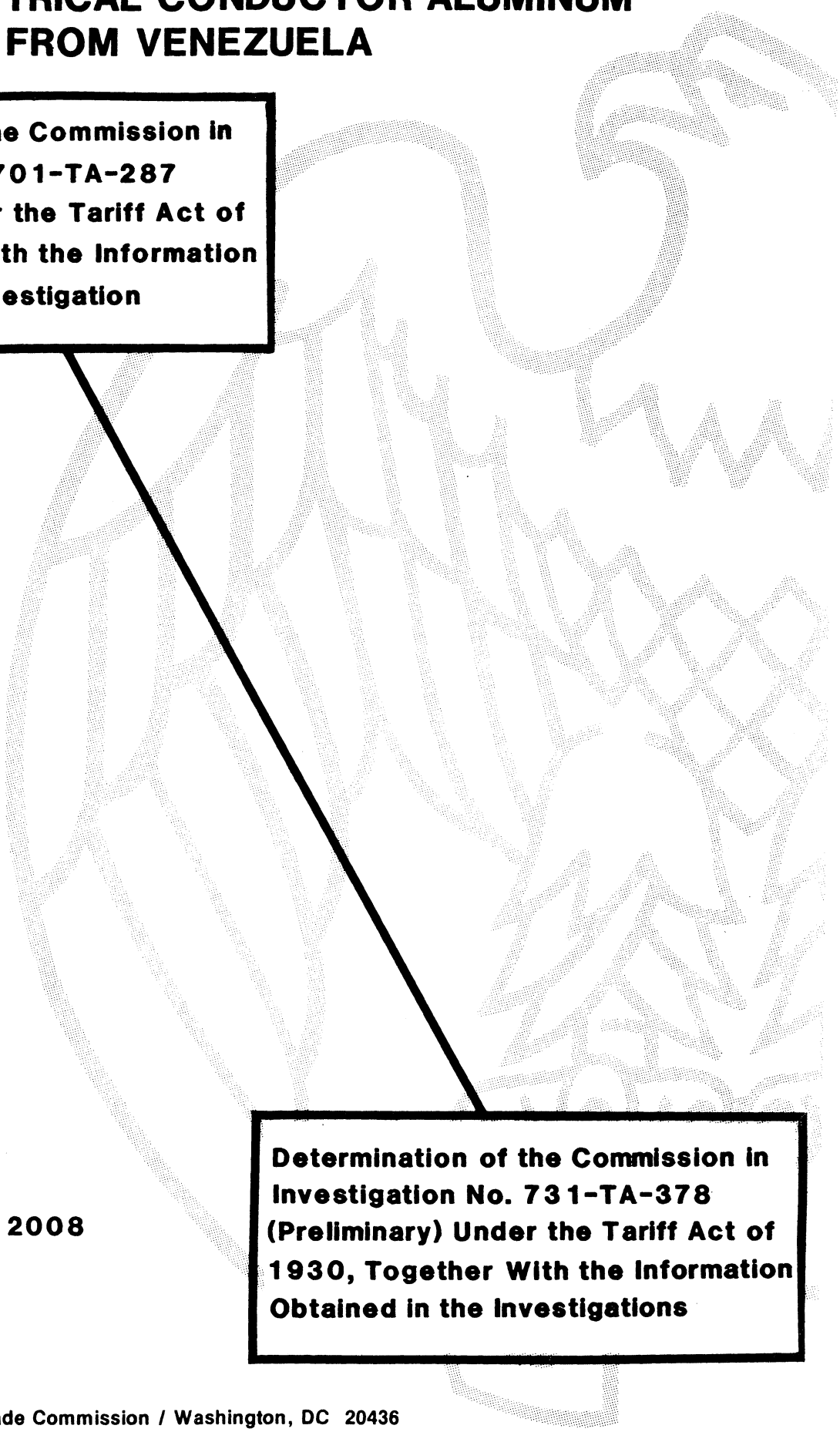
CERTAIN ELECTRICAL CONDUCTOR ALUMINUM REDRAW ROD FROM VENEZUELA

Determination of the Commission in Investigation No. 701-TA-287 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation



Determination of the Commission in Investigation No. 731-TA-378 (Preliminary) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary)

CERTAIN ELECTRICAL CONDUCTOR ALUMINUM REDRAW ROD FROM VENEZUELA 1/

Determinations

On the basis of the record 2/ developed in investigation No. 701-TA-287 (Preliminary), the Commission unanimously determines, 3/ pursuant to section 703(a) of the Tariff Act of 1930 (19 U.S.C. { 1671b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be subsidized by the Government of Venezuela.

On the basis of the record 2/ developed in investigation No. 731-TA-378 (Preliminary), the Commission unanimously determines, 3/ pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. { 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from Venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

1/ For purposes of these investigations the term "electrical conductor aluminum redraw rod" refers to wrought rods of aluminum which are electrically conductive and contain not less than 99 percent of aluminum by weight.

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

3/ Chairman Liebeler not participating.

Background

On July 14, 1987, petitions were filed with the Commission and the Department of Commerce by Southwire Company, Carrollton, Georgia, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of electrical conductor aluminum redraw rod from Venezuela and by reason of LTFV imports of electrical conductor aluminum redraw rod from Venezuela. Accordingly, effective July 14, 1987, the Commission instituted preliminary countervailing duty and antidumping investigations to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of such merchandise into the United States.

Notice of the institution of the Commission's investigation and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 22, 1987 (52 F.R. 27593). The conference was held in Washington, DC, on August 6, 1987, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF THE COMMISSION [1/]

We determine that there is a reasonable indication that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of electrical conductor aluminum redraw rod from Venezuela that are allegedly subsidized and allegedly sold in the United States at less than fair value (LTFV).

Like Product/Domestic Industry

The Commission is required to make its "like product" and "domestic industry" determination on a case-by-case basis. [2/] The imported product under investigation is electrical conductor aluminum redraw rod designed for use in the manufacture of electrical conductor wire and stranded cable. [3/]

1/ Chairman Liebeler did not take part in these determinations.

2/ Section 771(4)(A) of the Tariff Act of 1930 defines "industry" 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...." 19 U.S.C. § 1677(4)(A). "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 investigation." Section 771(10); 19 U.S.C. § 1677(10).

3/ Antidumping Petition at 22. The Department of Commerce's notice of investigation defines the scope of investigation as certain electrical conductor aluminum redraw rod from Venezuela which is electrically conductive and contains not less than 99 percent aluminum by weight as provided for in TSUSA item numbers 618.1520 and 618.1540. 52 Fed. Reg. 29558 (Aug. 10, 1987).

Petitioner argues that the domestic like product is exclusively electrical conductor aluminum redraw rod ("EC rod") and that aluminum redraw rod intended for mechanical, nonelectrical uses ("mechanical rod"), such as fencing and screening, should not be included within the like product definition. 4/ According to petitioner, the primary distinguishing physical characteristic of EC and mechanical rod is the high degree of purity required of EC rod in order to achieve optimal electrical conductivity. EC rod must be 99 percent or greater aluminum by weight, 5/ while mechanical rod, which is often made from scrap, has a higher alloy content.

Respondents suggest that the like product include both EC and mechanical rod. 6/ They claim that 4 major producers other than Southwire can and do switch back and forth between EC and mechanical rod production, and at a "moderate cost." 7/ Respondents acknowledge that there are distinct uses

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4/ Antidumping Petition at 22. Petitioner's Post-Conference Brief at 5-8.
5/ Report of the Commission ("Report") at A-1; Petitioner's Post-Conference Brief at 6.
6/ Transcript of the conference ("Tr.") at 109. Respondents' Post-Conference Brief, Exh. 1 at 30.
7/ Tr. at 109.

for the two products; [8] however, they offer the analogy of car tires in different sizes. One car may need a 14-inch tire and another a 15-inch tire, and, although the two tires are not interchangeable, they are manufactured in the same manner and are one like product. [9]

We find one like product consisting of EC rod. Both petitioners and respondents agree that there are important physical differences between the EC and mechanical rod. Also, there is very limited overlap in rod uses as EC rod could be used for some limited mechanical applications, but it is almost never used in such a manner. [10] Mechanical rod is not acceptable for electrical uses. [11] With respect to the manufacturing characteristics, there is evidence that a mill designed to produce EC rod cannot be converted to produce mechanical rod because EC rod rolling mills are not able to apply the force necessary to roll mechanical rod alloys. [12] However, it remains unclear as to the ease or cost of switching from mechanical to EC rod production and back again.

Based on these important differences in physical characteristics and uses, we determine that mechanical rod is not part of the like product.

8/ Id. at 133-34. In Venezuela, mechanical rod is apparently used to some extent for electrical conduction. Id. at 132.
9/ Tr. at 134.
10/ Petitioner Southwire states that less than one percent of its EC rod is used for mechanical purposes. Tr. at 30.
11/ Tr. at 132. Thus, respondent's car tire analogy is not apt. Unlike EC and mechanical rod, tires of different sizes perform the same function, albeit on wheel rims of different sizes, and are manufactured in the same manner.
12/ Report at A-4.

Therefore, the domestic industry consists of the domestic facilities of the seven companies that produced EC rod in the United States during the period of investigation. 13/

Condition of the Domestic Industry

In determining the condition of the domestic industry, the Commission considers, among other factors, domestic consumption, U.S. production, capacity, capacity utilization, shipments, employment, wages, and profitability. 14/

Apparent U.S. consumption of EC rod dropped 18 percent from 1984 to 1986. Consumption fell 10 percent during January-March 1987 compared with the same period of 1986. 15/

U.S. production declined from 363,275 tons in 1984 to 279,173 tons in 1986, a drop of 23 percent. During January-March 1987 production fell 19 percent to 70,243 tons from 86,648 tons during January-March 1986. Average capacity to produce EC rod fell from 513,953 tons in 1984 to 503,786 in 1986. During interim period 1987 average capacity dropped 15 percent compared to

13/ For purposes of these preliminary investigations, we have determined not to exclude any domestic producers from the domestic industry as "related parties" under section 771(4)(B), 19 U.S.C. § 1677(4)(B). If these investigations return to the Commission for final investigations, we will fully explore this issue.
14/ 19 U.S.C. § 1677(7)(C)(iii).
15/ Report at A-14, table 3.

interim period 1986. 16/ Capacity utilization remained low throughout the period. 17/ Total domestic shipments dropped from 367,530 tons in 1984 to 305,023 tons in 1985 to 279,170 tons in 1986. 18/ Shipments continued to drop in the interim 1986-1987 comparison from 86,269 tons to 72,581 tons.

The number of production and related workers employed by U.S. producers of EC rod fell from 188 in 1984 to 147 in 1986, a decline of 22 percent. There was an additional 7 percent decrease in employment in the 1986-1987 interim comparison. Hours worked, and total compensation paid to these workers followed the same declining trend as the other indicators. 19/ However, productivity improved markedly.

Six firms, accounting for virtually all domestic production of EC rod in 1986, furnished income-and-loss data on their operations producing EC rod. Total net sales (including both intracompany transfers and merchant market sales) fell from $317.4 million in 1984 to $233.5 million in 1986. 20/

16/ Id. at A-14, A-15, table 4.
17/ Id. Capacity utilization has moved downward from 67 percent in 1984, to 56 percent in 1985 and 55 percent in 1986. Capacity utilization was 63 percent in the interim 1987 period, compared to 65 percent in interim 1986.
18/ Id. at A-15, A-16, table 5.
19/ Id. at A-17, A-19, table 7.
20/ A majority of EC rod is transferred in intracompany captive markets. This proportion fell from 79 percent in 1984 to 70 percent in 1986. Report at A-15. The merchant market consists of sales between unrelated companies, whether or not the purchaser is another integrated producer. Respondents state that the merchant and captive markets are equivalent and must be viewed as a whole. Respondents' Post-Conference Brief, Exh. 1 at 31-32.

Sales fell 8 percent in interim 1987 compared to interim 1986. [21/] U.S. producers reported operating losses of $1.1 million (-0.5 percent of net sales) in 1985 compared to an operating income of $16.0 million (5.0 percent of net sales) in 1984. In 1986, U.S. firms earned an aggregate operating income of $8.4 million, equivalent to 3.6 percent of net sales. [22/] The operating income margin was 1.4 percent in interim 1987 compared to 0.7 percent in interim 1986. Thus, there was a distinct recovery in operating income in 1986 and early 1987 over low 1985 levels. However, net operating income in 1986 and interim 1987 was much lower in absolute terms and as compared to net sales (less than 2 percent of net sales) than it was in 1984.

Based on the indications of poor performance discussed above, we find a reasonable indication that the domestic industry is materially injured. [23/]

Reasonable Indication of Material Injury by Reason of Allegedly Unfairly Traded Imports

In determining whether there is a reasonable indication of material injury by reason of allegedly unfairly traded EC rod from Venezuela, the statute directs the Commission to consider the volume of imports, their

21/ Id. at A-20, A-21, table 8. Net trade sales dropped 27 percent from $99.8 million in 1984 to $73.1 million in 1985, then rose to $95.6 million in 1986. Such sales increased by 8 percent to $27.9 million in interim period which ended March 31, 1987, compared with $25.7 million in the same period of 1986. Id. Intracompany transfers declined from $217.6 million in 1984 to $143.5 million in 1985 to $138.0 million in 1986. In interim period 1987 intracompany transfers dropped from to $34.2 million from $42.1 million in interim period 1986.

22/ Id.

23/ Vice Chairman Brunsdale finds that there was a reasonable indication of material injury to the domestic industry based upon preliminary evidence. However, she plans to examine this issue carefully in any final examination, since there is some evidence of improvement in the domestic industry.

effect on prices, and their general impact on domestic producers of the like product. 24/

Imports of EC rod from Venezuela increased from 27,524 tons in 1984 to 56,477 tons in 1985, falling back somewhat to 50,022 tons in 1986. 25/ As a share of U.S. consumption, imports from Venezuela rose from 7 percent in 1984 to 15 percent in 1985 and remained at that level of market penetration in 1986. 26/ Imports in the first quarter of 1987 increased both in absolute and relative terms over the levels in the first quarter of 1986. 27/ The increase in imports during the period of investigation occurred at a time of

24/ 19 U.S.C § 1677(7)(B).
25/ Report at A-27. Respondents argued that the Commission should make a negative preliminary determination because, inter alia, petitioner Southwire was instrumental in the creation of Sural, the Venezuelan company accounting for the large majority of imports, and, therefore, Southwire was responsible for its own injury. There are conflicting claims as to Southwire's control over Sural's pricing policies. Southwire divested itself of its interest in Sural in March 1985. It is unclear how relevant this prior ownership is to the Commission's determinations. While Southwire is the only petitioner, it is not the only domestic producer. The Commission's determinations are based on its assessment of the impact of the imports on the industry as a whole. Furthermore, we note that imports in 1985 and 1986 were considerably higher than in 1984, the last full year of Southwire's partial ownership of Sural.
26/ Report at A-27.
27/ There is some evidence of a fall in exports to the United States in the interim period of 1987 as reported by the three Venezuelan producers of aluminum rod. Report at A-9, table 1. (The large majority of the interim data in this table is reported on a January to July basis.)

falling domestic consumption [28/] and production. Thus, the drop in U.S. production exceeded the drop in U.S. consumption. We note that the largest increase in imports occurred in 1985 coinciding with large price decreases and a sharp decline in domestic industry profitability.

Respondents argue that their increased sales are overwhelmingly to integrated U.S. producers [29/] who have shut down their rod mills due indirectly to the low prices for primary aluminum. The low price for aluminum led these companies to shut down their smelters. Once the smelters are shut down, the nearby rod mills also shut down because rod mills must be near a smelter to be economical. [30/] Therefore, respondents maintain it is primarily the price of aluminum, combined with other market dynamics, that has caused an increase in imports. Respondents also argue that declining consumption of EC rod and the desire by domestic producers to utilize aluminum smelting capacity for other higher value-added products contributed to the decisions to close rod mills and move out of downstream wire and cable

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28/ Indications are that domestic consumption will either fall or stagnate in the future. EC rod is used for production of electrical conductor wire and cable. High voltage transmission wire is the largest market for such products. Due to the essentially complete electrification of the United States, most EC rod currently produced (and the wire and cable made from it) is aimed primarily at the replacement market. EC rod is not used as heavily in the housing and building market, where copper wire is used roughly 90 percent of the time. Tr. at 30-31.

29/ Integrated production consists of smelters producing aluminum ingots, rod mills turning such ingots into redraw rod, and wire and cable facilities redrawing the rod into the end product.

