

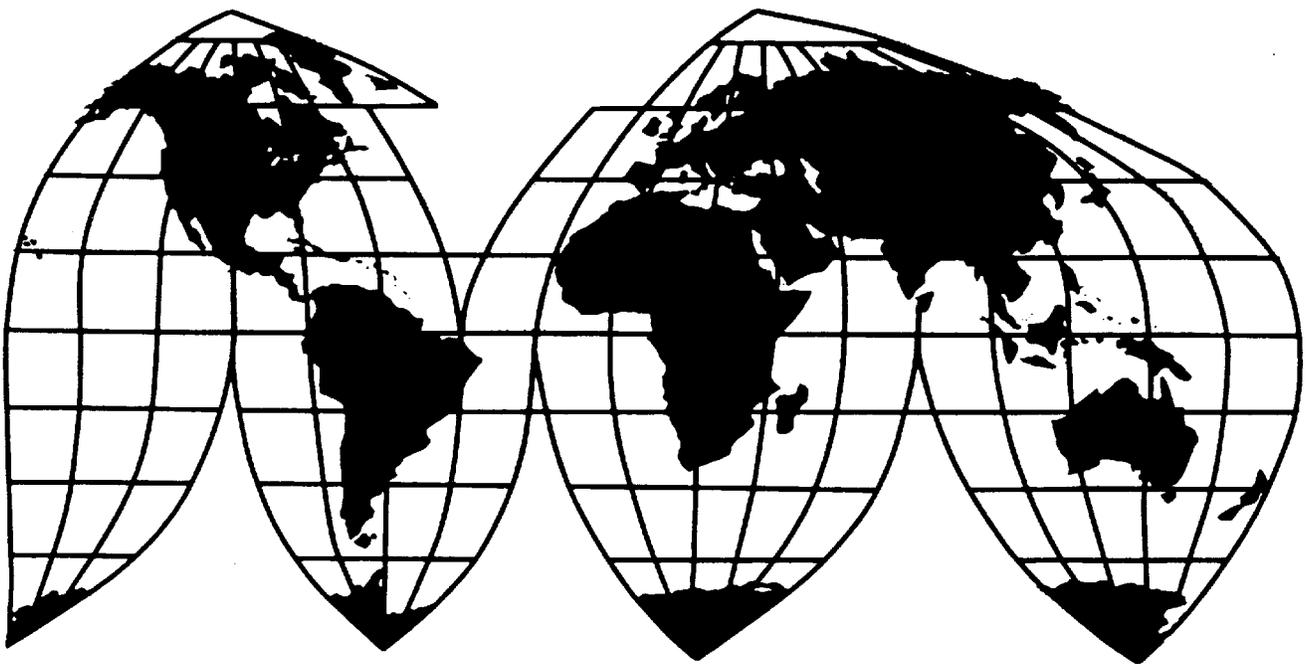
Certain Circular Welded Carbon Quality Line Pipe From China, Korea, and Mexico

Investigations Nos. 731-TA-1073-1075 (Preliminary)

Publication 3687

April 2004

U.S. International Trade Commission



U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

Investigations Nos. 731-TA-1073-1075 (Preliminary)

CERTAIN CIRCULAR WELDED CARBON QUALITY LINE PIPE FROM CHINA, KOREA, AND MEXICO

DETERMINATIONS

On the basis of the record¹ developed in the subject investigations, the United States International Trade Commission (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 by reason of imports from China, Korea, and Mexico of certain circular welded carbon quality line pipe provided for in subheadings 7306.10.10 and 7306.10.50 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 investigations. 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 (Commerce) of affirmative preliminary determinations in the investigations under section 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under section 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. 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 investigations.

BACKGROUND

On March 3, 2004, a petition was filed with the Commission and Commerce by American Steel Pipe Division of American Cast Iron Pipe Co., Birmingham, AL; IPSCO Tubulars, Inc., Camanche, IA; Lone Star Steel Co., Dallas, TX; Maverick Tube Corp., Chesterfield, MO; Northwest Pipe Co., Portland, OR; and Stupp Corp., Baton Rouge, LA, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of certain circular welded carbon quality line pipe from China, Korea, and Mexico. Accordingly, effective March 3, 2004, the Commission instituted antidumping duty investigations Nos. 731-TA-1073-1075 (Preliminary).

Notice of the institution of the Commission's investigations 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 March 9, 2004 (69 F.R. 11404). The conference was held in Washington, DC, on March 24, 2004, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain circular welded carbon quality line pipe from China, Korea, and Mexico that are alleged to be 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 determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that 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. BACKGROUND

These investigations cover circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (“line pipe”), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, or coated with any coatings compatible with line pipe), end finish (plain end, beveled ends for welding, threaded ends or threaded and coupled, as well as any other special end finishes), and stenciling. Line pipe generally is produced in accordance with specifications published by the American Petroleum Institute (“API”) and used for the transmission of gas, oil, or water, generally in pipeline or utility distribution systems.³ Most domestically produced line pipe and imports of the subject merchandise were sold to distributors, with much smaller shares sold to end users.⁴

The petition was filed on behalf of six domestic producers of line pipe.⁵ There were 14 firms known to have produced line pipe in the United States during 2001-03, *** of which provided questionnaire responses to the Commission.⁶ Domestic production accounted for 86.9 percent of the U.S. market for line pipe during 2001, 67.9 percent during 2002, and 65.8 percent during 2003. For the latter part of the period, the next largest source was imports from the subject countries, mainly Korea.⁷ Also present in the market were imports from nonsubject sources, the majority of which were from Canada.⁸

¹ 19 U.S.C. § 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).

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

³ Confidential Staff Report (“CR”) at I-7 - I-8, II-1; Public Staff Report (“PR”) at I-6, II-1.

⁴ CR/PR at Table I-4.

⁵ CR/PR at I-1.

⁶ CR/PR at Table III-1. These firms, believed to represent more than 95 percent of U.S. line pipe production during 2003, include former producers that were acquired by current producers. CR/PR at III-1.

⁷ CR/PR at Table IV-7.

⁸ Official Commerce import statistics.

III. 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.”⁹ 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.”¹⁰ 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”¹¹

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.¹² No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.¹³ The Commission looks for clear dividing lines among possible like products, and disregards minor variations.¹⁴ 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 LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.¹⁵ The Commission must base its domestic like product determination on the record in the investigation before it. The Commission is not bound by prior determinations, even those pertaining to the same

⁹ 19 U.S.C. § 1677(4)(A).

¹⁰ Id.

¹¹ 19 U.S.C. § 1677(10).

¹² 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 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).

¹³ See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

¹⁴ Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (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.”).

¹⁵ Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a 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).

imported products, but may draw upon previous determinations in addressing pertinent like product issues.¹⁶

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of investigation as:

circular welded carbon quality steel pipe of a kind used for oil and gas pipelines, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, or coated with any coatings compatible with line pipe), and regardless of end finish (plain end, beveled ends for welding, threaded ends or threaded and coupled, as well as any other special end finishes), and regardless of stenciling.¹⁷

Line pipe for use in oil and gas pipelines normally is produced to API specifications. The API specifications require higher hydrostatic test pressures and more restrictive weight tolerances than pipe used in low pressure conveyance of water or steam, known as standard pipe. Line pipe has either a black (lacquered) finish or bare surface finish, and is typically marked or “stenciled” with paint on the outside surface by the manufacturer to indicate the specification in conformance with which it has been manufactured. Because line pipe that complies with the API specifications is necessarily in conformance with the less demanding specifications of the American Society for Testing and Materials (“ASTM”) and American Society of Manufacturing Engineers (“ASME”) for standard pipe, it is often dual (or multiple) stenciled so it can be used in both line pipe and standard pipe applications. Most line pipe has a beveled end for welding in the field, although it is sometimes threaded or coupled.¹⁸

Line pipe is made from “carbon quality” steel. “Carbon quality” steel includes both carbon steel and carbon steel mixed with small amounts of alloying elements.¹⁹ Line pipe is most commonly manufactured by the electric resistance welded (“ERW”) process, although the continuous weld (“CW”) process can be used for pipe up to 4.5 inches in outer diameter.²⁰ The manufacture of line pipe by the ERW process begins with coils of hot-rolled steel sheet, which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe. The slit coils are fed into the tube mill, which cold-forms the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The

¹⁶ See Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int’l Trade 2000); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int’l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int’l Trade 1988).

¹⁷ CR at I-7, PR at I-6. Notice of Initiation, 79 Fed. Reg. 16521 (Mar. 30, 2004). The subject merchandise is provided for in statistical reporting numbers 7306.10.1010, 7306.10.1050, 7306.10.5010, and 7306.10.5050 of the Harmonized Tariff Schedules of the United States (HTS).

¹⁸ CR at I-8 - I-9, PR at I-6 - I-7; CR/PR at Table IV-3.

¹⁹ CR at I-7, PR at I-6. The petitioners defined “carbon quality” to mean products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.

²⁰ CR at I-10 and nn. 26 and 27, PR at I-8 and nn. 26 and 27.

formed pipe is then welded along the joint axis, and inside and outside flash from the welding process is removed. After post-weld heat treatment, sizing rolls shape the tube to accurate diameter tolerances. The product is cooled and then cut at the end of the tube mill by a flying shear or saw. CW is a process of forming a seam by heating the steel in a furnace and mechanically pressing the formed edges together as it passes through a series of round welding rolls. Successive coils are joined together to provide a continuous flow of steel to the welding mill. Only API grade A-25 can be manufactured using the CW process, and CW pipe makes up only a small portion of the welded line pipe market.²¹ Line pipe and standard pipe can be produced on the same equipment by the same production workers.²²

Petitioner contends that the Commission should define a single domestic like product consisting of all domestically produced merchandise corresponding to that described in Commerce's scope of investigation. The Mexican and Korean respondents do not contest that definition of the domestic like product. Central Plastics, an importer of subject merchandise from Mexico, asserts that the Commission should find welded line pipe with a nominal diameter of 1-1/4 inches and below to be a like product separate from the other line pipe corresponding to the scope.²³

Central Plastics' arguments address in only the most general terms differences between larger diameter and smaller diameter line pipe and fail to consider that the Commission looks for clear dividing lines among possible like products, and disregards minor variations.²⁴ The Commission has investigated welded line pipe 16 inches or less in diameter on several prior occasions and has not divided the domestic like product on the basis of diameter. In investigations such as the present one, where the domestically manufactured merchandise corresponding to the scope comprises a continuum of similar products, the Commission generally does not consider each item of merchandise to be a separate domestic like product that is only "like" its counterpart in the scope, but considers the continuum itself to constitute the domestic like product.²⁵

The record in these investigations shows that, regardless of diameter, line pipe is used for the same general purposes, conveyance of oil and gas.²⁶ It is produced in various grades, with varying chemical compositions and mechanical properties, depending on the particular grade.²⁷ Diameter, like wall thickness, depends on the volume and pressure of material that is to flow through the pipe.²⁸ Nothing in the record suggests that the physical and chemical properties of line pipe differ when the diameter is greater or less than 1-1/4 inches. Central Plastics acknowledges that line pipe above and below 1-1/4 inches is sold through the same channels and that the U.S. facilities at which 1-1/4 inch and less line pipe is produced also produce line pipe up to 4 inches. Thus, the record does not indicate a dividing line in terms of manufacturing facilities, workers, or methods when the diameter of line pipe is

²¹ CR at I-10 n.27, PR at I-8 n.27.

²² CR at I-9 - I-10, PR at I-7-I-8. Other forms of welded pipe, such as oil country tubular goods ("OCTG"), also can be produced in the same facilities as line pipe and standard pipe. OCTG are typically used in the initial drilling and extraction stage of oil and natural gas operations. CR at I-11, PR at I-7.

²³ Central Plastics also indicated that in any final phase investigation a scope exclusion may be sought at Commerce for welded line pipe with a nominal diameter of 1-1/4 inches and below. Central Plastics' Postconference Brief at 4-5.

²⁴ Torrington Co. v. United States, 747 F. Supp. 744, 748-49 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991).

²⁵ Certain Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela, Invs. Nos. 701-TA-368-371 (Final), USITC Pub. 3075 (Nov. 1997) at 7.

²⁶ CR at I-8, PR at I-7.

²⁷ CR at I-7 - I-10, PR at I-6 - I-8; CR/PR at Table IV-3.

²⁸ CR at I-10 n.29, PR at I-8 n.29.

greater or less than 1-1/4 inches. While Central Plastics contends that there is an inverse correlation between line pipe diameter and line pipe price on a per-pound basis, nothing in the record identifies 1-1/4 inches as a clear dividing line in that regard.²⁹

In conclusion, the physical distinctions between welded line pipe with a nominal diameter of 1-1/4 inches and below and other welded line pipe within the scope are indistinguishable from the differences between the numerous other dimensions within the scope. In the absence of a clear dividing line based on pipe diameter, we find a single domestic like product coterminous with Commerce's scope.^{30 31}

IV. DOMESTIC INDUSTRY

The domestic industry is defined 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.”³² 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.³³ Based on our domestic like product determination, we determine that there is a single domestic industry consisting of all U.S. producers of certain welded line pipe.

In defining the domestic industry, we must further determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to section 771(4)(B) of the Act. That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise

²⁹ Rather, Central Plastics confirms that the diameter/price phenomenon exists over a continuum, and that 1-1/4 inches is not a point of division, when it sets forth ***. Central Plastics' Postconference Brief at 9.

³⁰ Central Plastics notes that separate like products were found on the basis of diameter in Certain Seamless Carbon and Alloy Standard, Line and Pressure Pipe from Japan and South Africa, Inv. Nos. 731-TA-847 and 850 (Final), USITC Pub. 3311 (June 2000). There, pipe with an outside diameter of not more than 4.5 inches and pipe with an outside diameter greater than 4.5 inches were found to be separate like products. That investigation, however, concerned various forms of seamless pipe (standard, line, and pressure), not welded line pipe. Moreover, the Commission there noted that each like product determination is *sui generis* and starts with the scope of the investigation, that those investigations had proceeded on the basis of two distinct scopes, that the record showed important differences, and that no party had objected to the two separate like products. USITC Pub. 3311 at 9. Thus, the facts of the instant investigations are different in several significant respects. Moreover, while relying on that determination's distinctions between larger and smaller pipe, Central Plastics disregards the diameter distinction there, 4.5 inches, and advances another distinction, 1-1/4 inches, unrelated to the findings there.

³¹ We note that line pipe is often stenciled to indicate compliance with ASTM and ASME specifications for standard pipe, as well as API line pipe specifications, and that the multiple stenciled product can be and is sold for and used in standard pipe applications. In light of this interchangeability between welded line and standard pipe, we intend in any final phase investigations to gather data on both welded standard pipe and welded line pipe and to invite parties to comment on any like product issues with respect to welded standard pipe.

³² 19 U.S.C. § 1677(4)(A).

³³ 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).

or which are themselves importers.³⁴ Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.³⁵

Tex-Tube, a line pipe producer in Houston, Texas, is owned by the same parent companies, Visteel/Vi Capital, that own the Mexican line pipe producer Tuberia Nacional.³⁶ Visteel/Vi Capital also own ***, an importer of subject merchandise from Mexico.³⁷ Tex-Tube, therefore, is a related party on those bases. No party has advocated that Tex-Tube be excluded from the domestic industry and Tex-Tube does not appear to have obtained any special advantage from its related party status.³⁸ Accordingly, we do not find appropriate circumstances exist to exclude Tex-Tube from the domestic industry.

V. CUMULATION³⁹

A. In General

For purposes of evaluating the volume and price effects for a determination of reasonable indication of material injury by reason of subject imports, section 771(7)(G)(i) of the Act requires the Commission to assess cumulatively the volume and effect of imports of the subject merchandise from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.⁴⁰ In assessing whether subject imports compete with each other and with the domestic like product,⁴¹ the Commission has generally considered four factors, including:

³⁴ 19 U.S.C. § 1677(4)(B).

³⁵ Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd without opinion, 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude the related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e., whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market; and (3) the position of the related producers vis-a-vis the rest of the industry, i.e., whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington Co. v. United States, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), aff'd without opinion, 991 F.2d 809 (Fed. Cir. 1993). The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia, and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 (Feb. 1997) at 14 n.81.

³⁶ CR/PR at IV-1 and Table III-1.

³⁷ CR/PR at IV-1.

³⁸ While Tex-Tube's financial performance was *** than the industry average in *** of the period, the performance of certain other producers *** that of Tex-Tube. CR/PR at Table VI-4.

³⁹ In these investigations, subject imports from China, Korea, and Mexico each accounted for more than three percent of the volume of all imports into the United States in the most recent 12-month period for which data are available preceding the filing of the petition. CR/PR, Table IV-5. As such, we find that imports from each of the subject countries are not negligible under 19 U.S.C. § 1677(24).

⁴⁰ 19 U.S.C. § 1677(7)(G)(i).

⁴¹ The Uruguay Round Agreements Act ("URAA") Statement of Administrative Action ("SAA") expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA, H.R. Rep. 103-316, vol. I at 848 (1994), citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

- (1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.⁴²

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.⁴³ Only a “reasonable overlap” of competition is required.⁴⁴

B. Analysis

Petitioner contends that the Commission should cumulate imports from the three subject countries. The Mexican respondents argue that competition between the subject imports from Mexico and the other subject imports was highly attenuated during the period for which information was gathered because Mexico was exempted from the safeguard measure on welded line pipe (see discussion of safeguard remedy in Conditions of Competition, infra), because the Mexican product has been sold at higher prices than the other subject imports, and because, they contend, the Mexican and Korean producers stopped taking orders for welded line pipe in 2004. The Korean respondents do not make any argument specifically pertaining to cumulation for material injury analysis.

The threshold requirement for cumulation is satisfied because petitioner filed petitions with respect to each of the three subject countries on the same day, and none of the statutory exceptions to cumulation applies.⁴⁵ Therefore, we examine the four factors that the Commission customarily considers in determining whether there is a reasonable overlap of competition.

Fungibility. In questionnaire responses, a majority of U.S. producers and importers reported that the U.S. welded line pipe and each individual country’s subject imports are always or frequently interchangeable.⁴⁶ U.S. producers reported that non-price factors are not significant in purchasing

⁴² See 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), aff’d, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int’l Trade), aff’d, 859 F.2d 915 (Fed. Cir. 1988).

⁴³ See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int’l Trade 1989).

⁴⁴ See Goss Graphic System, Inc. v. United States, 33 F. Supp. 2d 1082, 1087 (Ct. Int’l Trade 1998), aff’d, 216 F.3d 1357 (Fed. Cir. 2000) (“cumulation does not require two products to be highly fungible”); Mukand Ltd. v. United States, 937 F. Supp. 910, 916 (Ct. Int’l Trade 1996); Wieland Werke, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

⁴⁵ 19 U.S.C. § 1677(7)(G)(i)(I) and § 1677(7)(G)(ii).

⁴⁶ CR/PR at Table II-1.

decisions,⁴⁷ and a substantial majority of importers also reported that non-price factors are not significant in purchasing decisions.⁴⁸ Although there are some differences among the range of API grades of the U.S. merchandise and imports from China, Korea, and Mexico – specifically, *** U.S. product is of grades above *** – there is substantial overlap in lower API grades, specifically grades ***.⁴⁹ There is also substantial overlap with respect to size and end finish.⁵⁰

Geographic Overlap. Five of the ten U.S. producers, accounting for about one-third of domestic production in 2003, reported geographic markets encompassing the entire continental United States, of which one reported shipments as well to Alaska and another, shipments to Hawaii.⁵¹ The other five producers reported geographic market areas that encompass less than the entire United States, but together those five producers' shipments also encompass the entire continental United States.⁵² Taking account of the ports of entry of the subject imports, *i.e.*, without regard to subsequent shipments between regions, the official import statistics indicate a reasonable geographic overlap among subject imports from China, Korea, and Mexico.⁵³

Channels of Distribution. A large majority of shipments of domestically produced merchandise and of subject imports from each of the three subject countries are to distributors. In 2003, for instance, 84.6 percent of domestic producers' U.S. shipments, *** percent of U.S. shipments of imports from China, 100 percent of U.S. shipments of imports from Korea, and 83.3 percent of U.S. shipments of imports from Mexico were to distributors. The remainder were to end users.⁵⁴

Simultaneous Presence. Domestically produced welded line pipe was present throughout the period for which information was gathered.⁵⁵ Monthly import data show that subject imports from Korea and Mexico entered in every month from January 2001 to January 2004, and that subject imports from China entered in 21 of those 37 months, including January 2004 and all but three months of 2003.⁵⁶ In January 2004, the most recent month for which official import statistics were available, the quantities of

⁴⁷ CR/PR at Table II-2 (reporting that non-price factors are never or sometimes a factor; none reporting that they are always or frequently a factor).

⁴⁸ CR/PR at Table II-2 (the majority reporting in all comparisons, except the Mexican product compared with the U.S. product, that non-price factors are never a factor; and, in the case of the Mexican product compared with the U.S. product, the majority reporting that non-price factors are never or sometimes a factor).

⁴⁹ CR/PR at Table IV-3. *** reported commercial shipments of subject imports were in the lower API grades, as were nearly one-quarter of U.S. commercial shipments of the domestic like product. *Id.*

⁵⁰ *Id.*

⁵¹ CR at IV-6, PR at IV-4.

⁵² *Id.*

⁵³ Each entered the United States through Texas and California, and imports from China and Korea each entered through Louisiana, Oregon, and Washington. Imports from Korea also entered through Pennsylvania, North Carolina, Alabama, Georgia, Florida, North Dakota, Puerto Rico, and Alaska. For China, the majority entered through Houston-Galveston, Texas, and Los Angeles, California; for Korea, the majority entered through Los Angeles, California and Houston-Galveston, Texas, and Columbia-Snake, Oregon; for Mexico, nearly all imports entered through Laredo, Texas. *Id.*

⁵⁴ CR/PR at Table I-4.

⁵⁵ *E.g.*, CR/PR at Tables V-1 - V-3.

⁵⁶ CR at Table IV-5.

subject imports from China, Korea, and Mexico reached their highest, third-highest, and second-highest monthly levels, respectively, in the period for which monthly data were presented.⁵⁷

Conclusion. The record indicates that there is a reasonable overlap of competition between imports from each subject country and the domestic like product, and between imports from the various subject countries, in terms of the four factors generally analyzed by the Commission. A majority of producers and importers found the domestically produced product largely interchangeable with imports from each subject country. The record in these preliminary phase investigations consequently indicates that the domestic like product and imports from the three subject countries are sufficiently similar to satisfy the fungibility criterion, notwithstanding the Mexican respondents' contentions concerning the prices of their product. The criteria concerning channels of distribution, geographic overlap, and simultaneous presence clearly are satisfied, notwithstanding any impact of the safeguard measure on welded line pipe imports from China and Korea.⁵⁸ Accordingly, we cumulate imports from the three subject countries for our analysis of reasonable indication of material injury by reason of subject imports.

VI. REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS

A. General Legal Standards

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.⁵⁹ In making this determination, the Commission must consider the volume of subject 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.⁶⁰ The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."⁶¹ 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.⁶² 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."⁶³

For the reasons stated below, we determine that there is a reasonable indication that the domestic industry producing certain circular welded carbon quality line pipe is materially injured by reason of subject imports from China, Korea, and Mexico.

⁵⁷ CR at IV-8, PR at IV-6; CR/PR at Table IV-5.

⁵⁸ Also, as noted *infra*, we do not find that there has been a cessation of subject imports from any of the three subject countries at the end of the period examined.

⁵⁹ 19 U.S.C. §§ 1671b(a) and 1673b(a).

⁶⁰ 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).

⁶¹ 19 U.S.C. § 1677(7)(A).

⁶² 19 U.S.C. § 1677(7)(C)(iii).

⁶³ 19 U.S.C. § 1677(7)(C)(iii).

