Non-Malleable Cast Iron Pipe Fittings From China

Investigation No. 731-TA-990 (Preliminary)

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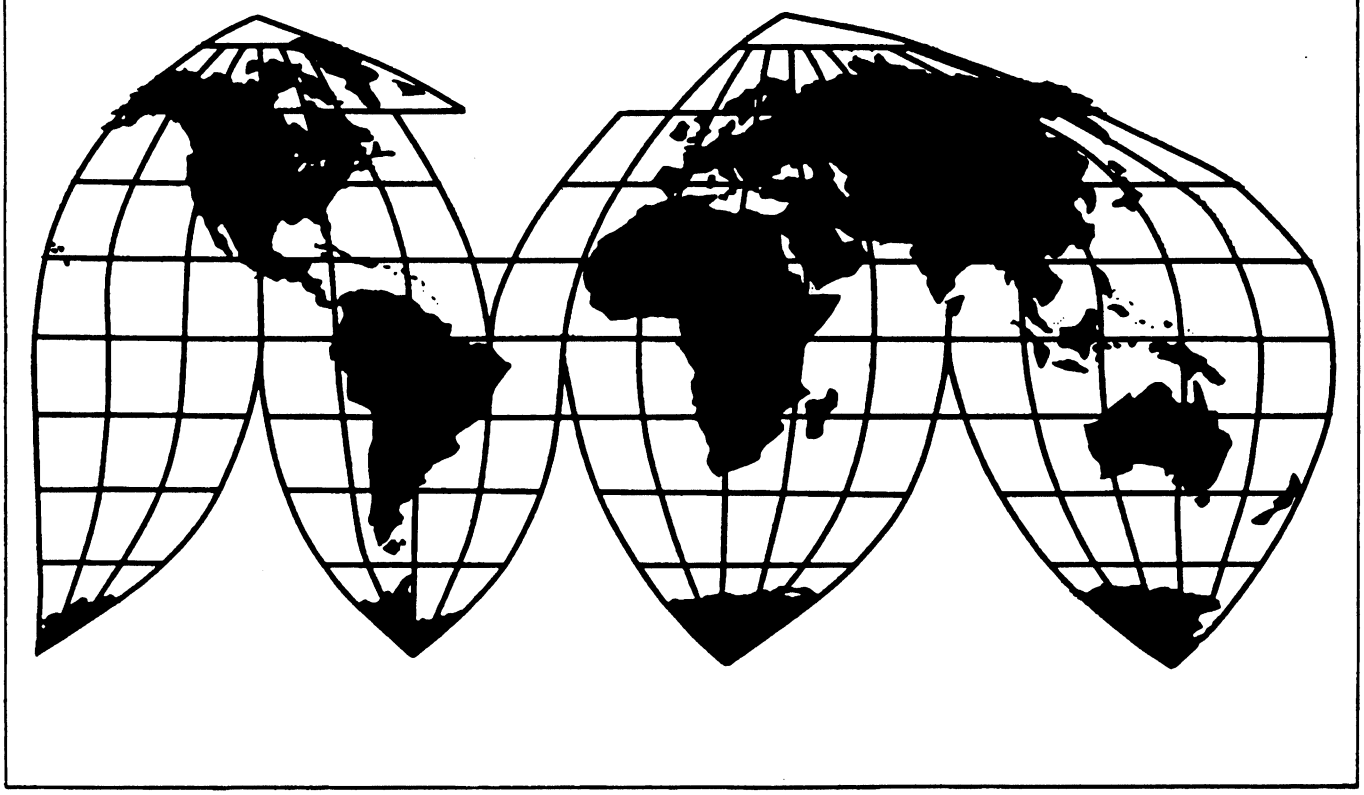

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Note.–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-990 (Preliminary)

NON-MALLEABLE CAST IRON PIPE FITTINGS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), 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 China of non-malleable cast iron pipe fittings, provided for in subheadings 7307.11.00 and 7307.19.30 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigation. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce of an affirmative preliminary determination in the investigation under section 733(b) of the Act, or, if the preliminary determination is negative, upon notice of an affirmative final determination in that investigation under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigation need not enter a separate appearance for the final phase of the investigation. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

BACKGROUND

On February 21, 2002, a petition was filed with the Commission and Commerce by Anvil International, Inc., Portsmouth, NH, and Ward Manufacturing, Inc., Blossburg, PA,, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of non-malleable cast iron pipe fittings from China. Accordingly, effective February 21, 2002, the Commission instituted antidumping duty investigation No. 731-TA-990 (Preliminary).

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 February 27, 2002 (67 FR 9004). The conference was held in Washington, DC, on March 14, 2002, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in this investigation, we find a reasonable indication that an industry in the United States is materially injured by reason of imports of non-malleable and certain ductile cast iron pipe fittings from China that are allegedly sold in the United States at less than fair value.

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured, threatened with material injury, or whether the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. DOMESTIC LIKE PRODUCT

A. In General

To determine whether 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 the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[3] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[4] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation ...."[5]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[6] No single factor is dispositive, and the Commission

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[1] 19 U.S.C. §§ 1671b(a), 1673b(a); see also American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996). We note that no party argued that the establishment of an industry is materially retarded by reason of the allegedly unfairly traded imports.

[2] American Lamb, 785 F.2d at 1001 (Fed. Cir. 1986); see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] 19 U.S.C. § 1677(4)(A).

[4] Id.

[5] 19 U.S.C. § 1677(10).

[6] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749, n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of

(continued...)3

may consider other factors it deems relevant based on the facts of a particular investigation.[7] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[8] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise allegedly subsidized or sold at less than fair value, the Commission determines what domestic product is like the imported articles Commerce has identified.[9]

B. Product Description

The scope of this investigation as defined by Commerce in its notice of initiation covers the following imported merchandise:

> finished and unfinished non-malleable cast iron pipe fittings with an inside diameter ranging from 1/4 inch to 6 inches, whether threaded or unthreaded, regardless of industry or proprietary specifications. The subject fittings include elbows, ells, tees, crosses, and reducers as well as flanged fittings. These pipe fittings are also known as cast iron pipe fittings or gray iron pipe fittings. These cast iron pipe fittings are normally produced to [American Standards of Testings and Materials] ASTM A-126 and [American Society of Mechanical Engineers] ASME B.16.4 specifications and are threaded to ASME B1.20.1 specifications. Most building codes require that these products are Underwriters Laboratories (UL) certified. The scope does not include cast iron soil pipe fittings or grooved fittings or grooved couplings. Fittings that are made out of ductile iron that have the same physical characteristics as the gray or cast iron fittings subject to the scope above or which have the same physical characteristics and are produced to ASME B.16.3, ASME B.16.4, or ASTM A-395 specifications, threaded to ASME B1.20.1 specifications and UL certified, regardless of metallurgical differences between gray and ductile iron, are also included in the scope of this petition. These ductile fittings do not include grooved fittings or grooved couplings. Ductile cast iron fittings with mechanical joint ends (MJ), or Push On ends (PO), or flanged ends and produced to the American

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[6] (...continued)
factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455, n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[7] See, e.g., S. Rep. No. 96-249, at 90-91 (1979).

[8] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249, at 90-91 (1979) (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[9] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

Water Works Association (AWWA) specifications - AWWA C110 or AWWA C153 are not included.[10]

Accordingly, the subject imports include non-malleable as well as certain ductile cast iron pipe fittings that can be used in traditionally non-malleable pipe fitting applications. Pipe fittings are generally used for connecting the bores of two or more pipes or tubes, connecting a pipe to other apparatus, changing the direction of fluid flow, or closing a pipe. Cast iron, the material from which the subject fittings are made, is a general term for alloys which are primarily composed of iron, carbon (more than two percent) and silicon.[11]

Non-malleable fittings are cast from iron in which fine graphite flakes are formed during cooling.[12] Non-malleable iron has excellent machinability, wear resistance, and high hardness value.[13] Non-malleable irons exhibit no elastic behavior and have a tensile strength ranging from 20,000 to 58,000 psi.[14] Pipe fittings produced from non-malleable cast iron are used primarily in fire protection/sprinkler systems, accounting for approximately 90 to 95 percent of shipments, but are also used in the steam conveyance heating systems in older buildings. The steam conveyance market represents 5 percent of shipments, and other uses constitute less than 5 percent of shipments.[15] [16]

Ductile iron fittings are cast from iron that has a very small amount of magnesium added in the liquid state to induce the formation of graphites as spheroids or nodules, accounting for ductile fittings' exceptional tensile strength, good machinability, high impact resistance, and corrosion resistance.[17] The tensile strength of ductile iron ranges from 60,000 to 100,000 psi.[18]

Ductile iron is inferior to non-malleable iron in ease of machining, and vibration damping. Ductile iron is comparable to non-malleable iron in castability, surface hardenability, and corrosion resistance, and superior in elastic properties, impact resistance, yield strength/weight, and wear resistance.[19] Notwithstanding similarities and differences in the types of iron, domestic and subject non-malleable cast iron fittings and subject ductile cast iron fittings are both used primarily in fire protection/sprinkler applications.[20]

C. Domestic Like Product

Parties' Arguments. The petitioners argue that the Commission should find one domestic like product consisting of non-malleable cast iron pipe fittings coterminous with the non-malleable fittings

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[10] See 67 Fed. Reg. 12966 (March 20, 2002).

[11] Confidential Report ("CR") at I-6, Public Report ("PR") at I-4.

[12] CR at I-7, PR at I-4.

[13] Id.

[14] Id.

[15] Id.

[16] Id. Non-malleable cast iron pipe fittings are primarily produced to ASTM A-126 and ASME B.16.4 specifications. Id.

[17] CR at I-8, PR at I-5.

[18] Id.

[19] Id.

[20] CR at I-8 - I-9, PR at I-5 - I-6. There is no known U.S. production of ductile fittings of the types included within the scope. Conference Transcript at 163-164. Subject ductile cast iron fittings are typically produced to ASME B.16.3 specifications. CR at 1-8 - I-9, PR at I-5 - I-6.

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within the scope of the investigation.[21] JDH Pacific, an importer of ductile cast iron pipe fittings from China, argues that ductile and non-malleable cast iron fittings should be defined as separate like products. Smith-Cooper, an importer of subject merchandise, appears to argue that the like product should be defined more broadly than the scope to include ductile grooved and flanged fittings and dimensions greater than 6 inches in inside diameter.

Analysis. We considered, first, whether ductile cast iron pipe fittings are a like product separate from non-malleable cast iron pipe fittings. JDH Pacific acknowledges that there is no U.S. production of ductile cast iron pipe fittings that would satisfy the scope definition.[22] The record otherwise confirms the absence of domestically-produced ductile fittings corresponding to the scope definition of those articles.[23] As the Commission has noted "use of the term 'domestic' in the statutory term 'domestic like product' plainly indicates that such product is one produced in the United States."[24] When there is no domestic product "like" the subject imports, the "domestic like product" is the product "most similar in characteristics and uses with" the subject imports.[25] The domestic product most similar in characteristics and uses with the subject imported ductile fittings is non-malleable cast iron pipe fittings.[26] Accordingly, we do not find that ductile fittings are a separate like product.

We find no basis in the record of this preliminary investigation to broaden the like product beyond the articles coterminous with the scope.[27] Ductile grooved fittings are not interchangeable with fittings corresponding to the scope definition, and differ from the latter fittings in physical characteristics and methods of production. Concerning production differences, although grooved fittings can be produced on the same equipment and machinery used to produce the merchandise like the subject

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[21] Petitioners Postconference Brief at 4-8. Petitioners also noted that there is no domestic production of the types of ductile fittings included in the scope. Id. at 7.

[22] JDH Pacific Postconference Brief at 1, 19.

[23] A witness for Smith-Cooper stated at the conference that there is no known U.S. producer of ductile fittings for non-malleable applications. Conference Transcript at 164. A questionnaire response furnished *** by a domestic jobber, Buck Co., Inc., indicated ***. Accordingly, there is no basis for concluding that ***. Buck's production of fittings like the non-malleable subject fittings accounted for *** percent of total reported domestic production in 2001. CR at I-2, n.5; III-1; III-1, n.1; III-3, n.4; Table III-1, n..2; PR at I-2, n.5; III-1; III-1, n.1; III-2, n.4; Table III-1, n.2. The firms that JDH Pacific identifies as U.S. producers of ductile fittings in fact produce ductile fittings that are not like those within the scope, but rather that are like excluded, nonsubject fittings, e.g., those for use in waterworks and soil pipe applications. See CR at III-4, n.8; PR at III-3, n.8.

[24] Certain Cold-Rolled Steel Products From Argentina, Australia, Belgium, Brazil, China, France, Germany, India, Japan, Korea, The Netherlands, New Zealand, Russia, South Africa, Spain, Sweden, Taiwan, Thailand, Turkey, and Venezuela, Inv. Nos. 701-TA-422-425 and 731-TA-964-983 (Preliminary), USITC Pub. 3471 at 5-6, n.21 (Nov. 2001).

[25] 19 U.S.C. § 1677(10).

[26] See, e.g., Hot Rolled Steel Products from Argentina and South Africa, Inv. Nos. 701-TA-404, 731-TA-898 and 905 (Final), USITC Pub. 3446 at 6, n.11 (Aug. 2001) (hot rolled steel would be the like product in the absence of domestic production of a product like the specific subject imports).

[27] Smith-Cooper appears to be asking the Commission to broaden the like product simply to compensate for what it views as Commerce's "errors" in defining the scope. Any objections to the scope definition, however, must be directed to Commerce. The Commission's role is to apply its six traditional criteria to identify a domestic product that "is like, or in the absence of like, most similar in characteristics and uses with" the imported articles subject to investigation. 19 U.S.C. § 1677(10).

merchandise,[28] the company believed to account for the vast majority of grooved ductile fittings, Victaulic, ***.[29] Moreover, grooved fittings have unique physical characteristics and methods of attaching to pipe.[30]

The record also shows that nearly all domestic fittings in the non-malleable applications are six inches or less in inside diameter.[31] Thus, exclusion or inclusion of the larger dimension fittings within the like product would have little impact upon the data collected. For purposes of the preliminary determination, we decline to expand the like product to include larger-sized fittings.[32]

We also decline to include ductile flanged fittings within the like product. In any final phase investigation, however, we intend to explore further whether ductile flanged fittings, as with non-malleable flanged fittings, should be included within the like product.[33]

For the reasons stated above, we define the domestic like product as non-malleable cast iron pipe fittings, coextensive with the non-malleable fittings within the scope of investigation.

III. DOMESTIC INDUSTRY

The domestic industry is defined as "the producers as a [w]hole of a domestic like product ...."[34] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.[35]

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[28] CR at II-3, PR at II-2.

[29] See questionnaire response of ***; CR at III-1 and III-4, n.11; PR at II-1 and III-3, n.11.

[30] Grooved fittings and couplings attach to a circumferential groove near the end of each piece to be joined. A gasket inside the coupling serves as a seal for the pipe and the coupling. CR at I-10, I-11; PR at I-7, I-8. In investigations of malleable fittings, the Commission has consistently declined to expand the like product to include grooved fittings. Certain Malleable Cast-Iron Pipe Fittings from Japan, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 at 5, n.10 (June 1987) (noting "the lack of interchangeability between these two types of pipe fittings and their differences in physical characteristics and methods of production"); Certain Malleable Cast-Iron Pipe Fittings from Thailand, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 at 4-5 (August 1987) (rejecting request that the domestic like product be expanded beyond definition corresponding to the scope to include grooved and/or non-malleable pipe fittings); Malleable Cast-Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 and 731-TA-347-348 (Review), USITC Pub. 3274 at 5 (February 2000) (defining the like product to be malleable cast iron pipe fittings other than grooved and defining the domestic industry as producers of the like product).

[31] ***. Commission Staff Notes (Bonnie Noreen), March 29, 2002 (notes of phone conversation with counsel for petitioners).

[32] We intend in any final phase investigation to explore, and would ask the parties to address, whether there is a clear dividing line between fittings with an inside diameter from 1/4 inch to 6 inches and those with an inside diameter greater than 6 inches.

[33] It appears that only a small percentage of flanged ductile fittings are used in non-malleable applications. CR at I-11, PR at I-7. However, the record does not indicate whether such flanged fittings constitute an identifiable set of products that have similar physical characteristics to, and are made to the same product specifications as, non-malleable fittings.

[34] 19 U.S.C. § 1677(4)(A).