30/ Respondents' Post-Conference Brief at 7, Exh. 1 at 2, 17.

production. 31/

There is obviously a relationship between the price of aluminum and the price of EC rod because aluminum accounts for a large part of the cost of making EC rod. 32/ There is also an obvious relationship between the price of aluminum and decisions to shut down smelters. However, this does not explain why domestic wire and cable manufacturers who formerly purchased (either intercompany or intracompany) from the closed mills began purchasing EC rod from Venezuelan instead of domestic suppliers. The U.S. EC rod industry, as a whole, operated at a low rate of capacity utilization throughout the period. 33/ Even assuming that it is uneconomical to re-open portions of productive capacity for small orders or short-term contracts, 34/ there is considerable unused domestic capacity, and the quantity of sales accounted for by imports from Venezuela represents a considerable portion of domestic consumption. 35/ An examination of the available pricing data indicates that underselling by Venezuelan imports was

31/ Tr. at 75-76.
32/ Report at A-36.
33/ Report at A-15, table 4.
34/ Respondents' Post-Conference Brief, Exh. 1 at 13-15.
35/ Vice Chairman Brunsdale also notes that the alleged margins in this case are high -- petitioner alleged a subsidy margin of over 70 percent and dumping margins ranging from 15 to 33 percent. Vice Chairman Brunsdale believes that the magnitude of the dumping or susidy margin is one factor, among others, that should be considered in determining whether unfair imports are a cause of material injury.

most evident in 1985 for both open market prices [36/] and direct imports. [37/] Venezuelan underselling during 1985 coincided with a doubling of subject imports, a large drop in U.S. production and negative operating income for U.S. production. [38/]

It also appears that the domestic price of EC rod has not risen to 1984 levels despite the rise in the price of aluminum in the past year. [39/] This may be due, in part, to the presence of increased Venezuelan imports. [40/]

In sum, we find that there is a reasonable indication that the imports of allegedly unfairly traded EC rod from Venezuela are causing material injury to the domestic industry.

36/ Report at A-37, Table 14.

37/ Id. at A-41. See also Id. at A-40, fig. 7 and A-42, fig. 4. (Comparison of U.S. producers and U.S. importers net fabrication prices).

38/ Vice Chairman Brunsdale does not give weight to the "underselling" evidence gathered thus far in these investigations. She notes that the price information gathered in these investigations does not show consistent "underselling." A number of the price comparisons between imports and the domestic products reveal that imports have a higher nominal price, especially in 1986 and 1987. Thus, she believes she has no basis to conclude that imports had consistently lower nominal prices during the period of investigation. She will need to see in the final investigation whether unfairly traded imports have an effect on import prices resulting in an adverse effect on domestic prices or sales.

39/ Report at A-36-A-40. This may explain why the domestic industry's operating income recovered in 1986 from a loss in 1985 but is below the 1984 levels both absolutely and relative to net sales. Id. at tables 8 and 9.

40/ The relationship of EC rod prices to aluminum prices will be examined further in any final investigations.

Reasonable Indication of Threat of Material Injury By Reason of Allegedly Unfairly Traded Imports

In determining whether there is a reasonable indication of a threat of material injury, the Commission considers, among other factors: (1) any rapid increase in market penetration of the imports and the likelihood that such penetration will reach an injurious level; (2) any substantial increase in inventories of the imported product; (3) the likelihood of increased imports in the future because of increased capacity or existing underutilized capacity in the foreign country; and (4) the probability that future imports will have a price depressing or suppressing effect in the domestic market. 41/

As discussed above, imports have increased significantly during the period of investigation. 42/ While there was an 11 percent decrease from 1985 to 1986 in absolute terms, the market penetration rate held at 15 percent in those years, up from 7 percent in 1984. 43/ There were both relative and absolute increases in the first quarter of 1987 compared to the first quarter of 1986. Of importance in our analysis of import penetration rates is the fact that the primary producer of Venezuelan EC rod, Sural, is purchasing U.S. wire and cable facilities, the downstream consumers of EC rod. 44/ This may

41/ 19 U.S.C. § 1677(7)(F). We note that export subsidies have been alleged. We will consider this factor should the Department of Commerce determine that such subsidies in fact exist. There is no potential for "product shifting" as that term is used in 19 U.S.C. § 1677(7)(F)(i)(VIII).
42/ Report at A-27.
43/ Id.
44/ Tr. at 123-29.

ensure market share for Venezuelan EC rod and may permit substantial increases. 45/

There have been wide fluctuations in inventories of Venezuelan EC rod. 46/ There was a sharp increase in inventories at the end of the first quarter of 1987. In the event of any final investigations, we will reexamine this issue to see if the increase in first quarter 1987 inventories represents a trend that will lead to substantial levels of inventories.

With respect to capacity and capacity utilization in Venezuela, there is some conflicting evidence and testimony. It appears, however, that in the near future there will be increased capacity to produce EC rod in Venezuela. 47/ We note that there are other markets available for present and potentially increased future production of EC rod from Venezuela. 48/ However, the Venezuelan industry is very export oriented and the United States

45/ Respondents stated that they were also purchasing U.S. rod mills. Tr. at 123. However, testimony indicates that it is not feasible to operate a rod mill utilizing cold ingot transported any distance. Tr. at 106-07; Respondents' Post-Conference Brief at 7, Exh. 1 at 2. Thus, it appears unlikely that Sural will become a domestic producer of EC rod. Sural has not indicated plans to purchase any U.S. smelting facilities; however, they potentially could purchase hot metal if there were adjacent smelters operated by someone else.

46/ Report at A-26.

47/ Report at A-6-A-8. Little specific information may be discussed due to the confidentiality of individual company data and plans.

48/ Respondents Post-Conference Brief at 17.

is the largest single market for Venezuelan exports. 49/ While the Venezuelan industry's longer term program includes moving into higher value products, the main priority at the present time apparently is production of basic forms such as EC rod. 50/

There are indications that future imports may have a price suppressing effect. As discussed in the previous portion of the opinion, the increased levels of EC rod from Venezuela may have prevented EC rod prices from increasing sufficiently to offset the recent increase in aluminum ingot prices. However, this issue will warrant further examination in the event of any final investigations.

Based on our analysis of the foregoing factors, we determine that there is a reasonable indication that the domestic EC rod industry is threatened with material injury by reason of the allegedly unfairly traded imports from Venezuela.

49/ Report at A-9, table 1.
50/ Report at A-6. We also note that the Venezuelan government has authorized expansion of aluminum production, which will increase supplies potentially available for EC rod production. Id. at A-7-A-8.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

On July 14, 1987, counsel for Southwire Co., Carrollton, GA, filed countervailing and antidumping petitions with the U.S. International Trade Commission (Commission) and the U.S. Department of Commerce (Commerce). The petitions allege that an industry in the United States is materially injured or threatened with material injury by reason of imports of electrical conductor aluminum redraw rod 1/ from Venezuela that are alleged to be subsidized by the Government of Venezuela and sold in the United States at less than fair value (LTFV). Accordingly, effective July 14, 1987, the Commission instituted investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary) under the provisions of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of such imports.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of July 22, 1987 (52 F.R. 27593). 2/ The conference was held in the Commission's hearing room on August 6, 1987, at which time all interested parties were afforded the opportunity to present information for consideration by the Commission. 3/

The Product

Description and uses

The product under investigation, electrical conductor (EC) aluminum redraw rod, is a solid round product that is long in relation to cross section; 0.375 inch or greater in diameter; produced by continuous casting followed by size-rolling, or by rolling from EC-cast ingot; and suitable for drawing into electrical conductor wire. 4/ Nearly all EC rod is manufactured from EC alloy, with a 99.45 percent aluminum content and traces of other constituents such as copper, magnesium, manganese, and titanium. Aluminum rod for electrical conductor purposes must have an electrical conductivity specification of 61 to 62 percent of equivalent size copper conductor. 5/ The imported and domestic products are generally interchangeable for specified uses, with product

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1/ For purposes of these investigations, the term "electrical conductor aluminum redraw rod" refers to wrought rods of aluminum which are electrically conductive and contain not less than 99 percent aluminum by weight, provided for in item 618.15 of the Tariff Schedules of the United States (TSUS).
2/ Copies of the Commission's and Commerce's Federal Register notices appear in app. A.
3/ A list of witnesses testifying at the conference is shown in app. B.
4/ Aluminum Statistical Review for 1985, The Aluminum Association, 1986.
5/ Rhea Berk et al., "Aluminum: Profile of the Industry," Metals Week, 1982.

distinctions apparent in the purity of the aluminum alloy used for producing aluminum rod. However, higher purity is not necessarily of benefit to a manufacturer if customer specifications, such as tensile strength and conductivity, can be met with a lower purity alloy at a lower cost. 1/

EC rod is an intermediate product that is generally drawn into bare EC wire, which is then stranded together around a steel or aluminum core to form bare aluminum stranded cable produced in AAAC (all-aluminum alloy conductor), AAC (all-aluminum conductor), ACSR (aluminum conductor, steel reinforced), or ACAR (aluminum conductor, alloy reinforced). The numerous types of cable are designed to meet certain specifications for corrosion resistance and strength-to-weight ratios, sag characteristics, and ampacity. The cable is principally used in primary and secondary transmission lines, nearly 100 percent of which are aluminum, to distribute low- and high-voltage electrical power generated by utilities. Since the United States is essentially electrified, cable replacement for large transmission projects has become an important market. 2/

Other secondary applications of EC rod are for use in electrical wire for households or other buildings, and wire that generates an electromagnetic force in electrical motors, solenoids, and other electromechanical devices. Although EC rod can also be used in limited mechanical applications such as fencing, screening, and screw machine stock, these are generally considered uneconomical uses of the product since mechanical aluminum rod is specifically designed for these applications; mechanical rod is composed of certain alloys that provide the higher strength and flexibility required for this market. 3/ However, mechanical rod cannot generally be used as a substitute for EC rod in the electrical conductor market since its metallurgical composition (often scrap metal) is not suitable to conductivity. 4/

Copper is the only other metal effective as an electrical conductor and substitutable for aluminum. Although aluminum has an electrical conductivity specification only 61 to 62 percent of the International Annealed Copper Standard, its lower specific gravity (less than one-third that of copper) enables aluminum to conduct nearly twice as much electricity (or for twice the distance) as copper for equal weights. Nearly all power transmission lines utilize aluminum cable; the weight of copper inhibits its use in overhead utility applications. 5/

However, copper is more competitive with aluminum in the housing and building electrical wiring market, where copper has traditionally been the dominant material, accounting for approximately 90 percent of the market. 6/ Price differentials often determine which material will be used in these

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1/ Transcript of conference held in connection with investigations Nos. 701-TA-287 and 731-TA-378 (transcript), p. 42.
2/ Ibid., p. 31.
3/ Ibid., p. 30.
4/ Ibid., p. 132. Also see postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 1, p. 30,.
5/ Transcript, p. 36.
6/ Ibid., p. 42.

applications; copper's current lower cost makes replacement with aluminum economically unviable. 1/ In addition, purchasers of aluminum electric wire for motors have reportedly switched to copper. 2/

Manufacturing processes

Many domestic rod manufacturers are vertically integrated from the smelting of raw materials to the production of rod, and some also strand wire into cable. 3/ Continuous casting is the most commonly used process to manufacture aluminum rod, primarily because of its energy efficiency.

To manufacture the molten metal used in the continuous casting process, alumina is smelted in potlines, where electrical energy is passed through carbon anodes suspended in aluminum pots to convert the dissolved alumina into aluminum, which collects at the bottom of the pots, and oxygen, which combines with the anodes and is released as carbon dioxide. Alumina and electrical energy are the two major components of aluminum production; each represents approximately one-third of the end product's cost.

The molten aluminum metal is transferred in ladles or sow (ingot) molds from the aluminum smelter to the rod mill, which is usually located adjacent to a smelter to facilitate moving the molten metal to the casting equipment and to eliminate the high transportation costs and inventory levels associated with aluminum ingot shipments. 4/ The molten metal is directed onto a thin steel strip in a large casting wheel and cooled as the metal circles underground; it then resurfaces as a continuous solid bar. This cast section is then fed directly into a number of rolling mills and draw benches where the bar is reduced in size and drawn through dies into the proper rod size.

The process is essentially the same when rolling from cast ingot, but this method requires reheating the ingot before running it through a blooming mill to reduce the ingot to the right size for rolling. This stock is again reheated to the right rolling temperature before being fed into the rolling mills and draw benches for further reduction and sizing. One stand-alone rod manufacturer, Alcan's Williamsport, PA, facility, purchases aluminum bar from its Canadian smelters to be used as rolling stock. 5/

To transform aluminum rod into wire, it is then redrawn through another series of dies to reduce its cross-sectional dimension and increase its

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1/ Ibid., p. 36.
2/ Ibid., p. 107.
3/ Postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 1, pp. 2 and 16.
4/ Ibid., p. 7. The importance of these cost savings can be attributed to the low value added in aluminum rod production--10 percent or less of its total cost--and the significant proportion of its cost attributable to primary aluminum.
5/ Postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, p. 7.

length. 1/ Wire is stranded together to form cable, the largest outlet for aluminum wire. Wire is generally stranded around one central or core wire, thereby increasing the cable's size as more wires are concentrically stranded around the core. Wire, and particularly cable, are higher value-added products than rod because of the complexity of additional production operations performed on wire and cable and their manufacture to individual customer specifications.

According to a U.S. rod mill manufacturer, a rod mill designed to produce EC rod cannot be converted to mechanical rod production because its rolling mills are not able to apply the force necessary to roll mechanical rod alloys, which contain a higher level of magnesium for increased strength. However, a mechanical rod mill could be adapted to produce EC rod since its alloys are easier to roll. 2/ A mechanical rod mill that produces rod from scrap may require upgrading to produce the level of purity and alloy specifications required for EC rod. 3/ Several domestic rod mills have been reported to shift production at a moderate cost between mechanical and EC rod to reflect changing market conditions. 4/ However this shifting from mechanical to EC rod incurs the costs associated with down time; for that reason, most rod manufacturers prefer to specialize in one type of rod. 5/

Conversion of an EC aluminum rod production line to EC and mechanical copper rod production would require the replacement of furnaces to blend different alloying agents and the replacement of rolling mill and draw bench motors and drives with those of greater strength to attain a higher degree of torque to make the copper rod. 6/

U.S. tariff treatment

U.S. imports of the EC aluminum rod, hereafter "aluminum rod," covered by these investigations are classified in item 618.15 of the TSUS. Although this tariff category encompasses aluminum rod other than the electrical conductor-type subject to the investigations, petitioner believes that "substantially all, if not all, aluminum rod imported from Venezuela in recent years is intended for use, and used, in electrical applications." 7/ Imports

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1/ The Aluminum Association defines wire as a solid wrought product that is long in relation to its cross section; square, round, rectangular, hexagonal, or octagonal in shape; and whose diameter or greatest perpendicular distance between parallel faces (except for flattened wire) is less than 0.375 inch.
2/ Conversation with official from * * *, Aug. 11, 1987.
3/ Postconference statement of petitioner Southwire Co., Aug. 12, 1987, p. 7.
4/ Transcript, p. 109.
5/ Postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 1, p. 18.
6/ Transcript, pp. 40-41.
7/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, p. 5.

from Venezuela classified in TSUS item 618.15 are currently assessed a most-favored-nation (MFN) (col. 1) rate of duty of 2.6 percent ad valorem. 1/

Nature and Extent of Alleged Unfair Imports

The petitioner alleges that imports of aluminum rod from Venezuela are being subsidized by the Government of Venezuela and, additionally, are being sold in the United States at LTFV. The specific allegations presented in the petitions, are briefly summarized below.

Allegedly subsidized imports

The petitioner specifies 16 programs that it believes confer subsidies, bounties, or grants on exports of aluminum rod from Venezuela. The petitioner believes that a full investigation of subsidy programs will reveal a net subsidy well in excess of 70 percent. 2/ In its notice of initiation of investigation, Commerce indicated that it will investigate all but one of the programs listed in the petition to determine whether or not these programs constitute subsidies (app. A.).

Alleged sales at LTFV

The petitioner used foreign-market value to calculate alleged LTFV margins. Two foreign-market values of aluminum rod were calculated by using data on sales to Accevenca and CABEL, two Venezuelan electrical wire and cable producers. The U.S. price of aluminum rod from Venezuela was calculated using Census Bureau (Census) import statistics. By comparing the Venezuelan home-market prices on sales to Accevenca and CABEL with the F.A.S. value of U.S. imports of aluminum rod from Venezuela as reported by Census, petitioner derived LTFV margins of 15.10 percent and 33.42 percent, respectively. 3/

1/ Imports from Venezuela qualify for duty-free entry into the United States under the Generalized System of Preferences (GSP); such treatment, however, was suspended because imports of Venezuelan aluminum rod had surpassed levels allowed under the program. Petitioner filed a petition with the Office of the United States Trade Representative on June 1, 1987, seeking withdrawal of duty-free treatment under the GSP for aluminum rod, wire, and cable from Venezuela and several other countries. The rates of duty in col. 1 are MFN rates applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(d) of the TSUS, unless eligible for preferential treatment as indicated in the Special rates of duty column by the symbols "A" (GSP), "E" (Caribbean Basin Economic Recovery Act (CBERA)), or "I" (Israel).
2/ Petition in investigation No. 701-TA-287, p. 24.
3/ For a complete discussion of petitioner's allegations regarding sales at LTFV, see petition in investigation No. 731-TA-378, pp. 9-14.