B. Conditions of Competition

Several conditions of competition are pertinent to our analysis in the preliminary phase of these investigations. Welded pipe, of which line pipe is one form, has been the subject of a number of trade investigations and remedies over the past dozen years. Standard pipe from both Korea and Mexico has been subject to antidumping duties in the United States since 1992, while other forms of welded pipe from these countries are subject to more recent antidumping duty orders or investigations in the United States.⁶⁴ Certain circular welded carbon quality line pipe, including line pipe from Korea and China (but not Mexico), was subject to a safeguard measure in the United States between March 2000 and March 2003 (modified with respect to Korea in September 2002).⁶⁵ Overlapping the line pipe safeguard action, standard pipe and other forms of welded pipe (other than the subject line pipe and OCTG) were subject to a separate safeguard measure between March 2002 and December 2003 under the President's steel safeguard measure announced in March 2002.⁶⁶ The steel safeguard measure also imposed tariffs on flat-rolled steel, including hot-rolled steel, the major raw material input for welded pipe.^{67 68}

The level of oil- and gas-related activity -- primarily gathering, transmission, and distribution -- and the associated prices for natural gas and crude oil directly influence demand for line pipe in its various applications.⁶⁹ Domestic demand for line pipe also is influenced by the general level of economic activity in the United States.⁷⁰ Based on a variety of measures, oil- and gas-related activity fluctuated overall between 2001 and 2003, but was generally weak in 2002. Prices for oil and gas declined for much of 2001 and remained relatively low through the first half of 2002, before recovering in late 2002 and into 2003.⁷¹ Likewise, the number of rigs actively drilling and exploring for crude oil or natural gas in the United States declined in late 2001 and remained relatively low throughout 2002, before recovering in 2003.⁷² These downward trends early in the period examined were exacerbated by Enron's petition for Chapter 11 reorganization in late 2001, an event credited with dampening investment

⁶⁴ CR at VII-4 n.12, PR at VII-2 n.12 (Korea); CR at VII-8 nn.14, 15, PR at VII-5 nn.14, 15 (Mexico).

⁶⁵ CR at I-14, PR at I-11. Under the safeguard measure, imports from Korea and China were subject to additional duties of 19 percent in the first year of relief, 15 percent in the second year, and 11 percent in the third year, with 9,000 short tons per country per year exempted from the duties. The exemption for Korea was increased to 17,500 short tons per quarter for the last two quarters of relief.

⁶⁶ CR at I-14, PR at I-11; Presidential Proclamation 7529 of March 5, 2002, 67 Fed. Reg. 10553 (March 7, 2002).

⁶⁷ Id.

⁶⁸ Many different forms of welded pipe are produced on the same equipment and using the same workers. CR at III-6, PR at III-5. Thus, the various trade remedies would be expected to have had a direct or indirect impact on the U.S. line pipe market, as the affected producers revised their marketing efforts and production schedules. The fact that multiple-stenciled pipe can be used as line pipe in oil and gas pipelines and in standard pipe applications for the low-pressure conveyance of liquids and gases permits and encourages product shifting, particularly among import sources. Indeed, Korean respondents cite the U.S. trade actions as key factors in understanding trends in U.S. imports of line pipe. Korean Respondents' Postconference Brief at 26-31.

⁶⁹ CR at II-6, PR at II-4. Gathering refers to transporting oil or natural gas from individual wells to compressor stations, processing points, or main trunk pipelines; transmission refers to transmitting oil or gas to or between distribution centers or large volume customers; distribution refers to carrying oil or gas from the point of local supply to sales meters. Welded line pipe is most sensitive to changes in gas and oil prices when used for gathering, less sensitive when used for transmission, and least sensitive when used for distribution. Id.

⁷⁰ CR at II-9 and n.13, PR at II-6 and n.13.

⁷¹ CR/PR at Figure II-1.

⁷² CR/PR at Figure II-2.

in capital projects requiring line pipe and diminishing U.S. demand for line pipe.⁷³ Consequently, line pipe demand, as measured by data on apparent U.S. consumption, decreased by 4.7 percent between 2001 and 2002, but then increased by 21.4 percent between 2002 and 2003.⁷⁴ The record contains some evidence that demand may continue to increase in 2004.⁷⁵

Most domestic producers of line pipe purchase, rather than produce, some or all of the primary input for line pipe, *i.e.*, hot-rolled steel, on the open market.⁷⁶ Raw material availability and costs have fluctuated over the period examined due to several important events. Throughout 2001, a series of mill closures reduced hot-rolled steel production capacity in the United States, as four mills closed an estimated 14 million tons of steel-making capacity.⁷⁷ While some of this capacity later returned to active status, some, such as Geneva Steel's, did not.⁷⁸ Then, the President's March 2002 steel safeguard measure imposed additional tariffs on flat-rolled steel, including hot-rolled steel.⁷⁹ Most U.S. line pipe producers indicated that the steel safeguard measure had the effect of increasing the cost of raw materials.⁸⁰ In December 2003, the President terminated the safeguard measure on flat-rolled steel.⁸¹ However, by late 2003 and into 2004, raw material availability was negatively impacted by a rapid escalation in prices for the steel scrap necessary for minimill production, reflecting an imbalance in supply and demand in the United States.⁸² There was also reportedly decreased availability of the coke necessary for production by integrated steel mills, due to a fire at a West Virginia mine, increased world consumption, including in China, and a reduction of Chinese exports.^{83 84}

In addition to upstream events that impacted the supply of raw materials, the domestic industry itself has undergone significant consolidation; domestic production capacity for line pipe decreased by

⁷³ CR at I-14, PR at I-11; CR at II-9 and n.12, PR at II-6 and n.12.

⁷⁴ CR/PR at Table IV-6. Subject imports satisfied much of the net growth in apparent U.S. consumption between 2001 and 2003. This is consistent with the different views expressed by U.S. producers and U.S. importers with respect to demand. While U.S. producers generally viewed demand as decreasing over the period examined, U.S. importers viewed demand as stable or increasing. CR at II-9; PR at II-4 and II-6.

⁷⁵ See, *e.g.*, CR at II-9, PR at II-6 (projections of ***); CR/PR at Table III-3 (recovery in line pipe production levels in the second half of 2003 continuing into 2004); and CR/PR at Table IV-5 (high monthly volumes of subject imports in early 2004).

⁷⁶ CR at VI-16, PR at VI-8; Conference Transcript ("Tr.") at 54-55 (Evans, Fowler, and Schagrin).

⁷⁷ CR at I-14, PR at I-11.

⁷⁸ CR at I-14, PR at I-11.

⁷⁹ CR at I-14, PR at I-11. Presidential Proclamation 7529 of March 5, 2002, 67 Fed. Reg. 10553 (March 7, 2002). The safeguard duties were to be in place for a period not to exceed three years and one day. The President announced tariffs on flat-rolled products of 30 percent *ad valorem* in the first year, 24 percent *ad valorem* in the second year, and 18 percent *ad valorem* in the third year of the safeguard period. Annex to Proclamation 7529, 67 Fed. Reg. 10553. These duties were higher than those on imported line pipe imposed under the safeguard remedy on line pipe.

⁸⁰ CR at V-4, PR at V-2 and V-4.

⁸¹ CR at I-14, PR at I-11.

⁸² CR at I-14, PR at I-11.

⁸³ See, *e.g.*, Mexican Respondents' Postconference Brief at attachment 2 (Wheatland Steel Open Letter Concerning the State of the Steel Industry).

⁸⁴ We note that, while line pipe producers' per unit raw material costs increased sharply over the period examined, other costs (direct labor, factory overhead) decreased. CR/PR at Table VI-2.

200,000 short tons between 2001 and 2003,⁸⁵ most noticeably in the western United States. Geneva Steel, *** source of domestically produced line pipe in 2001, ceased production at its Vineyard, Utah, facility in 2001.⁸⁶ In 2002, Maverick relocated its Longview, Washington mill (a facility that had relied upon Geneva for hot-rolled steel) to Hickman, Arkansas,⁸⁷ effectively shifting available capacity from the western United States to the eastern United States. Finally, in 2003 Maverick closed its least efficient line pipe mill,⁸⁸ the recently-acquired, former LTV mill in Youngstown, Ohio, further reducing line pipe capacity in the United States.⁸⁹ Nonetheless, the domestic industry continues to operate well below full capacity. Capacity utilization was 48.1 percent in 2001, 36.1 percent in 2002, and 48.2 percent in 2003.⁹⁰

The domestic industry produces other pipe and tube products on the same equipment and machinery and using the same workers employed in the production of subject line pipe. Thus, product shifting is possible, in response to changes in demand, the imposition of trade remedies, and other factors.⁹¹

Nonsubject imports supply a portion of the U.S. market, accounting for 6.1 percent of apparent U.S. consumption in 2001, 11.3 percent in 2002, and 9.7 percent in 2003.⁹² The quantity of nonsubject imports was lower in 2003 than in 2001, in contrast with the rapid increase in the quantity of subject imports between 2001 and 2003, and into 2004.⁹³

Line pipe, whether domestically produced or imported from the subject countries, generally is sold to distributors rather than end users.⁹⁴ Line pipe is produced to common standards regarding materials, dimensions, and testing in accordance with API specification 5L.⁹⁵ U.S. producers and U.S. importers generally view the subject imports and domestic line pipe as interchangeable in most applications.⁹⁶ However, while more than 40 percent of domestic line pipe is dual stenciled to API and ASTM specifications, the majority is not dual stenciled. More than 90 percent of subject imports, in contrast, are dual stenciled.⁹⁷ Moreover, subject imports, compared to domestic product, tend to be more concentrated in smaller diameters, more concentrated in shorter sizes, more likely to be threaded and coupled, and *** produced to lower API grades (grades *** and below).⁹⁸ There are *** imports from subject sources of line pipe certified to grades higher than ***, in contrast to the domestic like product.⁹⁹ We intend in any final phase investigations to explore further the degree of actual and potential

⁸⁵ CR/PR at Table III-2.

⁸⁶ CR at I-14, PR at I-11.

⁸⁷ Tr. at 22, 83.

⁸⁸ Tr. at 21, 24.

⁸⁹ CR at I-14, PR at I-11.

⁹⁰ CR/PR at Table III-2.

⁹¹ CR/PR at Table III-5.

⁹² CR/PR at Table IV-7.

⁹³ CR/PR at Table IV-2 (2001-03); CR/PR at Table IV-5 (January 2004).

⁹⁴ CR/PR at Table I-4.

⁹⁵ CR/PR at II-1.

⁹⁶ CR/PR at Table II-1.

⁹⁷ CR/PR at Table IV-3.

⁹⁸ CR/PR at Table IV-3.

⁹⁹ In 2003, 305,450 short tons, or 64.6 percent, of the domestic producers' U.S. commercial shipments were of higher grade line pipe. CR/PR at Table IV-3.

interchangeability between line pipe and standard pipe and whether and to what extent cost differences affect the sale of line pipe for standard pipe applications.¹⁰⁰

C. Volume of Subject Imports

Section 771(7)(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.”¹⁰¹

The quantity of cumulated subject imports increased throughout the period examined. The volume of cumulated subject imports increased from 66,143 short tons in 2001 to 124,303 short tons in 2002 and then to 184,465 short tons in 2003.^{102 103} The share of the quantity of apparent U.S. consumption held by cumulated subject imports also increased throughout the period examined, rising from 7.0 percent in 2001 to 20.8 percent in 2002 and then to 24.5 percent in 2003.¹⁰⁴ As the market share held by the subject imports rose, that held by the domestic industry fell. The share of the quantity of apparent U.S. consumption represented by U.S. producers’ U.S. shipments declined from 86.9 percent in 2001 to 67.9 percent in 2002 and then to 65.8 percent in 2003.¹⁰⁵ The ratio of cumulated subject imports to U.S. production increased from 7.9 percent in 2002 to 29.2 percent in 2002 and then to 35.9 percent in 2003.¹⁰⁶

Respondents assert that the increased volume of subject imports during the period examined is not significant but rather is a natural increase following the March 2003 expiration of the safeguard measure on welded line pipe, which had been applicable to subject imports from China and Korea. While the safeguard measure is a condition of competition pertinent to these investigations, it is distinct from an antidumping remedy. In an antidumping duty investigation we must examine the actual volume of subject imports over the period examined to determine whether the volume or the increase is significant in absolute or relative terms.¹⁰⁷

The volume of cumulated subject imports increased in absolute terms, relative to U.S. consumption, and relative to U.S. production. For purposes of these preliminary investigations, we find both the volume of subject imports, and the increase in that volume, to be significant.

¹⁰⁰ We note that, while the Korean respondents do not contend that line pipe and standard pipe are a single like product, they assert that our analysis of subject import volume should take account of the fact that the combined import volume of subject line pipe and nonsubject standard pipe did not rise over the three years considered. Korean Respondents’ Postconference Brief at Exhibit 3.

¹⁰¹ 19 U.S.C. § 1677(7)(C)(i).

¹⁰² CR/PR at Table IV-2. The value of subject imports increased from \$27.0 million in 2001 to \$47.9 million in 2002 and to \$77.4 million in 2003. *Id.*

¹⁰³ Cumulated subject imports in January 2004, the only part of 2004 for which import data are on the record, were 26,432 short tons, higher than in any previous month of the period examined. CR/PR at Table IV-5.

¹⁰⁴ CR/PR at Table IV-7. The firms from which the Commission received importer questionnaire responses accounted for less than 100 percent of shipments of imports from Mexico and, therefore, shipment data (Table IV-6) and market share data derived in part from shipment data (Table IV-7) are understated.

¹⁰⁵ CR/PR at Table IV-7.

¹⁰⁶ CR/PR at Table IV-8.

¹⁰⁷ 19 U.S.C. § 1677(7)(C)(i). Compare 19 U.S.C. § 2252(b) (safeguard standard) with 19 U.S.C. § 1673d(b) (antidumping standard) (for example, the volume of imports in the safeguard proceedings was found to be a *substantial* cause of *serious* injury or the threat thereof, whereas the volume of subject imports in these investigations is alleged to be sold at *less than fair value*, and to be a cause of *material* injury or the threat thereof).

D. Price Effects of the Subject Imports

Section 771(7)(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.¹⁰⁸

As discussed in conditions of competition, the record evidence indicates that the bulk of the domestic like product and subject imports are substantially interchangeable and used in the same applications, although the subject imports are *** in the API grades ***, whereas about two-thirds of the domestic like product meet those more stringent specifications.¹⁰⁹ The quality of subject imports generally is comparable to that of the domestic like product and there is a high degree of substitutability between the subject imports and the domestic like product. Price is a significant factor in purchasing decisions.¹¹⁰

The Commission collected quarterly pricing data from the domestic industry and importers on three welded line pipe products.¹¹¹ While the data show some overselling, the subject imports undersold the domestic like product in 47 of the 60 quarterly comparisons, with margins ranging from 0.1 percent to 35.6 percent.¹¹² In 43 instances, the margins of underselling were 10 percent or higher.¹¹³ We find these margins of underselling to be significant.

The domestic industry's unit cost of goods sold increased over the period considered as a result of increased raw material costs, notwithstanding decreased unit costs for labor and other factory costs.¹¹⁴ The financial data indicate that the domestic producers were not able to increase prices sufficiently to cover those increased cost of goods sold in 2002 and 2003.^{115 116}

¹⁰⁸ 19 U.S.C. § 1677(7)(C)(ii).

¹⁰⁹ CR/PR at Tables II-1 and IV-3.

¹¹⁰ CR at II-10, PR at II-7 - II-8, CR/PR at Table II-2.

¹¹¹ CR at V-6 - V-7, PR at V-5; CR/PR at Tables V-1 - V-3.

¹¹² CR/PR at Tables V-1 - V-3. Prices of the subject imports from China were below those of the domestic like product in all comparisons and prices of the subject imports from Korea were below those of the domestic like product in all but one comparison. While prices of subject imports from Mexico were above those of the domestic like product in all but the final quarter for which information was gathered, the total volume of pricing products from Mexico was only 12 percent of the total reported imports of pricing products from China, Korea, and Mexico. Id.

¹¹³ CR/PR at Tables V-1 - V-3.

¹¹⁴ CR/PR at Table VI-2.

¹¹⁵ CR/PR at Table VI-1.

¹¹⁶ Domestic prices fluctuated over the period examined, generally reaching lows in late 2001 and early 2002, before rising by the end of 2002. Domestic prices softened somewhat in 2003, but with the exception of the largest size line pipe, rose in late 2003 and reached their highest reported levels in the first two months of 2004. U.S. prices for subject imports also tended to reach period lows in 2002, but generally did not recover quite as rapidly. Reported U.S. prices for subject imports were relatively high by the first two months of 2004, but generally did not

(continued...)

Therefore, based on the record in the preliminary phase of these investigations, we find significant price suppression in light of the sharp increases in the quantity of subject imports, the prevalence of underselling, and the domestic industry's inability to increase prices in line with increasing costs.^{117 118}

E. Impact of the Subject Imports¹¹⁹

Section 771(7)(C)(iii) of the Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."¹²⁰ These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. 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."¹²¹

As the subject imports increased and gained market share, domestic producers' U.S. shipments fluctuated, declining overall from 539,732 short tons in 2001 to 472,476 short tons in 2003, after having declined to a low point of 401,756 short tons in 2002.¹²² The domestic producers' market share declined from 86.9 percent in 2001 to 67.9 percent in 2002 and to 65.8 percent in 2003.¹²³ Domestic producers' capacity declined from 1,212,298 short tons in 2001 to 1,152,833 short tons in 2002, and to 1,012,237 short tons in 2003.¹²⁴ However, production fell from 583,008 short tons in 2001 to 416,512 short tons in 2002, and recovered only to 487,773 short tons in 2003.¹²⁵ As a result, capacity utilization did not increase meaningfully over the period; capacity utilization was 48.1 percent in 2001, 36.1 percent in

¹¹⁶ (...continued)

match period highs achieved in earlier quarters. CR/PR at Tables V-1 - V-3.

¹¹⁷ We note that one of the petitioners' five lost sales allegations was confirmed, and responses to three others are pending. CR/PR at Table V-4.

¹¹⁸ We note that unit cost of goods sold and domestic producers' prices continued to increase in the first two months of 2004, and that the increase in prices exceeded the increase in unit costs of goods sold to some extent in that period. CR/PR at Table VI-3. We intend in any final phase investigations to examine the relationship between prices and unit costs in 2004 and whether price suppression continues in 2004.

¹¹⁹ In its notice of initiation, Commerce estimated the dumping margin for subject imports of line pipe from China to range from 43.53 percent to 67.24 percent, from Korea to range from 24.55 percent to 42.26 percent, and from Mexico to range from 8.47 percent to 31.34 percent. Notice of Initiation, 69 Fed. Reg. 16521 (Mar. 30, 2004).

¹²⁰ 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851. "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." SAA at 885.

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

¹²² CR/PR at Table IV-6.

¹²³ CR/PR at Table IV-7.

¹²⁴ CR/PR at Table III-2.

¹²⁵ Id.

2002, and 48.2 percent in 2003.¹²⁶ The number of production workers declined from 935 in 2001 to 807 in 2003, after having declined to 797 in 2002.¹²⁷

Despite increased demand and increased productivity in 2003 compared with 2001,¹²⁸ the industry's operating income declined from an operating profit of \$838,000 in 2001 to a loss of \$7.3 million in 2002 and then a loss of \$10.2 million in 2003.¹²⁹ The ratio of operating income to net sales fell from 0.3 percent in 2001 to a negative 3.6 percent in 2002 and then to a negative 4.0 percent in 2003.¹³⁰ Unit operating income declined from a profit of \$2 per short ton in 2001 to a loss of \$17 per short ton in 2002 and a loss of \$20 per short ton in 2003.¹³¹ The industry's capital expenditures declined from \$*** in 2001 to \$*** in 2002 and then declined to \$*** in 2003.¹³² The industry's return on investment is consistent with other indicators showing a decline in the industry's performance.¹³³

The record for these preliminary determinations indicates that substantial and increasing volumes of lower-priced subject imports had significant price-suppressing effects. The volume of subject imports and the inability of domestic producers to increase prices sufficiently to cover increased costs contributed significantly to reductions in domestic producers' production, shipments, market share, employment, operating income, return on investment, and capital expenditures. Consequently, we find that the subject imports have had a significant adverse impact on the domestic industry.

The respondents contend that increasing demand for line pipe in 2004 and restricted import supply have led to increases in domestic producers' shipments and prices and improvement in the domestic producers' financial performance.¹³⁴ The record, however, indicates an increase rather than a decrease in subject imports in January 2004, the only month of 2004 for which import data are available, and substantial scheduled deliveries from January 2004 onward.¹³⁵ In these preliminary phase investigations we do not find it appropriate to determine, on the basis of one month of import data and two months of financial data, that a structural change in the market has occurred. Moreover, while the interim 2004 data indicate some improvements in the industry's condition, the industry's operating

¹²⁶ Id.

¹²⁷ CR/PR at Table III-8. Productivity increased from 276.4 short tons per 1,000 hours worked in 2001 to 284.9 short tons in 2003, after declining to 233.8 short tons in 2002. Id.

¹²⁸ As already noted, measured by apparent U.S. consumption, demand increased from 621,403 short tons in 2001 to 718,491 short tons in 2003, after declining to 591,898 short tons in 2002. CR/PR at Table IV-6.

¹²⁹ CR/PR at Table VI-1.

¹³⁰ Id.

¹³¹ CR/PR at Table VI-2. The producers report a per-unit profit of \$11 in the first two months of 2004, but we give only limited weight to these interim data. CR/PR at Table VI-3.

¹³² CR/PR at Table VI-6.

¹³³ CR/PR at Table VI-7 (return on investment declined from *** percent in 2001 to *** percent in 2002 and *** percent in 2003).

¹³⁴ Korean Respondents' Postconference Brief at 16-25, 34-35; Mexican Respondents' Postconference Brief at 6-18.

¹³⁵ The Korean and Mexican respondents contend that they ceased or restricted their taking of U.S. orders for line pipe because of raw material shortages and costs. Korean Respondents' Postconference Brief at 34; Mexican Respondents' Postconference Brief at 14. However, cumulated subject imports in January 2004 were higher than in any prior month of the period, and subject imports from Korea and Mexico individually were higher than they were in nearly all other months. CR/PR at Table IV-5. Subject imports scheduled for delivery from January 2004 onward total *** short tons. CR/PR at Table VII-9.

income ratio remains low.¹³⁶ Finally, it is not clear that any supply/demand imbalance will continue.¹³⁷ We intend to examine current market conditions fully in any final phase investigation, when data for more of 2004 will be available.

CONCLUSION

For the foregoing reasons, we determine that there is a reasonable indication that a domestic industry is materially injured by reason of subject imports of certain circular welded carbon quality line pipe from China, Korea, and Mexico that are allegedly sold in the United States at less than fair value.

¹³⁶ CR/PR at Table VI-3.

¹³⁷ See Preston Pipe & Tube Report (March 2004) (included in Mexican Respondent's Postconference Brief at Exhibit 8) (characterizing supply disruption as temporary, estimating that materials costs should not rise much further, and stating that the China steel crisis appears to be normalizing).

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by American Steel Pipe Division of American Cast Iron Pipe Co. (“American”), Birmingham, AL; IPSCO Tubulars, Inc. (“IPSCO”), Camanche, IA; Lone Star Steel Co., Dallas, TX (“Lone Star”); Maverick Tube Corp. (“Maverick”), Chesterfield, MO; Northwest Pipe Co. (“Northwest”), Portland, OR; and Stupp Corp. (“Stupp”), Baton Rouge, LA, on March 3, 2004, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (LTFV) imports of circular welded carbon quality line pipe (“line pipe”)¹ from China, Korea, and Mexico. Information relating to the background of the investigations is provided below.²

<u>Date</u>	<u>Action</u>
March 3, 2004	Petition filed with Commerce and the Commission; institution of Commission investigations (69 F.R. 11040, March 9, 2004)
March 24, 2004	Commission’s conference ³
March 30, 2004	Commerce’s notice of initiation (69 F.R. 16521)
April 16, 2004	Commission’s vote
April 19, 2004	Commission determinations transmitted to Commerce

PREVIOUS AND RELATED COMMISSION INVESTIGATIONS

Line pipe has been the subject of several previous Commission investigations. Details on these previous Commission investigations are provided in table I-1. In addition, several related Commission investigations have included imports of welded line pipe, in whole or in part. Details on these related investigations are provided in table I-2.