[35] See United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F. 3d 1352 (Fed. Cir. 1996).

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Based on our domestic like product finding, we determine that the domestic industry consists of all producers of non-malleable cast iron pipe fittings.

IV. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF ALLEGEDLY LESS THAN FAIR VALUE IMPORTS

In the preliminary phase of antidumping or countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[36] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[37] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[38] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[39] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[40]

For the reasons discussed below, we determine that there is a reasonable indication that the domestic industry producing non-malleable cast iron pipe fittings is materially injured by reason of subject imports from China that are allegedly sold in the United States at less than fair value.

A. Conditions of Competition

Demand for use of subject cast iron fittings and the domestic like product is ultimately derived from demand for end uses in which they are employed.[41] Subject cast iron pipe fittings are sold in a variety of configurations, dimensions and compositions, and the decision to use a particular fitting depends upon the system into which the fittings will be integrated. Approximately 90 to 95 percent of cast iron pipe fittings are used in fire protection/sprinkler systems.[42] Apparent U.S. consumption of non-malleable/ductile cast iron fittings, by quantity, increased from *** short tons in 1999 to *** short tons in 2000, then decreased to *** short tons in 2001.[43]

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[36] 19 U.S.C. §§ 1671b(a), 1673b(a).

[37] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor . . . [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[38] 19 U.S.C. § 1677(7)(A).

[39] 19 U.S.C. § 1677(7)(C)(iii).

[40] 19 U.S.C. § 1677(7)(C)(iii).

[41] CR at II-4 - II-5, PR at II-2. Nonresidential building construction decreased by 4 percent between 2000 and 2001, while apparent domestic consumption of non-malleable/ductile cast iron pipe fittings declined by *** percent. Star Pipe Postconference Brief, exhibit 2 at 3; CR and PR at Table C-1.

[42] CR at I-7, PR at I-5. Shipments for heat conveyance applications account for 5 percent of total U.S. shipments. Id.

[43] CR and PR at Table C-1.

Use of the domestic like product may be required in government projects under which "buy American" provisions apply, estimated to account for 5 to 10 percent of all projects.[44] There appears to be at least a moderate degree of substitutability among subject imports, nonsubject imports, and domestically produced non-malleable/ductile cast iron pipe fittings for all but the "buy American" segment of the market.[45] [46]

The petitioners, Anvil and Ward, accounted for almost all domestic production of non-malleable cast iron pipe fittings in 2001.[47] Anvil and Ward also named three jobbing facilities that cast approximately *** percent of their production.[48] Toward the end of the period, Anvil closed its non-malleable cast iron pipe fitting facilities in Statesboro, Georgia and moved the casting equipment to Anvil's Columbia, Pennsylvania facility, where it formerly produced only malleable fittings. Anvil now produces both products at the Columbia facility, sharing production equipment and employees across product lines.[49]

The record indicates that there is no market for the subject merchandise in China, that all Chinese production is exported, that *** exports from China of the merchandise were to the United States, and that Canada is the only alternative export market.[50]

Nonsubject cast iron pipe fittings were imported during the period of investigation.[51] Shipments of nonsubject imports increased from *** short tons in 1999 to *** short tons in 2000, then declined, while remaining above the 1999 level, to *** short tons in 2001.[52] The increase in share of the market gained by the nonsubject imports was only about *** percent of the increase in share captured by subject imports from China.[53]

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[44] CR at II-6, PR at II-4.

[45] CR at II-6 - II-8, PR at II-4 - II-5. All domestic producers and eight of nine importers reported that U.S. and subject Chinese non-malleable/ductile cast iron pipe fittings are used interchangeably. CR at II-7, PR at II-5. Another importer reported that, although the U.S. and Chinese products are used interchangeably, ductile fittings are not produced in the United States and, therefore, the U.S. and Chinese product are not interchangeable to that extent. Id. One importer reporting that the U.S. and Chinese products are interchangeable also reported that many distributors do not handle imports because they can only be used on non-government jobs and ones without union labor. Id. That importer also reported that it sells its imports of non-UL listed merchandise to the steam heat market. *** reported no differences in product characteristics or sales conditions between the domestic and Chinese products. *** reported that the U.S. product has an advantage in terms of technology, quality, and distribution while imports have an advantage in terms of price. Id. While three of the eight importers that answered the question reported no differences in product characteristics or sales conditions between domestic and Chinese product, differences reported by the other five importers included that some projects require U.S. produced fittings, that distributors working on such projects that do not want to mix inventories do not stock imported product, that the U.S. producers do not make ductile fittings, and that sales conditions differ. CR at II-8, PR at II-5.

[46] Commissioner Bragg finds that subject imports, nonsubject imports, and the domestic like product, are largely substitutable for one another. See supra n.45.

[47] CR and PR at III-1.

[48] CR and PR at III-1.

[49] See CR at III-2, PR at III-1.

[50] CR at II-4, PR at II-3.

[51] CR and PR at Table IV-2.

[52] CR and PR at Table IV-3

[53] CR and PR at Table C-1.

B. Volume

Section 771(C)(I) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[54]

The volume of subject imports, the quantity of U.S. shipments of subject imports, and the market penetration of the subject imports, were each greater in 2001 than in 1999. Measured by quantity, subject imports increased from *** short tons in 1999 to *** short tons in 2001, after peaking at *** short tons in 2000.[55] This reflects a *** percent increase between 1999 and 2001. U.S. shipments of subject imports, measured by quantity, increased steadily from *** short tons in 1999 to *** short tons in 2000, and to *** short tons in 2001.[56] This reflects a *** percent increase from 1999 to 2001.[57] The quantity of shipments of subject imports as a share of the total quantity of U.S. consumption increased from *** percent in 1999 to *** percent in 2000, and to *** percent in 2001.[58]

The increase in subject import market share came at the expense of the domestic industry. Domestic producers' market share, measured by quantity, decreased from *** percent in 1999 to *** percent in 2000 and *** percent in 2001.[59] Thus, subject import market penetration was higher in 2001 than in 1999, and domestic industry market share was lower in 2001 than in 1999. This increase in subject import market penetration occurred in the context of declining U.S. consumption over the latter part of the period of investigation. From 1999 to 2001, the market share of subject imports increased by ***, which was greater than the *** by which the market share of nonsubject imports increased.[60]

Accordingly, we find that the increased volume of subject imports, both in absolute terms and relative to consumption in the United States, is significant.

C. Price Effects of the Subject Imports

Section 771(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[61]

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[54] 19 U.S.C. § 1677(7)(C)(I).

[55] CR and PR at Table IV-2.

[56] CR and PR at Table IV-3.

[57] CR and PR at Table C-1.

[58] Id.

[59] Id.

[60] Id.

[61] 19 U.S.C. § 1677(7)(C)(ii).

As discussed above, the evidence gathered in this investigation indicates that there is at least a moderate degree of substitutability between the subject merchandise and the domestic like product.[62] During this investigation, we obtained price data for two non-malleable and two ductile cast iron pipe fitting products. The price of each of two domestic non-malleable products was compared to the price of the comparable non-malleable, as well as the comparable ductile, products from China.[63] The price comparison data indicate significant underselling by both the imported non-malleable and ductile product in every comparison in each of the twelve quarters of the period of investigation, with generally increasing margins of underselling ranging from *** percent to *** percent.[64] The data also show, however, that while prices for three of the four Chinese products declined and the price for the other Chinese product rose only slightly over the period of investigation, prices for the domestic products increased over the period by as much as *** percent.[65] [66]

Because domestic prices rose over the period of investigation, the price data does not evidence that prices for the domestic like product were being depressed. While the financial data for the industry show that costs rose more than prices over the period of investigation, providing some evidence of a cost/price squeeze,[67] it is less clear whether this was due, to any significant degree, to the subject imports.[68] Indeed, petitioners indicated that the effects of the subject imports were experienced primarily

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[62] As noted above, Commissioner Bragg finds that subject imports, nonsubject imports, and the domestic like product, are largely substitutable for one another. See supra nn. 45 and 46.

[63] CR and PR at Tables V-1 and V-2.

[64] Id.

[65] Id. Average unit values of shipments showed comparable trends, with Chinese AUVs falling over the period and domestic AUVs rising, CR and PR at Table C-1. We note that AUVs may be sensitive to changes in product mix.

[66] Commissioner Bragg further notes that the average unit value of U.S. shipments of subject imports decreased from $*** in 1999 to $*** in 2000 and to $*** in 2001, a decline of *** percent from 1999 to 2001. In contrast, the average unit value for nonsubject imports increased from $*** in 1999 to $*** in 2000 to $*** in 2001, an increase of *** percent from 1999 to 2001. The average unit value for domestic producer's U.S. shipments increased from $*** in 1999 to $*** in 2000 and to $*** in 2001, an increase of *** percent from 1999 to 2001. CR and PR at Table C-1.

[67] The domestic producers' average cost of goods sold plus SG&A per short ton increased from $*** in 1999 to $*** in 2000, and to $*** in 2001. CR and PR at Table VI-4. Thus, while domestic producers' average value of net sales per short ton increased by $***, or *** percent, from 1999 to 2001, cost of goods sold and SG&A per short ton increased by $***, or *** percent, in that period. See CR and PR at Table C-1.

[68] Commissioner Bragg does not join in this conclusion. Commissioner Bragg finds ample record evidence in this preliminary phase investigation providing a reasonable indication of significant price suppression by reason of subject imports. Specifically, she notes that in the context of declining apparent U.S. consumption over the latter portion of the period of investigation, subject imports uniformly undersold the domestic like product and the average unit values of subject imports continued their downward trend. In contrast, the average unit values of nonsubject imports indicate substantial overselling compared to both subject imports and the domestic like product. See CR and PR at Table C-1. At the same time, domestic producers' unit COGS increased over *** percent between 2000 and 2001, while unit SG&A expenses increased over *** percent. Although domestic producers chose not to reduce prices in the face of increased volumes of low-priced subject imports, this does not mean that they were immune from pricing pressure. Indeed, the domestic industry was unable to cover these increased costs with corresponding increases in price; specifically, pricing data on the record indicate that domestic producers' prices increased roughly only *** percent between the beginning of 2000 and the end of 2001, and the average unit value of domestic producers' U.S. shipments increased only *** percent between 2000 and 2001. See CR and PR at

(continued...)

through lost volume and that they made a decision not to compete with imports from China on the basis of price.[69] Further, petitioners provided no specific information on lost sales or revenue due to subject imports. We thus intend to more closely examine in any final phase of this investigation whether subject imports supressed prices of the domestic like product to any significant degree.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[70] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[71] [72] [73]

We find that the subject imports had a significant adverse impact on the domestic industry's performance. As the volume of subject imports increased, the domestic industry's production capacity and production declined, and capacity utilization decreased notwithstanding declining capacity.[74] During a time of declining U.S. consumption and increasing volumes of subject imports, many of the factors concerning the domestic industry's condition declined, while profitability declined even more sharply.

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[68] (...continued)
Tables V-1 & V-2 and Table C-1. Moreover, between 2000 and 2001 the ratio of COGS/sales increased from *** percent to *** percent, further corroborating the petitioners' claim of a cost/price squeeze. See CR and PR at Table C-1. Based upon all the foregoing, Commissioner Bragg finds that the significant volume of subject imports, which uniformly undersold the domestic like product, suppressed prices for the domestic like product to a significant degree.

[69] Petitioners Postconference Brief at 14-16. Notwithstanding their focus upon volume rather than price effects of the subject imports, petitioners allege price suppression in their posthearing discussion of impact, asserting that they have been unable to increase prices sufficiently to cover significant cost of production increases. Id. at 20.

[70] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885).

[71] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851 and 885 and Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 and 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25, n.148.

[72] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its notice of initiation, Commerce reported that petitioners had alleged an estimated dumping margin of 38.25 percent, as adjusted by Commerce. 67 Fed. Reg. 12966 (March 20, 2002).

[73] Commissioner Bragg notes that she does not ordinarily consider the magnitude of the margin of dumping to be of particular significance in evaluating the effects of subject imports on domestic producers. See Separate and Dissenting Views of Commissioner Lynn M. Bragg in Bicycles from China, Inv. No. 731-TA-731 (Final), USITC Pub. 2968 (June 1996).

[74] The domestic producers' capacity decreased from *** short tons in 1999 to *** short tons in 2001. CR and PR at Table III-2. Production declined from *** short tons in 1999 to *** short tons in 2001, while capacity utilization declined from *** percent in 1999 to *** percent in 2001. Id.

Domestic producers' U.S. shipments declined from *** short tons in 1999 to *** short tons in 2000 and to *** short tons in 2001.[75] Decreased consumption during the period would explain only part of this decline in domestic shipments. While domestic consumption of non-malleable/ductile cast iron pipe fittings declined by *** percent during the period, domestic producer shipments declined by *** percent.[76] Accordingly, as already noted, domestic producers' market share, measured by quantity, decreased from *** percent in 1999 to *** percent in 2000 and to *** percent in 2001 while subject imports gained market share at the domestic industry's expense.[77] The domestic industry's operating income declined from *** in 1999 to *** in 2000, then declined further to *** in 2001.[78] As a percentage of total net sales, operating income declined from *** percent in 1999, to *** percent in 2000, and then declined to *** percent in 2001.[79]

The number of production workers in the industry also declined by *** percent over the period, from *** workers in 1999 to *** in 2000, and then declined to *** in 2001.[80] Domestic producer' inventories also increased over the period.[81]

For purposes of this preliminary determination, we find that the increased volume of subject imports adversely impacted the domestic industry, as reflected in declining profitability, capacity, capacity utilization, production, shipments, market share, and employment.[82]

E. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that the domestic industry producing non-malleable cast iron pipe fittings is materially injured by reason of imports of non-malleable/ductile cast iron pipe fittings from China that are allegedly sold in the United States at less than fair value.

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[75] CR and PR at Table III-3.

[76] CR and PR at Table C-1.

[77] CR and PR at Table C-1.

[78] CR and PR at Table VI-1.

[79] Id.

[80] CR and PR at Table C-1. At the same time, labor costs per short ton increased from $*** in 1999 to $*** in 2000 and $*** in 2001, notwithstanding increased productivity. Id.

[81] CR and PR at Table C-1. Inventories increased from *** percent of total shipments in 1999 to *** percent in 2001. Id. At least a part of the increased inventories toward the end of the period of investigation resulted from ***. Commission Staff Notes (John Fry), April 8, 2002.

[82] It appears that Anvil incurred considerable costs in consolidating its non-malleable cast iron pipe fitting operations in Georgia with its malleable cast iron pipe fitting operations in Pennsylvania. Commission Staff Notes (John Fry), April 8, 2002; Conference Transcript at 23-25. These costs explain in part the reduced profitability of Anvil and the domestic industry in 2001. We plan, in any final phase investigation, to explore the reasons for Anvil's moving its non-malleable operations and the costs incurred in the move.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Anvil International, Inc. (Anvil), Portsmouth, NH, and Ward Manufacturing, Inc. (Ward), Blossburg, PA, on February 21, 2002, alleging that an industry in the United States is materially injured and threatened with material injury by reason of imports at less-than-fair-value (LTFV) of certain non-malleable and ductile cast iron pipe fittings[1] from China. Information relating to the background of the investigation is provided below.[2]

Date	*Action*
February 21, 2002 ..	Petition filed with Commerce and the Commission;[3] institution of Commission investigation (67 FR 9004, February 27, 2002)
March 14, 2002	Commission's conference[4]
March 20, 2002	Commerce's notice of initiation (67 FR 12966)
April 8, 2002	Commission's vote
April 8, 2002	Commission determination sent to Commerce
April 15, 2002	Commission views sent to Commerce

[1] For purposes of this investigation, the products covered are finished and unfinished non-malleable cast iron pipe fittings with an inside diameter ranging from 1/4 inch to 6 inches, whether threaded or unthreaded, regardless of industry or proprietary specifications. The subject fittings include elbows, ells, tees, crosses, and reducers as well as flanged fittings. These pipe fittings are also known as cast iron pipe fittings or gray iron pipe fittings. These cast iron pipe fittings are normally produced to American Standards of Testings and Materials (ASTM) A-126 and American Society of Mechanical Engineers (ASME) B.16.4 specifications and are threaded to ASME B1.20.1 specifications. Most building codes require that these products are Underwriters Laboratories (UL) certified. The scope does not include cast iron soil pipe fittings or grooved fittings or grooved couplings. Fittings that are made out of ductile iron that have the same physical characteristics as the gray or cast iron fittings subject to the scope above or which have the same physical characteristics and are produced to ASME B.16.3, ASME B.16.4, or ASTM A-395 specifications, threaded to ASME B1.20.1 specifications and UL certified, regardless of metallurgical differences between gray and ductile iron, are also included in the scope of this petition. These ductile fittings do not include grooved fittings or grooved couplings. Ductile cast iron fittings with mechanical joint ends (MJ), or push on ends (PO), or flanged ends and produced to the American Water Works Association (AWWA) specification AWWA C110 or AWWA C153 are not included. Covered merchandise is imported under statistical reporting numbers 7307.11.0030, 7307.11.0060, 7307.19.3060, and 7307.19.3085 of the Harmonized Tariff Schedule of the United States (HTS) with normal trade relations tariff rates in 2002 of 4.8 percent *ad valorem* (for non-malleable fittings) and 5.6 percent *ad valorem* (for ductile fittings), applicable to imports from China.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] The petition alleged the LTFV margin to be 38.25 percent, as adjusted by Commerce. The margin is based on a comparison of export price (derived by deducting foreign inland freight from average unit import values) with cost of production. Inasmuch as China is a nonmarket economy, cost of production was derived using India as a surrogate.