The Producers in Venezuela

The petitions named seven Venezuelan companies carrying out various stages in the production of primary aluminum and aluminum rod; Aluminio del Caroni, S.A. (Alcasa); Bauxita Venezolana C.A. (Bauxiven); Conductores de Aluminio del Caroni, C.A. (Cabelum); Industria de Conductores Electricos, C.A. (Iconel); Industria Venezolana de Aluminio, C.A. (Venalum); Interamericana de Alumina, C.A. (Interalumina); and Suramericana de Aleaciones Laminada, C.A. (Sural). Alcasa and Venalum, the two primary aluminum producers in Venezuela, are in part state owned. They operate under the holding company/development authority Corporacion Venezolana de Guayana (CVG), which also owns iron ore, steel, hydroelectric power, bauxite, and ferrosilicon operations. Interalumina, also operating as part of CVG, produces all of the alumina used in Venezuela. Another CVG-controlled company, Bauxiven, is developing Venezuela's bauxite reserves and is expected to reach its full capacity of 3 million metric tons per year by the second half of 1988. 1/ According to petitioners, Sural, Iconel, and Cabelum are believed to produce aluminum rod for export to the United States. 2/

It is difficult to discuss the aluminum rod industry in Venezuela without first discussing its aluminum industry. Aluminum is Venezuela's second largest export after petroleum, and its aluminum industry is the fifth largest in the world in terms of exports. Venezuela's aluminum industry is relatively new. Venalum, for example, began operations in 1978; however, it is already the second largest primary aluminum production plant in the free world. 3/ The Venezuelan Government owns 80 percent of Venalum, with the remaining 20 percent held by a consortium comprised of Showa Aluminum Industries Ltd., Kobe Steel Ltd., Sumitomo Aluminum Smelting Co., Mitsubishi Metal Corp., Ryoka Light Metal Industries, and Marubeni Corp. Under a 10-year contract that expires in April 1988, these Japanese firms receive 60 percent of Venalum's actual yearly production. Sural takes another 20 percent of its production, and the remaining production is under contract to a number of firms, including General Motors Corp. and National Aluminum Corp. Enrique Castells, President and Chief Executive Officer of Venalum, says that the Japanese are very interested in switching to a joint-venture basis when the present contract expires. 4/ Mr. Castells said that because of the country's ambitious smelter expansion plans, Venezuela will have to find larger markets in the United States, Europe, and Asia. Mr. Castells indicates that Venezuela's longer term program includes adding fabricating capacity to upgrade the product mix, but the main priority will be finding markets for ingot and other basic forms like rod, bar, and extrusion billet. 5/

CVG has received Government authority to expand aluminum production from 420,000 to 630,000 metric tons by 1988 and is currently studying a plan to

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1/ Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986, p. 5.
2/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, at pp. 6-7.
3/ "Venezuela's Aluminum Plans," Mining Magazine, December 1986, p. 543.
4/ Roberta C. Yafie, "Venezuela's Aluminum Industry Seeks to Upgrade World Ranking," American Metal Market, Oct. 16, 1986.
5/ Bob Regan, "Venalum Seeking Agreements in Bid to Penetrate US Market," American Metal Market, July 1, 1987, pp. 1 and 16.

expand production to over 2 million metric tons by the year 2000. Aluminum produced in this volume will provide 25 percent of Venezuela's total foreign currency exchange income. 1/

Venezuela's 32-cent-per-pound production cost for aluminum is the world's lowest. This compares to 51 cents in the United States and 44 cents worldwide. There are several reasons for this substantial cost advantage. First of all, Venezuela has the world's lowest cost electric power, 5 mils 2/ per kw as compared with a U.S. average of 20 mils per kw and a worldwide average of 13 mils per kw. 3/ Unlike many other countries, the Venezuelan aluminum industry does not compete with household consumers for a limited amount of electricity. This is because the local power company's electric capacity is devoted primarily to industrial use. Because electricity costs can contribute nearly one-third to the total smelting costs of aluminum, Venezuela's abundant supply of low-cost electricity is an important resource.

Natural gas is also inexpensive in Venezuela. Although natural gas is relatively unimportant for smelting, it is important for the production of finished and semifinished products such as aluminum rod.

Although Venezuela has achieved its low-cost status by importing the bauxite used in the production of aluminum, it will soon be able to use its own domestic sources of bauxite. As mentioned above, Bauxiven is developing domestic bauxite reserves, which, when fully operational, are projected to save Venalum $25 million per year. 4/ Also contributing to the low cost is Venalum's low debt-equity ratio. Its 0.88-to-1 debt-equity ratio is the lowest in the world for the aluminum industry; the industry average is 2 to 1. 5/

Sural is Venezuela's largest private sector aluminum company and its largest private sector exporter. Of the three Venezuelan aluminum rod producers named in the petitions, Sural is by far the largest exporter, accounting for roughly 90 percent of total Venezuelan exports of aluminum rod to the United States in 1986. 6/ Until March 1985, the petitioner, Southwire Company, owned a 49-percent interest in Sural. 7/ Sural has two aluminum rod

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1/ Enrique M. Castells, "Tomorrow's Aluminum Industry," paper presented to the Venezuelan American Association and the Council of the Americas, in New York, Oct. 9, 1986. Skillings' Mining Review, Nov. 29, 1986, p. 5
2/ A mil equals one-tenth of a cent.
3/ Castells, op. cit., pp. 4-5.
4/ Yafie, op. cit.
5/ For a further discussion of the aluminum industry in Venezuela, see U.S. Department of Commerce, International Trade Administration, Aluminum Mill Products: Import Problem/Export Potential, July 1986, Washington, DC, pp. 60-68; Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986; and petitions in investigations Nos. 701-TA-287 and 731-TA-378, exhibit 9 and exhibit 7, respectively.
6/ Transcript, p. 62.
7/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, p. 7. For a further discussion of Southwire's interest in Sural, see transcript, pp. 24-29, 63, and 75-83; postconference statement of petitioner Southwire Co., Aug. 12, 1987, pp. 38-45; and affidavit of Alfredo Riviere and Renda G. Butler, Aug. 12, 1987.

mills; a "properzi mill," and a Southwire SCR mill similar to Southwire's Hawesville, KY, mill. 1/

Sural and the more than 160 other private aluminum firms in Venezuela have trouble buying as much aluminum as they would like from Alcasa and Venalum. A State Department airgram states that the problem stems from a multiple-pricing system whereby Alcasa and Venalum receive more for export sales than they do for domestic sales as a result of exchange rates and Government export bonuses. A private company, Alusur, headed by Sural, plans to construct a 115,000 metric-ton-per-year smelter to supply Sural's rod and wire plant. It will be coupled with a 60,000 metric-ton-per-year expansion in wire and rod capacity at Sural. Once started, these plans for expansion are expected to take 3 years to complete. 2/ Mr. Alfredo Riviere, President of Sural, indicated that Sural has been expanding its capacity to produce mechanical aluminum rod and contracting its ability to produce electrical conductor aluminum rod. Sural is also interested in expanding its presence in the United States through acquiring closed rod, wire, and cable facilities. One of the reasons Sural wishes to establish rod facilities in the United States is because it wishes to take advantage of utility markets closed to firms that produce utility cable from foreign-produced aluminum rod. 3/ * * *. 4/

* * * * * * *

Available information on the producers of aluminum rod in Venezuela is presented in table 1.

1/ Transcript, p. 39.
2/ Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986, p. 4.
3/ Transcript, pp. 123-130.
4/ * * *.

Table 1
Aluminum rod: Venezuelan production, capacity, capacity utilization, domestic shipments, export shipments to the United States, and exports to third countries, by firms, 1984-86, interim 1986, and interim 1987 1/

Item	1984	1985	1986	Interim period-- 1986	1987
Production:					
Cabelum.....short tons..	***	***	***	***	***
Iconel 2/.....do....	***	***	***	***	***
Sural 3/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Capacity:					
Cabelum.....short tons..	***	***	***	***	***
Iconel 4/.....do....	***	***	***	***	***
Sural 5/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Capacity utilization:					
Cabelum.....percent..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Average.....do....	***	***	***	***	***
Domestic sales:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural 6/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Exports to the United States:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Exports to third countries:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.
6/ * * *.

Source: Compiled from data provided by counsel for Sural, Iconel, and Cabelum.

U.S. Producers

There were seven producers of aluminum rod in the United States during the period under investigation; Alcan Aluminum Corp. (Alcan), Aluminum Co. of America (Alcoa), Essex Wire and Cable (Essex), Kaiser Aluminum and Chemical Corp. (Kaiser), Noranda Aluminum, Inc. (Noranda), Reynolds Metals Co. (Reynolds), and Southwire Co. (Southwire). The shares of 1986 domestic production of aluminum rod accounted for by these producers and the location(s) of their production facilities are shown in table 2.

In addition, there were several other U.S. producers of aluminum rod in the recent past; Anaconda, Capital Wire & Cable (Capital), and Louisiana Wire & Cable (Louisiana). Staff was unable to contact Anaconda or Louisiana. Staff contacted Capital to obtain information regarding its production of aluminum rod and the conditions surrounding its exit from the industry. * * *. 1/

Capital, located in Plano, TX, * * *. 2/ In its 1986 annual report, Capital indicated that it is not operating its continuous casting aluminum rod mill because the price of aluminum rod is currently less than the cost to purchase aluminum ingot and process it into rod. The petitions note that the rod mill has been dismantled and shipped to Bogota, Columbia. 3/

Alcan Cable, Division of Alcan Aluminum Corp.--* * *. Alcan produces aluminum rod at its rod mill in Williamsport, PA. It also produces aluminum wire and cable at plants in Bay St. Louis, MS; Sedalia, MO; and Williamsport, PA. * * *. 4/

Aluminum Co. of America.--During the period of investigation, Alcoa produced aluminum rod at its plants in Vancouver, WA; Massena, NY; and Rockdale, TX. Alcoa closed its smelter operations in Vancouver in June 1986. This smelter was sold to Venalco, Inc., a company formed by an independent group of investors from Cambridge, MA. * * *. Alcoa also produces aluminum cable in Massena and Vancouver. * * *. The American Metal Market reports that Alcoa has set plans to withdraw from the aluminum rod business and sell its cable production facilities in Massena, NY, and Vancouver, WA. It reports that Alcoa has signed a letter of intent to sell these facilities to a newly formed company called Alutech. It also reports that at least one of the Alutech investors is believed to be a Venezuelan. 5/

1/ * * *.
2/ * * *.
3/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, pp. 49-50 and 54, and pp. 39-40 and 44, respectively.
4/ * * *.
5/ Bob Regan, "Alcoa Aims to Leave Conductor Business By Cable Units Sale," American Metals Market, Jan. 20, 1987. * * *.

Table 2
Aluminum rod: U.S. producers, their shares of total domestic shipments and mill locations, by firms, 1986

Firm	Share of reported total domestic shipments in 1986 1/ --Percent--	Mill location(s)
Petitioner:		
Southwire Company.....	***	Carrollton, GA. 2/ Hawesville, KY.
Non-petitioning firms:		
Alcan Aluminum Corp. 3/...	***	Williamsport, PA.
Aluminum Company of America 3/.....	***	Massena, NY. Rockdale, TX. Vancouver, WA. 4/
Essex Wire and Cable 5/...	***	Booneville, IN. 6/
Kaiser Aluminum and Chemical Corp. 3/.....	***	Tacoma, WA. Chalmette, LA. 7/
Noranda Aluminum, Inc.3/..	***	New Madrid, MO.
Reynolds Metals Co. 3/....	***	Longview, WA.

1/ Intracompany transfers and domestic shipments.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.
6/ * * *.
7/ * * *.

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

Essex Wire and Cable.--Essex, located in Booneville, IN, * * *. 1/

Kaiser Aluminum and Chemical Corp.--Kaiser's aluminum rod plant is located in Tacoma, WA. * * *. 2/ Kaiser also produces aluminum cable in Bay Minette, AL; Portsmouth, RI; and San Leandro, CA. 3/

Noranda Aluminum, Inc.--* * *. Noranda produces aluminum rod at a plant in New Madrid, MO. Noranda operates an aluminum smelter at the same location. * * *.

1/ * * *.
2/ * * *.
3/ Also, see American Metal Market, June 30, 1987, and July 9, 1987. * * *.

Reynolds Metals Company.--Reynolds produces aluminum rod at its plant in Longview, WA. Reynolds also operates an aluminum smelter at the same location. It also produces aluminum cable at this location as well as a plant in Malvern, AK. * * *. 1/ * * *. 2/ Reynolds owns a 15.75-percent minority stake in the Venezuelan aluminum producer Alcasa. Alcasa recently acquired a 50-percent stake in Reynolds' aluminum plant in Mons, Belgium. Reynolds, General Motors, and Alcasa recently agreed to set up a joint company in Venezuela to produce half a million aluminum wheel rims annually for the U.S. market. 3/

Southwire Co.--The petitioner, Southwire, is the nation's largest privately owned rod, wire, and cable producer. * * *. Southwire manufactures copper and aluminum rod and electrical wire and cable. Southwire is also involved in a joint venture called National-Southwire Aluminum Co. (NSA) to produce primary aluminum. * * *. NSA's aluminum smelter supplies Southwire's Hawesville, KY, aluminum rod plant, which is located immediately next door. Southwire receives approximately * * * short tons of aluminum a year from NSA. * * *. NSA's smelter in Hawesville, KY, and Alcan's Sebree, KY, smelter purchase approximately 70 percent of the power produced by the Big Rivers Electric Co., which is located in sight of the Hawesville facilities on the Ohio River. The two smelters pay some of the highest electricity charges in the United States and have been facing higher rates as the financially troubled utility struggles to ward off foreclosure proceedings by the United States Justice Department. 4/ Respondents allege that Southwire cannot compete with other low-cost producers, both domestic and foreign, because of the high electricity costs paid by NSA's smelter. 5/

Southwire helped develop continuous rod casting technology for the aluminum and copper industries. Its patented Southwire Continuous Rod (SCR) Systems are used worldwide. In fact, Southwire states that more than one-half of all the redraw rod consumed in the western world is made on 47 different Southwire rod systems in production in 18 countries.

* * *. 6/ * * *. 7/ Its Hawesville, KY, plant is currently its only production facility for aluminum rod. Roughly * * * percent of its aluminum rod production in 1986 was used captively at its wire and cable plants in Hawesville, KY; Carrollton, GA; and Flora, IL.

1/ * * *.
2/ * * *.
3/ "Venezuela's Aluminum Ambitions," Mining Journal, Dec. 12, 1986, p. 424.
4/ "Alcan, National Southwire Spared Higher Costs," Metal Bulletin, Mar. 24, 1987, p. 9, and "REA Move Clouds Big Rivers Rate Talks," Metals Week, May 11, 1987. For a further discussion of Big Rivers Electric and the aluminum smelters at National-Southwire and Alcan, see Metals Week, Nov. 17, 1986; American Metal Market, Nov. 26, 1986; Metals Week, May 11, 1987; and post conference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 2.
5/ Transcript, p. 76.
6/ Producer's questionnaire response, Southwire Co., Aug. 3, 1987.
7/ * * *.

U.S. Importers

Importers' questionnaires were sent to 11 U.S. importers (nonproducers) and 4 U.S. producers of aluminum rod (* * *, * * *, * * *, and * * *). According to the U.S. Customs Service's net import file (CNIF), these companies imported virtually all of the aluminum rod from Venezuela during the period covered by the investigations.

Six of the importers responded to the questionnaire indicating that they do not import the subject product from Venezuela. The remaining importers (* * *; * * *; * * *; * * *; and * * *) returned a completed importers' questionnaire. * * *.

* * * * * * *

Because the U.S. producers that imported aluminum rod, with few exceptions, consumed the rod in the production of wire and cable, there were no relevant selling prices to report and they reported imports in the corresponding section of the producers' questionnaire. Combined imports by * * *, * * *, * * *, and * * * accounted for * * *, * * *, and * * * percent of total reported imports of aluminum rod from Venezuela in 1984, 1985, and 1986, respectively. During the January-March 1986 and 1987 interim periods, these U.S. producers' imports accounted for * * * and * * * percent, respectively, of total imports from Venezuela. For further information regarding such imports of aluminum rod from Venezuela, see the section of the report entitled "U.S. producers' imports and purchases of imported aluminum rod."