¹ A detailed description of the product subject to these investigations appears in the section of this report titled “The Product.”

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

³ A list of witnesses appearing at the conference is presented in app. B.

Table I-1

Line pipe: Previous Commission investigations

Investigations		Dates		Outcome
Number	Product / Country	Start	Finish	
701-TA-165, 168	Welded Carbon Steel Pipes and Tubes from Brazil and Korea	05/07/1982	12/27/1982 02/08/1983	Brazil - terminated after Commission preliminary affirmative determination; Korea - Commission final affirmative determination ¹
731-TA-212	Welded Carbon Steel Pipes and Tubes from Venezuela	12/18/1984	02/01/1985	Commission preliminary negative determination ²
701-TA-242 & 731-TA-253	Welded Carbon Steel Pipes and Tubes from Venezuela	02/28/1985	12/05/1985	Terminated by Commerce following Commission preliminary affirmative determination ²
701-TA-252-253 & 731-TA-272-274	Welded Carbon Steel Pipes and Tubes from Taiwan, Turkey, and Yugoslavia	07/16/1985	01/08/1986 02/21/1986	Taiwan and Yugoslavia - terminated by Commerce following Commission preliminary affirmative determinations; Turkey - Commission final affirmative determination ²
731-TA-375	Certain Line Pipes and Tubes from Canada	02/11/1987	03/30/1987	Commission preliminary negative determination ³
TA-201-70	Circular Welded Carbon Quality Line Pipe	06/30/1999	12/22/1999	Commission affirmative determination ⁴
<p>¹ The Commission found small (16 inches or less) diameter welded carbon steel standard, line, and structural pipes and tubes to constitute a single like product.</p> <p>² The Commission found separate like products consisting of welded standard pipe and welded line pipe.</p> <p>³ The Commission found that the product "like" welded line pipe from Canada was welded line pipe. Commissioner Brunsdale concurred with reservations, writing that "...while I do not do so here, it appears appropriate to find that the like product consists of both standard and line pipe."</p> <p>⁴ The Commission found that the domestic product "like or directly competitive" with line pipe (including multiple-stenciled line pipe) was line pipe. Commissioner Crawford concluded that the record would justify defining the like or directly competitive product as both line pipe and standard pipe, although she declined to do so.</p> <p>Source: Various Commission reports.</p>				

Table I-2

Line pipe: Related Commission investigations

Investigations		Dates		Outcome
Number	Product / Country	Start	Finish	
TA-201-51	Carbon and Certain Alloy Tool Steel Products	01/24/1984	07/24/1984	Commission negative determination ¹
731-TA-732-733	Circular Welded Nonalloy Steel Pipe from Romania and South Africa	04/26/1995	06/27/1996	Commission final negative determination ²
731-TA-943-947	Circular Welded Non-Alloy Steel Pipe from China, Indonesia, Malaysia, Romania, and South Africa	05/24/2001	07/16/2001 07/02/2002	Indonesia, Malaysia, Romania, and South Africa - Commission preliminary negative determination; China - Commission final negative determination ³

¹ The Commission found that the like or directly competitive product was all welded and seamless pipe.
² In the final phase of the investigations, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) included all multiple-stenciled pipe. Commissioners Crawford and Watson concluded that the record would justify defining the domestic like product to include all (welded) line pipe, although they declined to do so.
³ In the final phase of the investigation, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications), "absent argument and information to the contrary."

Source: Various Commission reports.

NATURE AND EXTENT OF ALLEGED SALES AT LTFV

The LTFV margins alleged in the antidumping duty petition upon which Commerce based its decision to initiate its investigations, as adjusted by Commerce, are presented in table I-3.

Table I-3

Line pipe: Allegations of LTFV imports

Country	Basis of comparison	Estimated dumping margin (in percent)
China	Export price based on average unit values of imports and constructed value based on the factors of production	43.53-67.24
Korea	Export price based on U.S. price offering and home market normal value	24.55-28.69
	Export price based on average unit values of imports and home market normal value	36.60-42.26
Mexico	Export price based on U.S. price quote and home market normal value	24.16-31.34
	Export price based on average unit values of imports and home market normal value	8.47-22.44

Source: 69 F.R. 16521, March 30, 2004.

U.S. TARIFF TREATMENT

The subject line pipe currently is classified in subheading 7306.10.10 (“Other tubes, pipes and hollow profiles (for example, open seamed or welded, riveted or similarly closed), of iron or steel: Line pipe of a kind used for oil or gas pipelines: Of iron or nonalloy steel”) and imported under statistical reporting numbers 7306.10.1010 and 7306.10.1050 of the Harmonized Tariff Schedule of the United States (“HTS”). The subject merchandise also may be classified in subheading 7306.10.50 and imported under statistical reporting numbers 7306.10.5010 and 7306.10.5050 of the HTS for alloy line pipe.^{4 5} The column-1 general rates of duty for the subject line pipe for 2001-04 are presented in the following tabulation (in percent *ad valorem*):

<u>Subheadings</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Line pipe of a kind used for oil or gas pipelines:				
7306.10.10-- Of iron or nonalloy steel	0.6	0.4	0.2	Free
7306.10.50-- Of alloy steel	1.5	1.0	0.5	Free

Presidential Proclamation 7274, which added U.S. note 10 and subheadings 9903.72.20 through 9903.72.25 to subchapter III of chapter 99 of the HTS, implemented import relief action, effective March 1, 2000, for a period of 3 years and 1 day. The principal provisions of the proclamation were that:

- 1) The increase in duty was 19 percent *ad valorem* in the first year of relief, declining to 15 and 11 percent *ad valorem* in the second and third years, respectively. The first 9,000 short tons of imports from each supplying country were exempted each year.
- 2) The President determined that imports of line pipe from Canada and Mexico, considered individually, did not contribute importantly to the serious injury, or threat of serious injury found by the Commission. Accordingly, Canadian and Mexican line pipe were excluded from the relief action.
- 3) During the period of relief action, duty-free treatment was suspended for line pipe produced in beneficiary countries under the GSP, the CBERA, and the ATPA and for the production in Israel under the IFTA Act.

⁴ Prior to 2004, the subject merchandise was covered by statistical reporting numbers 7306.10.1013, 7306.10.1014, 7306.10.1015, 7306.10.1019, 7306.10.1053, 7306.10.1054, 7306.10.1055, 7306.10.1059, 7306.10.5013, 7306.10.5014, 7306.10.5015, 7306.10.5019, 7306.10.5053, 7306.10.5054, 7306.10.5055, and 7306.10.5059 of the HTS.

⁵ The HTS does not use “carbon quality” for classification purposes. Questionnaire responses in these investigations indicate that the amount of subject line pipe imported under the statistical reporting numbers for alloy line pipe is minimal.

Under Presidential Proclamation 7585, the amount of imports from Korea that was exempt from additional duties was increased from 9,000 short tons per year to 17,500 short tons for each of the two quarterly periods from September 1, 2002 to March 1, 2003.⁶

Imports of subject line pipe produced in Mexico are currently eligible (and were eligible during 2003) for duty-free entry under the North American Free Trade Agreement (“NAFTA”). In 2002, the NAFTA rate of duty for originating line pipe of Mexico and entering the United States under subheading 7306.10.10 was 0.1 percent *ad valorem* and the rate of duty for originating Mexican line pipe entering the United States under subheading 7306.10.50 was 0.4 percent *ad valorem*.

MAJOR FIRMS INVOLVED IN THE U.S. LINE PIPE MARKET

The petitioners identified 13 U.S. producers of line pipe: American; Camp Hill Corp. (“Camp Hill”);⁷ California Steel Industries, Inc. (“CSI”); IPSCO; Lone Star;⁸ Maverick; Newport Steel Corp. (“Newport”); Northwest; Paragon Industries, Inc. (“Paragon”); Stupp; Tex-Tube Co. (“Tex-Tube”); United States Steel Corp. (“USS”); and Wheatland Tube Co. (“Wheatland”). In addition, Geneva Steel Co. (“Geneva”) produced line pipe in 2001 and into 2002. American, IPSCO, Lone Star, Maverick, Northwest, and Stupp are the petitioners in these investigations.⁹

One Chinese line pipe producer (*i.e.*, Northern Steel Pipe Co., Ltd. (“Northern”)) and one importer of line pipe from China (*i.e.*, Ferrostaal Inc.) provided usable responses to the Commission’s questionnaires in these investigations. No Chinese respondent is represented by counsel in these investigations.

The following three producers/exporters of line pipe in Korea responded to the Commission’s questionnaire in these investigations: Husteel Co., Ltd. (“Husteel”); Hyundai HYSCO (“HYSCO”); and SeAH Steel Corp., Ltd. (“SeAH”). U.S. import data were provided by the following importers of subject line pipe from Korea: Edgen Corp.; Husteel USA Inc. (“Husteel USA”); Hyundai Corp. (USA) (“Hyundai”); Hyundai Pipe of America, Inc. (“Hyundai Pipe”); Mark Steel International; and Pusan Pipe America, Inc. (“Pusan”). HYSCO, Husteel, and SeAH are parties to these investigations.¹⁰

The following six producers/exporters of line pipe in Mexico responded to the Commission’s questionnaire in these investigations: Hylsa, S.A. de C.V. (“Hylsa”); Pytco S.A. de C.V. (“Pytco”); Tubacero, S.A. de C.V. (“Tubacero”); Tuberia Laguna, S.A. de C.V. (“Tuberia Laguna”); Tuberia Nacional, S.A. de C.V. (“Tuberia Nacional”); and Tuberias Procarsa S.A. de C.V. (“Procarsa”). Hylsa and Procarsa are parties to these investigations.¹¹ Twelve U.S. importers of line pipe from Mexico provided responses to the Commission’s questionnaire in these investigations. Only one importer (*i.e.*, Central Plastics Co. (“Central Plastics”)) is a party to these investigations.¹²

⁶ Proclamation 7585 of August 28, 2002—*To Implement an Agreement Regarding Imports of Line Pipe Under Section 203 of the Trade Act of 1974* (67 F.R. 56207, August 30, 2002). USTR subsequently issued technical corrections to the HTS to correct errors in the proclamation (67 F.R. 62090, October 3, 2002).

⁷ In its questionnaire response in these investigations, USS identified Camp Hill as a toll producer and included that company’s information concerning line pipe in its questionnaire response.

⁸ Texas Tubular Products reported that it is a toll producer for Lone Star and that its line pipe production information is included in Lone Star’s questionnaire response.

⁹ The petitioners are represented by the law firm of Schagrin Associates.

¹⁰ The Korean respondents are represented by the law firm of Kaye Scholer LLP.

¹¹ The Mexican respondents are represented by the law firm of Shearman & Sterling LLP.

¹² Central Plastics is represented by the law firm of Blank Rome LLP.

SUMMARY DATA

A summary of data collected in the investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data, U.S. shipments of imports, and apparent U.S. consumption are based on Commission questionnaire responses.¹³ U.S. imports are based on official Commerce import statistics.

THE PRODUCT

Commerce has defined the merchandise that is the subject of these investigations as follows:

These investigations cover circular welded carbon quality steel pipe of a kind used for oil and gas pipelines, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, or coated with any coatings compatible with line pipe), and regardless of end finish (plain end, beveled ends for welding, threaded ends or threaded and coupled, as well as any other special end finishes), and regardless of stenciling.¹⁴

Physical Characteristics and Uses

Welded line pipe subject to these investigations is made from “carbon quality” steel. According to the petitioners, the term “carbon quality” applies to products in which (i) iron predominates, by weight, over each of the other contained elements, (ii) the carbon content is 2 percent or less, by weight, and (iii) none of the elements listed below exceeds the quantity by weight, respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent of vanadium, or 0.15 percent of zirconium.¹⁵ According to the petitioners, carbon quality steel includes all carbon steels, including those that have been modified through the addition of small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the HTS.¹⁶

The welded line pipe subject to these investigations is a circular pipe product not exceeding 16 inches (406.4 mm) in outer diameter (“OD”), irrespective of wall thickness. Line pipe generally is produced in the United States in lengths of 40 feet or greater,¹⁷ and with either a black (lacquered) finish or a bare surface finish. Welded line pipe is lacquered to protect the pipe from rust, which is especially

¹³ For information on questionnaire coverage, see the sections of this report entitled “U.S. Producers’ Production, Shipments, and Employment” and “U.S. Imports, Apparent U.S. Consumption, and Market Shares.”

¹⁴ The subject merchandise is covered by statistical reporting numbers 7306.10.1010, 7306.10.1050, 7306.10.5010, and 7306.10.5050 of the HTS. Column 1-general rates of duty for all the above subheadings were reduced to free as of January 1, 2004, as provided in Presidential Proclamation 6763 (Annex D(1)) implementing the Uruguay Round concessions. See also, “U.S. Tariff Treatment” above. While the HTS numbers are provided for convenience and custom purposes, the written description remains dispositive.

¹⁵ Petition, *Certain Circular Welded Carbon Quality Line Pipe from China, Mexico, and South Korea*, March 3, 2004, p. I-5, fn. 3.

¹⁶ Such products in many cases would fall into HTS categories for “other alloy steel” pursuant to note 1(f) to chapter 72. The HTS defines “stainless steel” and “other alloy steel,” so other products generally can be thought of as nonalloy; the HTS does not use or define “carbon steel” or “carbon quality” at the legal level.

¹⁷ Nominal 40-45 foot lengths are referred to by the industry as “double random lengths” or “DRL.”

important for ocean transport or for storage in humid climates. End finishes include plain end, which may be either square cut or beveled for welding, threaded, or threaded and coupled. There are also other special end finishes. Most welded line pipe has a beveled end for welding in the field, rather than being threaded or coupled.¹⁸

The subject product includes pipe of a kind used in oil and gas pipelines, whether or not stenciled. Such line pipe normally is produced in conformance with the American Petroleum Institute's specification API 5L, and bears an API line pipe stencil. A "stencil" is information marked by the manufacturer with paint stenciled on the outside surface of the pipe indicating the specification in conformance with which it has been manufactured.¹⁹ The API 5L specification for line pipe indicates that the markings should identify the manufacturer's name, specification ("Spec 5L"), size and weight designation, grade and class (e.g., A-25, A, B, and X-42 through X-80), process of manufacture (seamless pipe, electric resistance welded pipe, or continuous welded pipe), heat treatment, and test pressure.

The API 5L grades define the strength level of the pipe and of the steel that is used to make the pipe. For grade A-25 and X-42 to X-80, the last two digits reflect the tensile strength of the steel.²⁰ Lower strength grades of line pipe, namely, A-25, grade A, and grade B, have lower strength but have other desirable properties. For example, grade A line pipe is more bendable and more readily weldable than pipes of higher grades.

The API 5L specification also suggests that "products in compliance with multiple compatible standards may be marked with the name of each standard."²¹ The API stencil identifies the product as that which can be used in line pipe applications. Produced to API specifications, welded line pipe for use in oil and gas pipelines requires higher hydrostatic test pressures and more restrictive weight tolerances than standard pipe.²² Pipe that is in conformance with API Specification 5L Grade B is automatically also in conformance with the less restrictive standard pipe specification of the American Society for Testing and Materials, ASTM A-53 Grade B.²³ As a consequence, manufacturers often mark such product with both specifications (so-called "dual stencil") so that it may be applied for either use.²⁴ Product may also be simultaneously in conformance with both Grade B and Grade X-42 of the API 5L specification; indeed, much of the line pipe used in the United States meets the specifications of both Grades B and X-42. Such product may be marked with API 5L Grade B, API 5L Grade X-42, and ASTM A-53 Grade B (the "triple stencil"). Finally, some standard pipe customers require product

¹⁸ Petition, p. I-6.

¹⁹ The purchaser and manufacturer can agree to put all or part of the markings on the inside surface of the pipe. Pipe that is 1-1/2 inches and smaller has the identification markings die-stamped on a metal tag fixed to the bundle or printed on the straps or binding clips used to tie the bundle.

²⁰ In thousands of pounds per square inch ("psi"). Grades A and B require tensile strength of 30,000 and 35,000 psi, respectively.

²¹ API, *Specification for Line Pipe: API Specification 5L*, March 2004, p. 52.

²² Standard pipe is intended for the low-pressure conveyance of liquid or gas in plumbing and heating systems, air conditioning units, automatic sprinkler systems, and other related uses. It may also be used for light load-bearing and mechanical applications, such as for fence tubing, and for protection of electrical wiring, such as conduit shells, and for structural applications in general construction.

²³ ASTM A-53 covers seamless and welded black and hot-dipped galvanized steel pipe intended for mechanical and pressure applications and that is also acceptable for ordinary uses in steam, water, gas, and air lines.

²⁴ API, *Specifications for Line Pipe: API Specification 5L*, March 2004, pp. 9, 40-44, and 68-69, and 2000 *Annual Book of ASTM Standards*, vol. 01.01 (Philadelphia, PA: 2000), pp. 2-3 and 6-7.

marked as being in compliance with the American Society of Manufacturing Engineers (ASME) AS-53,²⁵ which is identical to ASTM A-53; including this information can result in a “quad stencil.”

Manufacturing Process

Welded line pipe is most commonly manufactured by the electric resistance weld (ERW)²⁶ process; however, the continuous weld (CW)²⁷ process can be used for pipe up to 4.5 inches (114.3 mm) in diameter. The manufacture of welded line pipe by the ERW process begins with coils of hot-rolled sheet steel,²⁸ which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe.²⁹ The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The product is then welded along the joint axis. The welded tube then passes under a tool that removes the outside flash resulting from the pressure during welding. Inside flash is likewise removed by cutting tools. The tube is then subjected to such post-weld heat treatment as is required. Such treatment may involve heat treatment of the welded seam only or treatment of the full cross-section of the pipe. After heat treatment, sizing rolls shape the tube to accurate diameter tolerances. The product is cooled and then cut at the end of the tube mill by a flying shear or saw.³⁰

As in the United States, most producers of line pipe in diameters of 16 inches or less from China, Mexico, and Korea use the ERW technique and purchase hot-rolled sheet for use in pipe production.³¹

²⁵ ASME AS-53 is a standard identical to ASTM A-53 (October 13, 1999, telephone interview with ***). Certification to ASME standards is required for some construction projects.

²⁶ ERW is a process where the strip edges are mechanically pressed together and welded. The heat for welding is generated by resistance of the steel to the flow of electric current. In one process, a low frequency current (typically 60 to 360 hertz) is conducted to the strip edges by a pair of copper alloy discs which rotate as the pipe is propelled under them. A second variation uses high frequency current (in the range of 400 to 500 kilohertz) which enters the tubing through shoes which act as sliding contacts. An induction coil can also be used with the high frequency current to induce current in the edges of the steel. No direct contact between the induction coil and the tubing is required. American Iron and Steel Institute, *Steel Products Manual Steel-Specialty Tubular Products*, October 1980, pp. 20-21.

²⁷ CW is a process of forming a seam by heating the steel in a furnace and mechanically pressing the formed edges together as it passes through a series of round welding rolls. Successive coils are joined together to provide a continuous flow of steel to the welding mill. This process is also known as continuous butt welding. See, API, *Specification for Line Pipe: API Specification 5L*, March 2004, p. 35. According to the API line pipe specification, only grade A-25 can be manufactured using the CW process. According to industry representatives, CW line pipe makes up a small portion of the welded line pipe market.

²⁸ Steel that is over 0.1875 inch in thickness if over 48 inches in width, or over 0.230 inch in thickness if 48 inches or under in width, may be called “plate in coils.”

²⁹ The diameter of a pipe (as well as its wall thickness) reflects the intended volume and pressure of material that is to flow through the pipe.

³⁰ United States Steel, “Manufacture of Steel Tubular Products,” in *The Making, Shaping, and Treating of Steel*, 10th ed. (Pittsburgh, PA: Herbick & Held, 1985), p. 1,029.

³¹ Paul Vivian, Marketing Manager, Maverick Tube Corp., affidavit, 3/11/2004, Exhibit A-6, Amendment to the Petition for the Imposition of Antidumping Duties: Certain Circular Welded Carbon Quality Line Pipe from China, Mexico, and South Korea, March 15, 2004.

The same equipment and workers can be used to produce standard pipe as well as other tubular products, most commonly standard pipe and oil country tubular goods (“OCTG”).³²

Channels of Distribution

The Commission’s questionnaire asked firms to report the quantity of U.S. shipments sold to distributors and end users. Data compiled in response to Commission questionnaires concerning these channels of distribution, by country, are presented in table I-4. These data reveal that, during the period for which data were collected in these investigations, most domestically produced line pipe and imports of the subject merchandise were sold to distributors, with much smaller shares sold to end users.³³

DOMESTIC LIKE PRODUCT ISSUES

The petitioners argued that the Commission should find one domestic like product that is co-extensive with the scope of merchandise subject to the investigations as identified by Commerce. They asserted that this is supported by the Commission’s determination in *Circular Welded Carbon Quality Line Pipe* (Inv. No. TA-201-70) that circular welded line pipe 16 inches and under constitutes one domestic like product.³⁴

Counsel for the Korean and Mexican respondents did not provide arguments supporting an alternative domestic like product definition; however, counsel for Central Plastics argued that the Commission should make a separate like product finding with respect to line pipe with a nominal diameter of 1¼" and less. Citing the Commission’s findings in *Certain Seamless Carbon and Alloy Standard, Line, and Pressure Pipe from Japan and South Africa (Investigations Nos. 731-TA-846 and 850 (Final))*³⁵ in which the Commission distinguished between seamless pipe less than or equal to 4.5 inches in outside diameter (OD) and seamless pipe greater than 4.5 inches in OD up to and including 16 inches in OD, counsel for Central Plastics argued that “the distinguishing characteristic between small diameter and large diameter pipe is size.” Counsel further asserted that the smaller diameter line pipe in comparison with the larger diameter line pipe has largely distinct applications, is sold at higher prices, and is perceived by end users to be a different end product. Counsel also stated that only one U.S. producer, Wheatland, produces line pipe of the size that it requires and that Wheatland has not been able to produce the product with the characteristics meeting Central Plastics’ specific requirements.^{36 37}

³² Welded OCTG includes casing (the structural retainer for the walls of oil and gas wells) and tubing (used with casing to convey hydrocarbons to ground level).

³³ While distributor sales are common for other forms of welded pipe in diameters of 16 inches and less, end user sales are more common for larger diameter line pipe (in diameters greater than 16 inches). See *Circular Welded Non-Alloy Steel Pipe from China (Investigation No. 731-TA-943 (Final))*, Publication 3523, July 2002, p. I-6 (almost 88 percent of domestic sales of standard pipe to distributors) and *Certain Welded Large Diameter Line Pipe from Japan (Investigation No. 731-TA-919 (Final))*, Publication 3464, November 2001, p. II-1 (more than 70 percent of domestic sales of large diameter line pipe to end users).

³⁴ Petitioners’ Postconference Brief, pp. 5-6.

³⁵ Publication 3311, June 2000.

³⁶ Central Plastics’ Postconference Brief, pp. 3-9.

³⁷ Wheatland produces line pipe in nominal pipe sizes between 1/2 inch and 4 inches, and offers both black and galvanized line pipe, either plain end or threaded and coupled. See “Wheatland API5-L Line Pipe” retrieved from <http://www.wheatland.com/api5l.htm> on April 8, 2004, and Wheatland Steel Pipe Prices and Specifications (effective March 29, 2004).