[4] A list of witnesses appearing at the conference is presented in app. B.

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms, Anvil and Ward, that accounted for almost all U.S. production of non-malleable cast iron pipe fittings during 2001.[5] Data presented on U.S. imports are based on questionnaire responses of 11 firms that are estimated to account for greater than 90 percent of the subject imports during 2001.[6] The Chinese industry data are based on the questionnaire responses of five firms whose exports of the subject merchandise to the United States are estimated to account for greater than 75 percent of the total U.S. imports of the subject merchandise during 2001.

PREVIOUS AND RELATED COMMISSION INVESTIGATIONS

The Commission has conducted several investigations on certain cast iron pipe fittings, including non-malleable cast iron pipe fittings. The Commission's determinations in previous and related investigations are discussed below.

On April 13, 1977, the Commission instituted investigation No. TA-201-26 under section 201 of the Trade Act of 1974 concerning malleable cast iron pipe and tube fittings in response to a petition filed by the American Pipe Fittings Association (APFA). On September 29, 1977, the Commission reported to the President its unanimous finding that malleable cast iron pipe and tube fittings were not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing like or directly competitive articles.[7]

On January 7, 1980, Commerce advised the Commission that a countervailing duty investigation had resulted in a preliminary determination that the Government of Japan was providing benefits that might constitute bounties or grants on the manufacture, production, or exportation of certain malleable cast iron pipe fittings. Accordingly, the Commission instituted investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930 to determine whether an industry in the United States was materially injured or threatened with material injury or the establishment of an industry was materially retarded by reason of the importation of these pipe fittings into the United States. On March 20, 1980, the Commission terminated the investigation upon written request by petitioners, the APFA.

On September 18, 1984, the Cast Iron Pipe Fittings Committee (CIPFC) filed petitions with the Commission and Commerce alleging that an industry in the United States was materially injured or threatened with material injury by reason of imports from Brazil and India of certain cast-iron pipe fittings, other than for cast iron soil pipe, which were allegedly subsidized by the Governments of Brazil and India. On October 9, 1984, following receipt of a letter from counsel for the petitioners withdrawing the petition relating to imports of the subject merchandise from India, the Commission discontinued the subsidy investigation concerning India. In the remaining investigation concerning Brazil, the

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[5] Anvil and Ward indicated that a small portion (approximately *** percent in 2001) of their production of non-malleable cast iron pipe fittings is cast at outside jobber facilities in the United States, but that the production, shipment, and inventory data for such products are included in their questionnaire responses in this investigation. Only one domestic jobbing facility, Buck Co., Inc. (Buck), provided the Commission with a response to its producers' questionnaire in this investigation. The data reported by Buck are overstated by about *** because of the inclusion of nonsubject products which were excluded by petitioners subsequent to Buck's receipt of the questionnaire. Because of this, Buck's reported numerical data are unusable.

[6] See conference transcript, p. 143.

[7] *Malleable Cast-Iron Pipe and Tube Fittings*, Inv. No. TA-201-26, USITC Pub. 835 (September 1977), pp. 1-3.

Commission made final determinations that there were two domestic like products, malleable cast iron pipe fittings and non-malleable cast iron pipe fittings, other than for cast iron soil pipe, and that there was no material injury or threat thereof to domestic industries by reason of imports of malleable or non-malleable cast iron pipe fittings which were subsidized by the Government of Brazil.[8]

Effective July 31, 1985, the Commission instituted investigations Nos. 731-TA-278-281 (Preliminary) following receipt of antidumping complaints from the CIPFC alleging that malleable cast iron pipe fittings from Brazil, Korea, and Taiwan were being sold in the United States at LTFV and that non-malleable cast iron pipe fittings, other than for cast iron soil pipe, from Taiwan were being sold in the United States at LTFV.[9] On January 14, 1986, Commerce published notice of its preliminary determinations that malleable cast iron pipe fittings from Brazil, Korea, and Taiwan were being, or were likely to be, sold in the United States at LTFV and that non-malleable cast iron pipe fittings from Taiwan were not being, nor likely to be, sold in the United States at LTFV.[10] Accordingly, effective January 13, 1986, the Commission instituted investigations Nos. 731-TA-278-280 (Final) concerning malleable pipe fittings from Brazil, Korea, and Taiwan. In its final investigations, the Commission found that an industry in the United States was materially injured by reason of LTFV imports from Brazil, Korea, and Taiwan of malleable cast iron pipe fittings, excluding "groove-lock" pipe fittings, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process. No information was presented nor arguments made during the investigations which indicated that the Commission should adopt definitions of the domestic like products different from those made in the previous subsidy investigation concerning Brazil.[11]

On August 29, 1986, antidumping petitions were filed on behalf of the CIPFC alleging that malleable cast iron pipe fittings from Japan and Thailand were being sold at LTFV. In June 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Japan, and in August 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Thailand.[12]

On January 4, 1999, the Commission instituted reviews to determine whether revocation of the antidumping duty orders on malleable cast iron pipe fittings from Brazil, Japan, Korea, Taiwan, and Thailand would likely lead to the continuation or recurrence of material injury to a domestic industry. After conducting full reviews pursuant to section 751(c)(5) of the Act, the Commission determined that revocation of the antidumping duty orders covering malleable cast iron pipe fittings from Brazil, Taiwan, and Thailand would not be likely to lead to continuation or recurrence of material injury to an industry in

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[8] *Certain Cast-Iron Pipe Fittings from Brazil*, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 (April 1985), pp. 1 and 4.

[9] On August 7, 1985, the Commission received a letter from counsel for the petitioner amending the petitions to exclude "groove-lock" pipe fittings.

[10] Subsequently, the petition with respect to non-malleable cast iron pipe fittings was withdrawn and the investigation terminated (51 FR 10648, March 28, 1986).

[11] *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-281 (Preliminary), USITC Pub. 1753 (September 1985), pp. 3-4, and *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), pp. 3-4.

[12] The Commission rejected arguments presented in the Japan/Thailand investigations that the domestic like product should be defined to include grooved and/or non-malleable pipe fittings, as well as malleable cast iron pipe fittings. *Certain Malleable Cast-Iron Pipe Fittings from Japan*, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987), pp. 3-5, and *Certain Malleable Cast-Iron Pipe Fittings from Thailand*, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (August 1987), pp. 3-5.

I-3

the United States within a reasonably foreseeable time and that revocation of the antidumping duty orders concerning malleable cast iron pipe fittings from Japan and Korea would be likely to lead to continuation or recurrence of material injury to an industry within the United States within a reasonably foreseeable time. In each of the original investigations, the Commission defined the domestic like product as all malleable cast iron pipe fittings other than grooved.[13] In the reviews, no party argued for a different like product definition. The Commission found no need to revisit its original determinations concerning domestic like product and adopted the same as was defined in the original determinations.[14]

THE PRODUCT/DOMESTIC LIKE PRODUCT ISSUES

Physical Characteristics and Uses

Pipe fittings are generally used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing the pipe. The material from which the subject fittings are made, cast iron, is a general term for alloys which are primarily composed of iron, carbon (more than two percent), and silicon.[15] Made to ASTM/ASME specifications, iron castings exhibit mechanical properties which are determined by the cooling rate during and after solidification, by chemical composition, by heat treatment, by design, and by the nature of the molding technique. During the cooling and solidification processes, carbon is segregated within the crystalline structure of the iron in the form of iron carbide or graphite, resulting in different types of cast irons with different physical properties.[16] In practice, iron castings are best identified by their micro-structures rather than by their chemical compositions.[17]

There are three basic metallurgical types of cast iron pipe fittings, namely non-malleable (or gray) fittings, ductile fittings, and malleable fittings.[18] These types of fittings and the cast iron from which they are made are discussed below.

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[13] *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), p. 4; *Certain Malleable Cast-Iron Pipe Fittings from Japan*, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987), pp. 4-5; and *Certain Malleable Cast-Iron Pipe Fittings from Thailand*, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (August 1987), pp. 4-5.

[14] *Malleable Cast-Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand*, Inv. Nos. 731-TA-278-280 and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000), p. 5.

[15] *Gray and Ductile Iron Castings Handbook*, Charles F. Walton (Ed.), Gray and Ductile Iron Founder's Society, 1971, pp. 94 and 114.

[16] Metallurgists record the relationship between chemical compositions, temperatures, and micro-structures in a phase diagram which can be multi-dimensional.

[17] In normal iron casting, the ASTM/ASME standard specifications and the desirable mechanical properties of the castings, but not their chemical analyses, are specified to the manufacturer (or foundry) because the chemical compositions of these cast irons overlap.

[18] Ironically, non-malleable fittings, as used throughout this report and in the HTS, do not consist of all fittings that are other than malleable. Ductile fittings is a third type of fitting which is neither non-malleable nor malleable. Although the terms "malleable" and "ductile" imply approximately the same mechanical properties, their uses with respect to cast iron are different.

Gray iron[19] is defined by the ASTM as cast iron that has fine graphite[20] flakes which are formed during cooling.[21] Gray iron has excellent machinability, wear resistance, and high hardness value. Yield strength, however, is not a significant property of gray iron.[22] Gray irons exhibit no elastic behavior and are comparatively weak, with a tensile strength[23] ranging from 20,000 to 58,000 psi.[24] It is the graphite flakes that dominate the properties of this material, weakening the metallic matrix, causing fractures under stress.[25]

Fittings produced from gray iron, also referred to as non-malleable cast iron pipe fittings or simply cast iron fittings, are used primarily in fire protection/sprinkler systems, but are also used in the steam conveyance systems installed in buildings in older inner cities. The fire protection/sprinkler system market is by far the dominant use for these fittings in the United States, accounting for approximately 90 to 95 percent of shipments. The steam conveyance market represents another 5 percent of shipments, with other uses constituting less than 5 percent of shipments.[26] These non-malleable cast iron pipe fittings are primarily produced to ASTM A-126 and ASME B.16.4 specifications.

Ductile iron is the latest addition to the family of cast irons, dating from 1940.[27] It is sometimes referred to as nodular iron or spheroid iron because, as defined by the ASTM, it is a cast iron that has a very small but definite amount of magnesium added in the liquid state so as to induce the formation of graphites as spheroids or nodules which remain in the as-cast condition.[28] The characteristics of the particular ductile fittings are derived from the metallurgical differences imparted during the production process.[29] With the free graphite in nodular form, the continuity of the metal matrix is at a maximum, accounting for the formation of a ductile iron fitting with exceptional tensile strength, good machinability, high impact resistance,[30] and corrosion resistance. Ductile iron has the ductility of malleable iron and the corrosion resistance of alloy cast iron.[31] It compares in strength and elastic properties with cast steel and can be stronger than malleable iron, with a tensile strength ranging from

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[19] The term "gray" is given because of the gray color of the fractured surface of the cast iron.

[20] Graphite can also be called graphitic carbon.

[21] See Designation: A 644-98, in *American Standards of Testings and Materials* 2000, Volume 01.02: Ferrous Casting; Ferro Alloys, p. 346.

[22] Any time a piece of iron is pulled apart along its length by force, the iron piece in tension will be elongated. The stress (or force per unit, measured in pounds per square inch (psi) of the cross section of the iron piece) that results in a specified limit of permanent strain (or the change per unit of length measured in percent) is called the yield strength. Yield strength is the maximum load that induces a permanent strain in a material, usually at 0.2 percent above the limit. *Gray and Ductile Iron Castings Handbook*, pp. 205 and 668.

[23] The maximum load a piece of metal will withstand prior to fracture.

[24] Conference transcript, p. 119, and postconference brief of JDH, p. 2.

[25] Postconference brief of JDH, p. 3.

[26] Respondents testified that over 95 percent of imported subject merchandise is used in fire protection/sprinkler systems. Conference transcript, p. 144.

[27] *Gray and Ductile Iron Castings Handbook*, p. 98.

[28] See Designation A 644-98 in *American Standards of Testings and Materials 2000*, Volume 01.02: Ferrous Casting; Ferro Alloys, p. 346.

[29] Postconference brief of JDH, p. 3.

[30] A measure of the ability of the material to withstand and absorb energy at high velocity without failure.

[31] Utilityman Basic, vol. 1, NAVEDTRA 14265, United States Navy, NAVSUP Number 0504-LP-026-8970, p. 3-50, June 1998.

60,000 to 100,000 psi.[32] Ductile iron fittings are superior to gray iron fittings in elastic properties, impact resistance, yield strength/weight,[33] and wear resistance; ductile fittings are comparable to gray fittings in castability, surface hardenability, and corrosion resistance; and ductile fittings are inferior to gray fittings in ease of machining, vibration damping, and cost of manufacture.[34]

Although ductile iron is superior in several respects to gray iron, the subject ductile cast iron pipe fittings marketed in the United States today are used in the same primary applications as gray cast iron pipe fittings, *i.e.*, fire protection/sprinkler systems, and are typically produced to ASME B.16.3 specifications.[35] [36] Other nonsubject cast iron pipe fittings are used in the United States for soil pipe and waterworks applications, such as fittings for underground water mains and main water supply fittings for buildings.[37] The ductile fittings used in the waterworks applications are typically very large and are reportedly produced in the United States primarily by a handful of foundries, none of which produces non-malleable cast iron pipe fittings.[38]

Malleable iron is characterized by the existence of graphite as irregularly shaped nodules in its microscopic structure.[39] Malleable iron is initially cast as white iron[40] which, after casting, is subject to a lengthy annealing process which strengthens the cast iron. The annealing process consists of rapidly heating the casting to approximately 1,750°F, followed by a lengthy, controlled cooling process,[41] which improves the machinability, ductility, and durability of the metal by reducing its brittleness. The overall production and heat treatment process performed on malleable cast iron pipe fittings distinguishes the product from non-malleable cast iron pipe fittings in chemical composition, microstructure, material strength, size, and weight.

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[32] *Gray and Ductile Iron Castings Handbook*, pp. 205 and 248, and postconference brief of JDH, p. 2.

[33] Ductile fittings are thinner and lighter than gray fittings.

[34] Postconference brief of JDH, pp. 2-5.

[35] Commission importer questionnaire responses of ***, and conference transcript, pp. 62-63. *** reported in its questionnaire response that ductile fittings cannot be used in steam conveyance systems because repair work on fittings in these systems requires that the fittings be "cracked" by the engineer for removal. Gray iron fittings are brittle and more prone to crack under stress. Respondent JDH states that the production processes unique to the manufacture of ductile iron cause the flake graphite to deposit in a nodular form and the graphite nodules act as "crack-arresters," eliminating the crack effect that dominates gray iron's mechanical properties. Postconference brief of JDH, p. 3.

[36] Respondent JDH argues that installation specialists working in the fire protection industry familiar with gray fittings effectively ignore the substitutability of the ductile fittings and are reluctant to start using such fittings because of inexperience and sensory differences associated with threading a pipe on a ductile fitting resulting in costly mistakes. Postconference brief of JDH, pp. 8-9.

[37] Fittings for use with soil pipe and ductile fittings for use in waterworks applications meeting AWWA C110 and AWWA C153 specifications are excluded from the scope of this investigation.

[38] Conference transcript, pp. 45-46.

