<u>3.2</u>	<u>3.2</u>	<u>3.0</u>	<u>3.3</u>
Subtotal.....percent..	36.5	43.2	38.6	34.6	41.4
All other imports....percent..	<u>23.2</u>	<u>22.5</u>	<u>22.3</u>	<u>23.3</u>	<u>22.8</u>
All imports.....percent..	59.7	65.7	60.9	57.9	64.2
U.S. shipments.....percent..	<u>40.3</u>	<u>34.3</u>	<u>39.1</u>	<u>42.1</u>	<u>35.8</u>
Total.....percent..	100.0	100.0	100.0	100.0	100.0

Source: Based on data presented in tables E-1 and E-2.

**APPENDIX F**  
**SAMPLE BID SPECIFICATION PAGES**

\*

\*

\*

\*

\*

\*

\*