Table I-4

Line pipe: U.S. producers' and importers' shares of reported U.S. shipments, by sources and channels of distribution, 2001-03

Item	Calendar year		
	2001	2002	2003
Share of reported shipments (<i>percent</i>)			
Domestic producers' U.S. shipments of line pipe to:			
Distributors	84.4	83.5	84.6
End users	15.6	16.5	15.4
U.S. importers' U.S. shipments of line pipe from China to:			
Distributors	***	***	***
End users	***	***	***
U.S. importers' U.S. shipments of line pipe from Korea to:			
Distributors	100.0	100.0	100.0
End users	0.0	0.0	0.0
U.S. importers' U.S. shipments of line pipe from Mexico to:			
Distributors	85.2	85.4	83.3
End users	14.8	14.6	16.7
U.S. importers' U.S. shipments of line pipe from all other countries to:			
Distributors	77.3	42.2	44.4
End users	22.7	57.8	55.6
Source: Compiled from data submitted in response to Commission questionnaires.			

MAJOR EVENTS AND TRENDS

A series of events in recent years have helped to shape and define the broad contours of the line pipe market in the United States. The tabulation presented below identifies certain key events and comments upon their relationship to the U.S. line pipe market.

<u>Period*</u>	<u>Event / Trend*</u>	<u>Comment*</u>
March 2000	Proclamation 7274, issued by the President, imposes additional duties of 19 percent on line pipe imports of more than 9,000 short tons annually (exclusive of "arctic grade" line pipe). The additional duties decline to 15 percent in 2001 and to 11 percent in 2002.	Canada and Mexico were not included in the remedy. Of the other foreign line pipe suppliers, only U.S. imports from Japan and Korea consistently exceeded the 9,000-short ton level in the years prior to the safeguard action.
March-December 2001	Closure of hot-rolled steel producers Trico, Acme, Geneva, and LTV. Certain assets are acquired by ISG and Nucor and subsequently re-opened.	Raw steelmaking capability in the United States is initially reduced by approximately 14 million short tons.
Late 2001-Early 2002	Geneva begins an orderly shutdown of production facilities, beginning with its hot end and ending with its pipe mill.	Geneva's closure affects the availability of both line pipe and raw materials in the western United States.
December 2001	Enron petitions for Chapter 11 reorganization.	Uncertainty regarding the status of Enron and other oil and gas pipeline operators dampens spending on capital projects requiring line pipe.
March 2002	Proclamation 7529, issued by the President, imposes tariffs and tariff-rate quotas on imports of certain steel products, including additional duties of 30 percent on hot-rolled steel and plate and 15 percent on certain welded pipe (exclusive of line pipe and OCTG).	Increases the duty on imports of the primary raw materials for line pipe and, to a lesser degree, on tubular products produced on the same equipment as line pipe. For countries such as Korea, the increased duties on such pipe exceed the increased duties on line pipe.
January 2002	Maverick relocates the former Prudential mill from Longview, WA, to Hickman, AR.	Represents a net reduction in line pipe capacity located in the western United States and a net addition to capacity located in the eastern United States.
September 2002	Proclamation 7585, issued by the President, modifies the line pipe safeguard measure with respect to Korea.	Additional duties on line pipe from Korea would only be applied on quantities in excess of 17,500 short tons per quarter.
February 2003	Maverick closes its recently acquired pipe mill in Youngstown, OH.	Domestic line pipe capacity is reduced.
March 2003	Line pipe safeguard action expires.	U.S. imports of line pipe are unrestricted.
Late 2003	Scrap price increases begin to escalate rapidly, continuing into 2004.	Input prices rise, and some line pipe producers respond with price increases, surcharges linked to scrap price indexes, or a combination of responses.
December 2003	Steel safeguard tariffs and tariff-rate quotas are terminated.	U.S. imports of hot-rolled steel, plate, and welded pipe are unrestricted.

* Source: *Steel: Monitoring Developments in the Domestic Industry* (Investigation No. TA-204-9), Publication 3632, September 2003; *Certain Circular Welded Carbon Quality Line Pipe: Evaluation of the Effectiveness of Import Relief* (Investigation No. TA-204-10), Publication 3628, August 2003; *Proclamation 7741 of December 4, 2003: To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products* (68 FR 68483, December 8, 2003); "AMM Price Archives" in *AMM Pricing Archives - Price Page* - last updated on April 4, 2004 (ferrous scrap - consumer, no. 1 busheling, location Chicago, monthly for January 2001 through March 2004); and "Scrap prices decline; dealers go with the flow" in *AMM.com - Top Stories* - April 7, 2004.

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

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

Welded line pipe is produced in accordance with specifications published by the American Petroleum Institute and used for the transmission of gas, oil, or water, generally in pipeline or utility distribution systems.¹ U.S. producers and U.S. importers consistently reported that more than four-fifths of their shipments of the domestic like product and imports of the subject merchandise from China, Korea, and Mexico were to distributors, with the balance to end users.²

U.S.-produced line pipe and line pipe from China, Korea, and Mexico are sold both regionally and throughout the United States. Of the U.S. producers that responded to the question, one-half reported that their sales were made throughout the continental United States. The remaining U.S. producers reported sales primarily in the Rocky Mountains, Southeast, Southwest, and Midwest regions. While some importers (five out of 23) reported sales nationwide, most reported sales in specific regions. The regions most frequently mentioned were the Southwest (12 firms) and the Midwest (nine firms).

Producers and importers also were asked to report the share of their sales made from inventory and the share of special orders. In questionnaire responses from U.S. producers, six of 10 firms reported that at least 70 percent of their line pipe sales were produced to order. A majority of importers reported that their sales also were based on customers' specific orders as opposed to sales from inventories.

Producers and importers were asked to report delivery lead times for line pipe sold from inventory and for special order. Among U.S. producers, *** reported a general lead time of 77 to 90 days, while *** reported a lead time for sales from inventory of seven days and a lead time for sales of special orders of 14-21 days. Overall, U.S. producers' lead times for line pipe products ranged from two to 90 days, with delivery on sales from inventory taking place within seven days. For importers, typical lead times for items sold from inventory ranged from one to five days, while lead times for special order items ranged from 90 to 180 days. *** and *** reported that they have significantly longer lead times than domestic mills.

U.S. inland shipping distances reported by U.S. producers and importers show variation. Three U.S. producers reported selling more than 70 percent of their line pipe products within 100 miles of their production facilities; five producers reported that their sales were concentrated within 101 to 1,000 miles; while one, ***, reported that 95 percent of its sales were shipped more than 1,000 miles from its facility.³ Seven U.S. importers indicated that more than 80 percent of their sales occur within 100 miles of their storage or production facilities. Nine importers reported that more than 88 percent of their sales occur within 101 to 1,000 miles, while two reported that all of their sales occur beyond 1,000 miles.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic Production

The sensitivity of the domestic supply of line pipe to changes in price depends on such factors as the level of excess capacity, the availability of alternative markets for U.S.-produced line pipe, inventory

¹ Petition, pp. I-7 and I-8.

² A detailed presentation of the channel structure for line pipe appears in Part I of this staff report.

³ The U.S. producers that sell most of their line pipe products within 100 miles are ***; those that typically sell within 101 to 1,000 miles are ***.

levels, and the ability to shift to the manufacturing of other products. Based on available information, U.S. line pipe producers are likely to respond to changes in price with large changes in the quantity of shipments of U.S.-produced line pipe to the U.S. market.

The main factor contributing to the high degree of supply responsiveness is the large amount of unused capacity. Capacity utilization by U.S. producers ranged between approximately one-third and one-half during the period for which data were collected. These rates indicate that U.S. line pipe producers have the ability to increase shipments to the U.S. market in response to changes in prices. Since 2001, however, a number of events have impacted the domestic industry's ability to supply line pipe, including the shutdown of Geneva's steelmaking capacity in 2001 and its pipe mill by early 2002, the relocation of the former Prudential pipe mill by Maverick in 2002 (and its subsequent return to operational status in Hickman, AR), and the closure of the former LTV pipe mill in Youngstown, OH, in 2003. In addition, the primary raw materials for line pipe, hot-rolled steel and steel plate, were subject to a U.S. safeguard action between March 2002 and December 2003, part of a period characterized by the consolidation, rationalization, and restructuring of U.S. steelmaking capacity.⁴ Further, as noted in Parts I and V of this staff report, U.S. scrap supply has become increasingly hard pressed to keep up with scrap demand, as reflected by a rapid increase in already-rising scrap prices in 2004.⁵

U.S. producers' exports of line pipe are relatively small, accounting for only five to eight percent of the quantity of U.S. shipments between 2001 and 2003. These data indicate that U.S. producers are constrained in their ability to divert shipments of line pipe from foreign market to the U.S. market. U.S. producers' inventories, however, were equivalent to 15.8 percent of total shipments in 2001, 19.0 percent in 2002, and 10.3 percent in 2003. These data indicate that U.S. producers have some ability to use inventories as a means of increasing shipments to the domestic market.

When asked whether other products can be produced on the same production equipment and machinery used to produce line pipe, all U.S.-producer questionnaire respondents answered that the equipment and employees used to produce line could be used to produce alternative products. However, one U.S. producer, ***, indicated that equipment may be limited in its ability to produce pipe with different combinations of grades, wall thicknesses, and diameters.

⁴ As discussed in the Commission's recent monitoring report on steel, hot-rolled steel producers Trico Steel, Acme, Geneva Steel, and LTV all ceased steelmaking operations in 2001. Following the imposition of the steel safeguard action, however, "extensive restructuring" of the flat-rolled steel industry resulted in fewer producers:

Four of the largest U.S. producers of certain carbon and alloy flat-rolled steel and tin – Bethlehem, National, LTV, and U.S. Steel – have been consolidated into two companies, which are now owned by ISG and U.S. Steel. ISG, U.S. Steel, and Nucor have invested a total of \$3 billion to restructure and consolidate the industries by purchasing the assets of other companies. ISG was formed in March 2002 and purchased assets of producers LTV, Acme, and Bethlehem in 2002 and 2003. Nucor expanded by purchasing the assets of idled producer Trico Steel Company in July 2002. U.S. Steel finalized its purchase of National Steel in May 2003.

Steel: Monitoring Developments in the Domestic Industry (Investigation No. TA-204-9), Volume I, Publication 3632, September 2003, pp. FLAT I-3-4 (closures) and Executive Summary p. x (adjustment efforts).

⁵ See open letter from Wheatland Tube (retrieved from web site on April 9, 2004) discussing "unprecedented" supply pressures (including scrap steel and coking coal), with continued tight supplies for the foreseeable future. See also *Preston Pipe & Tube Report (Vol. 22 No.3)*, March 2004 (pipe and tube industry is going through a "temporary supply disruption;" because mills are shifting steel between customers, "(m)any of the tube makers have had to curtail production because their steel deliveries have been delayed. All of the tube makers are allocating shipments to assure a balanced supply." Mexican Respondents' Posthearing Brief, exh. 8. Distributors' views on this issue appear to be divided. Compare affidavits of *** in Mexican Respondents' Postconference Brief, exh. 4-7, with affidavits of *** in Petitioners' Postconference Brief at exh. 11.

Subject Imports

Based on available information, producers of line pipe in subject countries are likely to respond to changes in demand with moderate to large changes in the quantity of shipments of line pipe to the U.S. market. The main contributing factors to the degree of responsiveness of supply are the unused capacity (particularly for Mexico), the existence of alternate markets, and the existence of inventories. As discussed in Part I of this staff report, an additional consideration for China and Korea is the expiration of the U.S. safeguard action on welded line pipe (which did not cover line pipe from Mexico). The three-year safeguard action expired in March 2003.

China

Data regarding the Chinese industry are of very limited utility, as they represent the operations of only a single manufacturer in China. Moreover, the single responding manufacturer ***. The single reporting Chinese producer of line pipe has very limited unused capacity with which it could increase production of line pipe. Capacity utilization increased from *** percent in 2001 to *** percent in 2003. Its ability to shift supply from other markets to the United States may be constrained due to the lack of Chinese exports to the United States; available data indicate that there have been *** exports by the responding producer since ***. The majority of its production in 2001 (*** percent) was sold to the Chinese home market; in 2002 and 2003, *** was sold in the home market. The ratio of inventories to shipments ranged from *** to *** percent during 2001-03, indicating some ability to use inventories as a means to increase shipments to the U.S. market.

Korea

Korean line pipe producers reported limited unused capacity in 2003 with which they could increase line pipe production. Capacity utilization rates for Korean producers increased from 47.2 percent in 2001 to 71.7 percent in 2002 and to 93.5 percent in 2003 (although overall welded pipe capacity utilization remained relatively stable). Korea's exports of line pipe to the United States have been increasing, rising ten-fold between 2001 and 2003, a trend that respondents attribute to switching to dual-stenciled pipe from single-stenciled standard pipe.⁶ However, Korea's exports to other markets also increased by 32 percent (44,683 short tons) during the period 2001 to 2003. These data indicate that Korean line pipe producers have the ability to shift from non-U.S. export markets to the U.S. market. Available data on inventories indicates that Korean line pipe producers may be somewhat constrained in their ability to use inventories to increase shipments to the U.S. market, as the ratio of inventories to shipments fell from 6.7 percent to 4.4 percent between 2001 and 2003, even though line pipe inventories reached their highest level in absolute terms in 2003. Moreover, Korean respondents contend that Korean producers stopped taking orders for welded pipe in January 2004 due to raw material shortages.^{7 8}

⁶ Korean Respondents' Postconference Brief, pp. 29-30.

⁷ Korean Respondents' Postconference Brief, p. 34 and exh. 11.

⁸ Petitioners question the importance of this development, and point to the level of line pipe imports in January 2004 and the level of orders for line pipe in place. Petitioners' Postconference Brief, pp. 19-21.

Mexico

Mexican line pipe producers have substantial unused capacity with which they could increase line pipe production. Capacity utilization rates for Mexican line pipe producers ranged between 42.4 and 55.5 percent during 2001-03. Exports of line pipe to the United States accounted for 28.9 - 34.4 percent of total shipments during 2001-03. Mexico's home market accounted for between 40.6 and 49.8 percent of total shipments (with additional internal consumption). The existence of a large home market and other export markets provides Mexican line pipe producers with the ability to shift shipments at current production levels from these markets to the U.S. market. The supply responsiveness of Mexican line pipe producers also is enhanced by level of inventories relative to total shipments; during 2001-03, Mexican producers' inventories were equivalent to 30.3 - 47.4 percent of total shipments.⁹

U.S. Demand

Based on available information, line pipe consumers are likely to respond to changes in price with relatively limited changes in their purchases of line pipe. Because line pipe is used for the transmission of oil and gas, demand for line pipe is related to the levels of oil and gas activity. In particular, demand for welded line pipe is sensitive to changes in gas and oil prices, depending whether the pipes are used for gathering (transporting oil or natural gas from individual wells to compressor stations, processing points, or main trunk pipelines), transmission (transmitting oil or gas to or between distribution centers or large volume customers), or distribution (carrying oil or gas from the point of local supply to sales meters).¹⁰ Welded line pipe is most sensitive to changes in gas and oil prices when used for gathering, less sensitive when used for transmission, and least sensitive when used for distribution.¹¹

Figures II-1 and II-2 present information on U.S. prices for crude oil and natural gas and on the rig count in the United States during the period for which data were collected. U.S. oil and gas prices exhibited similar trends, with prices of both generally falling during 2001 and then rising through 2002; prices for oil and gas were at their highest levels in early 2003 and then showed some declines. The rig count, which measures the number of rigs actively drilling and exploring for crude oil or natural gas in the United States, showed a sharp decline from 2001 to 2002 and then a recovery in 2003.

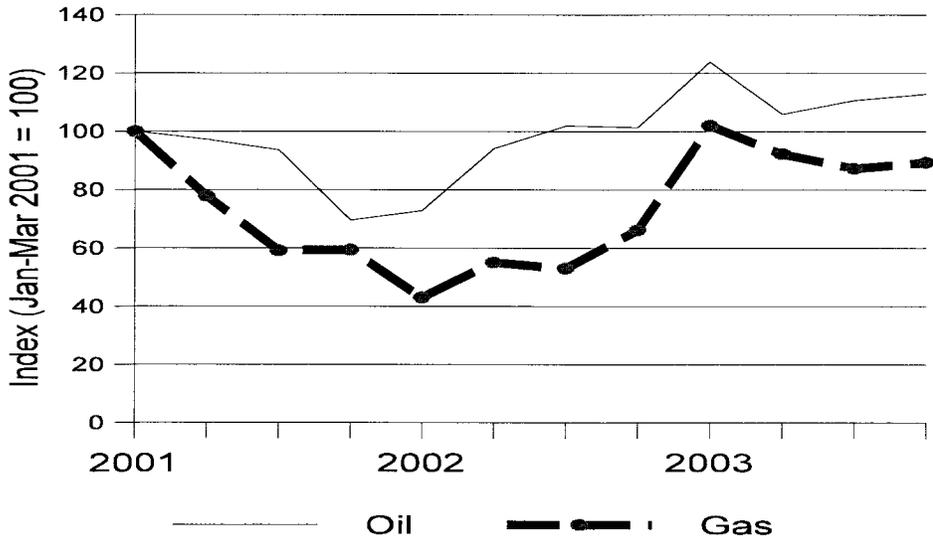
Available data on apparent U.S. consumption indicate an increase of 15.6 percent between 2001 and 2003, as a moderate decrease in line pipe shipments in 2002 was followed by a sharp rebound in 2003. U.S. producers and importers, however, were mixed on their views of demand trends during the period. While seven out of 10 U.S. producers reported that demand for line pipe decreased due to a lack of projects for line pipe after the collapse of Enron, 13 importers reported that demand increased and 10

⁹ Hylsa reportedly has not accepted any new pipe customers since January 2004. "We have rejected many many orders and in the last few weeks we have stopped taking any new orders for pipe from distributors. Right now the only orders that we are taking are from main user customers who are running out of inventory and will have to shut down their operation if we do not supply it. Even with these drastic measures our production is still behind our shipping commitments." *Conference Transcript*, testimony of Jaime Trevino, export sales manager, Hylsa, p. 114. *But see* ***. Petitioners' Postconference Brief, exh. 10.

¹⁰ While demand for smaller diameter line pipe reportedly is greater in gathering and distribution applications and demand for larger sizes is greater in transmission applications, all three require line pipe in a range of sizes. *Conference Transcript*, testimony of T. Scott Evans, vice president / sales and marketing, Maverick, p. 94.

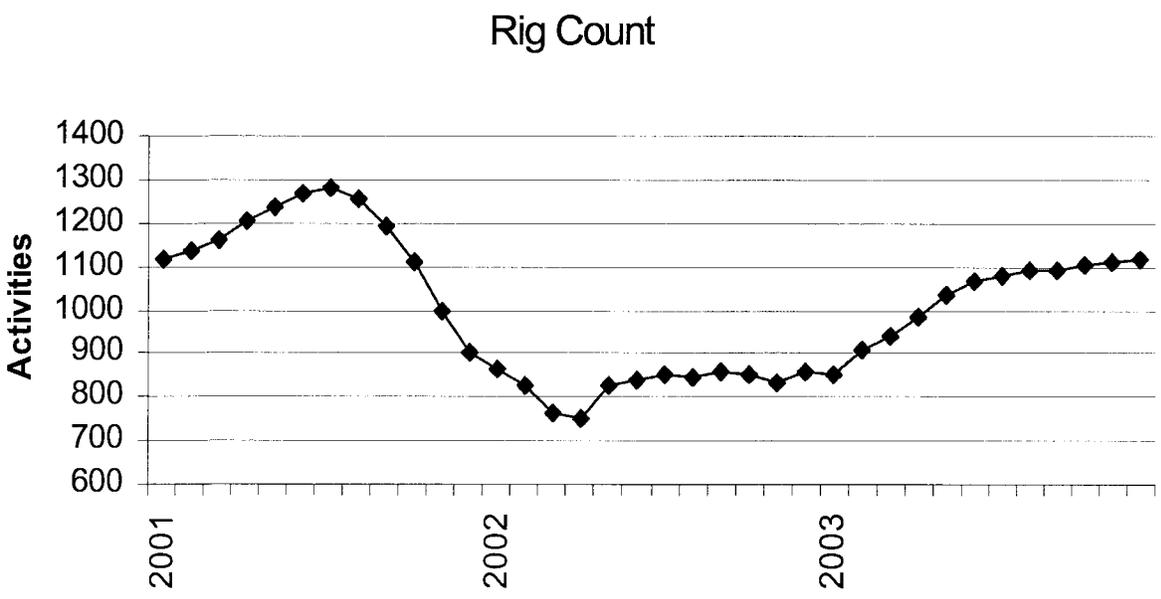
¹¹ *Circular Welded Carbon Quality Line Pipe (Investigation No. TA-201-70)*, Publication 3261, December 1999, p. II-44.

Figure II-1
Line pipe: Indexed prices for crude oil and natural gas, by quarter, 2001-03



Source: Energy Information Administration, Monthly Energy Review, February and April 2004.

Figure II-2
Line pipe: Number of drilling rigs actively exploring for or developing oil and natural gas in the United States, 2001-03



Source: Compiled from Baker Hughes data, U.S. Monthly Annual Average by State, 1992-2003.

said that demand was unchanged.¹² Two U.S. line pipe producers, ***, did indicate that demand for line pipe increased during the period for which data were collected. *** attributed increased demand to Geneva's reduction of capacity. Another U.S. producer, ***, reported that it anticipates that demand will recover because of the high level of drilling activities since 2003. Other reported explanations of decreased demand include the perceived need of governments, communities, and businesses for additional or replacement of pipe line infrastructure.¹³

Substitute Products

Other types of pipe that do not meet the API standards generally cannot be used in the same applications as line pipe and thus, demand for line pipe is not likely to be responsive to changes in the price of line pipe. Of the ten U.S. producers' questionnaire respondents, six reported that plastic pipe could substitute for line pipe. These firms, however, indicated that plastic pipe is mainly used for low pressure gas pipelines. Line pipe can be and is used as a substitute for standard pipe if produced to both a standard and a line pipe specification.¹⁴ Since standard pipe is not produced to a line pipe specification, however, standard pipe cannot substitute for line pipe.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported line pipe depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is high level of substitutability between domestically produced line pipe and line pipe imported from the subject countries.

Comparisons of Domestic Products and Subject Imports

To determine whether U.S.-produced line pipe can be used in the same applications as imports from China, Mexico, and Korea, producers and importers were asked whether the product can "always," "frequently," "sometimes," or "never" be used interchangeably (table II-1). Responding U.S. producers were nearly unanimous in reporting that line pipe produced in the United States, China, Mexico, and Korea can "always" be used interchangeably. Responding U.S. importers were somewhat less definitive, but also reported nearly unanimously that line pipe produced in the United States and in each of the subject countries can "always" or "frequently" be used interchangeably.

Korean respondents argue that their products do not directly compete with U.S.-produced line pipe. Most of Korean imports, ***, are dual-stenciled and believed to be for use as both standard pipe and line pipe. In addition, according to Korean respondents, the dual-stenciled line pipe from Korea

¹² Enron filed voluntary petitions for Chapter 11 bankruptcy on December 2, 2001, according to the company's press release issued that day.

¹³ Consistent with these demand considerations, petitioners contend that general economic activity (as measured by the nation's gross domestic product) is closely related to line pipe demand. Petitioners' Postconference Brief, pp. 10-11 and exh. 3.

¹⁴ Indeed, according to counsel for the Korean respondents, when duties for standard pipe entered into effect as a result of the broad steel safeguard action, imports of the product from Korea decreased between 2002 and 2003 from 104,000 to 25,000 tons in favor of dual-stenciled (i.e., line) pipe. *Conference Transcript*, testimony of Donald Cameron, counsel to Korean respondents, pp. 13-14.