[39] *Mechanical Properties of Malleable* at http://castingsource.com/tech_artmalleable.asp, retrieved Feb. 22, 2002, and *Cast Iron* by Dave Wright Welding at http://pw1.netcom.com/~dwelding/castiron.htm, retrieved March 6, 2002.

[40] White iron (so called because of the color of the fractured surface of the cast iron) is sometimes called chilled iron because it is produced by a rapid solidification process. During this process, carbon and iron elements remain chemically combined in colonies of iron carbide (Fe_3C) which contains 6.67 percent of carbon and is formed more readily than graphite because iron and carbon atoms are not completely separated in the structure. This results in a hard and brittle cast, which has superior abrasion resistance but is normally unmachinable. *Gray and Ductile Iron Castings Handbook*, pp. 55, 94, and 114-115.

[41] The overall cooling process takes from 24 to 40 hours to complete.

Malleable cast iron pipe fittings are lighter, thinner, stronger, and less brittle than non-malleable cast iron fittings and are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes. The principal uses of malleable cast iron pipe fittings are in gas lines, piping systems of oil refineries, and building gas and water systems.[42] In some applications, malleable cast iron pipe fittings may be substituted for non-malleable cast iron pipe fittings, but due to the higher cost of the product, such substitution is uneconomical.[43] Malleable fittings are not included in the products subject to this investigation.

Products specifically excluded from the scope of this investigation include soil pipe and grooved fittings and couplings. Also excluded from the scope are flanged ductile cast iron fittings and ductile fittings produced to AWWA C110 or AWWA C153 specifications.[44] These excluded items are discussed below.

Cast iron soil pipe and fittings, which are typically produced from gray iron, are used primarily in building construction for sanitary and storm drain, waste, and vent piping applications. The product is installed in residential construction, hospitals, schools, and commercial and industrial structures. Cast iron soil pipe and fittings are typically produced in accordance with ASTM A-888, ASTM A-74, or Cast Iron Soil Pipe Institute (CISPI) 301 specifications and are available in sizes ranging from 2 to 15 inches.

Grooved fittings and couplings, which are produced from ductile or malleable cast iron,[45] are different forms of fittings in which a split coupling attaches to a circumferential groove near the end of each piece to be joined. A gasket inside the coupling serves as a seal for the pipe and the coupling. Respondent Smith-Cooper argues that ductile grooved fittings are used for the same purpose for which non-malleable threaded or flanged fittings are used (*i.e.*, for fire protection/sprinkler systems),[46] and that the growth in the use of grooved fittings and couplings has taken market share from non-malleable cast iron pipe fittings in the United States.[47] Although petitioners concede that grooved fittings took market share from threaded non-malleable fittings, they contend that the change took place many years ago and now the situation is fairly static.[48] Petitioners also testified that the use of ductile grooved fittings is reportedly more prominent than the use of threaded fittings in fire protection/sprinkler systems requiring

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[42] *Malleable Cast-Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand*, Inv. Nos. 731-TA-278-280 and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000), p. 5. Approximately two percent or less of malleable fittings are used in the fire protection/sprinkler and steam heat conveyance applications. Conference transcript, p. 163.

[43] *Certain Cast-Iron Pipe Fittings from Brazil*, Inv. Nos. 701-TA-221 (Preliminary), USITC Pub. 1597 (November 1984), p. 5, and conference transcript, p. 61. Petitioners state that malleable fittings sell at 50-70 percent higher prices than non-malleable fittings. Postconference brief of petitioners, p. 11.

[44] Also excluded are ductile fittings with mechanical joint ends and push on ends. These fittings are produced for waterworks applications and must meet AWWA C110 and AWWA C153 specifications. *Tyler/Union Sample Specifications*, November 29, 2001, pp. 11 and 22. No arguments have been raised by parties to this investigation specific to these ductile fittings.

[45] Evidence on the record in the preliminary phase of this investigation suggests that grooved fittings are not made from gray iron. Conference transcript, p. 84.

[46] Conference transcript, p. 106.

[47] Smith-Cooper testified that the use of grooved fittings is one method by which a fire sprinkler system installer could reduce his installation cost, saving both installation time and the cost of the fittings since they are thinner and less expensive. Conference transcript, p. 107.

[48] Conference transcript, p. 171.

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fitting sizes ranging from 2 to 6 inches. For such systems requiring fitting sizes of 2 inches and less, threaded fittings are typically used.[49]

Flanged fittings are different from threaded fittings in that the flanged fittings are cast with an integral rim, or flange, at the end of the fitting. The flanged connection is made by inserting a gasket in between the flanged ends of two separate pieces and securing the ends with several bolts. Respondent Smith-Cooper testified that approximately 5 percent of the flanged ductile fittings are currently used in fire protection/sprinkler systems in the United States and argues that these fittings compete directly with flanged non-malleable fittings.[50]

As discussed earlier in this report, ductile fittings which are manufactured to the physical specifications for waterworks systems are distinguishable in physical characteristics from the domestic like product in that they are typically very large fittings which must meet different technical specifications. These fittings are used underground in the water distribution and transmission systems, above ground in water treatment plants, or for main water supply to buildings, and are meant for drinking water and waste water. The end users of these types of fittings are in the American Water Works industry, that is, water companies, municipal water systems, and water/waste water treatment plants.[51]

Manufacturing Process

Cast iron pipe fittings are manufactured using a technologically mature process. It begins with the making of molten iron in a foundry with fuel provided by foundry coke or in an electric furnace. The raw materials are scrap steel, iron scrap, and other materials such as silicon carbide and carbon. The molten iron for cast iron fittings contains approximately 3.5 percent carbon, 2.5 percent silicon, and 0.5 percent manganese by weight, but may vary.

The casting process begins with the making of a pattern, which has the same external form and shape as the designed fitting. Sand casting is the predominant method used in the making of cast iron fittings. Molding sand, after being mixed with a binder, is spread around the pattern in a mold, and then rammed by a machine to compact the sand. The pattern is then withdrawn, leaving a mold cavity in the sand. Solid molded sand cores are inserted to form the internal shape of the fitting. Two mold halves are put together with the core in the center. A system of gates, risers, and vents is provided in the casting cavity to ensure a smooth flow of the molten iron into the mold cavity under gravity.[52]

To form the shape of the fittings, molten iron is poured into the mold cavity. After the iron solidifies, the red-hot fittings are shaken out of the sand on a shaker table or belt and allowed to cool for four to five hours.[53]

The specific chemical compositions and manufacturing processes of malleable, non-malleable, and ductile iron fittings differ somewhat, although all consist mainly of iron. Ductile iron fittings are produced by pouring molten low-sulfur-based iron into a pressure ladle, where it is treated with magnesium. This process requires closely controlled conditions for the ductile iron to maintain its superior characteristics.[54] Many malleable, non-malleable, and ductile cast iron pipe fittings are available in similar configurations and all are produced using sand casting; however, the specific molds

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[49] Conference transcript, pp. 83-84.

[50] Conference transcript, pp. 158-159.

[51] Conference transcript, pp. 45-46, and Commission e-mail correspondence, ***, February 27, 2002.

[52] For small fittings, one cast can be made for many pieces.

[53] Staff telephone conversation with ***, March 6, 2002.

[54] Conference transcript, p. 129.

for the individual castings are reportedly not interchangeable. After casting, the production of non-malleable and ductile cast iron pipe fittings is essentially complete, except for cooling, cleaning, and, if necessary, machining, threading, or finishing.[55] In contrast, malleable fittings are subjected to an additional process of annealing and controlled cooling after casting.

A ductile cast iron fitting, because of its superior physical yield strength, is lighter and has thinner walls than a non-malleable cast iron fitting of the same inside diameter. Therefore, on the basis of weight, ductile iron is more expensive to produce than non-malleable iron because of the inoculation of magnesium during the production process, more tightly controlled production conditions requiring a longer production process, and the relative difficulties in finishing compared with non-malleable iron.[56] Malleable iron castings are more expensive to produce per pound than both the ductile iron and non-malleable iron castings because of the additional heat treatment process described above.[57] On the basis of pieces, however, the stronger ductile fittings have been described as a cost effective alternative to malleable fittings in that the ductile fittings cost less than the malleable fittings to manufacture, but are sold at prices similar to those of non-malleable.[58]

Manufacturing processes and technologies for iron castings are well-established, even for a relatively new product like ductile iron,[59] and are similar throughout the world, although respondents argue that the production process used in China to produce the subject merchandise is not as technologically advanced as that used in the United States.[60]

Channels of Distribution

Non-malleable cast iron pipe fittings are sold on a nationwide basis by the domestic manufacturers and importers to distributors[61] which, in turn, sell to contractors of fire protection/sprinkler and steam heat conveyance systems.

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[55] The cast iron can also be galvanized or tin-plated, if so specified.

[56] Conference transcript, pp. 77-78.

[57] *Gray and Ductile Iron Castings Handbook*, p. 96.

[58] Conference transcript, p. 147; postconference brief of JDH, exh. 5, pp. 2-9 through 2-11 and exh. 1, p. 14; and postconference brief of petitioners, p. 8.

[59] Ductile iron has been extensively used since the 1960s.

[60] U.S. producers operate highly automated, state-of-the-art, high-volume plants, whereas the Chinese producers apparently use a variety of production methods, some of which are reportedly not as technologically advanced nor environmentally friendly as those used in the United States (*e.g.*, "floor molding") and which were abandoned by U.S. producers decades ago. In addition, the U.S. foundry industry is heavily regulated and continued investment in pollution abatement is required of domestic producers as a condition of operations as new, more stringent standards are issued by the Environmental Protection Agency (EPA). The Chinese producers, on the other hand, are not required to comply with these strict environmental regulations. Conference transcript, pp. 21, 140, and 141, and postconference brief of petitioners, pp. 5 and 21-24.

[61] The distributors may also fabricate certain systems at their distribution outlets in order for the contractors to be able to purchase units for installation. Conference transcript, p. 172. Respondent Star Pipe reports that sales of small quantities of products with short lead times typically are made from the U.S. producers' and importers' satellite distribution centers, while sales of large quantities of particular products with longer lead times are shipped directly to the customer without entering into the distribution centers. Postconference brief of Star Pipe, p. 25.

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Party Positions on Domestic Like Product

The petitioners argue that the Commission should find one domestic like product consisting of non-malleable and ductile cast iron pipe fittings defined in the scope of the investigation. They argue that all items within the definition of the scope of the investigation have similar physical characteristics, are completely interchangeable in end use, and are sold through identical channels of distribution.[62]

The only specific alternative domestic like product argument raised by respondents in this preliminary phase of the investigation was that of JDH, an importer of ductile cast iron pipe fittings from China.[63] JDH argues that all ductile pipe fittings and non-malleable cast iron pipe fittings should be considered two separate domestic like products because of differences in physical characteristics; the degree of interchangeability; the methods of production and manufacturing facilities; and customer and producer perceptions.[64] JDH states that the ductile fittings are stronger, lighter, less porous, and less expensive than the non-malleable fittings and demonstrate tensile strength that non-malleable fittings do not. It argues that, in theory, the two types of fittings may be interchangeable in certain applications, but because of the end users' existing experience with non-malleable cast iron pipe fittings, they are, in reality, not interchangeable.[65] JDH also argues that the specific ductile fittings it imports for fire protection/sprinkler systems have been recognized by the fire protection industry as having proven qualities different from those associated with non-malleable fittings (ASME B.16.4) and equal to those of malleable fittings (ASME B.16.3).[66]

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[62] Conference transcript, p. 20, and postconference brief of petitioners, pp. 5-8.

[63] Although respondent Smith-Cooper does not provide a specific like product alternative, it states that petitioners have defined the scope to create an "industry definition that will not withstand scrutiny." It questions exclusion of the following from the scope: ductile flanged fittings, which it states are made by four firms other than petitioners (American Cast Iron Pipe, U.S. Pipe, Tyler Pipe, and Union Pipe); grooved fittings, which are currently made by Anvil and Victaulic; and fittings greater than 6 inches. Postconference brief of Smith-Cooper, pp. 1-4.

[64] JDH adds that, in this regard, the like product definition for ductile fittings should not be restricted to threaded fittings, but should be expanded to cover all methods by which pipes and fittings are joined. Postconference brief of JDH, pp. 1-4 and 14.

[65] Conference transcript, p. 132.

[66] Although the National Fire Protection Association (NFPA) does not list a specific standard for fittings made from ductile iron, the ductile fittings imported by JDH meet the standards imposed for malleable iron. Conference transcript, p. 133, and postconference brief of JDH, p. 4. One other importer of ductile fittings also indicated that its subject imports meet the ASME B.16.3 standards. The other ductile fittings importers did not indicate in their questionnaire responses the ASME standards that are met by their imports.

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PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Non-malleable cast iron pipe fittings are primarily used in fire sprinkler systems with some use in steam heat systems; some ductile fittings are also used for these applications.[1] In the U.S. market, producers' and importers' sales of such non-malleable/ductile cast iron pipe fittings are made primarily to distributors[2] and fabricators.[3] Fabricators purchase fittings and pipe, put threading on the pipe, and combine pipe and fittings to create semi-complete fire sprinkler systems. In order for fittings to be used in a fire sprinkler system they must have certification and must be 1 inch or more in diameter. Certification may not be needed in steam heating systems and smaller diameter fittings may be used.

There are two major types of cast iron pipe fittings used in fire sprinkler and steam heat systems: non-malleable and ductile.[4] The U.S. producers produce only non-malleable cast iron pipe fittings, while Chinese imports include both non-malleable and ductile cast iron pipe fittings. According to the petitioners, non-malleable and ductile fittings are used in the same way and compete with each other. Respondent JDM reports that ductile fittings, though used in the same applications, differ from non-malleable fittings.

Captive Shipments

U.S. producers sold *** tons of non-malleable cast iron pipe fittings to related parties in 1999; this fell to *** tons in 2000 and 2001. U.S. producers had no internal consumption of non-malleable cast iron pipe fittings.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

Based on available information, U.S. producers of non-malleable cast iron pipe fittings are likely to respond to changes in price with significant changes in the quantity shipped to the U.S. market. Supply responsiveness is constrained by the small share of shipments which are exported. However, *** levels of excess capacity, *** levels of inventories, and the ability to switch between production of non-malleable cast iron pipe fittings and other products suggest greater supply responsiveness.

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[1] Most ductile cast iron pipe fittings, however, are made to grades or physical configurations that have been excluded from the scope of the petition.

[2] In some cases the importers act as the distributors, ***.

[3] Importers report that fabricators are end users while the petitioners report that fabricators are a type of distributor. Mr. Roger Schagrin, counsel for petitioners, conference transcript, p. 172; and Mr. Bill Hurley, Marketing Manager, JDH, conference transcript, p. 151. In their questionnaire responses, petitioners report selling *** to distributors and *** to end users during the reporting period while importers report selling *** to distributors and *** to end users.

[4] It is unclear that ductile fittings are currently used in steam heating systems. In its importer questionnaire, *** reported that ductile fittings could not be used in steam heating systems because they do not crack.

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Industry capacity

U.S. producers' capacity to produce non-malleable cast iron pipe fittings increased from *** short tons in 1999 to *** short tons in 2000, and then fell to *** short tons in 2001. Production of non-malleable cast iron pipe fittings fell from *** short tons in 1999 to *** short tons in 2001. Capacity utilization for non-malleable cast iron pipe fittings fell from *** percent in 1999 to *** percent in 2001.

Export markets

U.S. producers' export shipments of non-malleable cast iron pipe fittings were *** during the period examined. The percentage of U.S. producers' export shipments relative to their total shipments increased from *** percent in 1999 to *** percent in 2001.

Inventory levels

U.S. producers' inventories of non-malleable cast iron pipe fittings were *** during the period examined. The ratio of such inventories to total shipments increased from *** percent in 1999 to *** percent in 2001.

Production alternatives

*** reported that they produced other products on the same equipment and machinery used to produce non-malleable cast iron pipe fittings. These products include malleable pipe fittings, ***.

Chinese Imports

Industry capacity

The petitioners report that China contains thousands of foundries, and petitioners estimate that 50 of these foundries produce non-malleable/ductile cast iron pipe fittings.[5] However, the petitioners only provided the names of three Chinese producers in the petition. The respondents report that they know of only *** Chinese producers that have the UL or Factory Mutual (FM) certification essential for sales into the fire sprinkler market.[6] The materials that can be used in fire sprinklers systems are determined by building codes. The importers report that certification is a difficult process which is done from the United States.[7]

Foreign producer data were reported by five Chinese producers that sold to U.S. importers; three of these produced only non-malleable fittings, one produced only ductile fittings, and one produced both non-malleable and ductile fittings. These producers' capacity to produce subject fittings rose from 8,294 short tons in 1999 to 10,767 short tons in 2001. Production of subject fittings increased from 5,442 short tons in 1999 to 5,949 short tons in 2001. Capacity utilization for subject fittings decreased from 65.6 percent in 1999 to 55.3 percent in 2001.