The U.S. Market

Channels of distribution

As mentioned above, aluminum rod is an intermediate product that is generally drawn into wire or cable. Most U.S. producers of aluminum rod have facilities that also produce wire and cable. During the period under investigation, the share of total domestic shipments of aluminum rod that was captively consumed by U.S. producers of aluminum rod in the production of wire and cable and other downstream products (as measured by intracompany transfers), steadily fell from 79 percent to 69 percent (tables 5 and C-2). Merchant market sales of aluminum rod are generally carried out by the U.S. producers.

Apparent U.S. consumption

Apparent U.S. consumption of aluminum rod declined from 411,975 tons in 1984 to 339,051 tons in 1986, or by 18 percent (table 3). Apparent U.S. consumption fell by 10 percent during January-March 1987 compared with that during the corresponding period of 1986.

Table 3
Aluminum rod: U.S. producers' domestic shipments and intracompany transfers, imports for consumption, and apparent U.S. consumption, 1984-86, January-March 1986, and January-March 1987

(Short tons)

Period	U.S. producers' domestic shipments	U.S. producers' intracompany transfers	U.S. imports for consumption	Apparent U.S. consumption
1984.....	77,419	290,111	44,445	411,975
1985.....	71,807	233,216	66,816	371,839
1986.....	83,206	195,964	59,881	339,051
January-March--				
1986.....	25,125	61,165	11,921	98,211
1987.....	22,489	50,092	15,793	88,374

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

Consideration of the Question of a Reasonable Indication of Material Injury

U.S. production, capacity, and capacity utilization

U.S. production of aluminum rod declined from 363,275 tons in 1984 to 279,173 tons in 1986, or by 23 percent (table 4). During January-March 1987 production fell 19 percent to 70,243 tons from 86,648 tons during January-March 1986. Average capacity to produce aluminum rod fell slightly between 1984 and 1986. Average capacity during January-March 1987, however, fell 15 percent from that during the corresponding period of 1986. Production and capacity data by firm are presented in table C-1.

Table 4
Aluminum rod: U.S. production, capacity, and capacity utilization, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
Production:					
Quantity.....short tons..	363,275	300,166	279,173	86,648	70,243
Percentage change.....	-	-17	-7	-	-19
Average capacity over period:					
Quantity.....short tons..	513,953	518,786	503,786	130,539	110,760
Percentage change.....	-	+1	-3	-	-15
Capacity utilization 1/.percent..	67	56	55	65	63

1/ Capacity utilization rates were calculated using data from firms that provided information on both production and capacity. One firm, accounting for between * * * and * * * percent of total domestic shipments (domestic shipments plus intracompany transfers) during 1984-86, did not report information on capacity.

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

U.S. producers' domestic shipments and intracompany transfers

The quantity of U.S. producers' domestic shipments of aluminum rod sporadically rose from 77,419 tons in 1984 to 83,206 tons in 1986, or by 7 percent (table 5). The value of domestic shipments also rose sporadically during 1984-86, rising 3 percent over the period. Unit values of domestic shipments, however, fell 12 percent during the period.

The quantity of U.S. producers' intracompany shipments of aluminum rod fell steadily from 290,111 tons in 1984 to 195,964 tons in 1986, or by 32 percent. The value of intracompany shipments fell 39 percent during the same period. The percent of total domestic shipments of aluminum rod accounted for by intracompany transfers (on a quantity basis) steadily fell from 79 percent in 1984 to 70 percent in 1986.

Shipment data by firms are presented in table C-2.

U.S. producers' exports

* * *, * * *, and * * * were the only U.S. producers of aluminum rod that reported exports during the period covered by the investigations. Exports were equivalent to less than 1 percent of U.S. producers' shipments during each period of the investigation. As shown in the following tabulation, exports of aluminum rod by these producers fluctuated widely during 1984-86:

* * * * * * *

Table 5
Aluminum rod: U.S. producers' domestic shipments, intracompany transfers, and total domestic shipments, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
Domestic market shipments:					
Quantity.....short tons..	77,419	71,807	83,206	25,125	22,489
Percentage change.....	-	-7	+16	-	-10
Value.....1,000 dollars..	96,115	76,869	98,903	27,587	27,689
Percentage change.....	-	-20	+29	-	1/
Unit value 2/.....per ton..	$1,450	$1,174	$1,273	$1,245	$1,244
Percentage change.....	-	-19	+9	-	1/
Intracompany transfers: 3/					
Quantity.....short tons..	290,111	233,216	195,964	61,165	50,092
Percentage change.....	-	-20	-16	-	-18
Value.....1,000 dollars..	405,960	280,570	246,676	74,682	63,596
Percentage change.....	-	-31	-12	-	-15
Unit value.....per ton..	$1,399	$1,203	$1,259	$1,221	$1,270
Percentage change.....	-	-14	+5	-	+4
Total domestic shipments:					
Quantity.....short tons..	367,530	305,023	279,170	86,290	72,581
Percentage change.....	-	-17	-8	-	-16
Value.....1,000 dollars..	502,075	357,439	345,579	102,269	91,285
Percentage change.....	-	-29	-3	-	-11
Unit value 2/.....per ton..	$1,409	$1,197	$1,263	$1,227	$1,262
Percentage change.....	-	-15	+6	-	+3

1/ Less than 0.5 percent.
2/ Unit values were calculated using data from firms that provided information on both the quantity and value of domestic shipments and intracompany transfers. * * *.
3/ U.S. producers of aluminum rod used various methods to value their intracompany transfers. See report p. A-20.

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

U.S. producers' inventories

U.S. producers' yearend inventories of aluminum rod fell 32 percent during 1984-86. During the period covered by the investigations, inventories as a percent of total domestic shipments fell from 4 percent to 2 percent, as shown in the following tabulation:

Period	End of period inventories (short tons)	Ratio of inventories to total domestic shipments 1/ (percent)
1984	13,767	4
1985	9,970	3
1986	9,393	3
January-March--		
1986	10,124	2/ 3
1987	6,968	2/ 2

1/ Total domestic shipments equal domestic market shipments plus intracompany transfers. Ratios were calculated using data from firms that provided information on both inventories and shipments. One firm, accounting for between * * * and * * * percent of total domestic shipments during 1984-86, did not report information on inventories.
2/ Calculated on the basis of annualized shipments.

U.S. producers' imports and purchases of imported aluminum rod

Four U.S. producers of aluminum rod (* * *, * * *, * * *, and * * *) reported imports of aluminum rod from Venezuela (table 6). * * *.

Petitioner argues that integrated producers of rod and cable, such as Southwire, have had to import aluminum rod to remain competitive with companies like Alcoa and Kaiser that have increasingly used imported aluminum rod in their production of wire and cable. Southwire also contends that U.S. producers have shutdown and dismantled their aluminum rod facilities and, therefore, when Southwire's need for aluminum rod exceeds the production capacity of its Hawesville, KY, rod facility, it has been unable to purchase the needed rod from companies such as Reynolds, Alcan, or Noranda, and still keep its costs in line to compete with Alcoa and Kaiser. 1/

Employment and wages

The number of production and related workers employed by U.S. producers of aluminum rod fell from 188 in 1984 to 147 in 1986, or by 22 percent (table 7). Hours worked, wages, and total compensation paid to these workers followed a similar trend during 1984-86. Productivity increased roughly 8 percent during 1984-86, but fell 7 percent during January-March 1987 compared with that in the corresponding period of 1986. Unit labor costs fell in each period, falling 11 percent during the period under investigation.

The production and related workers at four of the six U.S. producers responding to the Commission's questionnaire are represented by a union. These four firms accounted for * * * percent of total domestic shipments of aluminum rod in 1986.

1/ Petitions in investigations Nos. 701-TA-287 and 731-TA-378, appendix.

Table 6
Aluminum rod: U.S. producers' imports from Venezuela, and purchases of foreign-produced aluminum rod, by firms, 1984-86, January-March 1986, and January-March 1987

(Short tons)

Item	1984	1985	1986	January-March-- 1986	1987
Imports from Venezuela: 1/					
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Essex 2/	***	***	***	***	***
Kaiser 3/	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire 4/	***	***	***	***	***
Total	***	***	***	***	***
Purchases of foreign-produced aluminum rod from--					
Venezuela:					
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Essex 2/	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	***	***	***	***	***
Other countries:					
Alcan	***	***	***	***	***
Alcoa 5/	***	***	***	***	***
Essex 2/	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	***	***	***	***	***

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.

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

Table 7
Aluminum rod: Average number of production and related workers producing aluminum rod, hours worked, 1/ wages and total compensation 2/ paid to such employees, and labor productivity, hourly compensation, and unit labor costs, 1984-86, January-March 1986, and January-March 1987 3/

Item	1984	1985	1986	January-March-- 1986	1987
Production and related workers:					
Number	188	167	147	148	137
Percentage change	-	-11	-12	-	-7
Hours worked by production and related workers:					
Number.....1,000 hours..	400	335	297	83	74
Percentage change	-	-16	-11	-	-11
Wages paid to production and related workers:					
Value.....1,000 dollars..	5,571	4,631	4,241	1,213	1,014
Percentage change	-	-17	-8	-	-16
Total compensation paid to production and related workers:					
Value.....1,000 dollars..	7,163	5,939	5,357	1,567	1,301
Percentage change	-	-17	-10	-	-17
Labor productivity: 4/					
Quantity.....tons per hour..	0.861	0.866	0.932	1.017	0.949
Percentage change	-	+1	+8	-	-7
Hourly compensation: 5/					
Value	$13.93	$13.82	$14.28	$14.61	$13.70
Percentage change	-	-1	+3	-	-6
Unit labor costs: 6/					
Value.....per ton..	$20.79	$20.47	$19.35	$18.57	$18.52
Percentage change	-	-2	-5	-	7/

1/ Includes hours worked plus hours paid leave time.
2/ Includes wages and contributions to Social Security and other employee benefits.
3/ Firms providing employment data accounted for * * * percent of total domestic shipments of aluminum rod in 1986.
4/ Calculated using data from firms that provided information on both production and hours worked.
5/ Based on wages paid excluding fringe benefits. Calculated using data from firms that provided information on both wages paid and hours worked.
6/ Based on total compensation paid. Calculated using data from firms that provided information on both total compensation paid and production.
7/ Less than -0.5 percent.

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

Financial experience of U.S. producers

Six firms, accounting for virtually all U.S. production of aluminum rod in 1986, furnished income-and-loss data on their operations producing aluminum rod. * * *.

The aggregate financial data of the other five U.S. producers are presented in table 8. A summary of financial data for each individual company is shown in table 9.

The aggregate net trade sales of aluminum rod dropped by 27 percent from $99.8 million in 1984 to $73.1 million in 1985, and then rose to $95.6 million in 1986, an increase of 31 percent from the 1985 sales level. Such sales increased by 8 percent to $27.9 million in the interim period ended March 31, 1987, compared with $25.7 million in the corresponding period of 1986.

Intracompany transfers of aluminum rod declined from $217.6 million in 1984 to $138.0 million in 1986 and from $42.1 million in interim 1986 to $34.2 million in interim 1987. * * *.

Total net sales declined by 32 percent from $317.4 million in 1984 to $216.6 million in 1985, and then increased to $233.5 million in 1986, still below the level of 1984 sales. Such sales fell by 8 percent from $67.8 million in the interim period of 1986 to $62.1 million in the interim period of 1987.

U.S. producers reported operating losses of $1.1 million, or 0.5 percent of total net sales, in 1985 compared with an operating income of $16.0 million, or 5.0 percent of net sales, in 1984. In 1986, U.S. firms earned an aggregate operating income of $8.4 million, equivalent to 3.6 percent of net sales. The operating income increased from $458,000, or 0.7 percent of net sales, in the interim period ended March 31, 1986, to $840,000, or 1.4 percent of net sales, in the corresponding period of 1987.

Two firms reported operating losses in 1984 and 1986; whereas, three firms sustained such losses in 1985. Only one firm suffered operating losses in the interim period of 1987.

Income-and-loss data on overall establishment operations are not presented because * * *.

Investment in property, plant, and equipment.--Six U.S. producers provided data concerning their investment in facilities employed in the production of all products of their establishments, as well as in the production of aluminum rod (table 10). The aggregate investment for aluminum rod, valued at cost, increased from $38.0 million in 1984 to $41.1 million in 1986 and to $41.2 million in the interim period ended March 31, 1987. The book value of such facilities increased from $15.6 million in 1984 to $16.2 million in 1985, then declined to $15.2 million in 1986 and $14.9 million in the interim period ended March 31, 1987.

Table 8
Income-and-loss experience of U.S. producers on their operations producing aluminum rod, accounting years 1984-86, and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

Item	1984	1985	1986	Interim period ended Mar. 31-- 1986	1987
Net sales					
Trade.....1,000 dollars..	99,777	73,105	95,564	25,737	27,859
Intracompany transfers.....do....	217,629	143,541	137,984	42,059	34,217
Total net sales.....do....	317,406	216,646	233,548	67,796	62,076
Cost of goods sold.....do....	295,831	212,881	219,192	65,764	59,835
Gross profit.....do....	21,575	3,765	14,356	2,032	2,241
General, selling, and administrative expenses 1,000 dollars..	5,556	4,840	5,961	1,574	1,401
Operating income or (loss) 1,000 dollars..	16,019	(1,075)	8,395	458	840
Depreciation and amortization expense included above 1,000 dollars..	2,031	2,344	3,053	819	645
Cash-flow from operations.....do....	18,050	1,269	11,448	1,277	1,485
As a share of net sales:					
Gross profit.....percent..	6.8	1.7	6.1	3.0	3.6
Operating income or (loss)..do....	5.0	(.5)	3.6	.7	1.4
Cost of goods sold.....do....	93.2	98.3	93.9	97.0	96.4
General, selling, and administrative expenses.....percent..	1.8	2.2	2.6	2.3	2.3

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

Table 9
Selected income-and-loss data of U.S. producers on their operations producing aluminum rod, by firms, accounting years 1984-86, and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

Item	1984	1985	1986	Interim period ended Mar. 31-- 1986	1987
Net trade sales:					
Alcan.....1,000 dollars..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	99,777	73,105	95,564	25,737	27,859
Intracompany transfers:					
Alcan 1/.....1,000 dollars..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda 2/.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	217,629	143,541	137,984	42,059	34,217
Total net sales:					
Alcan.....1,000 dollars..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	317,406	216,646	233,548	67,796	62,076
Gross profit or (loss):					
Alcan.....1,000 dollars..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	21,575	3,765	14,356	2,032	2,241
Operating income or (loss):					
Alcan.....1,000 dollars..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	16,019	(1,075)	8,395	458	840
As a share of total net sales:					
Gross profit or (loss):					
Alcan.....percent..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total or average..do....	6.8	1.7	6.1	3.0	3.6
Operating income or (loss):					
Alcan.....percent..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total or average..do....	5.0	(.5)	3.6	.7	1.4

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

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

Table 10
Investment in property, plant, and equipment and capital expenditures by 6 U.S. producers of aluminum rod, accounting years 1984-86, and interim periods ended Mar. 31, 1986, and Mar. 31, 1987

(In thousands of dollars)

Item	1984	1985	1986	Interim period ended Mar. 31-- 1986	1987
Investment in property, plant, and equipment:					
All products of the establishments:					
Original cost	***	***	***	***	***
Book value	***	***	***	***	***
Aluminum rod:					
Original cost	37,966	40,448	41,110	39,849	41,171
Book value	15,643	16,226	15,214	15,761	14,897
Capital expenditures--					
All products of the establishments:					
Land and land improvements	***	-	***	-	***
Building or leasehold improvements	7,309	2,906	***	***	***
Machinery, equipment, and fixtures	***	***	***	***	***
Total	***	***	35,528	***	***
Aluminum rod:					
Land and land improvements	-	-	-	-	-
Building or leasehold improvements	989	-	-	-	-
Machinery, equipment, and fixtures	***	2,965	1,083	***	109
Total	***	2,965	1,083	***	109

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

Capital expenditures.--Six firms furnished data relative to their capital expenditures for land, buildings, and machinery and equipment used in the manufacture of all products of the reporting establishments and such expenditures for the manufacture of aluminum rod. These data are also presented in table 10. Capital expenditures relative to aluminum rod declined in each period, from $* * * million in 1984 to $1.1 million in 1986 and from $* * * in interim 1986 to $109,000 in interim 1987. Almost all capital expenditures were for machinery and equipment. Overall establishment capital expenditure followed a trend similar to the aluminum rod capital expenditures, declining from 1984 to 1986, but increased in interim 1987, compared with such overall expenditures in interim 1986.

Research and development.--The same six firms supplied data concerning their research and development expenses for their aluminum rod operations, as shown in the following tabulation (in thousands of dollars):

*	*	*	*	*	*	*
*	*	*	*	*	*	*

Impact of imports on U.S. producers' growth, investment, and ability to raise capital.--The Commission requested U.S. producers to describe and explain the actual and potential negative effects, if any, of imports of aluminum rod from Venezuela on their firm's growth, investment, and ability to raise capital. Their responses are presented below.