Table II-1

Line pipe: Perceived degree of interchangeability of line pipe produced in the United States and imported from China, Mexico, Korea, and third countries,¹ as reported by U.S. producers and importers

Country comparison	U.S. producers					U.S. importers				
	A	F	S	N	0	A	F	S	N	0
U.S. vs. China	9	1	-	-	-	8	4	2	-	10
U.S. vs. Mexico	8	1	-	1	-	11	4	2	-	7
U.S. vs. Korea	9	1	-	-	-	15	4	1	-	5
U.S. vs. Nonsubject	3	1	-	-	3	8	2	1	-	7
China vs Mexico	9	-	-	-	1	7	5	1	-	11
China vs. Korea	8	-	-	-	1	7	5	-	-	11
Korea vs. Mexico	8	-	-	1	1	9	3	1	-	10
China vs. Nonsubject	3	-	-	-	4	6	3	1	-	12
Korea vs. Nonsubject	3	-	-	-	4	4	2	-	-	8
Mexico vs. Nonsubject	3	-	-	-	4	6	3	-	-	13

¹ Producers and importers were asked if line pipe produced in the United States and in other countries is used interchangeably.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never, and "0" = No familiarity.

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

is of a lower grade line pipe (X-42 and below), while a substantial portion of the domestic industry's shipments of line pipe were grades X-46 and above.^{15 16}

Producers and importers also were asked to discuss whether differences other than price (i.e., quality, availability, transportation network, product range, technical support, etc.) between line pipe produced in the United States and in other countries were a significant factor in sales of the product. Again, firms were asked whether these product differences are "always," "frequently," "sometimes," or "never" significant. Their responses are shown in table II-2. U.S. producers were evenly divided in reporting that non-price factors are only "sometimes" or even "never" a significant factor in their firm's sales of line pipe. While a majority of U.S. importers reached the same conclusion, several (in the case of Korea as many as five) reported that non-price factors are "frequently" or even "always" a significant factor in their firm's sales of line pipe.

One U.S. firm, ***, reported that technical and product support are the two areas that are significant in comparing domestic with foreign products. One of the major importers from *** noted that

¹⁵ Korean Respondents' Postconference Brief, p. 32.

¹⁶ The Commission collected extensive data regarding the physical characteristics of line pipe produced in the United States and in China, Korea, and Mexico. These data appear in Part IV of this staff report in the section entitled "Cumulation Considerations."

Table II-2

Line pipe: Perceived importance of differences in factors other than price between line pipe produced in the United States and imported from China, Mexico, Korea, and third countries and sold in the U.S. market,¹ as reported by U.S. producers and importers

Country comparison	U.S. producers					U.S. importers				
	A	F	S	N	0	A	F	S	N	0
U.S. vs. China	-	-	5	5	-	3	-	1	5	11
U.S. vs. Korea	-	-	5	5	-	3	2	1	8	7
U.S. vs. Mexico	-	-	5	5	-	2	-	6	6	7
U.S. vs. Nonsubject	-	-	3	2	3	2	-	3	6	7
China vs Mexico	-	-	4	5	1	1	-	1	7	9
China vs. Korea	-	-	4	5	1	1	-	1	5	11
Korea vs. Mexico	-	-	4	5	1	2	-	1	5	11
China vs. Nonsubject	-	-	2	2	4	-	-	3	5	10
Korea vs. Nonsubject	-	-	2	2	1	1	-	1	6	10
Mexico vs. Nonsubject	-	-	2	2	4	-	-	3	5	10

¹ Producers and importers were asked if the differences other than price between line pipe produced in the United States and in other countries is a significant factor in their firms' sales of line pipe.

Note: "A" = Always, "F" = Frequently, "S" = Sometimes, "N" = Never, and "0" = No familiarity.

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

when importing line pipe from China, quality and availability are the main determining factors. While this importer found the quality of line pipe from China acceptable, availability has been an issue because of the safeguard measure.¹⁷ Another importer, ***, indicated that the U.S. mills provide better technical support and transportation networks, as well as product range than Chinese, Mexican, and Korean producers. This company indicated that while a Mexican producer, Hylsa, has comparable product quality, it lacks technical support and a transportation network. *** also emphasized that quality, availability, and technical support are their key determining factors when purchasing a product. Another importer, ***, reported that foreign mills produce 2" - 4" line pipe and have significant longer lead times than domestic mills. One importer, ***, also agreed that the U.S. line pipe industry has a significant advantage over Korean producers with regard to lead time. However, this importer stated that few domestic producers make heavy wall line pipe or 2" - 6" OD line pipe and this size represents *** of its imports. Another importer, ***, stated that U.S. producers benefit from good product aesthetics / cosmetic appearance, quality, availability, and transportation network.

¹⁷ Staff interview with ***.

Comparisons of Imports from the Subject Countries

A majority of U.S. producers indicated that line pipe from the different subject countries “always” can be interchangeable (table II-1). U.S. importers generally reported that imports of line pipe from the different subject countries either are “always” or are “frequently” used interchangeably.

With regard to differences other than price, U.S. producers were fairly evenly split between reporting that these differences were “sometimes” a significant factor and that the differences were “never” a significant factor in line pipe sales (table II-2). While U.S. importers were somewhat more likely to report that non-price factors were “never” a significant factor in their sales, a minority did report that such differences were “always” significant.

Comparisons of Imports from Nonsubject Countries

Producers and importers also were asked to compare U.S.-produced line pipe as well as imports from China, Korea, and Mexico with nonsubject imports both in terms of interchangeability and product differences. Of the four producers that made the comparison in terms of interchangeability between the U.S. and nonsubject imports, three reported that the products are “always” interchangeable and one reported that they are “frequently” interchangeable (table II-1). U.S. producers also viewed line pipe imports from subject and nonsubject countries as interchangeable. Similarly, U.S. importers reported that imports of line pipe from nonsubject countries were “always” or “frequently” interchangeable with imports of line pipe from China, Korea, and Mexico, as well as with domestically produced line pipe.

With regard to differences other than price, U.S. producers were fairly evenly split between reporting that these differences were “sometimes” a significant factor and that the differences were “never” a significant factor in their firms’ sales of line pipe, and drew similar conclusions when comparing line pipe imports from subject and nonsubject countries (table II-2). While U.S. importers were somewhat more likely to report that non-price factors were “never” a significant factor in their sales, a minority did report that such differences were “always” significant when comparing nonsubject imports to U.S.-produced line pipe and line pipe from Korea.

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 margins of dumping were 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.

U.S. PRODUCERS

The Commission sent producer questionnaires to all firms identified in the petition as domestic producers of line pipe and to other domestic firms identified by public sources as producers of line pipe. *** firms that are estimated to account for more than 95 percent of U.S. production of line pipe during 2003 provided responses to the Commission's producer questionnaire. Only *** did not provide a completed questionnaire response.¹

Presented in table III-1 is a list of current and former domestic line pipe producers, each company's position on the petition, production locations, related and/or affiliated firms, and their share of 2003 domestic production of line pipe.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

U.S. producers' capacity, production, and capacity utilization data for line pipe are presented in table III-2. These data show a decline in the capacity to produce line pipe of 16.5 percent from 2001 to 2003. Likewise, production of line pipe fell overall by 16.3 percent from 2001 to 2003. Capacity utilization fell by 12.0 percentage points from 2001 to 2002, but increased by 12.1 percentage points in 2003 to 48.2 percent.

In a supplemental request of the domestic line pipe producers, the Commission sought information concerning monthly production of line pipe for the period January 2003-February 2004. All domestic producers that provided 2003 production data in their original questionnaire response provided a response to this additional request. These data are presented in table III-3.

The domestic line pipe producers were asked to describe the constraints that set the limits on their production capabilities. In response to that question, five U.S. producers reported that their production decisions are made after considering the market prices and conditions. *** reported that raw material availability, number of shifts scheduled for operations, coating facility capacity, and availability of rail cars or trucks to transport finished goods set the limits on its production capabilities. *** reported that old equipment limitations set the limits on its production capabilities.

In the Commission's questionnaire, U.S. producers were asked if they had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of line pipe since January 1, 2001. Three firms reported such changes; their responses to this question are presented in table III-4. In addition, ***, which accounted for an estimated *** percent of total U.S. production of line pipe during 2003, reported that it is planning to ***.²

¹ ***.

² E-mail from *** to Commission staff, Apr. 1, 2004.

Table III-1

Line pipe: U.S. firms, positions on the petition, U.S. production locations, related and/or affiliated firms, and shares of 2003 reported U.S. production of line pipe

Firm name	Position on petition	U.S. production locations	Related and/or affiliated firms	Share of production (percent)
Current Domestic Producers				
American	Petitioner	Birmingham, AL	None	***
Camp Hill / USS ¹	Support	McKeesport, PA	None	***
CSI	***	Fontana, CA	Kawasaki Steel Holding (US) ² Kawasaki Steel (Japan) ³ Rio Doce LTD (US) ²	***
IPSCO	Petitioner	Camanche, IA Blytheville, AR	IPSCO Inc. (Canada) ^{2 3}	***
Lone Star	Petitioner	Dallas, TX Lone Star, TX ⁷	Lone Star Technologies (US) ²	***
Maverick	Petitioner	Blytheville, AR Youngstown, OH Counce, TN Conroe, TX	Prudential Steel Ltd. (Canada) ³	***
Newport	Support	Newport, KY	NS Group (US) ²	***
Northwest	Petitioner	Portland, OR	None	***
Paragon ⁴	(⁴)	Sapulpa, OK	(⁴)	***
Stupp	Petitioner	Baton Rouge, LA	Stupp Bros., Inc. (US) ²	***
Tex-Tube	Support / China and Korea; *** / Mexico	Houston, TX	Visteel/Vi Capital (US) ² *** (US) ⁵ Tuberia Nacional (Mexico) ³	***
Texas Tubular ⁶	***	Lone Star, TX	Friedman Industries, Inc. (US) ²	***
Wheatland	***	Wheatland, PA	John Maneely Co. (US) ²	***
Former Domestic Producers				
Geneva (Vineyard, UT) filed for bankruptcy in September 2002 after having begun an orderly shutdown in late 2001. Its line pipe assets have been sold, reportedly to the Welspun Group of India. In its response to the Commission's questionnaire, Geneva indicated that it was in support of the petitions.				
LTV Steel Tubular Products' pipe mills in Youngstown, OH, and Counce, TN were purchased by Maverick (see above) in December 2002. The Youngstown mill was closed by Maverick in February 2003.				
Prudential Steel's pipe mill in Longview, WA was purchased by Maverick (see above) in September 2000. The mill was re-located to Blytheville, AR in 2002.				
Sawhill Tubular Division of AK Steel (Sharon, PA) was acquired by John Maneely Co., the corporate parent of Wheatland (see above), in April 2002.				

Footnotes appear on the following page.

¹ Line pipe was produced for USS under a toll processing arrangement with Camp Hill Corp., located in McKeesport, PA, whereby Camp Hill is paid a tolling fee for processing USS's hot-rolled steel plate into the subject line pipe. The land and equipment utilized at McKeesport are owned by USS and leased to Camp Hill. Responsibility for investments in capital improvements are negotiated by the two firms. Camp Hill's data were included in the questionnaire response submitted by USS.

² Parent.

³ Foreign producer and/or exporter.

⁴ ***.

⁵ U.S. importer.

⁶ Texas Tubular Products, located in Lone Star, TX, is a toll processor for Lone Star. Texas Tubular reported that it produced the following amounts of line pipe for Lone Star (in *short tons*): ***. Lone Star included the production data of Texas Tubular in its questionnaire response in these investigations.

Note.—Because of rounding, shares may not total 100.0 percent.

Source: Compiled from data submitted in response to Commission questionnaires; from *Certain Circular Welded Carbon Quality Line Pipe: Evaluation of the Effectiveness of Import Relief (Investigation No. TA-204-10)*, Publication 3628, August 2003; and from *Steel: Monitoring Developments in the Domestic Industry (Investigation No. TA-204-9)*, Publication 3632, September 2003.

Table III-2

Line pipe: U.S. capacity, production, and capacity utilization, 2001-03

Item	Calendar year		
	2001	2002	2003
Capacity (<i>short tons</i>) ¹	1,212,298	1,152,833	1,012,237
Production (<i>short tons</i>)	583,008	416,512	487,773
Capacity utilization (<i>percent</i>)	48.1	36.1	48.2

¹ A majority of U.S. producers reported capacity based on operating 112-160 hours per week, 50-52 weeks per year; however, three firms reported capacity based on operating fewer hours per week. *** reported capacity based on operating *** hours per week, respectively.

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

Table III-3

Line pipe: U.S. monthly production, January 2003-February 2004

Period	Production quantity (short tons)
2003:	
January	26,981
February	29,215
March	37,319
April	35,124
May	34,849
June	48,279
July	46,596
August	51,393
September	43,134
October	41,889
November	43,263
December	49,732
2004:	
January	36,656
February	50,470

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

Table III-4

Line pipe: U.S. producers' comments concerning plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns

* * * * *

All of the U.S. producers of line pipe that responded to the Commission's questionnaire reported the production of other products on the same equipment and machinery and using the same production and related workers employed in the production of line pipe. In the aggregate, the producers reported the following products that were produced using the same production and related workers employed to produce line pipe and those products' shares of total plant production in 2003: standard/structural pipe (16.9 percent), large diameter line pipe (8.9 percent), OCTG (47.0 percent), and other products (7.9 percent). Firms were also asked to provide total annual production and capacity to produce all products. The aggregate data for the firms are presented in table III-5.

Table III-5

Line pipe: U.S. producers' total plant capacity and production, by products, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (short tons)			
Total plant capacity	4,619,028	4,511,043	4,506,000
Production:			
Subject line pipe ¹	582,854	416,892	488,082
Standard/structural pipe ²	471,363	455,402	427,251
Large diameter line pipe ³	225,930	202,039	225,425
OCTG	1,088,608	796,449	1,191,856
Other ⁴	267,733	250,205	200,715
Total, all products	2,636,488	2,120,987	2,533,329
Total plant capacity utilization (<i>percent</i>)	57.1	47.0	56.2
¹ Production data presented for subject line pipe in this table do not reconcile with production data presented in table III-2 due to rounding errors contained in the questionnaire response of ***. ² Welded standard/structural pipe 16 inches or less in outside diameter. ³ Welded line pipe greater than 16 inches in outside diameter. ⁴ Other products include the following: standard/structural pipe greater than 16 inches in outside diameter, ordnance, specialty tubing, hot-finished tubulars, mill rejects, pipe piling, drawn over mandrel, and limited service/non-prime.			
Source: Compiled from data submitted in response to Commission questionnaires.			

U.S. PRODUCERS' SHIPMENTS

Data on domestic producers' shipments of line pipe are presented in table III-6. The domestic commercial market accounted for all U.S. producers' U.S. shipments of line pipe and greater than 90 percent of U.S. producers' total shipments during 2001-03. The domestic producers reported no transfers of line pipe to related firms and no internal consumption during the period for which data were collected in these investigations. Commercial sales by several of the U.S. producers of line pipe are marketed under an alliance agreement. Lone Star and USS maintained a marketing alliance between 2000 and 2002 in which Lone Star marketed welded tubular products, including line pipe, produced for USS by Camp Hill.³ Lone Star has current alliances with welded pipe producers Texas Tubular and Tex-Tube in the United States, and also with the Colombian producer Tubocaribe.⁴ Lone Star reportedly markets all of Tex-Tube's line pipe, while Tex-Tube, in turn, markets standard pipe for both Tex-Tube and Lone Star.⁵

Exports of line pipe were reported by six domestic line pipe producers. These exports accounted for approximately 5 percent of U.S. producers' total shipments during 2001 and 2002, but increased to slightly more than 8 percent during 2003. All six producers reported Canada as their primary export market for line pipe, although Africa, South America, and Trinidad were also cited as export markets by two domestic producers.

Domestic producers' reported U.S. shipments of line pipe fell both in terms of quantity and value by approximately 25 percent from 2001 to 2002, but increased somewhat in 2003 to levels below those reported in 2001. Domestic producers' reported export shipments of line pipe fell both in terms of quantity and value from 2001 to 2002, but increased in 2003 to levels above those reported in 2001. The unit value of U.S. producers' U.S. shipments increased by \$7 per short ton from 2001 to 2002 to \$468 per short ton, and increased further in 2003 to \$501 per short ton. The unit value of U.S. producers' export shipments, while higher than the unit value of U.S. shipments during 2001-02, increased from \$495 per short ton in 2001 to \$504 per short ton in 2002. Export shipments fell to \$491 per short ton in 2003, a level not only lower than that reported for export shipments in 2001 but also lower than the unit value reported for U.S. shipments during 2003.

U.S. PRODUCERS' INVENTORIES

Data collected in these investigations on domestic producers' end-of-period inventories of line pipe are presented in table III-7. U.S. producers' inventories, which were equivalent to between 10.3 and 19.0 percent of U.S. producers' total shipments during 2001-03, fell by 9.8 percent in 2002, and by 34.6 percent in 2003.

³ AMM.com - Steel News - Aug. 1, 2002, "U.S. Steel ends marketing deal with Lone Star" at <http://www.amm.com/index.htm>.

⁴ See Lone Star Technologies, Inc., "Alliances" at <http://www.lonestartech.com/Strategies/alliances.asp> (retrieved April 6, 2004) and Lone Star Steel, "Alliance Activities" at <http://www.lonestarsteel.com/aboutus/alliances.asp> (retrieved April 6, 2004). Other Lone Star alliances include large diameter welded pipe producer Welspun Gujarat Stahl of India, seamless pipe producer Silcotub of Romania, and seamless pipe producer Citra Tubindo of Indonesia. *Id.*

⁵ *Conference Transcript*, testimony of T. Scott Evans, vice president / sales and marketing, Maverick, pp. 84-85.

Table III-6
Line pipe: U.S. producers' shipments, by types, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (short tons)			
Commercial shipments	539,732	401,756	472,476
Internal consumption	0	0	0
Transfers to related firms	0	0	0
U.S. shipments	539,732	401,756	472,476
Export shipments	27,302	22,335	42,050
Total	567,034	424,091	514,526
Value (1,000 dollars)			
Commercial shipments	248,652	187,890	236,657
Internal consumption	0	0	0
Transfers to related firms	0	0	0
U.S. shipments	248,652	187,890	236,657
Export shipments	13,524	11,259	20,642
Total	262,176	199,149	257,299
Unit value (per short ton)			
Commercial shipments	\$461	\$468	\$501
Internal consumption	(¹)	(¹)	(¹)
Transfers to related firms	(¹)	(¹)	(¹)
U.S. shipments	461	468	501
Export shipments	495	504	491
Average	462	470	500
¹ Not applicable.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Table III-7
Line pipe: U.S. producers' end-of-period inventories, 2001-03

Item	Calendar year		
	2001	2002	2003
Inventories (<i>short tons</i>)	89,590	80,781	52,816
Ratio of inventories to production (<i>percent</i>)	15.4	19.4	10.8
Ratio of inventories to U.S. shipments (<i>percent</i>)	16.6	20.1	11.2
Ratio of inventories to total shipments (<i>percent</i>)	15.8	19.0	10.3

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

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for line pipe are presented in table III-8. In the aggregate, U.S. line pipe producers reported an overall decline of 13.7 percent in the number of production and related workers employed in the manufacture of line pipe during 2001-03. Likewise, the number of hours worked by these employees fell by 18.8 percent and wages paid fell by 4.2 percent during the same time period. In contrast, hourly wages paid, productivity, and unit labor costs increased overall from 2001 to 2003.

In April 2003, an estimated 470 members of the United Steelworkers of America (USWA) local 1660 struck Wheatland's pipe mill in Wheatland, PA, following the expiration of their contract. Reportedly, the primary points of contention involved health care benefits, pensions, and wages. After additional contract negotiations and ratification of a new three-year contract, USWA workers began to return to Wheatland in late September 2003. Between April and September 2003, Wheatland reportedly supplied customers from its other tubular operations, including the recently acquired Sawhill facility in Sharon, PA.⁶ Conference testimony suggests that the labor-management dispute at Wheatland, a very small producer of line pipe, was the exception, rather than the rule, for the line pipe industry. According to a USWA representative, labor and management used the time during which the line pipe safeguard action was in place to improve productivity, change contractual work rules, and lower the cost of production. These joint efforts included the conclusion of new contracts with Maverick after the purchase of LTV's line pipe mills.⁷

⁶ Information on the strike at Wheatland was compiled from the following sources: "Union workers walk off job at Wheatland Tube" in AMM.com - Steel News - April 29, 2003; "'Bad faith' trips contract talks at Wheatland Tube" in AMM.com - Steel News - August 7, 2003; "Showdown looms on Wheatland Tube final offer" in AMM.com - Steel News - September 8, 2003; "Union negotiators approve latest Wheatland offer" in AMM.com - Steel News - September 25, 2003; "Changes allow Wheatland to better contract offer" in AMM.com - Steel News - September 26, 2003; and "Wheatland Tube workers ratify deal, end strike" in AMM.com - Steel News - September 29, 2003.

⁷ *Conference Transcript*, testimony of William Kleinfelter, vice president and legislative director, United Steelworkers of America, AFL-CIO, p. 35 (new and revised contracts) and pp. 73-74 (no major strikes involving welded line pipe producers).

Table III-8
Line pipe: U.S. producers' employment-related indicators, 2001-03

Item	Calendar year		
	2001	2002	2003
Production and related workers (PRWs)	935	797	807
Hours worked by PRWs (1,000 hours)	2,109	1,760	1,712
Wages paid to PRWs (1,000 dollars)	37,046	33,906	35,493
Hourly wages	\$17.57	\$19.26	\$20.73
Productivity (short tons produced per 1,000 hours)	276.4	233.8	284.9
Unit labor costs (per short ton)	\$63.54	\$82.40	\$72.77

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

Data concerning U.S. producers' imports and purchases of line pipe are shown in table III-9. *** reported U.S. imports of line pipe from a nonsubject source – *** – but did not provide a reason for importing this product. *** reported U.S. purchases of line pipe from domestic producers *** and U.S. imports of line pipe from nonsubject sources. It indicated that it purchased line pipe to ***.

Table III-9
Line pipe: U.S. imports and purchases by U.S. producers, 2001-03

* * * * *

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

U.S. IMPORTERS

In response to Commission questionnaires sent to importers in these investigations, 28 firms supplied usable data. Presented in table IV-1 are the responding 28 U.S. importers and estimates of 2003 coverage, by country, based on a comparison with official import statistics of Commerce.¹

Tex-Tube is wholly owned by the same parent companies (Visteel/ViCapital) that own the Mexican line pipe producer Tuberia Nacional. Tex-Tube also reported that *** Steel, an importer of subject merchandise from Mexico, is a sister company. There are no other known related parties in these investigations as defined in section 771(4)(B) of the Act (19 U.S.C. § 1677(4)(B)).

Table IV-1

Line pipe: U.S. importers, locations, and shares of 2003 subject U.S. imports, by subject country

* * * * *

U.S. IMPORTS

U.S. import data presented in this report are based on official import statistics (table IV-2).² The U.S. import data for all three subject countries show an increase both in volume and value in each year between 2001 and 2003.³ Unit values for line pipe imported from China increased from \$294.63 per short ton in 2001 to \$362.93 per short ton in 2003. Likewise, the unit values of the line pipe imported from Mexico, which ranged from \$422.71 per short ton to \$497.11 per short ton, increased throughout the period for which data were requested in these investigations. Unit values of imported Korean line

¹ Because of double-counting issues, the importer questionnaire responses of four firms were not included in the aggregate import data: ***. The questionnaire responses provided by two additional firms, ***, were not usable because certain data provided were grossly inaccurate and the firms were unable to correct the data in the time period provided. The questionnaire responses provided by five firms were not usable because little or no data were provided: ***.