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[5] Mr. Roger Schagrin, for petitioners, conference transcript, p. 50.

[6] Postconference brief of Smith-Cooper, p. 12 and exh. 3; see also testimony of Mr. Mark Martelle, Project Engineer, Smith-Cooper, conference transcript, pp. 156-157.

[7] Mr. Mark Martelle, Project Engineer, Smith-Cooper, conference transcript, pp. 156-157.

Alternative markets

The petitioners report that there is no alternative market for subject Chinese cast iron pipe fittings except Canada. The five responding Chinese producers' export shipments to the United States, as a share of all their shipments of subject fittings, were *** percent in 1999, *** percent in 2000, and *** percent in 2001. None of the product produced by these firms was sold in China between 1999 and 2001.

Inventory levels

The five responding Chinese producers' inventories of subject fittings grew irregularly during 1999-2001. The ratio of such inventories to total shipments fell irregularly from *** percent in 1999 to *** percent in 2001.

Production alternatives

The responding Chinese producers reported that other products produced on the same equipment as subject fittings include malleable fittings and fire hydrant bodies.

U.S. Demand

Demand for non-malleable/ductile cast iron pipe fittings, as measured by apparent consumption, fell between 1999 and 2001, although it rose slightly between 1999 and 2000. Demand for non-malleable/ductile cast iron pipe fittings is ultimately derived from the demand for end uses in which they are employed. The petitioners state that non-malleable/ductile cast iron pipe fittings are used in the fire protection/sprinkler market and in steam heat conveyance systems. The importers essentially agree; four of the six importers that answered the question reported that non-malleable/ductile cast iron pipe fittings are used in the fire protection market, one reported use in steam heating systems, and one reported use of boiler plugs.

Producers and importers were asked how demand for non-malleable/ductile cast iron pipe fittings had changed since 1999. Anvil and Ward reported that demand was determined by construction and the demand for sprinkler systems. *** reported increased demand, and *** reported that demand had been reduced by imports. The petitioners state that demand for non-malleable/ductile cast iron pipe fittings is increasing with the growing demand for sprinkler systems.[8] Of the six responding importers, one reported demand had increased and five stated it had decreased. The respondents report that the demand for non-malleable/ductile cast iron pipe fittings has been falling because of the increased use of other types of products/techniques for producing fire control systems. At the staff conference, respondents argued that demand for non-malleable/ductile cast iron pipe fittings has been falling for a relatively long time because newer technologies have replaced some non-malleable/ductile cast iron pipe fittings.[9] In addition, they argue that demand has fallen in 2001 due to the recession.[10]

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[8] Petitioners' postconference brief, p. 12, footnote 5.

[9] Mr. Mark Martelle, Project Engineer, Smith-Cooper, conference transcript, pp. 106-108, 154. Also see Smith-Cooper's postconference brief, exh. 2.

[10] Star Pipe's postconference brief, p. 12.

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Demand Characteristics

Substitute products

*** reported that substitutes for non-malleable/ductile cast iron pipe fittings do not exist. ***. Four of the eight responding importers reported substitutes including malleable iron fittings, CPVC, copper, stainless flex tube, grooved fittings, and couplings with mechanical push on ends. Four importers reported that substitutes do not exist; one of these reported that ductile fittings were not a substitute for non-malleable iron fittings in steam heat applications because ductile fittings do not crack and thus are difficult to replace. The respondents report that grooved fittings allow the use of thinner less expensive pipe and reduce the labor cost of installation. Thus, while grooved fittings themselves may be more expensive, the use of grooved fittings may reduce the overall cost of the fire sprinkler system.[11]

Cost share

Only two importers reported the cost share of fittings in fire production systems, with both reporting that non-malleable/ductile cast iron pipe fittings make up less than 2 percent of the cost of the system. At the staff conference, both petitioners and respondents agreed that the cost of fittings was about 5 percent of the cost of an installed fire sprinkler system or steam heating system.[12] However, since fire protection systems are typically required in the new buildings in which they are installed, the actual share of the cost of the non-malleable/ductile cast iron pipe fittings in a new building would be much less.

SUBSTITUTABILITY ISSUES

One factor limiting substitutability is the "Buy American" requirement. Petitioners estimate that 5 to 10 percent of jobs are government jobs which require domestically produced parts.[13] The requirement of certification for fire sprinkler systems also limits substitutability to those Chinese manufacturers which are certified.

Factors Affecting Purchasing Decisions

*** reported lead times of *** and *** reported lead time of ***. In general, importers' lead times were longer, however, 6 of the 11 responding importers reported lead times of only 3 to 8 days, while the other five reported lead times of 30 to 65 days.

Comparisons of Domestic Products and Subject/Nonsubject Imports

*** reported that U.S.-produced, imported Chinese, and imported nonsubject non-malleable/ductile cast iron pipe fittings are used interchangeably. *** reported that there are no

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[11] Mr. Mark Martelle, Project Engineer, Smith-Cooper, conference transcript, p. 107.

[12] Mr. Robert Clark, President, Clark Sprinkler Supply; and Mr. Frank Finkel, President, Davis and Warshow, conference transcript, pp. 65-66; and Mr. Mark Martelle, Project Engineer, Smith-Cooper, conference transcript, p. 156.

[13] Mr. Tom Gleason, Vice President Sales and Marketing, Ward Manufacturing, conference transcript, p. 67.

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differences in product characteristics or sales conditions between U.S.-produced, imported Chinese, and nonsubject imported non-malleable/ductile cast iron pipe fittings. *** reported differences in product characteristics or sales conditions between U.S.-produced, imported Chinese, and nonsubject imported non-malleable/ductile cast iron pipe fittings. According to ***, the U.S. product has the advantage in technology, quality, and distribution while imports have the advantage in price.

Eight of the nine responding U.S. importers reported that U.S. product and imports from China are interchangeable. One of the eight reporting that U.S. and Chinese fittings are interchangeable also reported, however, that many distributors do not handle imports, because imports can only be used on non-government jobs without union labor. This firm also reported that the imported product it carried was not UL or FM listed and reported it sells to the steam heat market. One firm reported that although U.S. and Chinese non-malleable cast iron pipe fittings are used interchangeably, ductile fittings are not produced in the United States. As a result, it states, the U.S. and Chinese product are not interchangeable. Six of the eight importers that answered the question reported that U.S. and nonsubject imported product are interchangeable. Two reported that they are not interchangeable, with one reporting that no nonsubject country exports cast iron fittings and the other that the United States does not produce ductile fittings. The one importer reporting differences reported that U.S. producers have a two-tier price structure in which large distributors are in buying groups that get better prices. On the other hand, smaller distributors do not tend to sell to projects requiring "Buy American" and therefore do not need to stock domestic product; however, they have to pay higher prices if they purchase U.S. product because of the relatively small amount they purchase at a time. All six responding importers reported that Chinese and nonsubject imports are interchangeable. One firm did not answer the question directly but reported that imports of Chinese ductile fittings are substitutable for ductile fittings from Taiwan.

Importers were asked if there are any differences in product characteristics or sales conditions between U.S.-produced, imported Chinese, and imported nonsubject non-malleable/ductile cast iron pipe fittings. Three of the eight importers that answered the question reported no differences between U.S. and Chinese product, while the other five reported differences including that only domestic could be used in projects requiring domestic product; differences between U.S. non-malleable and imported ductile; most distributors will not stock imports because they do not want to mix inventories and need domestic for some products; it keeps inventories and offers technical support; and differences in sales conditions. Five of the six importers that answered the question reported that U.S. and nonsubject imported product do not have different product characteristics or sales conditions; the one importer reporting differences stated that only domestic can be used in projects requiring it (*i.e.*, Buy American). Six of the seven responding importers reported that Chinese and nonsubject imported product do not have differences in product characteristics or sales conditions.

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PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of the two petitioning firms that accounted for almost all U.S. production of non-malleable cast iron pipe fittings during 2001.[1]

U.S. PRODUCERS

Petitioners Anvil and Ward accounted for almost all U.S. production of non-malleable cast iron pipe fittings during 2001. The petitioners reported, however, that a small portion (approximately *** percent) of their production of non-malleable cast iron pipe fittings is cast at outside jobber facilities in the United States. Anvil and Ward named the following three firms as jobbing facilities for their non-malleable castings during 1999-2001: Buck, Quarryville, PA; ***. Only one domestic jobbing facility, Buck, provided the Commission with a response to its producers' questionnaire in this preliminary phase of the investigation. However, as indicated earlier in this report, the data reported by this producer are overstated by about *** because of the inclusion of nonsubject products.[2] Buck indicated in its questionnaire response that it was in support of the petition filed by Anvil and Ward. None of the reporting U.S. producers indicated any relationship with firms that are engaged in importing, exporting, or producing the subject merchandise in China. The identity of those U.S. producers that supplied the Commission with questionnaire information, the location of their manufacturing operations, their reported shares of non-malleable cast iron pipe fittings production in 2001, and parent firms are presented in table III-1.

Anvil, headquartered in Portsmouth, NH, is wholly owned by Mueller Group, Inc., Decatur, IL.[3] Prior to August 2001, Anvil manufactured non-malleable cast iron pipe fittings in Statesboro, GA, and malleable pipe fittings in Columbia, PA. In June 2001, Anvil ceased production of non-malleable fittings at its Statesboro plant and consolidated its pipe fitting capabilities in the Columbia foundry. The Statesboro casting equipment for non-malleable production was moved to Columbia and currently all of Anvil's pipe fittings are produced at this location. In addition to non-malleable cast iron pipe fittings, Anvil produces malleable pipe fittings and grooved ductile pipe fittings at the Columbia facility with sharing of production equipment and employees across product lines. Anvil does not import or otherwise purchase the subject merchandise, but purchases small amounts of domestic non-malleable

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[1] In addition to the two petitioning companies, the Commission mailed questionnaires to eight other firms believed to be producing the subject product. Buck responded that it produced non-malleable cast iron pipe fittings for ***, three firms indicated that they did not produce the subject product, and four firms did not respond to the Commission's questionnaire.

[2] The data provided by Buck in its questionnaire response are not aggregated with the U.S. industry data presented in this report.

[3] In August 1999, certain assets of Grinnell Supply Sales and Manufacturing Co. were sold by its parent, Tyco International, Inc., to Mueller Group, Inc. Supply Sales Company, formerly Grinnell Supply Sales and Manufacturing, is now Anvil.

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Table III-1
Non-malleable cast iron pipe fittings: U.S. producers and the location of their manufacturing operations, their shares of U.S. production in 2001, their position on the petition, and parent firms

Firm	Location of manufacturing facility	Share (*percent*) of reported production in 2001	Position on the petition	Parent firm
Anvil	Columbia, PA	***	Support[1]	Mueller Group, Inc., Decatur, IL
Buck	Quarryville, PA	([2])	Support	DVCC, Chestertown, MD
Ward	Blossburg, PA	***	Support[1]	Hitachi Metals of America, Purchase, NY

[1] Petitioner.
[2] Buck's production of the subject fittings for Ward accounted for *** percent of total reported domestic production during 2001.

Source: Compiled from data submitted in response to Commission questionnaires.

castings from ***. These casting purchases of *** amounted to *** percent of Anvil's production during 2001.[4] ***.

Ward, located in Blossburg, PA, is a wholly-owned subsidiary of Hitachi Metals of America, Purchase, NY, which is wholly owned by Hitachi, Inc., a Japanese company. The producer reported ***. In addition to the subject product, Ward produces malleable iron pipe fittings ***. Ward does not import or otherwise purchase the subject product but reported small amounts of domestic purchases of non-malleable castings from Buck and ***. These casting purchases of *** amounted to *** percent of Ward's production during 2001.

The jobbing foundries, or jobbers, from which both Anvil and Ward purchase, often specialize in the small lot casting business. These firms are utilized by petitioners when the product quantity requested is too small to be economically run on their automatic production lines. A few different jobbing foundries are used by Anvil and Ward because each jobbing foundry may have distinct tools required for a specific casting.[5] Ward and Anvil provide the molds and patterns to the jobbers and the jobbers provide Ward and Anvil with the unfinished casting. Ward and Anvil then perform the finishing work on the casting (*i.e.*, shock blasting, threading, testing, and packaging) in preparation for the marketplace. Petitioners report that although these jobbing facilities are set up to produce castings, they do not own the casting molds and patterns and cannot run them for their own use.[6] Because of this, they lack the capability to market the product they produce and only produce the castings as a jobber under contract with Anvil or Ward.

Buck, a jobbing facility for both Ward and Anvil[7] located in Quarryville, PA, is owned by DVCC, Chestertown, MD. The producer reported ***. ***.

The domestic production of certain items that have been specifically excluded from the scope of the investigation are discussed below. Ductile fittings used in waterworks applications and ductile

[4] ***.

[5] Conference transcript, pp. 88-89.

[6] Conference transcript, pp. 47-49 and 88.

[7] Buck also reported that ***.

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flanged fittings are produced in the United States primarily by a handful of U.S. producers,[8] none of which produce non-malleable cast iron pipe fittings.[9] Likewise, cast iron soil pipe fittings are not produced by the domestic producers of non-malleable cast iron pipe fittings that are the subject of this investigation.[10] Domestic grooved ductile fittings producers include Ward, Anvil, Victaulic, ***, and Central Sprinkler.[11]

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' production capacity, production, and capacity utilization are shown in table III-2. Domestic production declined from 1999 to 2001, falling by *** tons or *** percent. Likewise, U.S. producers' capacity utilization fell by *** between 1999 and 2001. Petitioners report that Anvil's Statesboro plant closure is the cause of the reduced domestic production capacity of over *** tons.[12]

Table III-2
Non-malleable cast iron pipe fittings: U.S. production capacity, production, and capacity utilization, 1999-2001

* * * * * * *

U.S. PRODUCERS' SHIPMENTS

Data on U.S. producers' shipments of non-malleable cast iron pipe fittings are shown in table III-3. The data show the quantity of U.S. producers' total domestic shipments fell *** short tons, or *** percent, from 1999 to 2001. The value of such shipments also fell during the same period, while unit values increased by *** percent from 1999 to 2001.

Table III-3
Non-malleable cast iron pipe fittings: U.S. producers' shipments, by types, 1999-2001

* * * * * * *

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[8] Domestic producers of ductile cast iron pipe fittings for waterworks applications and ductile flanged fittings include Tyler Pipe, American Cast Iron Pipe, Union Pipe, and U.S. Pipe. Conference transcript, p. 105. Postconference brief of Smith-Cooper, p. 3.

[9] Conference testimony suggests that it would be uneconomical to convert U.S. facilities from the production of ductile cast iron pipe fittings intended for use in waterworks applications to the production of such fittings for use in fire protection/sprinkler systems. Conference transcript, pp. 45-46.

[10] Conference transcript, pp. 8-9.

[11] Conference transcript, pp. 82 and 106; staff telephone conversations with ***, March 29, 2002, and ***, March 29, 2002. One U.S. producer of the grooved fittings, Victaulic, is believed to account for the vast majority of production of these products. Postconference brief of petitioners, p. 11.

[12] Postconference brief of petitioners, p. 19. Petitioners state that since the Statesboro plant closure took place in mid-2001, it is not fully reflected in the 2001 data.

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U.S. PRODUCERS' PURCHASES

Data on U.S. producers' purchases of non-malleable cast iron pipe fittings are shown in table III-4. As previously mentioned, petitioners purchased fittings from three domestic jobbing facilities when it was uneconomical for them to run small quantities on their production lines.

Table III-4
Non-malleable cast iron pipe fittings: U.S. producers' purchases, 1999-2001

* * * * * * *

U.S. PRODUCERS' INVENTORIES

U.S. producers' end-of-period inventories of non-malleable cast iron pipe fittings are shown in table III-5. The volume of such inventories fluctuated upward over the period for which information was requested, increasing by *** percent from yearend 1999 to yearend 2000 and falling by *** percent from yearend 2000 to yearend 2001. The ratio of inventories to production and shipments continually increased from 1999 to 2001.