Alcan.--* * *.

Alcoa.--* * *.

Kaiser.--* * *.

Reynolds.--* * *.

Southwire.--* * *.

Consideration of the Question of a Reasonable Indication of 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

---

1/ Section 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."

(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.

The available information on the nature of the alleged subsidies (item (I) above) is presented in the section of this report entitled "Nature and extent of alleged unfair imports;" the available data on foreign producers' operations (items (II) and (VI) above) are presented in the section entitled "The producers in Venezuela;" 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 question of the causal relationship between alleged material injury and imports from Venezuela." Available information on U.S. inventories of the subject products (item (V)) and on the potential for "product-shifting" (item (VIII)) follows.

U.S. inventories of aluminum rod from Venezuela

As shown in the following tabulation (in tons), U.S. importers and those U.S. producers that imported and/or purchased imported aluminum rod, reported broad changes in inventories of imported aluminum rod from Venezuela:

* * * * * * *

The potential for "product-shifting"

The potential for "product-shifting" is not an issue in these investigations since there are no known products subject to investigation(s) or to final orders that use production facilities that can be shifted to produce EC aluminum rod. The staff, however, offers the following comments on the manufacturing process. As noted in the section of the report entitled "Manufacturing processes" (p. A-3), a rod mill designed to produce EC rod cannot be converted to mechanical rod production. A mechanical rod mill, however, could be adapted to produce EC rod (p. A-4).

Consideration of the Question of the Causal Relationship Between Alleged Material Injury and Imports from Venezuela

U.S. imports 1/

Venezuela is by far the largest source of aluminum rod imported by the United States, accounting for 84 percent of total U.S. imports of aluminum rod in 1986. Imports of aluminum rod from Venezuela increased from 27,524 tons in 1984 to 56,477 tons in 1985, or by 105 percent (table 11). In 1986, imports of aluminum rod from Venezuela fell to 50,022 tons, or by 11 percent from 1985 levels. During January-March 1987, imports from Venezuela increased 34 percent from imports during the corresponding period of 1986, to 13,149 tons.

Market penetration

As a share of apparent U.S. consumption, imports from Venezuela rose from 7 percent in 1984 to 15 percent in 1985 and 1986 (table 12). During January-March 1987, imports from Venezuela accounted for 15 percent of apparent consumption, up from 10 percent during the corresponding period of 1986. Calculated on the basis of value, market penetration by imports of aluminum rod from Venezuela followed a similar trend.

1/ Aluminum rod is an intermediate product generally used in the production of electrical wire and cable. Data on shipments and imports of aluminum wire and cable are presented in app. D.

Table 11
Aluminum rod: 1/ U.S. imports for consumption, by principal sources, 1984-86, January-March 1986, and January-March 1987 2/

Source	1984	1985	1986	January-March-- 1986	1987
	Quantity (tons)				
Venezuela	27,524	56,477	50,022	9,836	13,149
Argentina	1,648	1,350	2,945	398	741
Yugoslavia	3,011	2,263	1,468	302	317
United Kingdom	541	729	1,392	282	524
Belgium and Luxembourg	1,681	1,553	1,153	187	624
Brazil	6,747	1,360	620	153	79
Taiwan	0	131	448	105	104
France	1,107	646	445	97	66
Spain	146	489	365	192	0
All other	2,039	1,818	1,022	369	188
Total	44,445	66,816	59,881	11,921	15,793
	Value (1,000 dollars) 3/				
Venezuela	43,183	61,513	61,495	11,142	15,922
Argentina	3,596	2,532	4,597	705	1,412
Yugoslavia	7,619	5,085	3,269	715	684
United Kingdom	2,028	2,565	5,559	864	1,844
Belgium and Luxembourg	3,988	3,019	2,234	364	1,250
Brazil	11,934	2,040	1,032	242	129
Taiwan	-	228	760	173	186
France	2,371	1,261	932	190	121
Spain	365	1,082	830	424	-
All other	6,414	4,819	2,721	932	492
Total	81,498	84,144	83,429	15,751	22,040
	Unit value (per ton)				
Venezuela	$1,569	$1,089	$1,229	$1,133	$1,211
Argentina	2,182	1,876	1,561	1,771	1,906
Yugoslavia	2,530	2,247	2,227	2,368	2,158
United Kingdom	3,749	3,519	3,994	3,064	3,519
Belgium and Luxembourg	2,372	1,944	1,938	1,947	2,003
Brazil	1,769	1,500	1,665	1,582	1,633
Taiwan	-	1,740	1,696	1,648	1,788
France	2,142	1,952	2,094	1,959	1,833
Spain	2,500	2,213	2,274	2,208	-
All other	3,146	2,651	2,662	2,526	2,617
Average	1,834	1,259	1,393	1,321	1,396

1/ Includes imports under TSUSA items 618.1520 and 618.1540.
2/ Because of a lag in reporting, official import statistics include some "carry-over" data for merchandise imported, but not reported, in prior periods (usually the previous month). Beginning in 1987, Commerce extended its monthly data compilation cutoff date by about 2 weeks in order to significantly reduce the amount of carry-over. Therefore, official statistics for January 1987 include data that would previously have been carried over to February 1987. However, in order to avoid an apparent overstatement of the January 1987 data, the carry-over data from 1986 that would have been included in January 1987 official statistics as of the previous cutoff date have been excluded. Commerce isolated these 1986 carry-over data and has not included them in official statistics for 1986 or January 1987, since their inclusion in either period would result in an apparent overstatement. With respect to imports from Venezuela, this carry-over amounted to 3,151 tons, with a C.I.F. duty-paid value of $3.751 million. The carry-over of total imports amounted to 3,287 tons, with a C.I.F. duty-paid value of $4.031 million.
3/ Import values are C.I.F. duty-paid values.

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

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

Table 12
Aluminum rod: Apparent U.S. consumption, imports, and market penetration, calculated on the basis of quantity and value, 1/ 1984-86, January-March 1986, and January-March 1987 2/

Source	1984	1985	1986	January-March-- 1986	1987
Total apparent U.S. consumption:					
Quantity.....tons..	411,975	371,839	339,051	98,211	88,374
Percentage change.....	-	-10	-9	-	-10
Imports from Venezuela:					
Quantity.....tons..	27,524	56,477	50,022	9,836	13,149
Percentage change.....	-	+105	-11	-	+34
Imports from all sources:					
Quantity.....tons..	44,445	66,816	59,881	11,921	15,793
Percentage change.....	-	+50	-10	-	+32
Market penetration by imports from Venezuela 3/ percent..	7	15	15	10	15
Market penetration by imports from all sources percent..	11	18	18	12	18
Total apparent U.S. consumption:					
Value.....1,000 dollars..	583,573	441,583	429,008	118,020	113,325
Percentage change.....	-	-24	-3	-	-4
Imports from Venezuela:					
Value.....1,000 dollars..	43,183	61,513	61,495	11,142	15,922
Percentage change.....	-	+42	4/	-	+43
Imports from all sources:					
Value.....1,000 dollars..	81,498	84,144	83,429	15,751	22,040
Percentage change.....	-	+3	-1	-	+40
Market penetration by imports from Venezuela percent..	7	14	14	9	14
Market penetration by imports from all sources percent..	14	20	20	13	19

1/ Import values are C.I.F. duty-paid values.
2/ As noted in table 11, footnote 2, some carry-over data have been excluded from 1986 and January 1987 official statistics. Including these imports in January-March 1987 figures would result in a total apparent U.S. consumption of 91,661 tons, valued at $117.356 million. The resulting market penetration by imports from Venezuela would be 18 percent, calculated on the basis of quantity, and 17 percent, calculated on the basis of value.
3/ Respondents argue that U.S. Census Bureau Statistics misstate the actual volume of imports, and that using exports to the United States by the 3 producers of aluminum rod in Venezuela are more realistic. (See postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, p. 29.) As shown in table 1, Venezuelan exports of aluminum rod to the United States during 1984-86 were * * * tons, * * * tons, and * * * tons, respectively. Using such data, market penetration by imports of aluminum rod from Venezuela during 1984-86 was * * * percent, * * * percent, and * * * percent, respectively. Because the 3 Venezuelan producers supplying export data to the Commission used different interim periods than the January-March periods used by the Commission for these investigations, interim 1986 and interim 1987 figures will not be discussed here.
4/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce (imports) and from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices

Aluminum rod is sold on a per pound basis. U.S. producers generally quote their prices delivered, although freight allowances (generally 1 to 1.5 cents per pound) are given to any company willing to pick up the rod with their own trucks. Importers may quote their prices either on a f.o.b. port of entry or on a delivered price basis.

There are two major components to the final selling price of the aluminum rod: the fabrication price and the aluminum metal value. The fabrication price (also known as the fabrication adder) is the charge to the buyer of converting primary aluminum to aluminum rod. The fabrication adder varies slightly with the diameter of the aluminum rod; larger diameter rod is more expensive to fabricate. However, most producers commented that in large orders the premium price associated with a larger diameter rod would disappear. The fabrication adder also usually includes all inland shipping costs to the purchaser. Petitioner has argued that the fabrication adder is the most important component in sales negotiations. 1/ Southwire charges that the Venezuelans are quoting lower fabrication adder prices, and are thereby taking away sales from U.S. producers. Petitioner states that the metal value is determined by whatever price exists for primary aluminum the month prior to shipment of the aluminum rod. Since most sales are multiple shipment orders, neither party knows what the exact total delivered price will be until shipment occurs.

The metal value generally accounts for over 85 percent of the total selling price of the rod and therefore strongly influences the final price. One purchaser contacted made reference to this fact by referring to the product as "skinny ingot." 2/ The price of aluminum declined 41 percent from January 1984 to November 1985, from 76.1 cents per pound to 45.1 cents per pound. 3/ Aluminum prices have generally risen during 1986-87, and presently exceed January 1984 levels by over 12 percent. During the last 7 months, aluminum prices have increased from approximately 54 cents per pound to over 80 cents per pound, an increase of 48 percent. 4/

Although the metal value of aluminum is accepted by the industry as a fixed component of the price for aluminum rod, which fluctuates with open market activity, parties state that various sources are used by the industry to set the metal price. And the prices from these sources vary from each other. 5/ The industry publication entitled Metals Week, lists two prices, the market rate and the transaction rate. The market rate represents the price of U.S.-produced aluminum on a delivered basis to the U.S. Midwest. The transaction rate also measures the price of aluminum on a delivered basis to the U.S. Midwest, but takes the daily cash settlement price for aluminum

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1/ Transcript, p. 52.
2/ * * *.
3/ Based on Metals Week U.S. market price for aluminum.
4/ Based on a U.S. market price of over 80 cents per pound, as reported for the second week in August by * * *, Metals Week, Aug. 11, 1987.
5/ Transcript, pp. 51-52, and * * *.

traded on the London Metal Exchange (LME) and adds a premium representing transportation costs to the U.S. Midwest.

Two prices that are considered representative of the world price for aluminum are listed on the LME. Here, aluminum is traded on a cash (spot) basis and a 3-month-option price basis. 1/ The sources of aluminum metal prices are further discussed in app. E.

U.S. producers and importers selling to the open market generally use the Metals Week monthly average market price from the month prior to shipment as their source for metal value in their sales of aluminum rod. U.S. producers that import directly from Venezuela, however, use the LME 3-month or LME cash price to determine metal value. In addition, suppliers are known to average two sources together, or to select a specific week's or day's price quote for aluminum as the basis for metal value in U.S. sales. As shown in figure 1, the two prices used most often, the Metals Week market price and the LME 3-month price, generally followed the same trend over the period of investigation, declining in the first 2 years and climbing in the second 1-1/2 years. However, the price of metal on the LME has generally been less than the Metals Week market price by 1 to 10 cents per pound. 2/ Hence, shifts in the underlying basis for setting the value of metal may have affected price trends during the period of investigation.

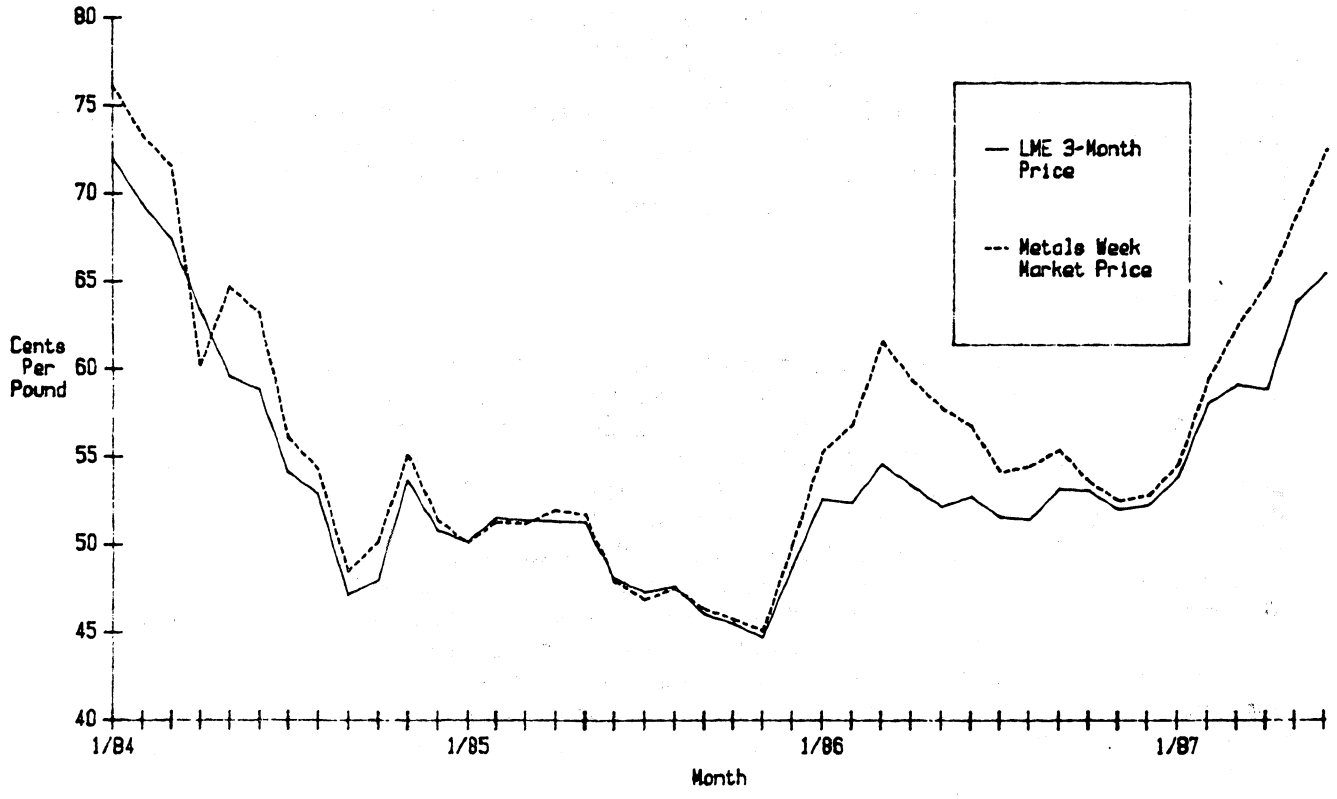
Sales markets

There are essentially two markets for aluminum rod in the United States; a captive market where the rod producers supply their electric utility wire and cable manufacturing divisions with the finished rod, and an open market where rod is sold to unrelated purchasers. The captive market represented 58.4 percent of U.S. rod consumption in 1986, down from 70.4 percent in 1984. In absolute terms, this market fell from 290,111 tons in 1984 to 195,964 tons in 1986. The decline in the captive market for aluminum rod has been attributed to the declining cable market, which was due to the near-100-percent electrification of the United States and the associated decline in production of cable by the integrated producers. Respondents have argued that this decline is also due to the expressed desires of the integrated producers to move toward the high end of the scale of aluminum products, i.e., those products that have a greater profit margin and potential for growth than cable or aluminum rod. 3/

Domestic shipments to unrelated purchasers in the open market by U.S. producers accounted for approximately 24.5 percent of total 1986 aluminum rod consumption, up from 18.8 percent in 1984. Direct imports of aluminum rod by U.S. rod producers accounted for 83 percent of total reported imports of aluminum rod from Venezuela in 1986, down from 93 percent in 1984.

1/ Aluminum is also traded on the New York Commodities Exchange (COMEX). The aluminum stock underlying these sales, however, is small and therefore not considered by U.S. producers and purchasers as a good representation of market price.
2/ Transcript, p. 52.
3/ Ibid., pp. 75-76.

Figure 1.--Average Metals Week U.S. market price for aluminum, and the average 3-month-option aluminum price traded on the London Metal Exchange, by months, January 1984-June 1987



Source: Metals Week.