² Imports of subject merchandise entered into the United States under subheading 7306.10.50 for alloy line pipe are believed to be minimal; therefore, the import data presented in this report are derived using official Commerce import statistics for products entered under subheading 7306.10.10 for nonalloy line pipe.

³ Respondents contend that import data on line pipe should be considered in conjunction with import data on black, plain-end standard pipe, a product for which multiple-stenciled pipe is substitutable. Respondents point to the overall decline in imports of black, plain-end standard pipe from the combined subject countries:

<u>Country</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
China (short tons)	67,024	2,902	24,131
Mexico (short tons)	37,303	41,931	56,232
Korea (short tons)	<u>164,298</u>	<u>104,338</u>	<u>25,715</u>
Total (short tons)	268,625	149,170	106,078

Source: Korean Respondents' Postconference Brief, exh. 3, and Mexican Respondents' Postconference Brief, p. 6, both citing official import statistics for HTS statistical reporting numbers 7306.30.1000; 7306.30.5040; 7306.30.5055; and 7306.30.5090.

pipe fell from \$375.09 per short ton in 2001 to \$347.60 per short ton in 2002 and rose to \$395.12 per short ton in 2003.

U.S. import statistics for the most recent 12-month period prior to the filing of the petitions for which data are available (February 2003-January 2004) indicate that imports from each of the subject countries exceeded the three percent negligibility threshold. During that period, the quantity of U.S. imports of line pipe from China, Korea, and Mexico accounted for 10.3, 40.9, and 20.8 percent of total line pipe imports, respectively.⁴

Table IV-2
Line pipe: U.S. imports, by sources, 2001-03

Source	Calendar year		
	2001	2002	2003
Quantity (short tons)			
China	2,537	17,927	26,092
Korea	12,445	56,989	106,019
Mexico	51,161	49,387	52,354
Subtotal	66,143	124,303	184,465
Other sources	88,380	100,463	72,762
Total	154,523	224,765	257,227
Value (1,000 dollars)¹			
China	747	5,744	9,470
Korea	4,668	19,809	41,890
Mexico	21,626	22,298	26,026
Subtotal	27,042	47,851	77,386
Other sources	40,179	39,020	31,043
Total	67,221	86,871	108,429
Unit value (per short ton)¹			
China	\$295	\$320	\$363
Korea	375	348	395
Mexico	423	451	497
Average	409	385	420
Other sources	455	388	427
Average	435	386	422

Table continued on next page.

⁴ Monthly import data appear in table IV-5.

Table IV-2--Continued

Line pipe: U.S. imports, by sources, 2001-03

Source	Calendar year		
	2001	2002	2003
Share of quantity (percent)			
China	1.6	8.0	10.1
Korea	8.1	25.4	41.2
Mexico	33.1	22.0	20.4
Subtotal	42.8	55.3	71.7
Other sources	57.2	44.7	28.3
Total	100.0	100.0	100.0
Share of value (percent)			
China	1.1	6.6	8.7
Korea	6.9	22.8	38.6
Mexico	32.2	25.7	24.0
Subtotal	40.2	55.1	71.4
Other sources	59.8	44.9	28.6
Total	100.0	100.0	100.0
¹ Landed, duty-paid. Note.—Because of rounding, figures may not add to the totals shown. Source: Compiled from official Commerce statistics.			

CUMULATION CONSIDERATIONS

In assessing whether subject imports compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) the degree of fungibility, including specific customer requirements and other quality-related questions; (2) presence of sales or offers to sell in the same geographical markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in Parts I and II of this report. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market follows.

Fungibility

U.S. producers and importers of line pipe were asked to provide data concerning the quantity of U.S. shipments of line pipe by certification, grade, size, end finish, surface finish, and length. These data are presented in table IV-3.⁵

Geographical Markets

Official import statistics, by customs district, reflect somewhat overlapping ports of entry for imports of line pipe from the subject countries (table IV-4). These data indicate that imports of line pipe from China, Korea, and Mexico each entered the United States through Texas and California and imports from China and Korea each entered through Louisiana, Oregon, and Washington. In addition, imports of line pipe from Korea also entered the United States through Pennsylvania, North Carolina, Alabama, Georgia, Florida, North Dakota, Puerto Rico, and Alaska. For China, the majority of imports entered through Houston-Galveston, TX, and Los Angeles, CA; for Korea, the majority entered through Los Angeles, CA, Houston-Galveston, TX, and Columbia-Snake, OR; for Mexico, nearly all imports entered through Laredo, TX.

Five of the ten responding U.S. producers, whose aggregate production accounted for approximately one-third percent of total 2003 domestic line pipe production, reported a geographic market area encompassing the entire continental United States, with one firm reporting that its market extends to cover Alaska, another reporting that its market extends to cover Hawaii, and a third reporting that its market extends to offshore areas in the Gulf of Mexico. All of the remaining five U.S. producers reported a geographic market area that included the Rocky Mountains; three reported a market area consisting of the Southwest; two reported a market area consisting of the Northwest, Midwest, West Coast, Southeast, and Northeast; and one reported serving the Mid-Atlantic area of the United States.

As noted in Part III of this staff report, four U.S. producers were located in the western United States. Of these four, Geneva began an orderly shutdown in 2001 and Maverick relocated the former Prudential mill in 2002. In addition, ***.

⁵ Questionnaire responses were incomplete as to the amount of dual-stenciled pipe sold as standard pipe. Certain attributes (smaller size, single random lengths, galvanized finish, threaded and coupled ends), however, are more common in standard pipe than in line pipe. See *Circular Welded Nonalloy Steel Pipe from Romania and South Africa (Investigations Nos. 731-TA-732 and 733 (Final))*, Publication 2973, July 1996, pp. I-7, IV-3, and IV-4.

Table IV-3

Line pipe: U.S. producers' and subject importers' U.S. commercial shipments, by certification, grade, size, end finish, surface finish, length, and by sources, 2003

Item	Quantity of U.S. shipments (in <i>short tons</i>) of line pipe produced in--			
	U.S.	China	Korea	Mexico
By certification:				
Stenciled to meet only API specifications	221,200	***	***	***
Stenciled to API & ASTM specifications	198,504	***	***	***
Not stenciled to any specification	***	***	0	***
Other ¹	***	***	0	***
Total	472,478	***	101,261	***
By grade:				
A and A-25	***	***	***	***
B and X-42	***	***	***	***
Subtotal, grades A, A-25, B, and X-42	114,702	***	101,261	***
X-46-52	233,224	***	0	***
X-60-70	72,226	***	0	***
X-80 and above	0	***	0	***
Other ²	52,326	***	0	***
Total	472,478	***	101,261	***
By size (outside diameter):		***		
Less than or equal to 4.5"	60,685	***	36,338	***
Greater than 4.5 inches but less than or equal to 10.75"	230,928	***	45,933	***
Greater than 10.75" but less than or equal to 16"	180,864	***	18,990	***
Total	472,477	***	101,261	***
By end finish:				
Plain end/square cut	***	***	***	***
Beveled	***	***	98,797	***
Threaded or threaded & coupled	0	***	***	***
Other	0	***	0	***
Total	472,476	***	101,261	***
By surface finish:				
Bare	364,801	***	***	***
Lacquered	61,511	***	99,472	***
Galvanized	0	***	***	***
Other ³	46,164	***	0	***
Total	472,476	***	101,261	***
By length:				
Single random lengths (approximately 20 feet)	12,069	***	***	***
Double random lengths (approximately 40 feet)	339,665	***	69,347	***
Triple random lengths (approximately 60 feet)	78,382	***	***	***
Other ⁴	42,361	***	0	***
Total	472,477	***	101,261	***

Footnotes appear on the following page.

¹ Domestic producers included the following in the "other" category: ASME/ASTM/API, A252, A53B, abrasive resistant, and AWWA.

² Domestic producers included the following in the "other" category: ASTM, A/R, AWWA, mill crop ends, X42/X46/X52/X56/X60, and API 5LA.

³ Domestic producers and one U.S. importer of Mexican line pipe included zinc and fusion bond epoxy coated pipe in the "other" category.

⁴ Domestic producers included quad random lengths to 80 feet in the "other" category. *** Mexican material categorized as "other" lengths was imported by ***. A minor amount of Mexican material was described as line pipe in lengths of 21 and 32 feet.

Note.—Because of rounding, figures may not add to the totals shown. U.S. commercial shipment data totals presented in this table may differ from such data presented within this table and from U.S. commercial shipment data presented elsewhere in this report due to data reporting inconsistencies in the questionnaire responses provided by several U.S. importers.

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

Simultaneous Presence in the Market

A review of monthly import data for January 2001 through January 2004 indicates that imports of line pipe from Korea and Mexico entered the United States in every month of that time period (table IV-5). However, imports of line pipe from China entered the United States during 2001 only in the months of January, April, and December. From January 2002 to December 2003, imports of line pipe from China entered the United States during a majority of the months, with the exception of March, April, September, and December of 2002, and March, July, and October of 2003. In January 2004, the most recent month for which official import statistics are available, the quantities of subject imports from China, Korea, and Mexico reached their highest, third-highest, and second-highest monthly levels, respectively, for the period between January 2001 and January 2004.

APPARENT U.S. CONSUMPTION

Data collected in these investigations concerning apparent U.S. consumption of line pipe, as shown in table IV-6, are based on U.S. producers' and importers' U.S. shipments of line pipe provided in response to Commission questionnaires. In terms of both quantity and value, apparent U.S. consumption fell from 2001 to 2002, but increased in 2003. Overall, apparent U.S. consumption, in terms of quantity, increased by 15.6 percent from 2001 to 2003 and, in terms of value, increased by 21.7 percent during the same time period.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-7. The cumulated share of the subject imports of line pipe from the three subject countries increased from 7.0 percent in 2001 to 24.5 percent in 2003, on the basis of quantity. Korea accounted for the majority of the increase in market share held by the subject imports during 2001-03. Converse to the increasing volume and market share of the subject imports, U.S. producers' share of the domestic market dropped during each year, falling from 86.9 percent in 2001 to 67.9 percent in 2002, and further to 65.8 percent in 2003.

Table IV-4

Line pipe: U.S. imports, by source and customs district, 2001-03

Source	District	Calendar year		
		2001	2002	2003
Quantity (short tons)				
China	Columbia-Snake, OR	0	791	537
	Houston-Galveston, TX	0	9,815	14,879
	Los Angeles, CA	2,511	7,211	10,638
	New Orleans, LA	0	110	0
	Seattle, WA	25	0	38
	Total, China	2,537	17,927	26,092
Korea	Anchorage, AK	0	0	1,912
	Charlotte, NC	0	403	1,894
	Columbia-Snake, OR	130	9,644	19,104
	Houston-Galveston, TX	9,393	16,446	21,840
	Los Angeles, CA	624	15,794	41,525
	Mobile, AL	233	0	0
	New Orleans, LA	786	1,717	1,921
	Pembina, ND	0	0	23
	Philadelphia, PA	0	2,811	3,752
	San Francisco, CA	18	1,448	3,606
	San Juan, PR	0	0	458
	Savannah, GA	24	0	202
	Seattle, WA	649	1,645	2,532
	Tampa, FL	588	7,082	7,250
Total, Korea	12,445	56,989	106,019	
Mexico	El Paso, TX	65	45	0
	Laredo, TX	51,096	48,885	50,987
	San Diego, CA	0	457	1,367
	Total, Mexico	51,161	49,387	52,354
Note.—Because of rounding, figures may not add to the totals shown.				
Source: Compiled from official Commerce statistics (HTS subheading 7306.10.10).				

Table IV-5

Line pipe: U.S. imports, by source and by month, January 2001-January 2004

Period	China	Korea	Mexico	Subtotal, subject countries	All other countries	Total, all countries
Quantity (short tons)						
2001:						
January	29	58	3,977	4,064	13,146	17,210
February	0	50	5,158	5,209	3,579	8,788
March	0	9,620	5,471	15,091	5,074	20,165
April	457	56	3,017	3,529	3,939	7,468
May	0	537	6,501	7,038	10,726	17,764
June	0	336	3,940	4,276	5,148	9,423
July	0	185	3,964	4,150	5,975	10,125
August	0	813	4,583	5,395	15,318	20,713
September	0	554	3,718	4,272	15,227	19,499
October	0	17	4,064	4,081	1,416	5,497
November	0	103	4,579	4,681	5,315	9,996
December	2,050	116	2,190	4,357	3,517	7,874
2002:						
January	828	147	4,520	5,495	3,221	8,716
February	3,901	22	4,074	7,996	13,872	21,869
March	0	2,767	4,734	7,501	1,948	9,449
April	0	2,115	4,136	6,251	4,078	10,329
May	2,783	4,010	4,818	11,612	12,966	24,578
June	2,669	799	5,122	8,590	3,626	12,216
July	249	6,915	4,312	11,476	4,331	15,807
August	2,270	8,740	5,304	16,314	24,114	40,428
September	0	5,961	5,411	11,372	17,373	28,744
October	1,963	8,451	3,134	13,548	8,556	22,104
November	3,264	7,282	1,695	12,242	5,091	17,333
December	0	9,780	2,126	11,907	1,286	13,193

Table continued on following page.

Table IV-5--Continued

Line pipe: U.S. imports, by source and by month, January 2001-January 2004

Period	China	Korea	Mexico	Subtotal, subject countries	All other countries	Total, all countries
Quantity (short tons)						
2003:						
January	3,944	8,306	2,446	14,696	4,855	19,551
February	1,972	5,719	2,526	10,217	3,256	13,473
March	0	11,819	4,101	15,919	5,657	21,576
April	1,898	9,346	4,272	15,515	6,457	21,973
May	1,767	16,423	4,830	23,020	5,908	28,929
June	4,434	2,941	3,689	11,064	4,190	15,254
July	0	9,351	4,895	14,246	8,264	22,511
August	1,618	5,099	5,179	11,895	7,694	19,589
September	3,097	12,822	5,026	20,945	5,169	26,113
October	0	2,973	7,261	10,233	8,814	19,047
November	1,961	14,874	4,290	21,125	3,956	25,082
December	5,402	6,347	3,839	15,588	8,541	24,129
2004:						
January	6,019	13,701	6,712	26,432	8,221	34,653
Source: Compiled from official import statistics (HTS subheading 7306.10.10).						

Table IV-6

Line pipe: U.S. shipments of domestic product, U.S. shipments of imports, by sources, and apparent U.S. consumption, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (short tons)			
U.S. producers' shipments	539,732	401,756	472,476
U.S. shipments of imports from--			
China	***	***	***
Korea	15,307	70,519	104,861
Mexico	***	***	***
All subject countries	43,796	123,380	176,304
Nonsubject countries	37,875	66,762	69,711
All countries	81,671	190,142	246,015
Apparent U.S. consumption	621,403	591,898	718,491
Value (1,000 dollars)			
U.S. producers' shipments	248,652	187,890	236,657
U.S. shipments of imports from--			
China	***	***	***
Korea	6,235	27,880	44,752
Mexico	***	***	***
All subject countries	20,051	53,319	81,197
Nonsubject countries	19,336	36,773	32,579
All countries	39,387	90,092	113,776
Apparent U.S. consumption	288,039	277,982	350,433
<p>Note.—The Commission received importer questionnaire responses from firms that accounted for less than 100 percent of total U.S. imports from Mexico and nonsubject countries; therefore, data concerning U.S. shipments of imports from these sources and the calculated total apparent U.S. consumption presented in this table are somewhat understated.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>			

Table IV-7

Line pipe: Apparent U.S. consumption and market shares, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (short tons)			
Apparent U.S. consumption	621,403	591,898	718,491
Value (1,000 dollars)			
Apparent U.S. consumption	288,039	277,982	350,433
Share of quantity (percent)			
U.S. producers' shipments	86.9	67.9	65.8
U.S. shipments of imports from--			
China	***	***	***
Korea	2.5	11.9	14.6
Mexico	***	***	***
All subject countries	7.0	20.8	24.5
Nonsubject countries	6.1	11.3	9.7
All countries	13.1	32.1	34.2
Share of value (percent)			
U.S. producers' shipments	86.3	67.6	67.5
U.S. shipments of imports from--			
China	***	***	***
Korea	2.2	10.0	12.8
Mexico	***	***	***
All subject countries	7.0	19.2	23.2
Nonsubject countries	6.7	13.2	9.3
All countries	13.7	32.4	32.5
<p>Note.—The Commission received importer questionnaire responses from firms that accounted for less than 100 percent of total U.S. imports from Mexico and nonsubject countries; therefore, data concerning U.S. shipments of imports from these sources and the calculated total apparent U.S. consumption presented in this table are somewhat understated.</p>			
<p>Source: Compiled from data submitted in response to Commission questionnaires.</p>			

RATIO OF SUBJECT IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of subject imports to U.S. production of line pipe is presented in table IV-8. Aggregate subject imports were equivalent to 7.9 percent of U.S. production during 2001. This level increased to 29.2 percent during 2002 and further to 35.9 percent during 2003. U.S. imports from Korea accounted for the bulk of the increase in the aggregate ratio from 2001 to 2003.

Table IV-8

Line pipe: Ratio of U.S. imports to U.S. production, by sources, 2001-03

Item	Calendar year		
	2001	2002	2003
Ratio of U.S. imports to production (percent)			
China	***	***	***
Korea	2.6	16.9	21.5
Mexico	***	***	***
All subject countries	7.9	29.2	35.9
Nonsubject countries	6.5	16.8	14.0
All countries	14.5	46.0	49.9
Source: Compiled from data submitted in response to Commission questionnaires.			

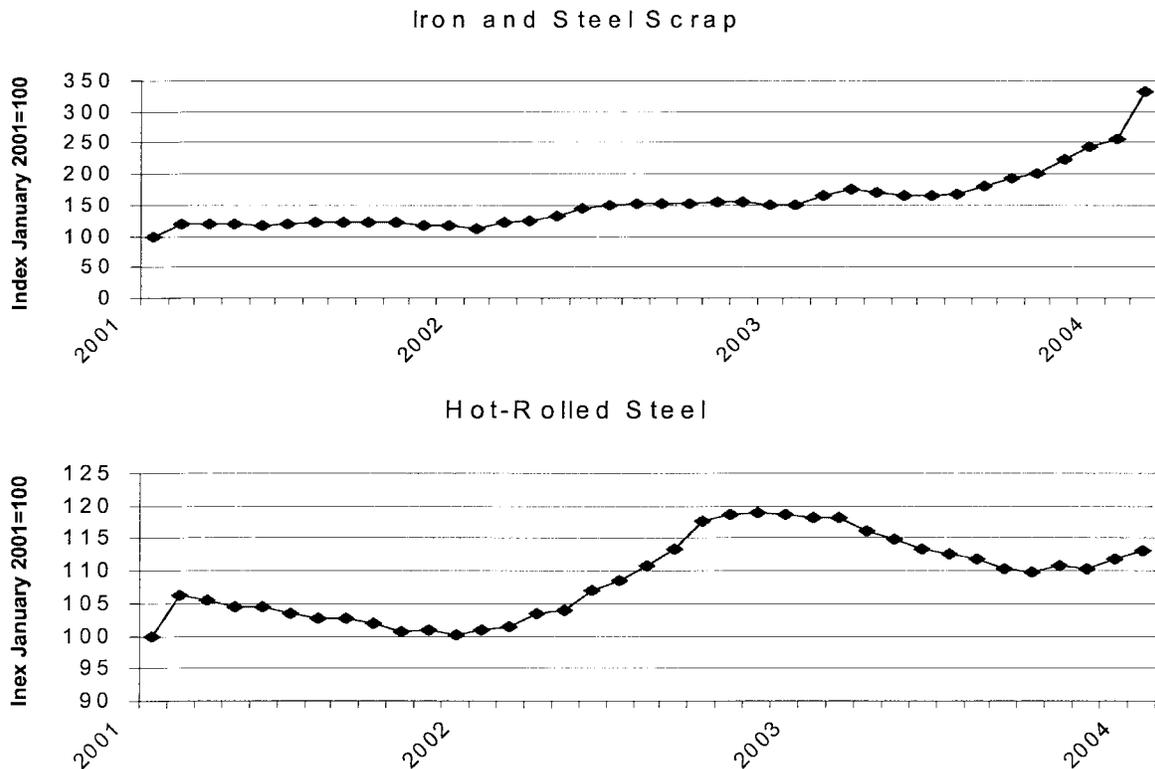
PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

The primary raw material used in the production of line pipe is hot-rolled steel.¹ Both U.S. producers and importers reported that raw material costs increased during the period for which data were collected. As can be seen from figure V-1, the producer price index for iron and steel scrap generally increased from 2001 to 2003 and rose sharply in early 2004. The price for hot-rolled steel peaked in early 2003 and remained at elevated levels through the end of the year and into 2004.

Figure V-1
Producer price index: Iron and scrap and hot-rolled sheet and strip, by month, 2001-04



Source: Bureau of Labor Statistics.

¹ Minimills, which produce hot-rolled steel from scrap, are important sources of supply for certain line pipe producers. See *Maverick Tube Corp. FY 2003 Annual Report*, p. 19 (“Nucor’s mill in Hickman, Arkansas is directly connected by rail to our Hickman facilities.”).

Transportation Costs to the U.S. Market

Transportation costs for line pipe imported from China, Korea, and Mexico to the United States in 2003 (excluding U.S. inland costs) are estimated to be approximately 10, 21, and 3 percent, respectively, of the total cost for line pipe. These estimates are derived from official import data and the transportation and other charges on imports valued on a c.i.f. basis, as compared with customs value.²

U.S. Inland Transportation Costs

U.S. inland transportation costs for line pipe comprise a relatively small portion of the cost of both the U.S. and imported line pipe products. U.S. producers reported that U.S.-inland transportation costs accounted for approximately 3 to 15 percent of the total cost of line pipe. Importers indicated that their transportation cost ranged from range 2 to 15 percent of the total cost of the product.

Exchange Rates

Nominal exchange rates for the Chinese currency, the yuan, are not presented since this currency has consistently been pegged to the U.S. dollar since January 1, 1994, at about 8.28 yuan.³ Quarterly data reported by the International Monetary Fund indicate that the nominal and real values of the Korean currency, the won, generally appreciated relative to the U.S. dollar from the first quarter of 2001 to the fourth quarter of 2003. The nominal and real value of the Mexican peso appreciated from the first quarter of 2001 until the first quarter of 2002, and then depreciated through the fourth quarter of 2003 (figure V-2).

IMPACT OF SAFEGUARD ACTIONS AND OTHER EVENTS

When asked about the impact on their firm of the U.S. safeguard action on line pipe, all U.S. producers reported that the measure was beneficial to their industry. However, all indicated that there was little to no effect of the U.S. safeguard action on welded pipe other than OCTG and line pipe, because importers were able to avoid the safeguard action.⁴ Importers from Mexico indicated that the safeguards did not affect their firms because Mexico was excluded from the scope of the remedies. Some Korean importers reported that they were able to switch to multiple-stenciled pipe that could be used for either standard pipe or line pipe.

Most U.S. producers (six out of seven) reported that the closure or relocation of line pipe capacity in the United States had no impact on their firms. The one producer that reported a positive impact, ***, stated that the closure of Geneva Steel increased its market.