Table III-5
Non-malleable cast iron pipe fittings: U.S. producers' end-of-period inventories, 1999-2001

* * * * * * *

U.S. EMPLOYMENT, COMPENSATION, AND PRODUCTIVITY

U.S. producers' employment data are shown in table III-6. The average number of production related workers (PRWs) declined in 2000 and again in 2001. Over entire the 1999-2001 period, PRWs fell by *** percent, hours worked declined by *** percent, and wages declined by *** percent. During the same period, worker productivity, unit labor costs, and hourly wages increased.

Table III-6
Non-malleable cast iron pipe fittings: U.S. producers' employment-related indicators, 1999-2001

* * * * * * *

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PART IV: U.S. IMPORTS, APPARENT CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission sent importers' questionnaires to 52 firms believed to possibly import the subject merchandise from China into the United States. Eleven firms, including all four importers named in the petition, supplied the Commission with usable information on their operations involving the importation of the subject merchandise in the preliminary phase of this investigation; one firm provided an unusable questionnaire response;[1] 27 firms indicated that they did not import the subject merchandise; and 13 firms did not respond to the Commission's request for information.[2] [3] The data presented on U.S. imports are based on questionnaire responses of 11 firms that are estimated to account for greater than 90 percent of the subject imports during 2001.[4]

The identity of the 11 U.S. importers that supplied the Commission with usable questionnaire information, the location of their importing operations, their shares of total reported subject imports from China during 2001, and the types of subject merchandise imported are presented in table IV-1. As the table shows, Star Pipe is, by far, the largest responding importer of the subject merchandise, accounting for almost *** of the imports of subject merchandise from China.[5] Star Pipe imports substantial amounts of both non-malleable cast iron pipe fittings and subject ductile fittings. Smith-Cooper, ***, accounting for *** of such imports, imports only non-malleable fittings. ***. This U.S. importer, JDH, an importer of subject ductile fittings from China representing *** of total subject imports, ***.

U.S. IMPORTS

U.S. imports of non-malleable/ductile cast iron pipe fittings are primarily from China. Other minor sources of the imported merchandise include Taiwan and India.[6] Data submitted in response to Commission importers' questionnaires on U.S. imports are shown in table IV-2. The quantity and value of subject imports increased by *** percent and *** percent, respectively, between 1999 and 2000, and fell by *** percent between 2000 and 2001. In the Commission's questionnaire, the importers were

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[1] Although the numerical data in this questionnaire were unusable because of the inclusion of substantial quantities of fittings outside the scope of the investigation, other information from this questionnaire were considered and included with other questionnaire responses in the staff report.

[2] One of the 13 nonresponding firms was reported by Federal Express as being "out of business."

[3] Petitioners testified that the Commission did not have questionnaire responses from five importers of the subject merchandise (Paddico, Matco-Norca, Morrison, Ductilic, and Elro) and that, with these additional five importers' questionnaires, the Commission would "have a very good database for having imports and domestic shipments and establishing import market share." Conference transcript, p. 37. Of the five importers named by the petitioners at the conference, *** have provided usable responses to the Commission's questionnaire. *** were not sent Commission questionnaires because the firms could not be independently located by Commission staff and petitioners did not provide the requested contact information for these firms. See conference transcript, pp. 93-94.

[4] See conference transcript, p. 143.

[5] See conference transcript, p. 110.

[6] Conference transcript, p. 64. Although India was named as another foreign source of these fittings, no questionnaires were received in the preliminary phase of this investigation from U.S. importers of such merchandise.

Table IV-1
Non-malleable/ductile cast iron pipe fittings: U.S. importers and the location of their importing operations, their shares of reported subject U.S. imports in 2001, and the types of subject merchandise imported during 2001

Firm	Location of importing facility	Share (*percent*) of total reported subject imports in 2001	Share (*percent*) of reported subject non-malleable imports in 2001	Share (*percent*) of reported subject ductile imports in 2001
JDH	Downey, CA	***	***	***
Smith-Cooper International	Montebello, CA	***	***	***
Star Pipe Products	Houston, TX	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***
***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table IV-2
Non-malleable/ductile cast iron pipe fittings: U.S. imports, by sources, 1999-2001

* * * * * * *

asked if they had imported or arranged for importation of non-malleable/ductile cast iron pipe fittings from China for delivery after December 31, 2001. Seven importers indicated such import arrangements.

APPARENT U.S. CONSUMPTION

The United States is the primary market for non-malleable cast iron pipe fittings worldwide, although Canada reportedly utilizes a minor amount of the product.[7] Petitioners testified that, in the United States, the fire protection/sprinkler industry has grown over the past decade as codes have changed to require more sprinkler systems in a wider variety of buildings.[8] Questionnaire data indicate, however, that although apparent U.S. consumption of non-malleable/ductile cast iron pipe fittings grew by *** percent from 1999 to 2000, it fell by *** percent in 2001 to a level below that reported in 1999

[7] It is estimated that the United States accounts for approximately 95 percent of the world market for the subject fittings. Most other countries use malleable cast iron pipe fittings for fire protection/sprinkler and steam heat conveyance systems. Conference transcript, pp. 19 and 90.

[8] Conference transcript, p. 16.

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(table IV-3). Since non-malleable/ductile cast iron pipe fittings are used primarily in fire protection/sprinkler systems, which are typically installed in commercial buildings, and since these fittings are largely sold for new installations,[9] this apparent decline in U.S. consumption is believed to be associated with the U.S. recession and the decline in the domestic non-residential construction industry in 2001.[10]

Table IV-3
Non-malleable/ductile cast iron pipe fittings: U.S. producers' U.S. shipments, U.S. shipments of imports, by sources, apparent U.S. consumption, and market shares, 1999-2001

* * * * * * *

U.S. MARKET SHARES

As shown in the data presented in table IV-3, U.S. producers' market share based on volume fell by *** between 1999 and 2001. The subject imports from China captured the largest amount of the lost domestic market share, gaining by *** during the same period. The share held by imports from Taiwan increased by ***.

[9] Mr. Clark, Clark Sprinkler Supply, estimated that 99 percent of shipments of subject fittings for fire protection/sprinkler systems are for new installations. Conference transcript, p. 70.

[10] After a relatively strong 2000 in non-residential construction in the United States, a decline of 4 percent was reported in 2001. Postconference brief of Star Pipe, pp. 9, 12, and 19, and exh. 2.

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PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials represent a minor portion of total costs of goods sold for both petitioners. Raw material costs for Anvil averaged *** percent during 1999-2001, while for Ward it was *** percent.

Transportation Costs to the U.S. Market

Transportation costs for subject fittings from China to the United States (excluding U.S. inland costs) are estimated to be approximately 15.0 percent of the total cost of subject fittings in 2001.[1]

U.S. Inland Transportation Costs

*** report serving the national market and arranging U.S. inland transportation to customers' locations. ***. Average transportation costs for producers ranged from *** to *** percent of the delivered total cost of non-malleable cast iron pipe fittings. Anvil reports selling *** within 100 miles of its facilities, *** from 101 to 1,000 miles from its facilities, and *** over 1,000 miles from its facility. Ward reports selling *** within 100 miles of its facilities, *** from 101 to 1,000 miles from its facilities, and *** over 1,000 miles from its facility. Buck sells *** within 100 miles of its facilities, *** between 101 and 1,000 miles of its facilities, and *** over 1,000 miles from its facilities.

Four of the 11 responding importers report serving the continental or the whole United States; other importers report serving one or more regions including the Northeast, the Northwest, the Midwest, the Southeast, the West Coast, and New York. Nine of the 10 responding importers arrange transportation to their customers' locations. Importers' transportation costs range from 0 to 15 percent of the total delivered value, with six of the nine responding importers reporting that transportation costs are 7 percent or less. Five of the 10 responding importers sell 95 percent or more of their product within 100 miles of their facility or port of entry; none of the other five sell the majority within 100 miles. Only one sells half or more from 101 to 1,000 miles from its facility or port of entry; two sell 100 percent over 1,000 miles from their facility or port of entry; and the others did not sell a majority of their product in any of these ranges.

Tariff Rates

Imports of non-malleable/ductile cast iron pipe fittings into the United States are provided for in HTS statistical reporting numbers 7307.11.00.30, and 7307.11.00.60. The column-1 general (normal trade relations) rate of duty applicable to imports from China under subheading 7307.11.00 is 4.8 percent ad valorem in 2002.

[1] This estimate is derived from 2001 import data for HTS statistical reporting numbers 7307.11.0030 and 7307.11.0060, and represents the transport and other charges on imports on a c.i.f. basis as compared with customs value.

Exchange Rates

No graph is presented for the nominal exchange rate data for China because the Chinese yuan has been pegged to the U.S. dollar since January 1, 1994, and thus has remained virtually constant relative to the dollar since that time.[2]

PRICING PRACTICES

Ward and Anvil report using *** to determine prices for non-malleable cast iron pipe fittings. ***. Buck reports prices are determined by ***. Of the 11 responding importers, one reports that it *** and did not provide discounts, five other importers report no discounts, four report quantity discounts, and one reports renegotiating the price with the factory because the purchaser wanted a lower price. Six of the 12 responding importers report using price lists, two report that the customer determined the price, two report transaction-by-transaction negotiations, one reports that *** prices were determined by regional cost factors, and one reports selling on a cost-plus basis.

*** report that prices are quoted ***. ***. Six of the 12 responding U.S. importers report quoting prices on a delivered basis, four importers quote on an f.o.b. port or warehouse basis, one sells both f.o.b. and delivered, and one sells f.o.b. the port in China. The most typical sales term for all three U.S. producers and 10 of the 11 responding importers is net 30 days.[3] *** and six of the seven responding importers sell all their product on a spot basis.[4]

PRICE DATA

The Commission requested quarterly pricing data from U.S. producers and importers for the period January 1999 through December 2001 for the four products listed below.

Product 1–Non-malleable, gray, cast iron pipe fittings meeting ASME specification, black, threaded-end, one and 1/4 inch nominal inside diameter, 90 degree elbow.

Product 2–Ductile cast iron pipe fittings for the same use as non-malleable cast iron pipe fittings meeting ASME specification, black, threaded-end, one and 1/4 inch nominal inside diameter, 90 degree elbow.

Product 3–Non-malleable cast iron pipe fittings meeting ASTM specification, black, threaded-end, one inch nominal inside diameter, straight tee.

Product 4–Ductile cast iron pipe fittings for the same use as non-malleable cast iron pipe fittings meeting ASTM specification, black, threaded-end, one inch nominal inside diameter, straight tee.

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[2] Producer price data for China are not available, therefore real exchange rates could not be calculated. International Monetary Fund, *International Financial Statistics*, February 2002.

[3] The other importer reported net 10 days.

[4] ***.

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Six importers and two U.S. producers provided usable pricing data. In addition, one importer provided quantities and values for ***. The prices it reported are *** than those of other sellers. Its data are not used in the pricing data in this report.

The petitioners reported that U.S. producers only sold non-malleable cast iron pipe fittings (*i.e.*, products 1 and 3) while importers sold both non-malleable and ductile cast iron pipe fittings. Petitioners reported that non-malleable and ductile fittings were used in the same ways and competed directly with each other. For this reason, products 1 and 2 are presented in one table and margins of underselling/ overselling for product 2 are calculated relative to U.S. product 1. Similarly, products 3 and 4 are in one table and margins of underselling/overselling for product 4 are calculated relative to U.S. product 3. The respondents report that the price of ductile fittings should be lower than the price of non-malleable fittings because the material inputs and transportation costs are lower.

The pricing data reported by U.S. producers represent *** percent of the value of U.S. shipments during the time for which data were gathered.[5] Chinese coverage represents *** percent of the value of U.S. shipments of subject Chinese fittings reported by importers. The respondents reported at the hearing that other fittings products within the scope of this investigation were much more common and the prices of those products would be more representative of U.S. and Chinese imported non-malleable/ductile cast iron pipe fittings prices.[6] In addition, they reported that non-malleable/ductile cast iron pipe fittings tended to be sold through two distinct channels of distribution: smaller volumes of higher priced sales are sold through affiliated distribution centers and sales resulting from "future orders" of large volumes are sold directly to customers at lower prices.[7] Respondents state that price data which do not distinguish between these channels will be biased.

Price Trends

Weighted-average prices for U.S.-produced and imported non-malleable/ductile cast iron pipe fittings and margins of underselling/overselling on a quarterly basis for January 1999-December 2001 are shown in tables V-1 and V-2 and in figures V-1 and V-2. The prices of Chinese product 2 rose and the prices of Chinese products 1, 3, and 4 fell between the first quarter of 1999 and the fourth quarter of 2001. The prices for U.S.-produced products 1 and 3 increased by *** percent and *** percent, respectively, between the first quarter of 1999 and the final quarter of 2001. The prices of Chinese products 1, 3, and 4 fell by *** percent, *** percent, and *** percent, respectively, between the first quarter of 1999 and the final quarter of 2001, while the prices of product 2 increased by *** percent during the same period.

Price Comparisons

Overall, there were 48 quarterly price comparisons between U.S.-produced products 1 and 3 with Chinese imports of products 1 through 4. Subject Chinese products undersold domestic products in all 48 quarterly comparisons.

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[5] Price data was gathered by the piece rather than by weight because a fitting made of non-malleable cast iron would weigh a different amount than the same type of fitting made of ductile iron. As a result, the quantity data for the prices is not comparable to the quantity data collected elsewhere in this investigation. For this reason the coverage is based on the share of the value of the sales rather than its quantity.

[6] Mr. Dan McCutcheon, Sales Manager, Star Pipe Products, conference transcript, pp. 136-137.

[7] Mr. Dan McCutcheon, Sales Manager, Star Pipe Products, conference transcript, pp. 115-116, and Mr. Bill Hurley, Marketing Manager, JDH, p. 124.

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Table V-1
Non-malleable/ductile cast iron pipe fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and imported product 2[2] and margins of underselling compared to domestic product 1, by quarters, January 1999-December 2001

Period	United States		China			China		
	Product 1		Product 1			Product 2		
	Price (*per piece*)	Quantity (*number of pieces*)	Price (*per piece*)	Quantity (*number of pieces*)	Margin (*percent*)	Price (*per piece*)	Quantity (*number of pieces*)	Margin[3] (*percent*)
1999: Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	$0.71	59,477	***	***	***	***
Oct.-Dec.	***	***	0.73	41,043	***	***	***	***
2000: Jan.-Mar.	***	***	0.71	54,696	***	***	***	***
Apr.-June	***	***	0.70	65,654	***	***	***	***
July-Sept.	***	***	0.70	56,410	***	***	***	***
Oct.-Dec.	***	***	0.67	51,022	***	***	***	***
2001: Jan.-Mar.	***	***	0.66	64,707	***	***	***	***
Apr.-June	***	***	0.63	72,763	***	***	***	***
July-Sept.	***	***	0.61	73,972	***	***	***	***
Oct.-Dec.	***	***	0.62	66,108	***	***	***	***

[1] Product 1–Non-malleable, gray, cast iron pipe fittings meeting ASME specification, black, threaded-end, one and 1/4 inch nominal inside diameter, 90 degree elbow.
[2] Product 2–Ductile cast iron pipe fittings for the same use as non-malleable cast iron pipe fittings meeting ASME specification, black, threaded-end, one and 1/4 inch nominal inside diameter, 90 degree elbow.
[3] Margins represent comparisons of prices for Chinese product 2 with prices for U.S. product 1.

Note.–Margins are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

LOST SALES AND LOST REVENUES

The petition and questionnaires contained no usable lost sales or lost revenue allegations.[8]

[8] Exhibit 30 of the petition includes only overall changes in sales reported as lost sales and volume suffered by domestic producers, but this exhibit provides no specific products or prices that could be used to verify the allegations.