Captive sales.--Six of the seven U.S. rod producers are integrated manufacturers that use their rod production in their cable operations. The aluminum rod is internally transferred to their cable facilities either on a production cost basis, or a predetermined market price basis. 1/ Aluminum rod production in excess of internal consumption is subsequently sold on the open market. The producers, however, do try to maintain viable customer business in the open market. If their cable operations unexpectedly need additional aluminum rod, the producers will purchase aluminum rod from other sources (including imports) rather than appropriate rod already designated for customers. 2/

Open-market sales.--Aluminum rod is sold on the open market on a spot basis, a formal contract basis, or as a result of verbal commitments due to ongoing customer-producer relationships (evergreen arrangements). For spot sales, suppliers may quote a single selling price for both fabrication and metal, or may quote the fabrication price and metal value separately. For fixed-period contract sales, the price for fabrication and metal value are normally quoted separately. A fixed-period contract generally establishes a firm fabrication price and sets guidelines on purchase quantities. The second price component, the metal value of aluminum, may fluctuate with the market price of the metal, or it may be fixed (hedged) for a specified period of time (usually not longer than 3 months). Alternatively, in a toll arrangement or metal conversion contract, the purchasers of the aluminum rod supply the input metal either to the aluminum rod plant, or to any other area specified by the rod producer.

Verbal commitments due to customer relationships are similar to a fixed period contract, but a formal contract is not written and signed. Usually this type of agreement provides for a certain percentage of the purchaser's rod requirements, i.e., 50 percent or 100 percent, and the relationship renews itself until the buyer or seller wants to renegotiate.

Producers and importers were asked to estimate the share of their total U.S. domestic sales in 1984-86 of aluminum rod that was sold via each of the purchasing arrangements stated above. Aggregated results are shown in table 13. A substantial proportion of U.S.-produced aluminum rod was sold via multiple shipment orders by either a formal contract or an informal verbal commitment type of arrangement. Both of these arrangements specify a fixed fabrication price and a fixed metal source but allow the metal value to float. In 1985 and 1986, these two sales practices accounted for nearly 80 percent of all open market domestic sales to unrelated customers by U.S. producers. 3/

1/ See section of the report entitled "Financial experience of U.S. producers" for an explanation of the methods used by the producers in valuing their captive production.

2/ None of the 8 purchasers contacted in these investigations had any problems with supply from domestic producers.

3/ * * *.

Importers relied more on spot sales for their domestic shipments than U.S. producers, but used formal contracts just as often. Sales based on verbal commitments appeared for the first time in 1986, accounting for 25 percent of all U.S. importer sales.

U.S. producers that import directly from Venezuela indicated that they purchase aluminum rod on a formal contract basis. Prior to 1985, purchases were also made on a spot basis. * * *.

Table 13
Aluminum rod: Open-market sales transaction practices by U.S. producers and importers, by types, 1984-86

(In percent)

Type	U.S. producers			U.S. importers		
	1984	1985	1986	1984	1985	1986
Individual shipments:						
Spot sale	6.6	5.9	5.3	--	39.4	32.4
Multiple shipments:						
Verbal commitments	35.4	41.4	36.2	--	--	25.0
Formal contracts:						
Fixed price (fixed metal values)	--	--	1.0	--	23.5	9.2
Metal value varies	27.5	38.3	41.7	1/ ***	37.1	33.4
Toll contracts	30.5	14.5	15.8	--	--	--

1/ * * *.

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

Transportation costs

Transportation costs range from 2 to 5 percent of the total delivered price for aluminum rod sold by U.S. producers and 2 to 4 percent for importers. U.S. producers commented that although these costs are not considered to be a major factor in the sale of aluminum rod, freight costs do become increasingly important as distance increases from the rod plant. Since the fabrication adder, which incorporates these freight costs, is usually the central point in sales negotiations, high transportation costs tend to have a negative influence on aluminum rod sales. 1/

Aluminum rod is primarily shipped by truck. There is generally no minimum quantity requirements for either domestically produced or imported aluminum

1/ For a description of how transportation costs could play a major role in sales competition between Southwire and Sural, see postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 1, table 12.

rod. * * *. The leadtime for U.S.-produced aluminum rod ranges from 5 days to 6 weeks, although most producers give 30 days as the typical time period. The leadtime for imported aluminum rod ranges from 30 to 60 days.

Questionnaire price data

The Commission requested U.S. producers and importers to provide quarterly price data between January 1984 and June 1987 for two products. For each product, price data were requested for the largest quarterly shipments (a) under 135,000 pounds and (b) 135,000 pounds and over. The specified products for which price data were requested are listed below.

Product 1: Electrical conductor grade (AA1350) aluminum redraw rod, 0.375 inch in diameter, conforming to ASTM specification B-233.

Product 2: Electrical conductor grade (AA1350) aluminum redraw rod, 0.470 inch in diameter, conforming to ASTM specification B-233.

For each product, producers and importers were asked to report the total delivered selling price, the f.o.b. (U.S. location) price, and the net fabrication adder. Useable price data were received from five U.S. producers (* * *, * * *, * * *, * * *, and * * *), although not for all periods or each product requested. 1/

The five U.S. producers accounted for virtually all reported U.S. producers' open market shipments of aluminum rod to unrelated purchasers in 1986. These producers' shipments of products 1 and 2 accounted for 85.0 percent of the total reported U.S. producers' shipments of aluminum rod to the open market in 1986 (product 1 itself accounted for * * * percent). The total quantity of the five producers' largest shipments accounted for * * * percent of U.S. producers' aggregate reported domestic shipments of product 1 in 1986, and for * * * percent of U.S. producers' total reported shipments of product 2 in 1986. 2/

Five importers, * * *, * * *, * * *, * * * and * * *, reported price data but not necessarily for all periods or each product requested. These importers, together with U.S. producers, accounted for virtually all aluminum rod imported from Venezuela in 1986. The five importers' shipments of products 1 and 2 accounted for * * * percent of the total reported open market domestic shipments of imported aluminum rod in 1986. The importers' largest shipments accounted for * * * percent of all reported domestic shipments of product 1,

---

1/ * * *.

2/ Total reported domestic shipments for 1986 by U.S. producers for product 1 were * * *. The total amount reported for product 2 was * * * pounds.

and for * * * percent of all reported domestic shipments of product 2 imported from Venezuela in 1986. 1/

Petitioner has argued that direct imports by integrated producers for their cable operations represent sales that otherwise would have been made by the domestic industry. Because these imports are not sold to unrelated customers, and thereby not reported on a quarterly largest shipment basis in the questionnaire, the unit values of direct imports by the U.S. producers are measured by using unit value price data for each year. Unit values of U.S. producers' domestic shipments to unrelated purchasers are also measured for comparison purposes. Direct imports by U.S. rod producers account for over 80 percent of the total imports of Venezuelan aluminum rod into the United States.

Price trends for sales to unrelated customers.--Based on U.S. producers' and importers' questionnaire responses, quarterly net selling prices generally fell during 1984 and 1985 and climbed during 1986 and January-June 1987. This trend was similar to the decline and rise of aluminum prices. Prices were generally lower for shipments over 135,000 pounds than for shipments under 135,000 pounds for both products surveyed (tables 14 and 15).

For product 1, aluminum rod of 0.375-inch diameter, prices in 1984-85 for U.S.-produced rod declined by 35.9 percent for shipments over 135,000 pounds, from 80.52 cents per pound to 51.60 cents per pound. For shipments under 135,000 pounds, prices declined by 33.1 percent, from 85.14 cents per pound to 56.96 cents per pound. During January 1986-June 1987, prices climbed by 33 percent to 68.57 cents per pound for shipments over 135,000 pounds, and by 28 percent to 72.79 cents per pound for shipments under 135,000 pounds.

Prices for Venezuelan imports declined * * * percent during 1984-85, from * * * cents per pound to * * * cents per pound for shipments larger than 135,000 pounds. Prices then climbed to an April-June 1987 level of * * * cents per pound, an increase of * * * percent. For shipments under 135,000 pounds, prices hit their low point in the fourth quarter of 1985 at * * * cents before generally rising over the next 6 quarters to * * * cents per pound, an increase of * * * percent.

For product 2, aluminum rod of 0.470-inch diameter, U.S. producer prices for shipments over 135,000 pounds again fell, from * * * cents per pound at the beginning of 1984 to its low point of * * * cents per pound at the end of 1985, a decline of * * * percent. Prices generally climbed thereafter to a second quarter 1987 level of * * * cents per pound, an increase of * * * percent. Prices for the largest quarterly shipments under 135,000 pounds of product 2 likewise fell, by * * * percent, during the first half of the investigatory period (* * *). Prices then rose by over * * * percent during the second half of the period covered, ending at a price of * * * cents per pound in the second quarter of 1987.

1/ Total reported domestic shipments for 1986 by U.S. importers for product 1 were * * * pounds. The total amount reported for product 2 was * * * pounds.

Table 14
Aluminum rod: Weighted-average net delivered selling prices of product 1 (diameter of 0.375 inch) reported by U.S. producers and importers of Venezuelan aluminum rod sold to unrelated purchasers, and average margins of underselling (overselling) by the subject imports, by shipment size and by quarters, January 1984-June 1987

Item	U.S. price	Venezuelan price	Margin of underselling (overselling) Amount	Percent
	Cents/Pound			
Shipments under 135,000 pounds				
1984:				
Jan.-Mar.....	85.14	1/	1/	1/
Apr.-June....	77.51	1/	1/	1/
July-Sept....	74.79	1/	1/	1/
Oct.-Dec.....	57.77	1/	1/	1/
1985:				
Jan.-Mar.....	64.50	***	***	***
Apr.-June....	62.54	***	***	***
July-Sept....	59.28	***	***	***
Oct.-Dec.....	56.96	***	***	***
1986:				
Jan.-Mar.....	61.50	***	***	***
Apr.-June....	70.04	***	***	***
July-Sept....	64.89	62.55	2.34	3.61
Oct.-Dec.....	62.34	***	***	***
1987:				
Jan.-Mar.....	64.25	***	***	***
Apr.-June....	72.79	***	***	***
Shipments over 135,000 pounds				
1984:				
Jan.-Mar.....	80.52	***	***	***
Apr.-June....	72.59	***	***	***
July-Sept....	60.84	***	***	***
Oct.-Dec.....	55.77	***	***	***
1985:				
Jan.-Mar.....	56.77	***	***	***
Apr.-June....	57.55	54.65	2.89	5.11
July-Sept....	52.51	51.96	.54	1.05
Oct.-Dec.....	51.60	***	***	***
1986:				
Jan.-Mar.....	57.58	56.99	.59	1.03
Apr.-June....	65.03	59.11	5.92	9.10
July-Sept....	60.89	***	***	***
Oct.-Dec.....	60.23	***	***	***
1987:				
Jan.-Mar.....	60.22	***	***	***
Apr.-June....	68.57	***	***	***

1/ No prices reported.

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

Table 15
Aluminum rod: Weighted-average net delivered selling prices of product 2 (diameter of 0.470 inch) reported by U.S. producers and importers of Venezuelan aluminum rod sold to unrelated purchasers, and average margins of underselling (overselling) by the subject imports, by shipment size and by quarters, January 1984-June 1987

Item	U.S. price	Venezuelan price	Margin of underselling (overselling) Amount	Percent
	Cents/Pound			
Shipments under 135,000 pounds				
1984:				
Jan.-Mar.....	***	1/	1/	1/
Apr.-June....	***	1/	1/	1/
July-Sept....	***	1/	1/	1/
Oct.-Dec.....	***	1/	1/	1/
1985:				
Jan.-Mar.....	***	1/	1/	1/
Apr.-June....	***	1/	1/	1/
July-Sept....	***	1/	1/	1/
Oct.-Dec.....	***	1/	1/	1/
1986:				
Jan.-Mar.....	***	***	***	***
Apr.-June....	***	***	***	***
July-Sept....	***	***	***	***
Oct.-Dec.....	***	***	***	***
1987:				
Jan.-Mar.....	***	***	***	***
Apr.-June....	***	***	***	***
Shipments over 135,000 pounds				
1984:				
Jan.-Mar.....	***	1/	1/	1/
Apr.-June....	***	1/	1/	1/
July-Sept....	***	1/	1/	1/
Oct.-Dec.....	***	1/	1/	1/
1985:				
Jan.-Mar.....	***	1/	1/	1/
Apr.-June....	***	1/	1/	1/
July-Sept....	***	1/	1/	1/
Oct.-Dec.....	***	1/	1/	1/
1986:				
Jan.-Mar.....	***	1/	1/	1/
Apr.-June....	***	***	***	***
July-Sept....	***	***	***	***
Oct.-Dec.....	***	1/	1/	1/
1987:				
Jan.-Mar.....	***	***	***	***
Apr.-June....	***	1/	1/	1/

1/ No prices reported.

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

Sufficient data for open market price trends in imports of Venezuelan aluminum rod product 2 were available only for shipments under 135,000 pounds, and only for January 1986-June 1987. Prices varied from quarter to quarter, but they did end at their highest level in the second quarter of 1987, at * * * cents per pound.

To show the trends in fabrication prices, the influence of the aluminum metal value was removed from U.S. producers' and importers' reported prices by subtracting the market value of the metal (for the month prior to the shipment of the aluminum rod 1/) from the price of each reported shipment. The result represents an approximation of the true fabrication price, 2/ the amount above what the supplier would have received for the aluminum metal alone. Each derived fabrication price was weighted by the size of shipment and aggregated for each quarter. Metals Week's monthly average market prices were used to represent the U.S. market value of aluminum for U.S. producers, and the LME 3-month option price was used to represent the world price of aluminum for imports. Because of the differences between the prices of the two metal values as noted above, the estimated fabrication prices of U.S.-produced and imported Venezuelan aluminum rod are not necessarily completely comparable. The trend in fabrication prices can be seen in figures 2 through 4. 3/

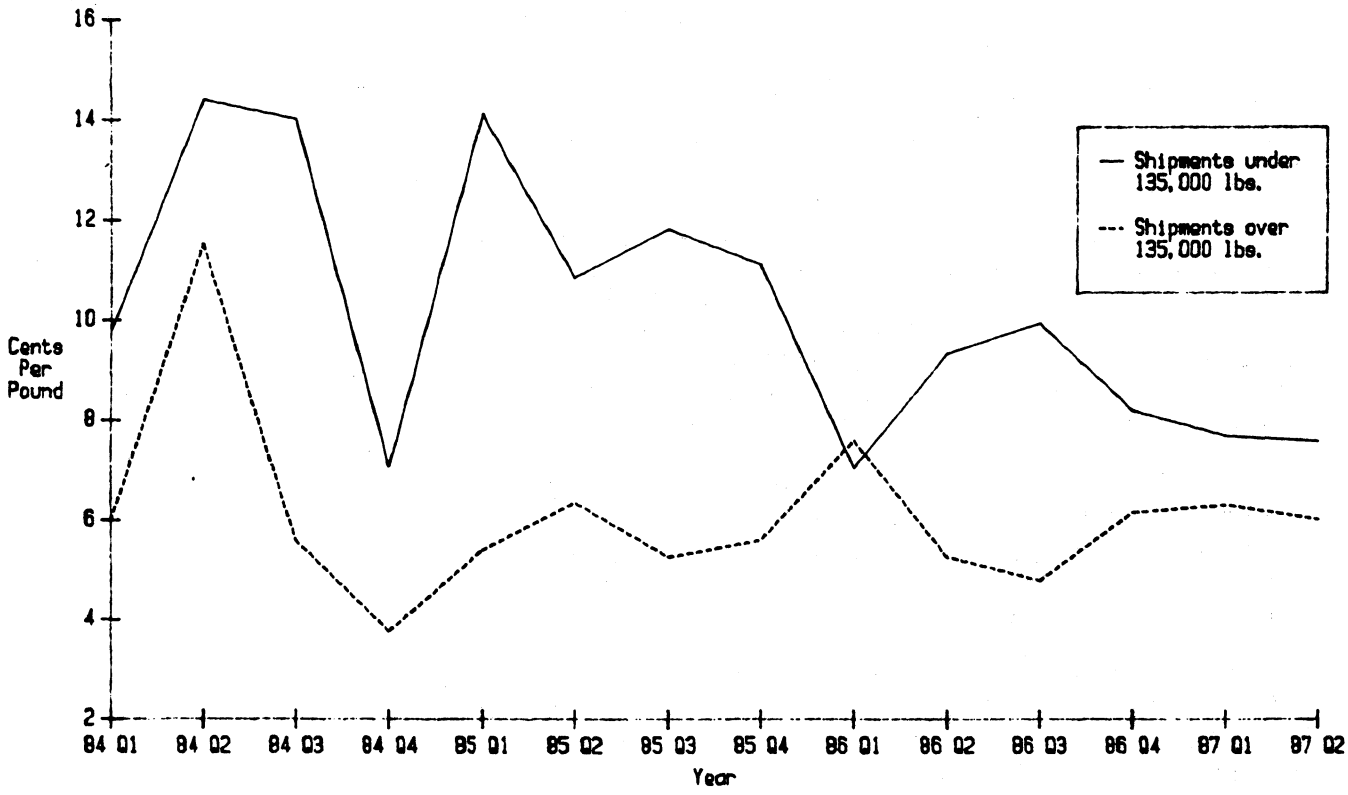
In figures 2 and 3, estimated fabrication prices are shown for U.S. producers' quarterly shipments over and under 135,000 pounds for products 1 and 2, respectively. In both figures, the fabrication prices fluctuated between quarters but seemed to converge by the end of the period. This held true regardless of shipment size.