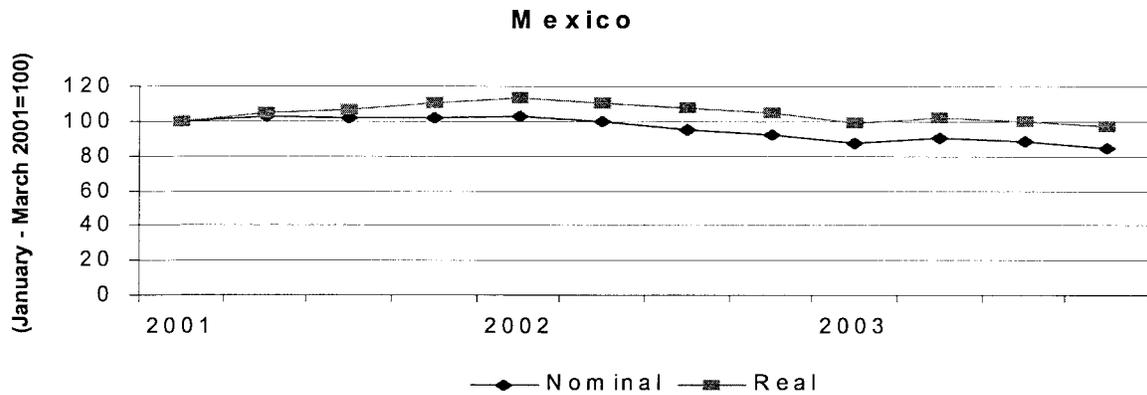
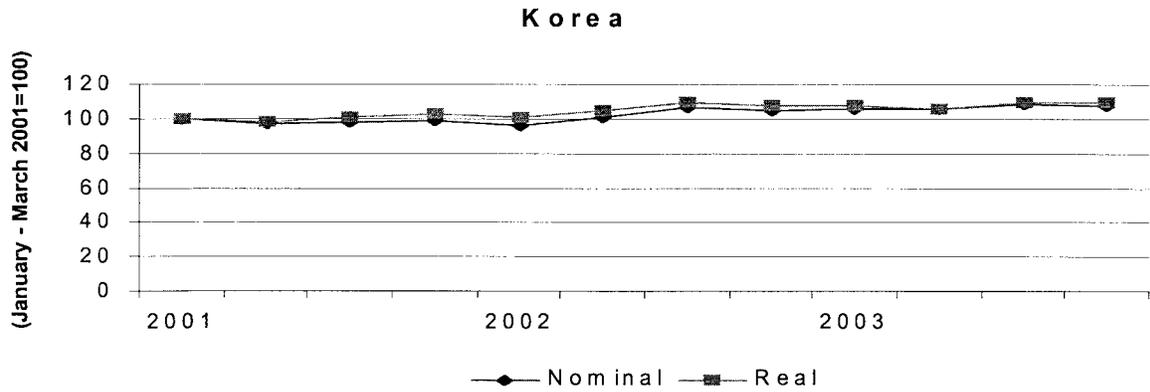
Most U.S. producers (eight out of ten) reported the impact of the imposition, modification, and partial termination of the U.S. safeguard action on flat-rolled steel as having increased the price for raw

² The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2003 and then dividing by the customs value.

³ The U.S. and Chinese currencies were virtually constant in relation to each other throughout 2001-03. International Monetary Fund, *International Financial Statistics*, October 2001 and 2003.

⁴ *** stated importers switched from standard pipe to line pipe to avoid the safeguard action.

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates between the subject currencies and the U.S. dollar, by quarters, January 2001-December 2003



Source: International Monetary Fund, *International Financial Statistics*, December 2003.

materials.⁵ Of the 17 importer respondents, 15 indicated the steel safeguard measure had no impact on their company, and two reported that the safeguard caused shortages of flat-rolled steel.

PRICING PRACTICES

U.S. producers and importers reported that prices of line pipe are most commonly determined on a transaction-by-transaction basis. All nine responding producers reported that prices were determined on a transaction-by-transaction basis. Among the 23 responding importers, 20 reported that prices for line pipe are on a transaction-by-transaction basis.⁶

Available information from questionnaires indicates that sales of line pipe in the U.S. market are mostly on a spot basis. Among U.S. producers, eight out of 10 respondents reported that more than 85 percent of their sales are on a spot basis. In contrast, *** reported that 80 percent of its sales were on a long-term contract basis and *** reported that 95 percent of its sales were on a short-term basis. Among importers, 10 of 13 reported that all of their sales were on a long-term contract basis. Three importers, ***, however, reported that more than 80 percent of their sales were on a short-term contract basis.

U.S. producers and importers of line pipe from China, Korea, and Mexico reported quoting prices mostly on an f.o.b. basis. Among U.S. producers, five out of 10 reported that they quoted prices on an f.o.b. basis; one quoted prices on a delivered basis; and four reported that prices were quoted on both an f.o.b. and delivered basis. Importers reported that their prices generally are quoted on an f.o.b. basis; 15 importers reported f.o.b. basis and four firms stated that prices are on a delivered basis.

Producers and importers were asked to report the percentage of their sales that were from inventory and the percentage that were produced on order. Both importers and U.S. producers reported that sales are made primarily based on orders. Of 21 U.S. importers, six reported that more than 80 percent of their sales are from inventory, and the rest reported that the majority of their sales is produced to order.⁷

U.S. producers and importers were also asked to report delivery lead time for line pipe sold from inventories and special order. U.S. producers' lead time from items sold from inventory ranged from one to seven days. For importers, typical lead times for items sold from inventory range from one to five days, while lead times for special order items range from 90 to 180 days.

Sales Terms, Discounts, and Surcharges

U.S. producers and importers reported a wide variety of discounts. Among U.S. producers, *** reported that they offer no discounts to their customers. *** offers quarterly volume incentives for a few selected distributors, through which they can earn a different rebate level. *** offers volume-based discounts negotiated on case-by-case basis and *** discounts prices on a transaction-by-transaction basis. In addition, *** offers discounts based on early payment and *** offers discounts based on quantity. Of the 30 responding importers, 16 reported that they do not offer discounts. The other 14 importers

⁵ One U.S. producer, ***, reported that the safeguard actions on line pipe, welded pipe other than OCTG and line pipe, and flat-rolled steel enabled the modernization of steelmaking and hot strip mill equipment used to produce the hot-rolled bands ***.

⁶ *** reported that each order is quoted, *** reported that they determined prices based on cost and market information, and *** said they determined prices based on supplier's offer.

⁷ The six importers are ***.

reported many types of discounts including discounts based on customer negotiation, discounts based on volume, and discounts based on prompt payment.⁸

As discussed in Part I and earlier in Part V, raw material prices have increased since 2001. More recently, price increases have included raw material surcharges for scrap. Parties dispute the degree to which U.S. line pipe producers have been successful in implementing price increases in excess of increased costs in 2004, but all parties agree that domestic line pipe producers have responded to increased costs through higher prices, surcharges, or a combination of methods.⁹

PRICE DATA

The Commission requested U.S. producers and importers of line pipe to provide quarterly data for the total quantity and value of line pipe that was shipped to unrelated customers in the U.S. market. Data were requested for the period from January 2001 to December 2003, and also January-February 2004. The products for which pricing data were requested are as follows:

***Product 1.*—API 5L B welded pipe, 4 inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.**

***Product 2.*—API 5L B welded pipe, 8 inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.250 inch.**

***Product 3.*—API 5L B welded pipe, 12 inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.**

Price Trends and Price Comparisons

Nine¹⁰ U.S. producers and eleven¹¹ importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. These prices are presented in tables V-1 through V-3 and in figure V-3. Pricing data reported by these firms accounted for approximately 9 percent of U.S. producers' reported shipments of line pipe, *** percent of U.S. shipments of subject imports from China, *** percent of subject imports from Korea, and *** percent of subject imports from Mexico.

U.S. producers' prices for product 1 generally fluctuated between \$450 and \$500 in 2001-03 (reaching a low point in early 2002) and increased to their highest point early in 2004. Product 2 showed a similar trend. U.S. producers' prices for product 3 increased through 2002 but then declined in 2003 and into 2004.

⁸ One importer, ***, provided discounts only for one customer.

⁹ Maverick has announced three price increases totaling \$240 per short ton with effective dates in 2004, in addition to surcharges that reached \$125 per short ton by April 2004. Lone Star announced price increases for its standard and line pipe of \$40 per short ton in January 2004 and \$100 per short ton in February 2004, while its surcharges for standard and line pipe rose from \$42 per short ton in January 2004 to \$150 per short ton in April 2004. Petitioners' Postconference Brief, exh. 14 and 15. Similar information was provided for line pipe producers IPSCO, Wheatland, Newport, Northwest, and USS, as well as for certain producers of other tubular products. Mexican Respondents' Postconference Brief, exh. 3; Korean Respondents' Postconference Brief, exh. 9.

¹⁰ Producers' price data were provided by ***.

¹¹ The Korean importers that provided usable data are ***, while five importers provided data from Mexico – ***.

Table V-1

Line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 1¹ and margins of underselling/(overselling), by quarters, January 2001-February 2004

Period	United States		Korea			Mexico		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
2001:								
Jan.-Mar.	\$491.98	2,685	***	***	***	\$560.33	1,094	(13.9)
Apr.-June	476.50	3,547	***	***	***	552.87	541	(16.0)
July-Sept.	460.36	2,759	***	***	***	530.70	742	(15.3)
Oct.-Dec.	443.88	1,947	***	***	***	525.91	351	(18.5)
2002:								
Jan.-Mar.	437.82	3,249	***	***	***	475.44	127	(8.6)
Apr.-June	466.23	2,017	***	***	***	484.45	414	(3.9)
July-Sept.	495.19	3,783	\$370.43	3,912	25.2	527.82	966	(6.6)
Oct.-Dec.	503.35	1,918	381.08	3,183	24.3	554.57	97	(10.2)
2003:								
Jan.-Mar.	478.42	2,914	428.59	2,900	10.4	509.14	610	(6.4)
Apr.-June	487.09	4,802	422.53	2,911	13.3	515.03	538	(5.7)
July-Sept.	485.77	2,967	432.68	2,561	10.9	534.13	1,173	(10.0)
Oct.-Dec.	497.87	3,700	426.61	3,038	14.3	550.62	1,306	(10.6)
2004:								
Jan.-Feb.	535.26	2,385	431.28	2,591	19.4	534.99	360	0.1

¹ API 5L B welded pipe, 4 inch nominal size (4.5 inch outside diameter), plain end with wall thickness of 0.237 inch.
Source: Compiled from data submitted in response to Commission questionnaires.

Table V-2

Line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 2¹ and margins of underselling/(overselling), by quarters, January 2001-February 2004

Period	United States		Korea		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)
2001:					
Jan.-Mar.	\$477.56	2,483	***	***	***
Apr.-June	442.31	4,976	***	***	***
July-Sept.	455.56	2,649	***	***	***
Oct.-Dec.	462.63	2,571	***	***	***
2002:					
Jan.-Mar.	416.64	2,979	***	***	***
Apr.-June	454.93	3,232	***	***	***
July-Sept.	504.13	2,664	\$354.92	1,745	29.6
Oct.-Dec.	505.02	6,082	333.65	1,178	33.9
2003:					
Jan.-Mar.	462.60	3,599	374.63	1,265	19.0
Apr.-June	456.73	4,781	413.20	1,466	9.5
July-Sept.	476.24	1,950	424.10	882	10.9
Oct.-Dec.	498.05	3,208	410.17	1,629	17.6
2004:					
Jan.-Feb.	558.13	2,606	422.35	1,190	24.3

¹ API 5L B welded pipe, 8 inch nominal size (8 5/8 inch outside diameter), plain end with wall thickness of 0.250 inch.

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

Table V-3

Line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported product 3¹ and margins of underselling/(overselling), by quarters, January 2001-February 2004

Period	United States		China			Korea		
	Price (per ton)	Quantity (tons)	Price (per ton)	Quantity (tons)	Margin (percent)	Price (per ton)	Quantity (tons)	Margin (percent)
2001:								
Jan.-Mar.	\$496.35	4,951	-	-	-	***	***	***
Apr.-June	510.16	11,622	-	-	-	***	***	***
July-Sept.	540.91	11,902	-	-	-	***	***	***
Oct.-Dec.	482.18	4,681	-	-	-	***	***	***
2002:								
Jan.-Mar.	542.61	10,038	***	***	***	\$388.80	2,112	28.3
Apr.-June	512.69	8,947	***	***	***	383.98	2,172	25.1
July-Sept.	543.72	7,998	***	***	***	380.08	2,497	30.1
Oct.-Dec.	587.65	4,558	***	***	***	387.44	3,439	34.1
2003:								
Jan.-Mar.	569.21	1,614	***	***	***	444.24	1,992	22.0
Apr.-June	558.40	7,131	***	***	***	438.61	2,560	21.5
July-Sept.	512.03	5,228	***	***	***	456.51	2,040	10.8
Oct.-Dec.	506.82	2,317	***	***	***	437.55	2,136	13.7
2004:								
Jan.-Feb.	502.64	969	***	***	***	434.26	849	13.6

¹ API 5L B welded pipe, 12 inch nominal size (12.75 inch outside diameter), plain end with wall thickness of 0.375 inch.

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

Figure V-3

Line pipe: Weighted-average f.o.b. prices and quantities of domestic and imported products 1-3, by quarters, January 2001-February 2004

* * * * *

Chinese and Korean products generally were priced lower than domestic product while Mexican prices generally were higher than domestic prices. Chinese products were priced lower than comparable domestic products in nine of nine possible comparisons, with margins ranging from 10.0 to 35.6 percent. Korean products were priced lower in 37 of 38 possible comparisons with margins ranging from 1.6 to 34.1 percent. Prices of Mexican product were higher than domestic prices in 12 of 13 possible comparisons, with overselling margins ranging from 3.9 to 18.5 percent.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of line pipe to report any instances of lost sales or revenues they experienced due to competition from imports of line pipe from China, Mexico, and Korea during January 2001 to December 2003. The petitioners reported specific information on lost sales in late 2003 for five purchasers, but no lost revenue allegations.¹² Out of the five purchasers, three did not respond to the Commission’s request for information. *** reported that lower priced products were sold to customers ***. *** added that it never considered buying the specific line pipe product from domestic manufacturers because they rarely offer a competitive price. *** was “not aware” of the transaction in question. The reported lost sales allegations and purchasers’ responses are shown in table V-4.

Table V-4
Line pipe: U.S. producers’ lost sales allegations

Customer	Country	Date of quote	Alleged quantity (short tons)	Alleged rejected U.S. price (\$/ton)	Alleged accepted import price (\$/ton)	Alleged lost sales (\$1,000)	Agree, disagree, or no response
***	***	4 th Q 2003	***	***	***	***	***
***	***	4 th Q 2003	***	***	***	***	***
***	***	4 th Q 2003	***	***	***	***	***
***	***	4 th Q 2003	***	***	***	***	***
***	***	4 th Q 2003	***	***	***	***	***
Total	(¹)	(¹)	9,200	(¹)	(¹)	4,851	(¹)

¹ Not applicable.

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

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

¹² According to one witness, “the line pipe in the 16 inch and under size range subject to this investigation is sold primarily by mills to large regional distributors ... The distributors in turn sell to transmission companies, local utilities and into the oil patch, the oil and gas pipeline and gathering companies. This is why it is difficult for mills to give you significant information on lost sales and lost revenues in line pipe. We rarely deal with the end user customers, and much of the competition is between distributors selling domestic and imported line pipe for sales to end users.”). See *Conference Transcript*, testimony of Rusty Fisher, vice president / line pipe sales, Lone Star, p. 27.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Eleven producers, which together accounted for virtually all of the U.S. commercial shipments of line pipe during 2001-03, supplied financial data on their line pipe operations.¹ One producer -- Geneva -- ceased line pipe operations in 2002 and exited the industry. While no producers reported internal consumption or transfers of line pipe to related parties, *** reported sales of line pipe produced by other parties.

With respect to ***, *** percent of its line pipe sales each year were produced by ***. *** have an arrangement whereby *** sells steel to ***, *** manufactures the steel into line pipe, *** sells the line pipe back to ***, and then *** sells the line pipe to unaffiliated parties. Based upon conversations with ***, the staff was able to estimate and remove the profits associated with ***'s sales of the line pipe to *** from ***'s costs. These profits ranged from approximately *** per full-year period.

An additional *** percent of ***'s sales each year were toll-produced by ***. Based upon conversations with ***, the estimated profits associated with ***'s transfer of the finished line pipe to *** were removed from ***'s costs. These profits ranged from approximately *** per full-year period.

Next, *** reported that *** of its sales of line pipe from 2001 to 2004 were toll-produced by ***. Based upon conversations with ***, the staff was able to estimate and remove the profits associated with ***'s toll production from ***'s costs. These profits ranged from approximately *** to *** per full-year period.

As the result of issues raised at the staff conference, the domestic producers were asked to provide revenue and cost data for their January–February 2004 operations on line pipe. Eight of the ten² producers were able to provide data.

Finally, the producers were also asked to provide detailed data on the assets associated with the production, warehousing, and sale of line pipe. Nine of the eleven producers were able to do so. The Commission staff gathered the asset data in an effort to calculate the domestic industry's return on its investment. The results of this effort are contained later in this section.

OPERATIONS ON LINE PIPE

Aggregate income-and-loss data for the U.S. producers are presented in tables VI-1 and VI-2 (for 2001 to 2003 data) and in table VI-3 (for January-February 2004 and 2001 to 2003 data for fewer producers), while selected financial data for the individual producers (for 2001 to 2003 and January-February 2004) are presented in table VI-4.

Net sales quantities and values and all measures of profitability declined sharply from 2001 to 2002. The sizeable decreases in both sales quantities and values (approximately 24 percent each) were generally an industry-wide event, as eight of the 11 producers reported decreased sales quantities and nine of the 11 reported decreased sales values (see table VI-4). Even though *** accounted for *** of the industry's decline in sales, producers other than *** reported aggregate sales declines of *** percent.

Since the average unit price for line pipe was virtually flat (decreasing by \$1), even the moderate increase in unit cost of goods sold (\$13, or about 3 percent, due to increased raw materials costs) resulted in the slender 2001 operating income becoming an operating loss.

¹ The producers and their fiscal year ends (if other than December 31) are ***.

² Geneva ceased line pipe operations in 2002, decreasing the number of producers from 11 to 10.

Table VI-1

Line pipe: Results of U.S. producers' operations,¹ fiscal years 2001-03

Item	Fiscal year		
	2001	2002	2003
	Quantity (short tons)		
Net sales	557,035	424,091	514,524
	Value (\$1,000)		
Net sales	263,065	199,757	257,134
Cost of goods sold	249,769	195,331	254,110
Gross profit	13,296	4,426	3,024
SG&A expenses	12,458	11,716	13,188
Operating profit or (loss)	838	(7,290)	(10,164)
Interest expense	5,638	5,787	4,275
Other expense	683	365	35
Other income	141	446	134
Net (loss) before taxes	(5,342)	(12,996)	(14,340)
Depreciation/amortization	5,102	5,569	6,354
Cash flow	(240)	(7,427)	(7,986)
	Ratio to net sales (percent)		
Cost of goods sold	94.9	97.8	98.8
Gross profit	5.1	2.2	1.2
SG&A expenses	4.7	5.9	5.1
Operating profit or (loss)	0.3	(3.6)	(4.0)
	Number of firms reporting		
Operating losses	7	9	6
Data	11	11	10
¹ The producers and their fiscal year ends (if other than December 31) are ***. ***.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Table VI-2

Line pipe: Average unit values of U.S. producers' sales and costs, fiscal years 2001-03

Item	Fiscal year		
	2001	2002	2003
	Unit value (per short ton)		
Net sales	\$472	\$471	\$500
Cost of goods sold:			
Raw materials	267	292	331
Direct labor	59	56	49
Other factory costs	122	113	113
Total COGS	448	461	494
Gross profit	24	10	6
SG&A expenses	22	28	26
Operating profit or (loss)	2	(17)	(20)
Source: Compiled from data submitted in response to Commission questionnaires.			

Table VI-3

Line pipe: Results of U.S. producers' operations,¹ fiscal years 2001-03 and January-February 2004, for those producers submitting data in each period

Item	Period			
	FY 2001	FY 2002	FY 2003	Jan - Feb 2004
	Quantity (short tons)			
Net sales	374,104	329,936	***	76,581
	Value (\$1,000)			
Net sales	184,305	159,186	***	42,336
Cost of goods sold	172,479	155,021	***	39,943
Gross profit	11,826	4,165	***	2,393
SG&A expenses	8,114	7,270	***	1,546
Operating profit or (loss)	3,712	(3,105)	***	847
	Unit value (per short ton)			
Net sales	\$493	\$482	***	\$553
Cost of goods sold:				
Raw materials	\$285	\$289	***	\$341
Direct labor and overhead	\$176	\$181	***	\$181
Total cost of goods sold	\$461	\$470	***	\$522
Gross profit	\$32	\$13	***	\$31
SG&A expenses	\$22	\$22	***	\$20
Operating profit or (loss)	\$10	(\$9)	***	\$11
	Ratio to net sales (percent)			
Cost of goods sold:				
Raw materials	57.8	59.8	***	61.7
Direct labor and overhead	35.8	37.6	***	32.7
Total cost of goods sold	93.6	97.4	***	94.3
Gross profit	6.4	2.6	***	5.7
SG&A expenses	4.4	4.6	***	3.7
Operating profit or (loss)	2.0	(2.0)	***	2.0
	Number of firms reporting			
Operating losses	5	6	5	5
Data	8	8	8	8
¹ The producers are ***.				
Source: Compiled from data submitted in response to Commission questionnaires.				

Table VI-4

Line pipe: Selected financial data, by firm, fiscal years 2001-03 and January-February 2004

* * * * *

In 2003, the domestic line pipe industry posted solid sales gains, as sales quantities and values increased by about 21 percent and 29 percent, respectively. Just as the downturn in sales in 2002 cut across the entire industry, the uptrend in 2003 was widespread – 8 of the 10 producers reported increased sales quantities and 9 of the 10 reported increased sales values. Despite the sharp increase in sales, and despite the fact that the average unit price increased by \$29 (about 6 percent) from \$471 to \$500, operating income, net income, and cash flow all decreased again. This was because of the even larger increase in unit cost of goods sold (\$33, or about 7 percent, from \$461 to \$494).

As shown in table VI-2, the reason for the increase in unit cost of goods sold was a \$39 increase in raw materials cost. Raw materials consist chiefly (if not entirely) of steel, the price of which has been spiraling higher as the price of steel scrap has increased. Thus, as shown in table VI-2, even though the domestic industry has managed to raise its average unit price from \$472 per ton in 2001 to \$500 per ton in 2003, and even though the rest of its unit operating costs have declined (unit direct labor costs, other factory costs, and SG&A costs decreased in the aggregate by \$15, from \$203 per ton to \$188 per ton), its profitability has steadily declined.³

Data on the sales revenues and expenses associated with the domestic producers' sales of line pipe during January and February 2004 are presented in table VI-3. Eight of the ten domestic producers – *** – were able to provide data, while *** were not. The data for 2001 to 2003 differ from the data in tables VI-1 and VI-2 because they are limited to those producers that reported data for the January to February 2004 period.

The 2004 data indicate the domestic line pipe industry returned to profitability by reversing the 2001 to 2003 trend – instead of costs rising faster than sales prices, sales prices rose faster than costs. When compared to full-year 2003 data,⁴ the average unit sales value increased by \$*** (***) percent while average unit operating costs increased in the aggregate by about \$*** (raw materials costs (steel) increased by \$***, direct labor and overhead costs combined increased by \$***, and SG&A expenses decreased by \$***). The approximate \$*** per ton excess of price increases over operating costs resulted in the industry returning, in the aggregate, to operating profits.

Selected financial data are presented on a company-by-company basis in table VI-4. *** of the 10 producers that operated continuously from 2001 to 2003 (***) reported decreased operating profit margins while the remaining *** reported increased profitability or, for ***, smaller losses. *** actually turned from a loss position in 2001 to a profit in 2003.

