

UNITED STATES TARIFF COMMISSION

ASBESTOS CEMENT PIPE
FROM JAPAN

Determination of Injury in
Investigation No. AA1921-91
Under the Antidumping Act, 1921, as Amended



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UNITED STATES TARIFF COMMISSION

Catherine Bedell, *Chairman*

Joseph O. Parker, *Vice Chairman*

Glenn W. Sutton

Will E. Leonard, Jr.

George M. Moore

J. Banks Young

Kenneth R. Mason, *Secretary*

**Address all communications to
United States Tariff Commission
Washington, D. C. 20436**

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[AA1921-91]

ASBESTOS CEMENT PIPE FROM JAPAN

Determination of Injury

On February 2, 1972, the Tariff Commission received advice from the Treasury Department that asbestos cement pipe from Japan is being, and is likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended. 1/ In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation No. AA1921-91 to determine whether an industry in the United States is being, or is likely to be injured, or is prevented from being established by reason of the importation of such merchandise into the United States.

A public hearing was held on March 21 and 22, 1972. Notice of the investigation and hearing was published in the Federal Register of February 9, 1972 (37 F.R. 2908).

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

1/ Notice of the Treasury Department's determination of sales at less than fair value and the reasons therefor were published in the Federal Register of Feb. 3, 1972 (37 F.R. 2600).

On the basis of the investigation, the Commission has determined by a vote of 2 to 2 1/ that an industry in the United States is being injured by reason of the importation of asbestos cement pipe from Japan, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Commissioners Leonard and Young determined in the affirmative and Chairman Bedell and Commissioner Moore determined in the negative. Pursuant to section 201(a) of the Antidumping Act, 1921, as amended, the Commission is deemed to have made an affirmative determination when the Commissioners voting are equally divided. Vice Chairman Parker and Commissioner Sutton did not participate in the determination.

Statement of Reasons for Affirmative Determination of
Commissioners Leonard and Young

The Antidumping Act, 1921, as amended, requires that the Tariff Commission find two conditions satisfied before an affirmative determination can be made.

First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established.

And second, such injury (or likelihood of injury or prevention of establishment) must be "by reason of" the importation into the United States of the class or kind of foreign merchandise the Secretary of the Treasury determined is being, or is likely to be, sold at less than fair value.

In the instant investigation we find that both conditions are met. We have, therefore, made an affirmative determination.

Sales at less than fair value

U.S. imports of asbestos cement pipe from Japan in recent years have entered the United States at west coast ports and have been sold almost entirely in the area west of the Rockies, termed hereinafter the "west coast" market. All the asbestos cement pipe imported from Japan has consisted of pressure pipe, which is the type of asbestos cement pipe used for water supply systems.

The Treasury Department examined records covering all the shipments of Japanese asbestos cement pipe to the United States during a 7-month period in the last half of 1970 and early 1971. The Treasury

determined that nearly all of the asbestos cement pipe shipped to the United States was sold at less than fair value, i.e., the purchase price of pipe for export to the United States was lower than the price of corresponding pipe sold in the Japanese home market. Although the less-than-fair-value margins (the amount by which the purchase price for export to the United States was lower than the home market price) varied from size to size of pipe and from supplier to supplier, it was generally substantial, averaging 20 percent of the home market price.

The industry

We have concluded that the industry in this case consists of the facilities in the United States for the production of asbestos cement pipe. Currently such pipe is manufactured domestically by four companies in 14 plants. In our view, therefore, the facilities in those 14 plants for the production of asbestos cement pipe constitute the domestic industry.

Two issues in the instant case raise questions whether we should in some fashion segment the domestic industry in order to determine whether there is injury. First, as indicated above, the imports of asbestos cement pipe sold at less than fair value consist entirely of pressure pipe. Any segmentation of the industry to isolate facilities in which pressure pipe is produced, however, would be wholly artificial. Both pressure and nonpressure asbestos cement pipe are made in the same plants on the same machines. The only difference in the two types of pipe is that the ratio of asbestos to cement is greater for pressure pipe than for nonpressure pipe. Consequently, we have weighed the effects

of sales of asbestos cement pressure pipe at less than fair value in all the domestic facilities for the production of asbestos cement pipe. Second, virtually all the imports of asbestos cement pipe from Japan has been sold in the United States in the west coast market. Four of the 14 domestic plants in which asbestos cement pipe is produced are situated there. These plants supply almost all of the domestic pipe being sold in the west coast market, and little of their output is marketed elsewhere. It follows that a national industry may be injured if injury is experienced in a portion of its market. Such injury might occur if the only sales lost consisted of certain products or if sales in a particular regional market were lost. Both events took place in the instant case when significant sales of Japanese asbestos cement pressure pipe occurred at less than fair value in the west coast market.