U.S. producers' net fabrication prices for product 1 shipments of over 135,000 pounds ranged between 3.77 cents per pound and 11.51 cents per pound in 1984, but only ranged between 4.39 cents per pound and 5.97 cents per pound for the remaining 2-1/2 years (figure 2). The average difference between the minimum and maximum fabrication price reported in each quarter was 6.4 cents per pound in 1984 and only 1.8 cents per pound thereafter. For shipments under 135,000 pounds, U.S. producer fabrication prices varied considerably more than for fabrication prices of shipments over 135,000 pounds, but this variance became smaller toward the end of the period. Also, a slight downward trend can be seen in the fabrication prices for shipments under 135,000 pounds.

For product 2, U.S. producer fabrication prices are even more steady than in product 1. Prices for shipments over 135,000 pounds ranged between * * * cents per pound and * * * cents per pound, but in * * *, prices were within approximately * * *, between * * * cents per pound and * * * cents per pound (figure 3). Fabrication prices for shipments under 135,000 pounds ranged from * * * cents per pound to * * * cents per pound. However, prices ranged between * * * cents per pound and * * * cents per pound in 1984 but only between * * * cents per pound and * * * cents thereafter.

1/ Order leadtime of 30 days.
2/ Quarterly fabrication price data were requested in the questionnaires sent to U.S. producers and importers for their domestic shipments. Reported data were insufficient to provide an adequate approximation of the fabrication adder.
3/ Fabrication prices were not created for shipments of Venezuelan product 2 because of lack of sufficient price data.

Figure 2.—U.S. producers' net fabrication prices for product 1, by shipment size and by quarters, January 1984-June 1987



Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Calculated by subtracting the aluminum metal value from the total delivered price of the aluminum rod.

Figure 3.—U.S. producers' net fabrication prices for product 2, by shipment size and by quarters, January 1984-June 1987

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Calculated by subtracting the aluminum metal value from the total delivered price of the aluminum rod.

In figure 4, estimated fabrication prices for product 1 are shown for U.S. importers' largest quarterly shipments of over and under 135,000 pounds. In both size levels, prices differed considerably during the period of investigation. For shipments over 135,000 pounds, fabrication prices ranged between * * * cents per pound and * * * cents per pound. Prices climbed through all of 1984, and then dropped into a range between * * * cents per pound and * * * cents per pound in 1985. Prices then climbed once more, reaching a level of * * * cents in the third quarter of 1986, before falling again to its second quarter 1987 level of * * * cents.

Fabrication prices for U.S. importers' shipments under 135,000 pounds followed the same pattern of falling and rising. From its low point of * * * cents per pound in the second quarter of 1985, the fabrication price increased to its high point of * * * cents in the second quarter of 1986. It then fell to * * * cents per pound in the first quarter of 1987, and finally rose to * * * cents per pound in the second quarter of 1987.

Price trends for U.S. producers' direct imports.--The unit value of U.S. rod producers' direct imports for their cable operations and the unit value of their domestic shipments to unrelated purchasers shown in the tabulation below are based on the producers' questionnaire responses during the investigations. 1/ In both of these categories, unit values declined in 1985 and climbed in 1986, reflecting the decline and rise in aluminum prices. Unit values for domestic shipments declined by 15.6 percent in 1985, and increased by 10.1 percent in 1986. Unit values for direct imports declined by * * * percent in 1985 and increased by * * * percent in 1986.

Year	Domestic shipments	Direct imports
	--cents per pound--	
1984.....	66.03	65.21
1985.....	55.70	***
1986.....	61.30	***

If the influence of aluminum metal prices is removed from the unit values above, an index of the fabrication unit value can be created. As seen below, the derived fabrication unit value for domestic shipments increased in 1985 by 38.4 percent (from 4.98 cents per pound to 6.89 cents per pound) and fell by 21.6 percent (to 5.40 cents per pound) in 1986. For direct imports, the opposite held true; the derived fabrication unit value declined by * * * percent (from 7.32 cents per pound to * * * cents per pound) in 1985, before increasing by * * * percent (to * * * cents per pound) in 1986. 1/

Year	Domestic shipments	Direct imports
	--(1984 = 100)--	
1984.....	100.0	100.0
1985.....	138.4	***
1986.....	108.4	***

1/ * * *.

Figure 4.--U.S. importers' net fabrication prices for product 1, by shipment size and by quarters, January 1984-June 1987

* * * * * * *

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission. Calculated by subtracting the aluminum metal value from the total delivered price of the aluminum rod.

Price comparisons.--The reported selling price data for producers' and importers' largest quarterly shipments to unrelated customers during January 1984-June 1987 resulted in 33 direct quarterly price comparisons between weighted-average delivered prices of domestic and imported aluminum rod from Venezuela. Of the 24 comparisons in product 1, the Venezuelan import was less expensive in 17 quarters (table 14). For shipments under 135,000 pounds, the Venezuelan rod was less expensive in 9 of the 10 comparisons. Margins of underselling for this category ranged from * * * cents per pound (* * * percent) to * * * cents per pound (* * * percent). For shipments over 135,000 pounds, the Venezuelan aluminum rod was less expensive in 8 of the 14 quarters listed. Margins of underselling ranged from * * * cents per pound (* * * percent) to * * * cents per pound (* * * percent). Margins of overselling ranged from * * * cents per pound (* * * percent) to * * * cents per pound (* * * percent).

Product 2 contained nine direct quarterly price comparisons, in which the Venezuelan import was less expensive in five quarters (table 15). For shipments under 135,000 pounds, the Venezuelan rod was less expensive in four of the six quarterly comparisons. Margins of underselling ranged from * * * cents per pound (* * * percent) to * * * cents per pound (* * * percent). The two margins of overselling were about * * * cents per pound (* * * percent). For shipments over 135,000 pounds, the Venezuelan rod was less expensive in only one of the three quarters that had price comparisons.

Exchange rates

Table 16 shows nominal- and real-exchange-rate indexes for the U.S. dollar and the Venezuelan bolivar. The currency of Venezuela depreciated in nominal terms by approximately 48 percent from the first quarter of 1984 through the first quarter of 1987. All of the change in the nominal exchange rate occurred in the fourth quarter of 1986 and the first quarter of 1987. A fixed exchange rate of 7.5 bolivares per U.S. dollar from 1984 through the third quarter of 1986, and an inflation rate of 51.5 percent in Venezuela, compared with 3.8-percent deflation in the United States during the same period, resulted in a real-exchange-rate appreciation of 57.5 percent. When Venezuela devalued its currency in December 1986 to 14.5 bolivares per U.S. dollar, its real exchange rate declined by 19.6 percent from the previous quarter.

Venezuela employs a multiple-exchange-rate system, which was introduced in February 1983 and modified in February 1984, December 1985, and again in December 1986. Since December 1986, a fixed official rate of 14.50 bolivares (Bs) per U.S. dollar has been applied to most commercial and financial transactions, to Government capital transactions, and to newly registered private capital flows. An exchange rate of 7.50 Bs per dollar applies to essential imports and related services, to trade and services of the State-controlled oil and iron ore sectors, and to servicing the external debt of public enterprises and of registered private debt, provided an exchange rate guarantee premium is paid. A fluctuating free-market rate applies to tourism and nonregistered private capital flows. 1/

According to respondents, * * *. 2/

During the staff conference held in connection with these investigations, Mr. Roy Long of Southwire stated that exchange rates were the principal reason Southwire sold its 49-percent interest in Sural in early 1985. Long states that the multitiered exchange-rate structure in Venezuela instituted in February 1983 presented a problem in the repayment of a loan owed Sural and guaranteed by Southwire. Two rates existed: a 4.3 bolivar (Bs) per U.S. dollar Central Bank rate and a market rate of 11 to 12 Bs. Sural could not afford to pay back the loan at the market rate, and it had to get permission to repay the loan at the lower rate. Meanwhile, Southwire, in being the guarantor of the loan, was being pressured (including by legal action) to repay the debt. Yet, Long added, if Southwire did repay the loan, "the Venezuelan government said that there was no obligation for them to have Sural reimburse Southwire." 3/

Respondents, however, argue that exchange rates were not the reason Southwire sold its share of Sural. * * *. 4/

1/ International Monetary Fund, International Financial Statistics, August 1987, p. 532.
2/ * * *.
3/ Transcript, pp. 24-25.
4/ * * *.

Table 16
Indexes of the nominal- and real-exchange-rates between the U.S. dollar and the Venezuelan bolivar, 1/ and indexes of producer prices in the United States and Venezuela, 2/ by quarters, January 1984-March 1987

(January-March 1984=100)

Period	Nominal-exchange-rate index	Real-exchange-rate index	U.S. Producer Price Index	Venezuelan Producer Price Index
1984:				
Jan.-Mar....	100.0	100.0	100.0	100.0
Apr.-June...	100.0	104.0	100.7	104.7
July-Sept...	100.0	112.5	100.4	112.9
Oct.-Dec....	100.0	119.3	100.2	119.5
1985:				
Jan.-Mar....	100.0	124.0	100.0	124.0
Apr.-June...	100.0	127.7	100.1	127.8
July-Sept...	100.0	130.9	99.4	130.1
Oct.-Dec....	100.0	134.7	100.0	134.7
1986:				
Jan.-Mar....	100.0	143.7	98.5	141.5
Apr.-June...	100.0	151.1	96.6	146.0
July-Sept...	100.0	157.5	96.2	151.5
Oct.-Dec....	76.7	126.6	96.5	159.3
1987:				
Jan.-Mar....	51.9	3/	97.7	3/

1/ Based on exchange rates expressed in U.S. dollars per bolivar.
2/ The real-exchange-rate index is derived from the nominal exchange rates adjusted by the producer price indexes of each country. These indexes are derived from line 63 of the International Financial Statistics.
3/ Not available.

Source: International Monetary Fund, International Financial Statistics.

Lost sales/lost revenues

Fifteen allegations of lost sales and one allegation of lost revenues involving seven purchasers were supplied to the Commission by three U.S. producers of aluminum rod. Alleged lost sales amounted to $62,433,918, involving 94,104,300 pounds, and lost revenues totaled $70,000. * * *. 1/

* * * * * * *

1/ * * *. See agent agreement between Sural and Southwire, dated May 3, 1984, in the postconference brief on behalf of the Venezuelan industry, Aug. 12, 1987, exhibit 6. Moreover, counsel for Southwire stated at the conference that "Does Southwire's former relationship with Sural have anything to do with all this? If anything, it might suggest narrowing the focus of the investigation to events occurring after March 1985--that is, after Southwire divested itself of its interest in Sural. Certainly the petitioners injury case does not rely on events earlier than that." Transcript, p. 9.

APPENDIX A

FEDERAL REGISTER NOTICES

Federal Register / Vol. 52, No. 140 / Wednesday, July 22, 1987 / Notices 27593

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701-TA-287 (Preliminary) and 731-TA-378 (Preliminary)]

Certain Electrical Conductor Aluminum Redraw Rod From Venezuela [1]

AGENCY: United States International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the institution of preliminary countervailing duty investigation No. 701-TA-287 (Preliminary) under section 703(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be subsidized by the Government of Venezuela.

The Commission also gives notice of the institution of preliminary antidumping investigation No. 731-TA-378 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from venezuela of electrical conductor aluminum redraw rod, provided for in item 618.15 of the Tariff Schedules of the United States, that are alleged to be sold in the United States at less than fair value.

[1] For purposes of these investigations the term "electrical conductor aluminum redraw rod" refers to wrought rods of aluminum which are electrically conductive and contain not less than 99 percent of aluminum by weight.

As provided in sections 703(a) and 733(a), the Commission must complete preliminary countervailing duty and antidumping investigations in 45 days, or in these cases by August 28, 1987. For further information concerning the conduct of these investigations and rules of general application, consult the Commission's rules of practice and procedure, Part 207, Subparts A and B (19 CFR Part 207), and Part 201, Subparts A through E (19 CFR Part 201).

EFFECTIVE DATE: July 14, 1987.

FOR FURTHER INFORMATION CONTACT: Brian Walters (202-523-0104), Office of Investigations, U.S. International Trade Commission, 701 E Street NW., Washington, DC 20436. Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal on 202-724-0002. Information may also be obtained via electronic mail by calling the Office of Investigations' remove bulletin board system for personal computers at 202-523-0103. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-523-0161.

SUPPLEMENTARY INFORMATION:

Background

These investigations are being instituted in response to petitions filed on July 14, 1987, by Southwire Company, Carrollton, Georgia.

Participation in the Investigations

Persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary of the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after 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 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 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.

Conference

The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:30 a.m. on August 6, 1987, at the U.S. International Trade Commission Building, 701 E Street NW., Washington, DC. Parties wishing to participate in the conference should contact Brian Walters (202-523-0104) not later than August 3, 1987, to arrange for their appearance. Parties in support of the imposition of countervailing and/or antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

Written Submissions

Any person may submit to the Commission on or before August 12, 1987, a written statement of information pertinent to the subject of the investigations, as provided in § 207.15 of the Commission's rules (19 CFR 207.15). 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 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 § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Issued: July 17, 1987.

Kenneth R. Mason,

Secretary.

[FR Doc. 87-16944 Filed 7-21-87; 8:45 am]

BILLING CODE 7020-02-M

International Trade Administration

[A-307-701]

Initiation of Antidumping Duty Investigation; Certain Electrical Conductor Aluminum Redraw Rod from Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating an antidumping duty investigation to determine whether imports of certain electrical conductor aluminum redraw rod (redraw rod) from Venezuela are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of ths action so that it may determine whether imports of redraw rod from Venezuela cause, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before August 28, 1987, and we will make ours on or before December 21, 1987.

EFFECTIVE DATE: August 10, 1987.

FOR FURTHER INFORMATION CONTACT: Mary Martin of Jessica Wasserman, Office of Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-2830 or 377-1442.

SUPPLEMENTARY INFORMATION:

The Petition

On July 14, 1987, we received a petition filed in proper form by the Southwire Company on behalf of the U.S. industry producing redraw rod. In compliance with the filing requirements of 19 CFR 353.36, the petition alleges that imports of redraw rod from Venezuela are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that such imports cause of threaten material injury to, a U.S. industry.

Initiation of Investigation

Under section 732(c) of the Act, we must determine within 20 days after a petition is filed, whether it sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on redraw rod and have found that it meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether redraw rod from Venezuela is being, or is likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination on or before December 21, 1987.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of Customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System ("HS") by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* ("*TSUSA*") item numbers and the appropriate HS item numbers with our product description on a test basis, pending Congressional approval. As with the *TSUSA*, the HS item numbers are provided for convenience and Customs purposes. The written description remains dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the *TSUSA* item number(s) in all new petitions filed with the Department. A reference copy of the proposed HS schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Additionally, all customs offices have reference copies and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The product covered by this investigation is certain electrical conductor aluminum redraw rod from Venezuela which is wrought rod of aluminum which is electrically conductive and contains not less than 99 percent aluminum by weight as provided for in *TSUSA* item numbers 618.520 and 618.1540. This product is currently classifiable under HS item numbers 7604.10.30 and 7604.29.30.

United States Price and Foreign Market Value

Petitioner based United States price on Census Bureau import statistics (IM-146) for redraw rod imported from Venezuela. Census Bureau statistics report the F.A.S. value of the imported goods. Petitioner based foreign market value on two Venezuelan producer's price quotes. Based on a comparison of United States price and foreign market value, petitioner alleged dumping margins of 15 to 33 percent. After analysis of petitioner's allegations and supporting data, we conclude that a formal investigation is warranted.

Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will also allow the ITC access to all privileged and business proprietary information in our files, provided it confirms that it will not disclose such information, either publicly or under an administrative protective order, without the express

written consent of the Deputy Assistant Secretary for Import Administration.

Preliminary Determination by ITC

The ITC will determine by August 28, 1987, whether there is a reasonable indication that imports of redraw rod from Venezuela materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 732(c)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

August 3, 1987.

[FR Doc. 87-18050 Filed 8-7-87; 8:45 am]

BILLING CODE 3510-DS-M

[C-307-702]

Initiation of Countervailing Duty Investigation: Certain Electrical Conductor Aluminum Redraw Rod From Venezuela

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice.