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Table V-2
Non-malleable/ductile cast iron pipe fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and imported product 4[2] and margins of underselling compared to domestic product 3, by quarters, January 1999-December 2001

Period	United States		China			China		
	Product 3		Product 3			Product 4		
	Price (*per piece*)	Quantity (*number of pieces*)	Price (*per piece*)	Quantity (*number of pieces*)	Margin (*percent*)	Price (*per piece*)	Quantity (*number of pieces*)	Margin[3] (*percent*)
1999:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2000:								
Jan.-Mar.	***	***	***	***	***	***	***	***
Apr.-June	***	***	***	***	***	***	***	***
July-Sept.	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***
2001:								
Jan.-Mar.	***	***	$0.58	152,016	***	***	***	***
Apr.-June	***	***	0.56	160,602	***	***	***	***
July-Sept.	***	***	0.55	148,648	***	***	***	***
Oct.-Dec.	***	***	0.55	168,449	***	***	***	***

[1] Product 3–Non-malleable cast iron pipe fittings meeting ASTM specification, black, threaded-end, one inch nominal inside diameter, straight tee.
[2] Product 4–Ductile cast iron pipe fittings for the same use as non-malleable cast iron pipe fittings meeting ASTM specification, black, threaded-end, one inch nominal inside diameter, straight tee.
[3] Margins represent comparisons of prices for Chinese product 4 with prices for U.S. product 3.

Note.–Margins are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-1
Weighted-average f.o.b. prices of domestic and imported product 1 and imported product 2, by quarters, January 1999-December 2001.

* * * * * * * *

Figure V-2
Weighted-average f.o.b. prices of domestic and imported product 3 and imported product 4, by quarters, January 1999-December 2001.

* * * * * * * *

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PART VI: FINANCIAL CONDITION OF U.S. PRODUCERS

BACKGROUND

Anvil and Ward provided financial data on their operations for non-malleable cast iron pipe fittings.[1] These data accounted for nearly all U.S. production of non-malleable cast iron pipe fittings in 2001.[2] Formerly known as Supply Sales Co., Anvil is a wholly-owned subsidiary of the Mueller Group, Inc., based in Decatur, IL. Mueller Group purchased Anvil from Tyco International in August 1999. Anvil produced most of its non-malleable cast iron pipe fittings at a manufacturing facility in Statesboro, GA, until July 2001. At that time, the casting equipment for non-malleable cast iron pipe fittings was moved to Anvil's Columbia, PA, plant and production of subject merchandise ceased at the Statesboro site. Both non-malleable cast iron pipe fittings and nonsubject merchandise (*e.g.*, malleable and grooved ductile pipe fittings) are now produced by Anvil in Columbia, PA.[3] Ward is a wholly-owned subsidiary of Hitachi Metals of America and produces non-malleable cast iron pipe fittings in Blossburg, PA.

OPERATIONS ON NON-MALLEABLE CAST IRON PIPE FITTINGS

Combined income-and-loss data for Anvil and Ward on their non-malleable cast iron pipe fittings operations are presented in table VI-1. Individual income-and-loss data for Anvil and Ward are presented in tables VI-2 and VI-3, respectively, and certain individual data are reported on a per-short-ton basis in table VI-4. Table VI-1 shows that the aggregate operating income margin fell from *** percent in 1999 to *** percent in 2000 and then fell again to *** percent in 2001. ***.

Table VI-1
Results of operations of U.S. producers in the production of non-malleable cast iron pipe fittings, fiscal years 1999-2001

* * * * * * *

Table VI-2
Results of operations of Anvil in the production of non-malleable cast iron pipe fittings, fiscal years 1999-2001

* * * * * * *

[1] The fiscal year end for Anvil is *** and for Ward, it is ***.

[2] Ward and Anvil reported using contract producers ("jobbers") for certain low-volume production runs, including Buck, ***, and ***. These jobbers manufactured an insignificant quantity of U.S. production in 2001. Sales of non-malleable cast iron pipe fittings produced by jobbers for Anvil and Ward are accounted for in Anvil's and Ward's operations data. Financial data for the only jobber to submit producers' questionnaire data, Buck, are unusable inasmuch as *** percent of the data reported were for nonsubject products.

[3] Petitioners' postconference brief, p. 19, and Anvil International's producers' questionnaire, pp. 3-4 and note 1.

Table VI-3
Results of operations of Ward in the production of non-malleable cast iron pipe fittings, fiscal years 1999-2001

* * * * * * *

Table VI-4
Results of operations (per unit) of U.S. producers in the production of non-malleable cast iron pipe fittings, by firms, fiscal years 1999-2001

* * * * * * *

The volume of total net sales for non-malleable cast iron pipe fitting producers decreased by *** percent from 1999 to 2000, and decreased again by *** percent from 2000 to 2001. On a per-short-ton basis, average selling price rose less than the increase in average cost of goods sold and SG&A expenses combined, resulting in a decrease in operating income during 1999-2001. ***.

A variance analysis for the U.S. producers of non-malleable cast iron pipe fittings is presented in table VI-5; the information for this analysis is derived from table VI-1. The variance analysis provides an assessment of changes in profitability as related to changes in pricing, cost, and volume, and this analysis shows that the decrease in operating income over the period was due primarily to decreasing sales volumes. Increasing prices failed to offset unfavorable sales volume and cost of sales variances, particularly between 2000-2001, leading to an unfavorable operating income variance over the reported period. The results of the variance analysis may be affected by the product mix of various non-malleable cast iron pipe fittings within a company and between companies.

Table VI-5
Variance analysis for the non-malleable cast iron pipe fitting operations of U.S. producers, fiscal years 1999-2001

* * * * * * *

INVESTMENT IN PRODUCTIVE FACILITIES, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENSES

The responding firms' data on capital expenditures, research and development (R&D) expenses, and the value of their property, plant, and equipment for their non-malleable cast iron pipe fitting operations are shown in table VI-6. ***.

Table VI-6
Value of assets, capital expenditures, and research and development expenses of U.S. producers of non-malleable cast iron pipe fittings, fiscal years 1999-2001

* * * * * * *

VI-2

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of non-malleable cast iron pipe fittings from China on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). *** reported actual and anticipated negative effects due to imports.

* * * * * * *

VI-3

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

The petitioners report that China has up to 12,000 iron foundries, approximately 50 of which are believed to produce the subject merchandise. Respondent Smith-Cooper reports, however, that in order to sell a pipe fitting for use the fire protection/sprinkler systems in the United States, it is necessary that the fitting be UL certified and there are only *** Chinese foundries that currently have such certifications for the subject merchandise.[1]

Five Chinese producers of the subject merchandise provided responses to the Commission's questionnaire in the preliminary phase of this investigation.[2] These Chinese producers' exports of the subject merchandise to the United States are estimated to account for greater than 75 percent of the total U.S. imports of the subject merchandise during 2001.[3] *** reported the production of malleable cast iron pipe fittings and *** reported the production of fire hydrant bodies using shared production equipment and employees. Although the Chinese producers make both malleable and non-malleable cast iron pipe fittings in the same production facilities,[4] very few foundries in China are set up to produce both ductile and non-malleable fittings.[5]

The data provided in the Chinese producers' responses are presented in the aggregate in table VII-1. These data reveal that Chinese production has increased by 9.3 percent from 1999 to 2001. Total reported capacity of the responding Chinese production facilities also increased by 29.8 percent from

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[1] It is reported that the UL certification process can be as short as six months for a Chinese factory that is already ISO-9000 certified and as long as six years for factories that do not already have such a certification. Postconference brief of Smith-Cooper, p. 12 and exh. 3, and conference transcript, p. 157. Petitioners add that no such qualification is apparently necessary to serve the U.S. steam conveyance market. Postconference brief of petitioners, p. 24.

[2] These five firms are: ***. ***. *** Chinese firms identified in the petition (*i.e.*, Eathu Casting & Forging Co., Ltd. and Shen Yang Metalcast Co., Ltd.) reported to the American Embassy in Beijing that they are not producers of the subject fittings. The American Embassy also reported to the Commission that the Chinese Metals and Chemical Chamber of Commerce (Chamber) did not provide them with the requested data concerning the subject Chinese industry for the Commission's use in this investigation because the pipe fittings industry in China is no longer fully administered by the government and is no longer obligated to provide the Chamber with data. As such, the Chamber had little information about the subject industry.

[3] All of the importers named in the Commission's foreign producer questionnaire responses and all but one Chinese producer *** named in the Commission's importers' questionnaire responses provided information requested by the Commission. *** was identified in *** response to the importer's questionnaire.

[4] Conference transcript, p. 112.

[5] Conference transcript, p. 150.

VII-1

Table VII-1
Non-malleable/ductile cast iron pipe fittings: Data for producers in China, 1999-2001 and projected 2002-03

Item	Actual experience			Projections	
	1999	2000	2001	2002	2003
			Quantity (*short tons*)		
Capacity	8,294	9,024	10,767	10,978	11,188
Production	5,442	5,731	5,949	6,482	7,446
End-of-period inventories	***	***	***	***	***
Shipments: Internal consumption/transfers	0	0	0	0	0
Home market	0	0	0	***	***
Exports to-- United States	5,044	5,492	5,749	5,095	5,498
All other markets	***	***	***	***	***
Total exports	***	***	***	***	***
Total shipments	***	***	***	***	***
			Ratios and shares (*percent*)		
Capacity utilization	65.6	63.5	55.3	59.0	66.6
Inventories/production	***	***	***	***	***
Inventories/shipments	***	***	***	***	***
Share of total shipments: Internal consumption/transfers	0.0	0.0	0.0	0.0	0.0
Home market	0.0	0.0	0.0	***	***
Exports to-- United States	***	***	***	***	***
All other markets	***	***	***	***	***
Total exports	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

1999 to 2001. The Commission asked the foreign producers if they have any plans to add, expand, curtail, or shut down production capacity and/or production of subject cast iron pipe fittings in China. *** Chinese producers responded "no;" however, the aggregate data provided by the reporting producers indicate that an increase of 3.9 percent over the 2001 capacity level is forecasted for 2003 and production is forecasted to increase 25.2 percent in 2003 over the 2001 level. The capacity utilization rates of the Chinese production facilities fell from 1999 to 2001 but are projected to increase in 2002 and 2003 as production is expected to climb at a higher rate than capacity. Inventories as a share of production remained relatively constant from 1999 to 2001, at about *** percent. Minor declines in this ratio are expected for 2002 and 2003.

There has been no market in China for subject cast iron pipe fittings in the past three years,[6] but projections indicate that home market sales of these Chinese fittings will begin in 2002 and will increase in 2003. Minor amounts of exports to Canada were reported by the Chinese producers, while the bulk of production was exported to the United States. These exports to the United States, which accounted for *** percent of total shipments and increased by 14 percent during 1999-2001, are projected to dip in 2002 and remain below the 2001 level in 2003. All five Chinese producers reported that the subject fittings exported by their firms are not subject to antidumping findings or remedies in any WTO-member countries.

U.S. INVENTORIES OF SUBJECT MERCHANDISE FROM CHINA

Data on U.S. importers' inventories of non-malleable/ductile cast iron pipe fittings and the ratio of such inventories to imports are shown in table VII-2. As shown in the table, the questionnaire responses of U.S. importers of the subject merchandise reflect that inventories of imports from China increased from 1999 to 2000, but fell in 2001 to a level above that reported in 1999.

Table VII-2
Non-malleable/ductile cast iron pipe fittings: U.S. importers' end-of-period inventories of imports, 1999-2001

* * * * * * *

[6] Conference transcript, p. 16.

VII-3

APPENDIX A

FEDERAL REGISTER NOTICES

A-1

6. Exemption Process
7. Regional Criteria
8. Five-Year Revisions

Reclamation will evaluate Water Management Plans based on these criteria. Our practice is to make comments, including names and home addresses of respondents, available for public review. Individual respondents may request that we withhold their home address from public disclosure, which we will honor to the extent allowable by law. There also may be circumstances in which we would withhold a respondent's identity from public disclosure, as allowable by law. If you wish us to withhold your name and/or address, you must state this prominently at the beginning of your comment. We will make all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, available for public disclosure in their entirety.

A copy of these Plans will be available for review at Reclamation's Mid-Pacific (MP) Regional Office located in Sacramento, California, and MP's South-Central California Area Office located in Fresno, California. If you wish to review a copy of these Plans, please contact Mr. White to find the office nearest you.

Dated: November 5, 2001.

John F. Davis,

Regional Resources Manager.

[FR Doc. 02–4678 Filed 2–26–02; 8:45 am]

BILLING CODE 4210–MN–M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–990 (Preliminary)]

Non-Malleable Cast Iron Pipe Fittings From China

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigation and scheduling of a preliminary phase investigation.

SUMMARY: The Commission hereby gives notice of the institution of an investigation and commencement of preliminary phase antidumping investigation No. 731–TA–990 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) 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 imports from China of non-malleable cast iron pipe fittings, provided for in subheading 7307.11.00 of the Harmonized Tariff Schedule of the United States (HTS),[1] that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by April 8, 2002. The Commission's views are due at Commerce within five business days thereafter, or by April 15, 2002.

For further information concerning the conduct of this investigation and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: February 21, 2002.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server *(http://www.usitc.gov)*. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS–ON–LINE) at *http://dockets.usitc.gov/eol/public.*

SUPPLEMENTARY INFORMATION:

Background.—This investigation is being instituted in response to a petition filed on February 21, 2002, by Anvil International, Inc., Portsmouth, NH, and Ward Manufacturing, Inc., Blossburg, PA.

Participation in the investigation and public service list.—Persons (other than petitioners) wishing to participate in the investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigation under the APO issued in the investigation, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Commission's Director of Operations has scheduled a conference in connection with this investigation for 9:30 a.m. on March 14, 2002, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Mary Messer (202–205–3193) not later than March 12, 2002, to arrange for their appearance. Parties in support of the imposition of antidumping duties in this investigation 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. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions.—As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before March 19, 2002, a written brief containing information and arguments pertinent to the subject matter of the investigation. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the

[1] Some subject goods may be imported under HTS subheading 7307.19.30, which covers cast ductile fittings of iron or steel.

Secretary by facsimile or electronic means.

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

By order of the Commission.
Issued: February 22, 2002.

Marilyn R. Abbott,

Acting Secretary.

[FR Doc. 02–4675 Filed 2–26–02; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF LABOR

Employment and Training Administration

Proposed Collection; Comment Request

ACTION: Notice.

SUMMARY: The Department of Labor, as part of its continuing effort to reduce paperwork and respondent burden conducts a preclearance consultation program to provide the general public and Federal agencies with an opportunity to comment on proposed and/or continuing collections of information in accordance with the Paperwork Reduction Act of 1995 (PRA95) [44 U.S.C. 3506(c)(2)(A)]. This program helps to ensure that requested data can be provided in the desired format, reporting burden (time and financial resources) is minimized, collection instruments are clearly understood, and the impact of collection requirements on respondents can be properly assessed. Currently, the Employment and Training Administration is soliciting comments concerning the proposed new collection of the data contained on the Workforce Investment Act (WIA) National Emergence Grant Activities, Quarterly Financial Status Report (ETA 9099). A copy of the proposed information collection request (ICR) can be obtained by contacting the office listed below in the addresses section of this notice.

DATES: Written comments must be submitted to the office listed in the addresses section below on or before April 29, 2002.

ADDRESSES: Isabel Danley, Office of Grants and Contract Management, Employment and Training Administration, United States Department of Labor, 200 Constitution Avenue, NW, Room N–4720, Washington, DC 20210, 202–693–3047 (this is not a toll free number), Internet Address: *idanley@doleta.gov,* and FAX: 202–693–3362.

SUPPLEMENTARY INFORMATION:

I. Background

Pursuant to Public Law 105–220, dated August 7, 1998, and 20 CFR part 652, et al., Workforce Investment Act (WIA) Final Rules, dated August 11, 2000, the Department of Labor's Employment and Training Administration has revised the financial reporting instructions for the National Emergency Grants. Title I, Subtitle E—Administration, Sec. 185, Reports; Recordkeeping; Investigations, of the WIA, establishes that all recipients of funds under Title I must maintain records and submit reports in such form and containing such information as required by the Secretary. The WIA regulations at Part 667.300, Subpart C—Reporting Requirements, further state that "All States and other direct grant recipients must report financial, participant, and performance data in accordance with instructions issued by DOL."

II. Review Focus

The Department of Labor is particularly interested in comments which:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.,* permitting electronic submissions of responses.

III. Current Actions

The Department of Labor's Employment and Training Administration (ETA) has determined that the currently required Standard Form (SF) 269, Quarterly Financial Status Report, and accompanying instructions are not adequate to capture project level data for the National Emergency Grants. Therefore, a slightly modified SF 269 and detailed instructions requiring financial reporting by project, by fund source, is proposed. ETA management in both the financial and programmatic areas concur that this level of detail is needed to assess program performance by project and to permit accountability by fund source. The data elements contained on the prototype format will be incorporated into software that will be provided electronically to NEG recipients for direct on-line reporting. The enhanced instructions will also be incorporated into the software for on-line reference.