Market penetration

U.S. imports of asbestos cement pipe from Japan, nearly all of which in a recent period were found to have been sold at less than fair value, have supplied a small part of the total U.S. market for such pipe but a more significant part of the west coast market. In 1970 and 1971 Japan supplied 2 to 3 percent of total U.S. consumption of asbestos cement pipe but 6 to 7 percent of consumption of asbestos cement pipe in the west coast market. During the same period Japan supplied 4 to 5 percent of total U.S. consumption of asbestos cement pressure pipe but 10 to 13 percent of consumption of asbestos cement

pressure pipe in the west coast market. While the market penetration thus attained by Japanese asbestos cement pipe on a national basis might be regarded as minimal, the market penetration achieved by Japanese pipe on the west coast indicates significant displacement of domestic pipe and considerable loss of sales by the domestic producers supplying that area. Such effects in the west coast market, which is an important part of the total market served by the domestic producers, signify injury to the domestic industry under the terms of the anti-dumping statute.

Some have suggested that the sales of pipe from Japan at less than fair value have not been injurious to the domestic industry because imports of asbestos cement pipe from Japan have declined in recent years. Such a diminution of imports, however, is no assurance that injury is not taking place. The volume of Japanese pipe entering the United States in 1971 captured 6 percent of the west coast market, clearly a large enough penetration to have had marked impact on the operation of the domestic industry.

Price effects

Asbestos cement pipe is sold by both domestic producers and importers primarily through direct sales to contractors and developers for installation in public and private water and sewerage systems. Some is sold through distributors, but that channel of distribution is far less important than the direct sales. Virtually all of the sales to contractors and developers are made after either public or

private bidding. Domestic and imported pipe are similar products, having met the required specifications. Therefore, price is the most important factor influencing sales, and the lowest bid will in most instances determine which firm gets the business.

In recent years, when asbestos cement pipe from Japan was sold at less than fair value, Japanese pressure pipe sold in the west coast market at prices well below those of the corresponding domestic product. For 8-inch, class 150 pressure pipe, for example, the selling prices of Japanese pipe on the west coast averaged about 10 percent below those of domestic pipe in 1970-71. The margins of underselling differed somewhat from area to area, being smallest in Washington and Oregon and largest in Arizona (where it reached nearly 20 percent). With such price differences, the contract was awarded to the Japanese pipe in practically every case whenever the importer entered the bidding.

The extensive degree of underselling by Japanese pipe on the west coast was made possible by the substantial less-than-fair-value margin on such pipe. For the type of pipe mentioned above (8-inch, class 150), Japanese pipe typically undersold domestic pipe in the southern California market by about 25 cents per linear foot in 1971. This competitive price advantage was approximately equivalent to the amount by which the price of the Japanese pipe when sold for export to the United States was less than the price of equivalent pipe sold in the Japanese market. Without the substantial advantage accorded by the sales at less than fair value, the Japanese firm

could not have sold such significant quantities of asbestos cement pipe in the U.S. market.

Generally, the two domestic firms producing asbestos cement pipe on the west coast chose not to meet the lower prices of Japanese pipe. Indeed, the prices charged by the domestic producers in that area were increased moderately in the period from 1969 through early 1972. Rather than meet the prices, an action which is likely to have seriously depressed prices and profits in their entire west coast market, the producers chose to lose those contracts on which the importers bid at lower prices. The indication of injury in these cases then was, not depressed prices of the domestic producers, but their lost sales.

In recent years, the domestic industry has experienced healthy profits from their west coast operations. However, during this period, the west coast facilities of the industry have operated well under their capacity. It is almost certain that had additional production and sales occurred, profits would have been even higher. Nevertheless, regardless of the profit experience of the industry, there is sufficient evidence of injury--as detailed before--to the domestic industry from imports at less than fair value.

Conclusion

We have determined that an industry in the United States is being injured because of the extent of market penetration by asbestos cement pipe from Japan sold at less than fair value in the west coast market of the United States, with a resultant loss of sales and profits.

Statement of Reasons for Negative Determination
of Chairman Bedell and Commissioner Moore

In our opinion an industry in the United States is not being injured nor is likely to be injured, nor is prevented from being established, by reason of imports of asbestos cement pipe from Japan found by the Assistant Secretary of the Treasury to be, or likely to be, sold at less than fair value (LTFV). Evidence developed during the Commission's investigation shows that if, indeed, the U.S. industry has experienced any difficulty from LTFV imports from Japan, such injury is inconsequential and therefore should be classified as de minimis.