SUMMARY: On the basis of a petition filed in proper form with the U.S. Department of Commerce, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Venezuela of certain electrical conductor aluminum redraw rod ("redraw rod"), as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the U.S. countervailing duty law. We are notifying the U.S. International Trade Commission (ITC) of this action, so that it may determine whether imports of redraw rod from Venezuela cause or threaten material injury to a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before August 28, 1987, and we will make ours on or before October 7, 1987.

EFFECTIVE DATE: August 10, 1987.

FOR FURTHER INFORMATION CONTACT: Thomas Bombelles 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) 377-3174 or 377-2438.

SUPPLEMENTARY INFORMATION:

The Petition

On July 14, 1987, we received a petition filed in proper form by the Southwire Company on behalf of the U.S. industry producing redraw rod. In compliance with the filing requirements of 19 CFR 355.26, the petition alleges that manufacturers, producers, or exporters in Venezuela of redraw rod receive subsidies within the meaning of section 701 of the Tariff Act of 1930, as amended (the Act), and that such imports cause or threaten material injury to a U.S. industry.

Since Venezuela is a "country under the Agreement" within the meaning of section 701(b) of the Act, the ITC is required to determine whether imports of the subject merchandise from Venezuela cause or threaten material injury to a U.S. industry.

Initiation of Investigation

Under section 702(c) of the Act, we must determine, within 20 days after a petition is filed, whether it sets forth allegations necessary for the initiation of a countervailing duty investigation, and whether it contains information reasonably available to the petitioner supporting the allegations. We have examined the petition on redraw rod and have found that it meets these requirements. Therefore, we are initiating a countervailing duty investigation to determine whether manufacturers, producers, or exporters in Venezuela of redraw rod, as described in the "Scope of Investigation" section of this notice, receive benefits which constitute subsidies within the meaning of the Act. If our investigation proceeds normally, we will make our preliminary determination on or before October 7, 1987.

Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. Congress is considering legislation to convert the United States to this Harmonized System ("HS") by January 1, 1988. In view of this, we will be providing both the appropriate *Tariff Schedules of the United States Annotated* (*"TSUSA"*) item numbers and the appropriate HS item numbers with our product description on a test basis, pending Congressional approval. As with the *TSUSA*, the HS item numbers are provided for convenience and Customs purposes. The written descrioptions remain dispositive.

We are requesting petitioners to include the appropriate HS item number(s) as well as the *TSUSA* item number(s) in all new petitions filed with the Department. A reference copy of the proposed Harmonized System schedule is available for consultation at the Central Records Unit, Room B-099, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230. Additionally, all Customs offices have reference copies and petitioners may contact the Import Specialist at their local Customs office to consult the schedule.

The product covered by this investigation is certain electrical conductor aluminum redraw rod, which is wrought rod of aluminum which is electrically conductive and contains not less than 99 percent aluminum by weight as provided for in *TSUSA* item numbers 618.1520 and 618.1540. This product is currently classifiable under HS item numbers 7604.10.30 and 6704.29.30.

Allegations of Subsidies

The petition lists a number of practices by the Government of Venezuela (GOV) which allegedly confer subsidies on manufacturers, producers, or exporters in Venezuela of redraw rod. We are initiating an investigation on the following programs:

- Government Financial Assistance on Terms Inconsistent with Commercial Considerations
  - —Government Loans on Terms Inconsistent with Commerical Considerations
  - —Government Loan Guarantees
  - —Assumption of Hard Currency Debt
  - —Tax Contributions to Cover Debt Service Costs
- Export Subsidies
  - —Perferential Export Financing (FINEXPO)
  - —Export Certificates
  - —Multiple Exchange Rates
  - —Perferential Pricing for Inputs used to Produce Exports
- Sales Tax Exemptions
- Import Duty Reductions
- Perferential Tax Incentives

We are not initiating an investigation on the following program:

Government Equity Infusions

Petitioner alleges that the GOV is expected to provide capital to a group headed by Suramericana de Aleaciones Laminados, C.A. (SURAL), a private company, to fund a new smelter, and that any GOV equity infusions into its aluminum products industry are inconsistent with commercial considerations. This new smelter would supply SURAL's aluminum rod and wire plant. In order for the Department to

investigate an allegation on equity, the petition must contain: (1) Evidence of government equity participation, and (2) a showing that such participation may be on terms inconsistent with commercial considerations.

Although the petition contains information that the GOV, in conjunction with Austrian concerns, plans to invest in a new smelter project for SURAL, the petition does not provide any evidence that SURAL, or even the aluminum industry, has been losing money or is otherwise unattractive to private investors. Since petitioner has not provided any information that GOV equity investments in SURAL would be inconsistent with commercial considerations, we are not initiating an investigation on this allegation.

As a standard practice in our countervailing duty questionnaires, we ask for information on the ownership structure of each firm and for financial statements. If the information provided in response to these standard questions shows that the GOV holds equity in SURAL, and that SURAL has incurred financial losses, we will examine this issue further.

Notification of ITC

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

Preliminary Determination by ITC

The ITC will determined by August 28, 1987, whether there is a reasonable indication that imports of redraw rod from Venezuela cause or threaten material injury to a U.S. industry. If its determination is negative, this investigation will terminate; otherwise, it will proceed according to the statutory and regulatory procedures.

This notice is published pursuant to section 702(c)(2) of the Act.

Gilbert B. Kaplan,

Deputy Assistant Secretary for Import Administration.

August 3, 1987.

[FR Doc. 87-18051 Filed 8-7-87; 8:45 am]

BILLING CODE 3510-DS-M

APPENDIX B

WITNESSES APPEARING AT THE CONFERENCE

mills; a "properzi mill," and a Southwire SCR mill similar to Southwire's Hawesville, KY, mill. 1/

Sural and the more than 160 other private aluminum firms in Venezuela have trouble buying as much aluminum as they would like from Alcasa and Venalum. A State Department airgram states that the problem stems from a multiple-pricing system whereby Alcasa and Venalum receive more for export sales than they do for domestic sales as a result of exchange rates and Government export bonuses. A private company, Alusur, headed by Sural, plans to construct a 115,000 metric-ton-per-year smelter to supply Sural's rod and wire plant. It will be coupled with a 60,000 metric-ton-per-year expansion in wire and rod capacity at Sural. Once started, these plans for expansion are expected to take 3 years to complete. 2/ Mr. Alfredo Riviere, President of Sural, indicated that Sural has been expanding its capacity to produce mechanical aluminum rod and contracting its ability to produce electrical conductor aluminum rod. Sural is also interested in expanding its presence in the United States through acquiring closed rod, wire, and cable facilities. One of the reasons Sural wishes to establish rod facilities in the United States is because it wishes to take advantage of utility markets closed to firms that produce utility cable from foreign-produced aluminum rod. 3/ * * *. 4/

* * * * * * *

Available information on the producers of aluminum rod in Venezuela is presented in table 1.

1/ Transcript, p. 39.
2/ Department of State airgram from the U.S. Embassy, Caracas, Venezuela, July 11, 1986, p. 4.
3/ Transcript, pp. 123-130.
4/ * * *.

Table 1
Aluminum rod: Venezuelan production, capacity, capacity utilization, domestic shipments, export shipments to the United States, and exports to third countries, by firms, 1984-86, interim 1986, and interim 1987 1/

Item	1984	1985	1986	Interim period-- 1986	1987
Production:					
Cabelum.....short tons..	***	***	***	***	***
Iconel 2/.....do....	***	***	***	***	***
Sural 3/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Capacity:					
Cabelum.....short tons..	***	***	***	***	***
Iconel 4/.....do....	***	***	***	***	***
Sural 5/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Capacity utilization:					
Cabelum.....percent..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Average.....do....	***	***	***	***	***
Domestic sales:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural 6/.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Exports to the United States:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***
Exports to third countries:					
Cabelum.....short tons..	***	***	***	***	***
Iconel.....do....	***	***	***	***	***
Sural.....do....	***	***	***	***	***
Total.....do....	***	***	***	***	***
Percentage change.....	-	***	***	-	***

1/ * * *.
2/ * * *.
3/ * * *.
4/ * * *.
5/ * * *.
6/ * * *.

Source: Compiled from data provided by counsel for Sural, Iconel, and Cabelum.

Table C-1
Aluminum rod: U.S. production, capacity, and capacity utilization, by firms, 1984-86, January-March 1986, and January-March 1987

Item	1984	1985	1986	January-March-- 1986	1987
Production:					
Alcan.....short tons..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Essex.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Reynolds.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Total.....do....	363,275	300,166	279,173	86,648	70,243
Average capacity over period:					
Alcan 1/.....short tons..	***	***	***	***	***
Alcoa 2/.....do....	***	***	***	***	***
Essex 3/.....do....	***	***	***	***	***
Kaiser 4/.....do....	***	***	***	***	***
Noranda 5/.....do....	***	***	***	***	***
Reynolds 6/.....do....	***	***	***	***	***
Southwire 7/.....do....	***	***	***	***	***
Total.....do....	513,953	518,786	503,786	130,539	110,760
Capacity utilization:					
Alcan.....percent..	***	***	***	***	***
Alcoa.....do....	***	***	***	***	***
Essex 8/.....do....	***	***	***	***	***
Kaiser.....do....	***	***	***	***	***
Noranda.....do....	***	***	***	***	***
Reynolds.....do....	***	***	***	***	***
Southwire.....do....	***	***	***	***	***
Average.....do....	67	56	55	65	63

1/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year.
2/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year. * * *.
3/ * * *.
4/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year.
5/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year.
6/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year.
7/ Based on operating the firm's aluminum rod facilities * * * hours per week, * * * weeks per year. The closure of Southwire's Carrollton, GA, rod facility in December 1986, reduced its practical annual capacity to produce aluminum rod by approximately * * * tons.
8/ * * *.

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

Table C-2
Aluminum rod: U.S. producers' domestic shipments, intracompany transfers, and total domestic shipments, by firms, 1984-86, January-March 1986, and January-March 1987

(Short tons)

Item	1984	1985	1986	January-March-- 1986	January-March-- 1987
Domestic shipments:					
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Essex	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	77,419	71,807	83,206	25,125	22,489
Intracompany transfers:					
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Essex	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	290,111	233,216	195,964	61,165	50,092
Total domestic shipments:					
Alcan	***	***	***	***	***
Alcoa	***	***	***	***	***
Essex	***	***	***	***	***
Kaiser	***	***	***	***	***
Noranda	***	***	***	***	***
Reynolds	***	***	***	***	***
Southwire	***	***	***	***	***
Total	367,530	305,023	279,170	86,290	72,581

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

APPENDIX D

U.S. WIRE AND CABLE SHIPMENTS AND IMPORTS FOR CONSUMPTION

Table D-1
Aluminum wire and cable: U.S. producers' net domestic shipments and U.S. imports for consumption, 1984-86

(Short tons)

Item	1984	1985	1986
Net domestic shipments:			
Bare wire	4,500	3,500	3,500
ACSR 1/ and bare cable	170,500	138,500	119,500
Insulated or covered wire and cable	196,500	197,500	198,000
Imports, all sources:			
Wire 2/	3,326	4,671	3,545
Cable 3/	2,668	2,236	2,465

1/ ACSR is aluminum conductor steel reinforced cable.
2/ Includes imports under TSUS items 618.20 (aluminum wire, not coated or plated with metal) and 618.22 (aluminum wire, coated or plated with metal).
3/ Includes imports under TSUS item 688.20 (uninsulated electrical conductors, comprised of aluminum wire or strand spirally wound or twisted around a steel or aluminum core).

Source: Domestic shipments compiled from the Aluminum Association and imports compiled from official statistics of the U.S. Department of Commerce (imports).

Table D-2
Aluminum wire: U.S. imports 1/ for consumption, by principal sources, 1984-86, January-May 1986, and January-May 1987

Source	1984	1985	1986	January-May-- 1986	January-May-- 1987
	Quantity (tons)				
Canada	690	933	1,406	542	967
United Kingdom	152	352	584	147	172
West Germany	55	87	323	292	30
Venezuela	1,430	2,080	308	236	93
Yugoslavia	18	118	277	66	92
Japan	307	102	197	83	47
Israel	0	44	168	168	0
France	245	354	119	87	22
Belgium and Luxembourg	155	184	110	56	20
Taiwan	2	0	39	38	3
Brazil	37	291	0	0	0
All other	235	128	14	2/	100
Total	3,326	4,671	3,545	1,715	1,546
	Value (1,000 dollars) 3/				
Canada	1,711	2,343	4,192	1,561	2,293
United Kingdom	491	1,183	2,487	522	596
West Germany	273	280	698	458	280
Venezuela	1,960	2,004	332	223	147
Yugoslavia	67	428	865	222	351
Japan	934	514	580	205	150
Israel	-	192	772	772	-
France	636	882	305	223	49
Belgium and Luxembourg	357	358	233	113	49
Taiwan	5	-	64	62	19
Brazil	186	368	-	-	-
All other	493	326	77	5	217
Total	7,113	8,878	10,605	4,366	4,151

1/ Includes imports under TSUS items 618.20 (aluminum wire, not coated or plated with metal) and 618.22 (aluminum wire, coated or plated with metal).
2/ Less than 0.5 ton.
3/ Import values are C.I.F. duty-paid values.

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

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

Table D-3
Aluminum cable: U.S. imports 1/ for consumption, by principal sources, 1984-86, January-May 1986, and January-May 1987

Source	1984	1985	1986	January-May-- 1986	1987
	Quantity (tons)				
Canada	38	144	8	2/	20
United Kingdom	10	0	11	0	0
West Germany	0	48	7	6	6
Venezuela	0	697	1,434	434	997
Yugoslavia	110	66	0	0	0
Japan	315	162	150	36	20
Belgium and Luxembourg	0	0	50	15	0
Taiwan	1	9	8	1	9
Brazil	1,979	303	92	52	0
Spain	150	485	283	262	0
South Korea	0	265	403	321	2/
All other	65	57	19	19	6
Total	2,668	2,236	2,465	1,149	1,058
	Value (1,000 dollars) 3/				
Canada	79	438	14	3	40
United Kingdom	56	-	300	-	-
West Germany	-	137	34	27	50
Venezuela	-	914	2,029	537	1,466
Yugoslavia	143	108	-	-	-
Japan	450	258	321	98	176
Belgium and Luxembourg	-	-	109	41	-
Taiwan	17	25	28	5	39
Brazil	3,263	395	127	70	-
Spain	325	834	521	481	-
South Korea	-	463	595	478	4
All other	138	306	45	39	29
Total	4,471	3,878	4,123	1,779	1,804

1/ Includes imports under TSUS item 688.20 (uninsulated electrical conductors, comprised of aluminum wire or strand spirally wound or twisted around a steel or aluminum core).
2/ Less than 0.5 ton.
3/ Import values are C.I.F. duty-paid values.

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

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

APPENDIX E

SOURCES OF ALUMINUM PRICES

* * * for Metals Week, constructs both the U.S. market price and the U.S. transaction price for aluminum. Both measure the price of aluminum on a delivered basis to the U.S. Midwest. However, they are created differently and are based on different sources.

For the Metals Week U.S. market price, * * * surveys 18 to 20 consumers, producers, and traders of aluminum each week. He asks where they had done business that week, or if they know where business has taken place. Price and volume data are gathered and a high-low price range is compiled and presented as the weekly price. The monthly average is the average of all the weekly lows. In creating this range of prices, * * * stated that he will only drop extremes if there exists a fairly good volume of transactions that week and prices are concentrated in one range. However, he will not drop the extremes if the market is considered highly volatile, or if a small volume of business occurred during the week.

The U.S. transaction price is the daily London Metal Exchange (LME) cash settlement price plus a premium differential for transportation to the U.S. Midwest. It is presented on a daily basis, and is developed in such a way that the price will never be lower than the U.S. market price's low. The transportation premium is developed on the basis of discussions with people in the industry.

Aluminum is traded on the LME on a 3-month-option and spot (cash) basis. The aluminum that is traded on the exchange is based on purity levels of 99.5 percent, as opposed to 99.7 percent used in formulating the Metals Week prices. * * *, however, dismissed that this could cause a significant price differential.

* * * commented that as recently as 6 months ago, prices were considered somewhat linked to the U.S. market. However, in the last 6 months, this link has declined. There have been charges of market manipulation, as well as a general erosion of confidence in the LME since the tin crisis of October 1985. Also, a "backwardation" of the market presently exists (spot price greater than the 3-month price), which has added to the apprehensiveness of the market. At one time, * * * remarked, people in the industry would respond to his questions in terms of premiums over the LME price; now, however, responses have been in terms of total selling price.

* * * commented that the Metals Week price was an inflated number because it was based on an average of producers, consumers, and the COMEX (traders). The LME, he states, is more in line with the world price of aluminum. Sellers prefer the Metals Week because of the higher prices, but there has been a gradual evolution in the industry to the LME for the purchase both of U.S.-produced rod and of imports.