Type of Review: New.

Agency: Department of Labor, Employment and Training Administration.

Title: Workforce Investment Act (WIA) Employment and Training Administration (ETA) Financial Reporting Requirements for National Emergency Grants.

OMB Number: 1205–0NEW.

Agency Number: ETA 9099.

Recordkeeping: The rules governing the record retention requirements for WIA Title I grantees are contained at 29 CFR 97.42 and 29 CFR 95.53, based on the nature of the entity receiving and expending funds.

Affected Public: States, Local Workforce Investment Boards, Indian Tribes, Alaska Native entities, Native Hawaiian organizations, entities determined to be eligible by the Governor of the State involved, and other entities that demonstrate to the Secretary the capability to effectively respond to the circumstances relating to particular disasters.

Form: WIA Quarterly Financial Status Report for National Emergency Grants.

Total Respondents: Forty.

Frequency: Quarterly.

Total Responses: 320 reports per year.

Average Time per Response: One-half hour.

Estimated Total Burden Hours: 160 Burden Hours. *See attached Burden Table.*

Comments submitted in response to this comment request will be summarized and/or included in the request for Office of Management and Budget approval of the information collection request; they will also become a matter of public record.

this review of the antidumping duty order on circular welded non–alloy steel pipe from Mexico covering the period November 1, 2000 through October 31, 2001.

This notice is issued and published in accordance with section 777(i) of the Act and 19 CFR 351.213(d)(4).

Dated: March 5, 2002.

Joseph A. Spetrini,

Deputy Assistant Secretary for Import Administration, Group III.

[FR Doc. 02–6741 Filed 3–19–02; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–875]

Notice of Initiation of Antidumping Duty Investigation: Non–Malleable Cast Iron Pipe Fittings from the People's Republic of China

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

ACTION: Initiation of Antidumping Duty Investigation.

EFFECTIVE DATE: March 20, 2002.

FOR FURTHER INFORMATION CONTACT: Ron Trentham or Paige Rivas at (202) 482–6320 and (202) 482–0651, respectively; Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

Initiation of Investigation

The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions effective January 1, 1995, the effective date of the amendments made to the Tariff Act of 1930, as amended (the Act), by the Uruguay Round Agreements Act (URAA). In addition, unless otherwise indicated, all citations to the Department of Commerce's (the Department's) regulations are references to the provisions codified at 19 CFR Part 351 (2001).

The Petition

On February 21, 2002, the Department received a petition filed in proper form by Anvil International, Inc., and Ward Manufacturing Inc. (collectively, the petitioners). The Department received information supplementing the petition on March 5, 2002 and March 11, 2002.

In accordance with section 732(b) of the Act, the petitioners allege that imports of non–malleable cast iron pipe fittings and ductile cast iron pipe fittings that have the same physical characteristics as non–malleable cast iron pipe fittings (pipe fittings) from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring, or are threatening to materially injure, an industry in the United States.

The Department finds that the petitioners filed this petition on behalf of the domestic industry because they are interested parties as defined in sections 771(9)(C) of the Act and have demonstrated sufficient industry support with respect to the antidumping investigation that they are requesting the Department to initiate (*see* the *Determination of Industry Support for the Petition* section below).

Scope of Investigation

For purposes of this investigation, the products covered are finished and unfinished non–malleable cast iron pipe fittings with an inside diameter ranging from 1/4 inch to 6 inches, whether threaded or un–threaded, regardless of industry or proprietary specifications. The subject fittings include elbows, ells, tees, crosses, and reducers as well as flanged fittings. These pipe fittings are also known as cast iron pipe fittings or gray iron pipe fittings. These cast iron pipe fittings are normally produced to ASTM A–126 and ASME B.l6.4 specifications and are threaded to ASME B1.20.1 specifications. Most building codes require that these products are Underwriters Laboratories (UL) certified. The scope does not include cast iron soil pipe fittings or grooved fittings or grooved couplings.

Fittings that are made out of ductile iron that have the same physical characteristics as the gray or cast iron fittings subject to the scope above or which have the same physical characteristics and are produced to ASME B.16.3, ASME B.16.4, or ASTM A–395 specifications, threaded to ASME B1.20.1 specifications and UL certified, regardless of metallurgical differences between gray and ductile iron, are also included in the scope of this petition. These ductile fittings do not include grooved fittings or grooved couplings. Ductile cast iron fittings with mechanical joint ends (MJ), or Push On ends (PO), or flanged ends and produced to the American Water Works Association (AWWA) specifications–AWWA C110 or AWWA C153 are not included.

Imports of covered merchandise are classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers 7307.11.00.30, 7307.11.00.60, 7307.19.30.60 and 7307.19.30.85. HTSUS subheadings are provided for convenience and Customs purposes. The written description of the scope of this proceeding is dispositive.

During our review of the petition, we discussed the scope with the petitioners to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for parties to raise issues regarding product coverage. *See, Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27295, 27323 (May 19, 1997). The Department encourages all parties to submit such comments within 20 days from the publication of this notice. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. The scope comment period is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determination.

Determination of Industry Support for the Petition

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether the petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The United States International Trade Commission (ITC), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding domestic like product (see section 771(10) of the Act), they do so for different purposes and pursuant to their separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to the law.[1]

[1] See Algoma Steel Corp. Ltd., v. United States, 688 F. Supp. 639, 642–44 (CIT 1988); High Information Content Flat Panel Displays and

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," *i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition.

In this petition, the petitioners do not offer a definition of domestic like product distinct from the scope of these investigations. Thus, based on our analysis of the information presented to the Department by the petitioners, and the information obtained and received independently by the Department, we have determined that there is a single domestic like product, which is defined in the *Scope of Investigation* section above, and have analyzed industry support in terms of this domestic like product.

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (1) at least 25 percent of the total production of the domestic like product; and (2) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Information contained in the petition demonstrates that the domestic producers or workers who support the petition account for over 50 percent of total production of the domestic like product. *See, Petition for Imposition of Antidumping Duties: Non–Malleable Cast Iron Pipe Fittings from the People's Republic of China (Pipe Fittings Petition)*, dated February 21, 2002, at page 3. Therefore, the domestic producers or workers who support the petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) are met. *See, Import Administration AD Investigation Checklist*, dated March 13, 2002 (*Initiation Checklist*) (public version on file in the Central Records Unit of the Department of Commerce, Room B–099). Furthermore, because the Department received no opposition to the petition, the domestic producers or workers who support the petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the petition. *See, Initiation Checklist.* Thus, the requirements of section 732(c)(4)(A)(ii) are met.

Accordingly, the Department determines that the petition was filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See, Initiation Checklist.*

Export Price and Normal Value

The following is a description of the allegation of sales at less than fair value upon which the Department has based its decision to initiate this investigation. The sources of data for the deductions and adjustments relating to U.S. price and factors of production (FOP) are detailed in the *Initiation Checklist.*

The anticipated period of investigation (POI) for the PRC, a non–market economy (NME) country, is July 1, 2001 through December 31, 2001. Regarding an investigation involving an NME country, the Department presumes, based on the extent of central government control in an NME, that a single dumping margin, should there be one, is appropriate for all NME exporters in the given country. *See, e.g., Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the PRC*, 59 FR 22585 (May 2, 1994). In the course of the investigation of pipe fittings from the PRC, all parties will have the opportunity to provide relevant information related to the issue of the PRC's status and the granting of separate rates to individual exporters.

Export Price

The petitioners identified the following three companies as producers and/or exporters of pipe fittings from the PRC: Eathu Casting & Forging Co., Ltd., GMS Pipe Fittings Industries, and ShenYang Metalcast Co., Ltd. To calculate export price (EP), the petitioners provided the average unit value (AUV) calculated from import statistics released by the Census Bureau. The petitioners calculated the AUV using the quantity and value of imports during the POI of pipe–fittings from the PRC, entered under HTSUS subheadings 7307.11.00.30 and 7307.11.00.60, the two HTSUS numbers covering non–malleable cast iron pipe fittings.

The petitioners calculated a net U.S. price by deducting from the AUV foreign inland freight. *See Initiation Checklist.*

Normal Value

The petitioners assert that the PRC is an NME country and no determination to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is an NME. *See, Steel Concrete Reinforcing Bars from the People's Republic of China; Notice of Final Determination of Sales at Less Than Fair Value (Re–Bars from China)*, 66 FR 33522 (June 22, 2001), and *Notice of Final Determination of Sales at Less Than Fair Value: Foundry Coke Products from the People's Republic of China (Foundry Coke from China)*, 66 FR 39487 (July 31, 2001). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Because the PRC's status as an NME remains in effect, the petitioners determined the dumping margin using an FOP analysis.

For normal value (NV), the petitioners based the FOP, as defined by section 773(c)(3) of the Act, on the consumption rates of one U.S. pipe fittings producer for non–malleable cast iron pipe fittings. The petitioners assert that information regarding the Chinese producers' consumption rates is not available, and have therefore assumed, for purposes of the petition, that producers in the PRC use the same inputs in the same quantities as the petitioners use, except where a variance from the petitioners' cost model can be justified on the basis of available information. Based on the information provided by the petitioners, we believe that the petitioners' FOP methodology represents information reasonably available to the petitioners and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Act, the petitioners assert that India is the most appropriate surrogate country for the PRC, claiming that India is: (1) a market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to the PRC in terms of per capita gross national product (GNP). Based on the information provided by the petitioners, we believe that the petitioners' use of India as a surrogate country is appropriate for purposes of initiating this investigation.

In accordance with section 773(c)(4) of the Act, the petitioners valued FOP, where possible, on reasonably available, public surrogate data from India. Raw materials were valued based on Indian import values, as published by *Monthly Statistics of the Foreign Trade of India* (*Indian Import Statistics*) for February

Display Glass Therefore from Japan: Final Determination; Rescission of Investigation and Partial Dismissal of Petition, 56 FR 32376, 32380–81 (July 16, 1991).

2001. Because these values are from a period preceding the POI, the petitioners inflated the value to December 2001 levels where appropriate, using the Indian Wholesale Prices Index (as published in the *International Financial Statistics* of the International Monetary Fund).

Labor was valued using the Department's regression–based wage rate for the PRC, in accordance with past Department practice. *See, Pipe Fittings Petition* at 14 and citations discussed therein. Electricity was valued using the 1997 Indian electricity prices for industry as published in the fourth quarter 2001 issue of *Energy Prices and Taxes*, published by the Organization for Economic Cooperation and Development's International Energy Agency. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by an inflation factor. *See, Pipe Fittings Petition* at 15 and 16.

Foundry coke was valued using Indian Import Statistics for February 2001. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by an inflation factor, and adjusted for price differences between U.S. foundry coke and blast furnace coke prices in the first quarter of 2001. *See, Pipe Fittings Petition* at 14 and 15.

We find the petitioners' calculation of foundry coke to be inappropriate because there is no evidence based on the actual Indian data that: (1) the data included the import value for both blast furnace coke and foundry coke, as claimed in the petition, and (2) the majority of Indian imports was of blast furnace coke. Accordingly, we have recalculated the surrogate value for foundry coke based on the figures in the *Indian Import Statistics* without any further adjustments.

The petitioners derived the surrogate value for natural gas from a price the Department utilized in the *Notice of Preliminary Determination of Sales at Less Than Fair Value: Certain Hot–Rolled Carbon Steel Flat Products From the People's Republic of China*, 66 FR 22183 (May 3, 2001). To convert to the unit of measurement used in the production factors of the U.S. surrogate, the petitioners multiplied the amount by 1,000. To inflate the price to December 2001 levels, the petitioners multiplied the computed amount by a U.S. inflation factor because it was denominated in U.S. dollars. *See, Pipe Fittings Petition* at 16. For overhead, depreciation, selling general and administrative (SG&A) expenses, the petitioners applied rates derived from the fiscal year financial statements as of December 31, 2000, of an Indian pipe fittings producer that the petitioners believe to produce iron and steel castings, including cast iron pipes and fittings. The Indian pipe fittings producer did not make any profits in both 2000 and 2001; therefore, the petitioners calculated the profit ratio using the financial statements of another Indian steel producer using the financial statements of that company as of March 31, 2001. *See, Pipe Fittings Petition* at 17. Based on the information provided by the petitioners, we believe that the surrogate values represent information reasonably available to the petitioners and are acceptable for purposes of initiating this investigation.

The petitioners did not include packing materials in its computation because it was unable to obtain information on this expense. The petitioners valued packing labor using the direct labor rate published on the Department's website. *See, Pipe Fittings Petition* at 17.

Based upon the comparison of EP to NV, the estimated dumping margin is 38.25 percent.

Fair Value Comparisons

Based on the data provided by the petitioners, there is reason to believe that imports of pipe fittings from the PRC are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

The petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of imports of the subject merchandise sold at less than NV. The volume of imports from the PRC, using the latest available data, exceeded the statutory threshold of seven percent for a negligibility exclusion. See, section 771(24)(A)(ii) of the Act. The petitioners contend that the industry's injured condition is evidenced in the declining trends in operating income, decreased U.S. market share, and increasing Chinese imports. The allegations of injury and causation are supported by relevant evidence including U.S. Customs import data, domestic consumption, and domestic production information. We have assessed the allegations and supporting evidence regarding material injury and causation, and have determined that these allegations are properly supported by accurate and adequate evidence and meet the statutory requirements for initiation. *See, Initiation Checklist.*

Initiation of the Antidumping Investigation

Based on our examination of the petition on pipe fittings, and the petitioners' response to our supplemental questionnaire clarifying the petition, and additional independent data, we find that the petition meets the requirements of section 732 of the Act. *See, Initiation Checklist.* Therefore, we are initiating the antidumping duty investigation to determine whether imports of pipe fittings from the PRC are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended, we will make our preliminary determination no later than 140 days after the date of this initiation.

Distribution of Copies of the Petition

In accordance with section 732(b)(3)(A) of the Act, a copy of the public version of the petition has been provided to the representatives of the government of the PRC. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as appropriate.

International Trade Commission Notification

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will determine, no later than April 8, 2002 whether there is a reasonable indication that imports of pipe fittings from the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: March 13, 2002.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 02–6739 Filed 3–19–02; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

CONFERENCE WITNESSES

B-1

CALENDAR OF THE PUBLIC CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's conference held in connection with the following investigation:

NON-MALLEABLE CAST IRON PIPE FITTINGS FROM CHINA

Investigation No. 731-TA-990 (Preliminary)

March 14, 2002 - 9:30 am

The conference was held in the Main Hearing Room of the United States International Trade Commission Building, 500 E Street, SW, Washington, DC.

IN SUPPORT OF THE IMPOSITION OF ANTIDUMPING DUTIES:

Schagrin Associates
Washington, DC
on behalf of

Anvil International, Inc.
Ward Manufacturing, Inc.

Thomas E. Fish, President, Anvil International, Inc.
William E. Strouss, Vice President - Finance, Anvil International, Inc.
Bob Kim, Vice President - Manufacturing, Anvil International, Inc.
John E. Martin, Vice President - National Accounts, Anvil International, Inc.
Tom Gleason, Vice President - Marketing and Sales, Ward Manufacturing, Inc.
Kevin Barron, Operations Manager, Ward Manufacturing, Inc.
Frank Finkel, President, Davis & Warshow
Robert Clark, President, Clark Sprinkler Supply

Roger B. Schagrin)–OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

Manatt, Phelps & Phillips, LLP
Washington, DC
on behalf of

Smith-Cooper International

Mark Martelle, Product Engineer, Smith-Cooper International

David R. Amerine)–OF COUNSEL

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IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:–*Continued*

Dickstein, Shapiro, Morin & Oshinsky, LLP
Washington, DC
on behalf of

Star Pipe Products, Inc.

Navin Bhargava, Director of Purchasing, Star Pipe Products, Inc.
Dan McCutchen, Sales Manager, Star Pipe Products, Inc.

Karmi Leiman)–OF COUNSEL

Lipstein, Jaffee & Lawson, LLP
Washington, DC
on behalf of

JDH Pacific

Bill Hurley, Marketing Manager, JDH Pacific

Matthew P. Jaffe)
Joseph A. Konizeski)–OF COUNSEL

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APPENDIX C

SUMMARY DATA

C-1

Table C-1
Non-malleable/ductile cast iron pipe fittings: Summary data concerning the U.S. market, 1999-2001

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C-3