Domestic industry

In making our determinations in this investigation, we have considered the relevant industry to consist of the facilities in the United States producing asbestos cement pipe. Asbestos cement pipe is being produced by four firms at 14 establishments throughout the entire United States. These facilities produce all types of asbestos cement pipe including water pressure pipe.

Conditions of competition

Asbestos cement pipe is manufactured domestically in almost every geographic region of the country. However, imported pipe from Japan is sold mostly in the west coast area: California, Arizona, and the Northwest states. We agree that this market area is the

only geographic region in the United States where Japanese sales at LTFV have had any impact.

Market penetration

Market penetration by Japanese imports in the national market reached a peak of 3.0 percent in 1969 and decreased steadily through 1971 to 2.1 percent.

Market penetration by imports of asbestos cement pipe from Japan in the west coast market area reached a high of 27,303 short tons in 1969. In 1970, the year in which the Treasury Department found LTFV sales, such imports had declined to 21,142 short tons in this market area. In 1971 imports of asbestos cement pipe further declined to 17,188 short tons on the west coast.

Based on the trend of imports outlined above, it is clear that LTFV sales of asbestos cement pipe imported from Japan is not resulting in these imports receiving a greater share of the U.S. market in the West coast area. In fact, the opposite result occurred; namely, market penetration by such imports decreased sharply in 1970 and 1971.

Domestic consumption, shipments and sales

Total domestic consumption of all asbestos cement pipe rose steadily every year from 1967 through 1971 except for a decline in 1970. Consumption of pressure pipe in the west coast market also showed a steady rise in these years with the exception of 1970.

It is abundantly clear from the facts developed by the Commission that the Japanese sales at LTFV had only a minimal effect on the national market. Evidence available to the Commission shows that the domestic producers prospered both nationally and on the west coast. The west coast market has long been a major market area when viewed as a percentage of total shipments by U.S. producers. This percentage averaged 29.4 during 1967-69 compared with 36.1 during 1970-71 (the years in which LTFV imports were determined). The increasing importance of the west coast market when viewed as a percentage of total shipments by the domestic producers demonstrates that any adverse effect from Japanese LTFV competition in this area was minimal. Japanese import competition is concentrated in the pressure pipe categories; however, sales by domestic producers of such pressure pipe in the west coast area showed the same trends as all asbestos cement pipe. Despite Japanese competition from pipe sold at LTFV, the domestic producers have prospered in this market.

The value of sales of all asbestos cement pipe on the west coast have increased in every year from 1967 to 1971. The percentage of increase of sales in this market area remained high throughout these years. Even in 1970, the year the Treasury Department found LTFV sales, the domestic industry experienced a 3.0 percent increase in sales in the west coast market.

Profitability of U.S. industry

Profit-and-loss data provided by the domestic producers reveals that profits rose continually from 1967 through 1971 from their west coast operations. The ratio of net operating profit to net sales also increased from 1967 through 1970 in this market area. Information furnished the Commission reveals that the domestic industry enjoyed extremely high profits in the market area where they were meeting their most severe competition from the LTFV imports.

Likelihood of future injury

Imports of asbestos cement pipe by Japan have declined sharply since the peak year in 1969. One of the two Japanese companies exporting to the United States has dropped out of this market entirely. The remaining Japanese producer has announced that owing to changes in its plant it will limit its exports in the coming year to 9,600 metric tons (10,634 short tons), which is 56 percent lower than the average annual U.S. imports from Japan in 1969-70. The present trend in the volume of imports shows clearly that the Japanese exporters do not have the intent or capacity to cause future injury to an industry in the United States due to LTFV imports.

Pricing practices

The domestic producers sell asbestos cement pipe from a published price list with varying discounts. Published prices in the west coast market area showed steady increases from 1969 through 1972. The published prices in the west coast area remained as high

as national prices in areas which were not in competition with LTFV imports from Japan. We conclude that the LTFV imports had no effect on pricing in the regional markets or on the national market.

Summary and conclusion

In view of the absence of price depression or of any evidence of price suppression, the limited distribution of imported Japanese pipe by size, market and sales channels, the growth in sales and profits of the U.S. asbestos cement pipe industry, and the fact that the market penetration of LTFV imports is so inconsequential as to be de minimis; we conclude that an industry in the United States is not being injured, nor is likely to be injured, nor is prevented from being established, by reason of the importation of asbestos cement pipe sold in the United States at less than fair value.