Average unit sales values and unit cost of goods sold varied widely from producer to producer. While lower cost producers generally tended to be the most profitable, this was not always the case. For example, the unit cost of goods sold values for ***, a company that ***, were in the middle of responding producers, while such values for ***, arguably *** of all the producers, were among the lowest. Further, with regard to the unit cost of goods sold for ***, even though its unit cost of goods sold was consistently well above the industry average, the company posted operating profits at least part of the time.

With respect to the January to February 2004 data, the industry in the aggregate returned to profitability as most companies improved their performance relative to full year 2003 data. While ***

³ These trends generally are the same even absent the effects of Geneva's exit from the industry.

⁴ Given the late date of the additional data request, data for January-February 2003 were not requested.

reported sales quantities below proportionately adjusted 2003 levels,⁵ the other companies providing data reported sales quantities near or above proportionately adjusted 2003 levels. Six of eight companies reported that their unit sales values rose faster than their unit cost of goods sold, and five – *** – had higher profit margins (or lower loss margins) than they did in 2003.

The variance analysis showing the effects of prices and volume on the producers' sales of line pipe, and of costs and volume on their total cost, is presented in table VI-5. The analysis confirms that, from 2001 to 2003 and between each intervening period, the decrease in operating income reflected costs, particularly raw materials costs, increasing faster than revenues. The summary illustrates that from 2001 to 2003, for instance, the \$11.0 million decrease in operating profits was the result of the negative effect of increased costs (\$25.1 million) far outweighing the positive effect of increased sales prices (\$14.1 million). Since data for January to February 2003 were not collected, the January to February 2004 data cannot be compared to any other period and therefore are not included in the analysis.

Capital Expenditures and R&D Expenses

U.S. line pipe producers' capital expenditures and research and development (R&D) expenses are presented in table VI-6. Capital expenditures, which were ***, decreased continuously over the period.

Aggregate R&D expenses, while relatively small in absolute terms, *** from 2001 to 2003. *** percent of these expenditures every period.

Assets and Return on Investment

As previously mentioned, U.S. line pipe producers were requested to provide data on their assets used in the production, warehousing, and sale of line pipe. The purpose of this request was to enable Commission staff to compute return on investment (ROI). Although ROI is defined many different ways, a commonly used definition is income divided by assets. The Commission has routinely gathered data on income and some assets (the book value of property, plant, and equipment), and it is possible for producers to reasonably trace the value of the bulk of their remaining assets to specific products.⁶ Moreover, many of the other ROI calculations utilize financial data that either are not readily allocable to a product line (such as the value of stock (common and preferred)) or require subjective judgment (such as the required rate of return or the cost of capital) that probably differ widely from company to

⁵ As previously noted, data for January-February 2003 were not collected, and so the January-February 2004 data cannot be compared to the same period in the previous year. Accordingly, the two months of 2004 data are compared to one-sixth (two months out of 12) of the 2003 data, a comparison which may not be exact.

⁶ Data in the Risk Management Association's publication *Annual Statement Studies*, an authoritative compilation of financial data by industry, indicates three asset accounts – accounts receivable, inventory, and the book value of assets – account for 85 percent of the value of assets for the Standard Industrial Classification (SIC) code that generally encompasses the line pipe industry – (3317, tube and pipe making from purchased steel). Accounts receivable (amounts due from customers for purchased products) are seemingly product-specific. The Commission has routinely gathered data on the book value of property, plant, and equipment and on the quantity of finished goods in inventory. Therefore, once producers assign values to accounts receivable and finished goods in inventory, the remaining assets that need to be valued (probably via some allocation method as opposed to direct identification) are relatively minor.

Table VI-5

Line pipe: Variance analysis of operations of U.S. producers, fiscal years 2001-03

Item	Between fiscal years		
	2001-03	2001-02	2002-03
	Value (\$1,000)		
Net sales:			
Price variance	14,145	(524)	14,781
Volume variance	(20,076)	(62,784)	42,596
Total net sales variance	(5,931)	(63,308)	57,377
Cost of sales:			
Cost variance	(23,403)	(5,173)	(17,127)
Volume variance	19,062	59,611	(41,652)
Total cost variance	(4,341)	54,438	(58,779)
Gross profit variance	(10,272)	(8,870)	(1,402)
SG&A expenses:			
Expense variance	(1,681)	(2,231)	1,026
Volume variance	951	2,973	(2,498)
Total SG&A variance	(730)	742	(1,472)
Operating income variance	(11,002)	(8,128)	(2,874)
Summarized as:			
Price variance	14,145	(524)	14,781
Net cost/expense variance	(25,083)	(7,404)	(16,100)
Net volume variance	(64)	(200)	(1,555)
Note.--Unfavorable variances are shown in parentheses; all others are favorable.			
Source: Compiled from data submitted in response to Commission questionnaires.			

Table VI-6

Line pipe: Capital expenditures and R&D expenses, fiscal years 2001-03

* * * * *

company. Therefore, for purposes of this report, ROI is defined as operating income divided by assets used in the production, warehousing, and sale of line pipe.⁷

Data on the U.S. line pipe producers' assets and their return on investment are presented in table VI-7. The value of the producers' assets utilized in the production, warehousing, and sale of line pipe increased from 2001 to 2003, as six of the nine producers⁸ reported increased asset values. At the same time, the return on assets steadily decreased as operating income steadily decreased.

In an effort to put the foregoing data into some historical perspective, table VI-8 presents the computed ROI for SIC code 3317 based upon data contained in the RMA *Annual Statement Studies*. There are many reasons why exact comparisons between the RMA data and the questionnaire data are not possible. First, RMA defines SIC code 3317 as:

Steel Pipes & Tubes – The production of welded or seamless steel pipe and tubes and heavy riveted steel pipe from purchased materials. The production of steel, including steel skelp or steel blanks, tube rounds, or pierced billets, are not included.

Thus, the RMA data include data on all kinds of pipe and tubes, including line pipe, standard pipe, oil country tubular goods, and stainless steel and other alloy pipe. In contrast, the questionnaire data strictly relate to line pipe.

The RMA data are limited to the production of pipe from purchased materials, as the production of pipe from internally produced hot-rolled steel is covered in SIC code 3312.⁹ Some producers (***) produce at least a portion of their line pipe from internally produced hot-rolled steel. Thus, some portion of the domestic industry's questionnaire data would not be captured in SIC code 3317.

Further, there are differences in the sheer magnitude of the RMA data compared to the questionnaire data. For example, the RMA data for the twelve-month period ending March 31, 2002, consist of data from *** companies with \$*** in sales and \$*** in assets. In contrast, the questionnaire data for fiscal year 2001 consist of data from 11 companies with \$263 million in sales and \$112 million in assets. In other words, the questionnaire data represent perhaps *** percent of the RMA data.

Finally, since the names of companies that provided data to RMA are not identified, it is not certain that any of the domestic line pipe producers provided data to RMA. Thus, questionnaire data may not be a subset of the RMA data at all. Therefore, while the historical RMA data might prove useful to put the current line pipe data into some historical context, they cannot be used to make absolute comparisons.

⁷ Petitioners and respondents were informed at the staff conference of the decision to compute the domestic industry's return on investment based upon asset data and were invited to comment on the exercise in their post-conference briefs. No party provided comments in their briefs.

⁸ *** were unable to provide asset data.

⁹ SIC code 3312 includes establishments primarily engaged in manufacturing hot metal, pig iron, and silvery pig iron from iron ore and iron and steel scrap; converting pig iron, scrap iron, and scrap steel into steel; and in hot-rolling iron and steel into basic shapes, such as plates, sheets, strips, rods, bars, and tubing. Merchant blast furnaces and by-product or beehive coke ovens are also included in this industry. Thus, SIC code 3312 includes operations even further removed from the manufacture and sale of line pipe.

Table VI-7

Line pipe: Value of assets and return on investment, fiscal years 2001-03

Item	Fiscal year		
	2001	2002	2003
	Value (\$1,000)		
Value of assets:			
Current assets			
Cash and equivalents	(322)	(998)	2,523
Accounts receivable, net	26,288	29,778	35,025
Inventories	26,426	34,692	28,894
Prepaid expenses	1,755	2,013	1,666
Other current assets	581	960	709
Total current assets	54,728	66,445	68,817
Long-term investments	2,082	1,581	2,352
Property, plant, and equipment:			
Original cost	136,384	133,568	141,155
Accumulated depreciation	81,619	82,350	90,049
Book value	54,765	51,218	51,106
Other non-current assets	659	586	589
Total assets	112,234	119,830	122,864
Operating income or (loss) ¹	***	***	***
	Ratio of operating income or (loss) to assets (in percent)		
Return on investment	***	***	***
¹ Does not include the *** which were unable to provide asset data. Source: Compiled from data submitted in response to Commission questionnaires.			

Table VI-8

Risk Management Association data on the number of firms and their sales, operating income, assets, and return on investment on their operations for SIC code 3317 (production of pipe and tubes from purchased steel), for the eleven one-year periods ending March 31, 1992 to March 31, 2002

* * * * *

Public data from previous Commission line pipe investigations provide operating income data (the numerator in the ROI calculation) from 1994 to 2002.¹⁰ However, the Commission did not gather data on the value of all assets (the denominator in the ROI calculation) in those investigations. Therefore, it is not possible to calculate historical ROI data based upon the Commission's product-specific data.

Capital and Investment

The Commission requested U.S. line pipe producers to describe any actual or anticipated negative effects on their return on investment, or their growth, investment, ability to raise capital, existing development and production efforts, or the scale of capital investments as a result of imports of line pipe from China, Korea, and Mexico. The firms' comments are presented in appendix D.

¹⁰ See *Circular Welded Carbon Quality Line Pipe*, Inv. No. TA-201-70, USITC Pub. 3261 (December 1999) at II-27 (table 9) and *Circular Welded Carbon Quality Line Pipe: Evaluation of the Effectiveness of Import Relief*, Inv. No. TA-204-10, USITC Pub. 3628 (August 2003) at III-5 (table III-5).

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 Commission sent questionnaires to all firms identified in the petitions and additional firms identified through public sources as possible producers/exporters of line pipe in the subject countries. Information submitted in response to the questionnaires is presented in the sections that follow.

OVERVIEW

In 2002, China produced more than 7 million metric tons (7.7 million short tons) of welded tubes.¹ China had 19 mills that were capable of producing API-qualified line pipe of an outside diameter of up to 16 inches with a total reported capacity of more than 4 million metric tons (4.4 million short tons) during 2000.² Most of these mills are located on the eastern seaboard where there is a high concentration of population and industrial development zones. About half of these mills are located in the northern provinces of Liaoning and Jilin, which are China's steel producing regions. China's largest pipe mills include Liaoyang³ and Panyu,⁴ each with an annual capacity of 1 million metric tons (1.1 million short tons).

IISI data indicate that in 2002, mills in Korea produced approximately 4.1 million metric tons (4.5 million short tons) of welded tubes.⁵ In 2000, there were nine Korean mills capable of producing the API-approved line pipe with outside diameter of up to 16 inches with a total reported capacity of more than 2.6 million metric tons (2.9 million short tons).⁶ The largest mill was the Pohang facility of SeAH Steel with an annual capacity of more than 1.4 million metric tons (1.5 million metric tons). Apart from line pipe, the Pohang mill produces a variety of tube and pipe products including OCTG, standard pipe, mechanical tubing, pressure pipe, and structural pipes.

Data from the IISI indicate that total production of welded tubes in Mexico during 2002 amounted to more than one-half of one million metric tons (550,000 short tons) in 2002. In 2000, Mexico had six mills that were capable of producing API-qualified line pipe with an outside diameter of up to 16 inches with a reported capacity totaling about 0.8 million metric tons (881,840 short tons).⁷ The largest welded line pipe facility is the Lazaro Cardenas mill in Michoacan, with an annual capacity of 350,000 metric tons (385,805 short tons). Most Mexican pipe mills are located in the Monterey area.

¹ International Iron and Steel Institute, 2002, Steel Statistical Yearbook 2003, found at http://www.worldsteel.org/media/ssy/iisi_ssy_2003.pdf, retrieved Apr. 2, 2004, p. 76.

² Preston Publishing Company, Inc., *Pipe and Tube Mills of the World*, 2001.

³ Liaoyang Steel Tube Co. is located in Liaoning province in northeast China.

⁴ Pan Yu Kong Steel Pipe Co. is located in Guangdong, a province in southern China.

⁵ International Iron and Steel Institute, 2002, Steel Statistical Yearbook 2003, found at http://www.worldsteel.org/media/ssy/iisi_ssy_2003.pdf, retrieved Apr. 2, 2004, p. 76.

⁶ See *Pipe and Tube Mills of the World*, Preston Publishing Company, Inc. 2001.

⁷ See *Pipe and Tube Mills of the World*, Preston Publishing Company, Inc., 2001.

THE INDUSTRY IN CHINA

The Commission sent foreign producer questionnaires to 48 firms that were identified as possible producers/exporters of line pipe in China.⁸ Only one Chinese producer (Northern) provided a response to the Commission's questionnaire in these investigations (table VII-1).⁹ Northern, located in Liaoning, indicated in its questionnaire response that it accounted for only *** percent of total line pipe production in China during 2003. The firm reported that in addition to line pipe it produces welded standard/structural pipe and welded OCTG in China. The subject line pipe, standard pipe, and OCTG accounted for *** percent, *** percent, and *** percent, respectively, of the firm's total sales in its most recent fiscal year.¹⁰

Northern reported that it did not export the subject line pipe to the United States during 2002-03; however, the data provided in the firm's questionnaire response indicate that it exported *** short tons of the subject merchandise to the United States during 2001. The amount of Northern's reported exports of subject merchandise to the United States *** the amount of U.S. imports of line pipe from China (2,537 short tons) as based on official Commerce import statistics. Northern reported the utilization of its capacity to produce line pipe in China increased from *** percent in 2001 to *** percent during 2002 and 2003. Northern indicated that Chinese line pipe exports are not subject to antidumping or countervailing duty findings or remedies in any WTO-member country.

Table VII-1

Line pipe: Chinese production capacity, production, shipments, and inventories, 2001-03 and projected 2004-05

* * * * *

THE INDUSTRY IN KOREA

Three Korean producers of line pipe provided responses to the Commission's request for information in these investigations.¹¹ Based on official Commerce import statistics, line pipe exported to the United States by the three Korean line pipe producers accounted for *** percent of all imports of the subject merchandise into the United States from Korea during 2001-03. The responding Korean producers and their relative sizes are presented in table VII-2. In their questionnaire responses, these three firms claim to have accounted for all subject line pipe production in Korea during 2003.

Husteel, HYSCO, and SeAH reported that line pipe accounted for ***, ***, and *** percent, respectively, of their total sales in their most recent fiscal year, while welded standard/structural pipe accounted for ***, ***, and *** percent, respectively. Other products produced by the three Korean producers include welded large diameter line pipe and welded OCTG.¹² Firms were asked to provide total annual production and capacity to produce all products. The aggregate data for the firms are presented in table VII-3.

⁸ Foreign producer questionnaires sent via Federal Express to two firms in China were returned as undeliverable. Federal Express indicated that the firms were no longer at the address.

⁹ None of the Chinese firms identified in the petition responded to the Commission's questionnaire.

¹⁰ Neither standard pipe nor OCTG from China is subject to an antidumping duty order in the United States.

¹¹ All three firms identified in the petition as producers of line pipe in Korea provided responses to the Commission's questionnaire.

¹² Welded standard pipe from Korea is subject to an antidumping duty order in the United States dating from 1992. Welded OCTG from Korea is subject to an antidumping duty order in the United States dating from 1995.

Table VII-2

Line pipe: Korean producers, shares of reported 2003 Korean production of line pipe, and shares of reported 2003 Korean line pipe exports to the United States

Firm name	Shares of reported 2003 Korean production (<i>in percent</i>)	Shares of reported 2003 Korean exports to the United States (<i>in percent</i>)
Husteel	***	***
HYSKO	***	***
SeAH	***	***

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

Table VII-3

Line pipe: Korean producers' total plant capacity and production, by products, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (<i>short tons</i>)			
Total plant capacity	2,399,567	2,399,567	2,399,567
Production:			
Subject line pipe	155,516	236,149	307,970
Standard/structural pipe ¹	1,156,618	1,130,430	1,071,936
Large diameter line pipe ²	***	***	***
OCTG	***	***	***
Other ³	***	***	***
Total, all products	2,078,774	2,086,276	2,075,763
Total plant capacity utilization (<i>percent</i>)	86.6	86.9	86.5

¹ Welded standard/structural pipe 16 inches or less in outside diameter.
² Welded line pipe greater than 16 inches in outside diameter.
³ Other products include the following: mechanical spiral pipe, piling pipe, boiler tube, rectangular pipe, and other large diameter pipe.

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

All three Korean line pipe producers reported that they export line pipe to the United States ***. The Korean producers reported that Korean line pipe exports are not subject to antidumping or countervailing duty findings or remedies in any WTO-member country.

Aggregate Korean production capacity, production, shipments, and inventory data supplied by the three Korean producers of line pipe are presented in table VII-4. These data show that the reported utilization of the Korean capacity to produce line pipe increased from 47.2 percent in 2001 to 93.5 percent in 2003. ***. Projections indicate that the Korean capacity utilization for line pipe is expected to fall from the 2003 level of 93.5 percent to 78.7 percent in 2004 and 2005, largely as a result of diminished exports to the United States and other foreign markets.

Table VII-4

Line pipe: Korean production capacity, production, shipments, and inventories, 2001-03 and projected 2004-05

Item	Actual experience			Projections	
	2001	2002	2003	2004	2005
Quantity (short tons)					
Capacity	329,207	329,207	329,207	329,207	329,207
Production	155,516	236,149	307,970	259,000	259,000
End of period inventories	10,743	12,900	13,586	8,122	7,922
Shipments:					
Internal consumption/transfers	0	0	0	0	0
Home market	10,132	10,139	13,510	14,200	14,200
Exports to--					
United States	10,962	58,690	109,478	85,000	80,000
All other markets ¹	139,614	165,163	184,297	165,264	165,000
Total exports	150,576	223,853	293,775	250,264	245,000
Total shipments	160,708	233,992	307,285	264,464	259,200
Ratios and shares (percent)					
Capacity utilization	47.2	71.7	93.5	78.7	78.7
Inventories to production	6.9	5.5	4.4	3.1	3.1
Inventories to total shipments	6.7	5.5	4.4	3.1	3.1
Share of total quantity of shipments:					
Internal consumption/transfers	0.0	0.0	0.0	0.0	0.0
Home market	6.3	4.3	4.4	5.4	5.5
Exports to--					
United States	6.8	25.1	35.6	32.1	30.9
All other markets ¹	86.9	70.6	60.0	62.5	63.7
All export markets	93.7	95.7	95.6	94.6	94.5
¹ Other export markets include Australia, China, India, Singapore, and Thailand.					
Note.--Because of rounding, figures may not add to the totals shown.					
Source: Compiled from data submitted in response to Commission questionnaires.					

The Korean producers' exports of line pipe to the United States increased almost 10-fold from 2001 to 2003. Projections indicate that the Korean producers expect exports to the United States to fall somewhat during 2004. The share of shipments of Korean line pipe exported to the United States increased from 6.8 percent of the total quantity of shipments in 2001 to 35.6 percent in 2003. The share held by third-country exports fell during the same period from 86.9 percent of total shipments to 60.0 percent. The Korean producers' home market shipments held a relatively small and declining share of the firms' total quantity of shipments during 2001-03.

THE INDUSTRY IN MEXICO

Six Mexican producers of line pipe provided responses to the Commission's request for information in these investigations.¹³ Based on official Commerce import statistics, line pipe exported to the United States by the six Mexican line pipe producers accounted for 86.0 percent of all imports of the subject merchandise into the United States from Mexico during 2001-03. The responding Mexican producers and their relative sizes are presented in table VII-5.

The responding Mexican producers reported that their subject line pipe produced in Mexico accounted for between *** and *** percent of their total sales in their most recent fiscal year. Firms were asked to provide total annual production and capacity to produce all products. The aggregate data for the firms are presented in table VII-6.

Five of the Mexican producers of the subject line pipe reported the production of standard pipe on the same equipment and machinery used in the production of the subject line pipe, three producers reported the production of large diameter line pipe, and one reported the production of OCTG.¹⁴ Other products produced using the same equipment and machinery used in the production of the subject line pipe include the following: square and rectangular pipe and tubing,¹⁵ purlins, conduits, secondaries. ***.

The Commission asked the Mexican producers to indicate whether they or any related firm produces, has the capability to produce, or has any plans to produce line pipe in the United States or other countries. ***.

The data presented in table VII-7 are derived from the questionnaire responses of the six Mexican producers of line pipe. The capacity to produce line pipe in Mexico increased modestly throughout the period for which data were requested in these investigations and projections indicate that a further increase in capacity is anticipated in 2004 and 2005. During 2001, the Mexican producers ran their line pipe operations at 55.5 percent of capacity. Capacity utilization fell irregularly from 2001 to 45.1 percent in 2003. No major shifts in capacity utilization are expected during 2004 and 2005.

¹³ One Mexican firm named in the petitions, Tubesa S.A. de C.V., did not respond to the Commission's questionnaire.

¹⁴ Welded standard pipe from Mexico is subject to an antidumping duty order in the United States dating from 1992. Welded OCTG from Mexico is subject to an antidumping duty order in the United States dating from 1995. Welded large diameter line pipe from Mexico is subject to an antidumping duty order in the United States dating from 2002.

¹⁵ Light-walled rectangular pipe and tube from Mexico is currently the subject of an antidumping duty investigation in the United States. The Commission made an affirmative determination in the preliminary phase of its investigation. *See, Light-Walled Rectangular Pipe and Tube from Mexico and Turkey*, Invs. Nos. 731-TA-1054-1055 (Preliminary), USITC Publication 3644 (November 2003).

Table VII-5

Line pipe: Mexican producers, shares of reported 2003 Mexican production of line pipe, and shares of reported 2003 Mexican line pipe exports to the United States

Firm name	Shares of reported 2003 Mexican production (<i>in percent</i>)	Shares of reported 2003 Mexican exports to the United States (<i>in percent</i>)
Hylsa	***	***
Procarsa	***	***
Pytco	***	***
Tubacero	***	***
Tuberia Laguna	***	***
Tuberia Nacional	***	***

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

Table VII-6

Line pipe: Mexican producers' total plant capacity and production, by products, 2001-03

Item	Calendar year		
	2001	2002	2003
Quantity (<i>short tons</i>)			
Total plant capacity	687,187	687,187	687,187
Production:			
Subject line pipe ¹	154,860	125,256	134,413
Standard/structural pipe ²	174,593	164,290	164,688
Large diameter line pipe ³	***	***	***
OCTG	***	***	***
Other ⁴	***	***	***
Total, all products	458,534	427,224	449,128
Total plant capacity utilization (<i>percent</i>)	66.7	62.2	65.4

¹ Production data presented for subject line pipe in this table do not reconcile with production data presented in table VII-7 due to reporting inconsistencies in the questionnaire responses of ***.

² Welded standard/structural pipe 16 inches or less in outside diameter.

³ Welded line pipe greater than 16 inches in outside diameter.

⁴ Other products include the following: large diameter standard/structural pipe, A-500 square tubing, square and rectangular pipe, purlins, conduits, and secondaries.

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

Table VII-7

Line pipe: Mexican production capacity, production, shipments, and inventories, 2001-03, and projected 2004-05

Item	Actual experience			Projections	
	2001	2002	2003	2004	2005
Quantity (short tons)					
Capacity	322,225	323,225	332,825	338,043	343,361
Production	178,687	137,141	150,246	155,408	156,608
End of period inventories	45,814	53,045	65,370	44,973	24,475
Shipments:					
Internal consumption/transfers	18,775	18,203	11,064	10,739	10,739
Home market	61,337	64,704	64,762	100,334	99,934
Exports to--					
United States	43,667	40,432	47,377	49,957	52,657
All other markets ¹	27,365	6,572	14,718	14,274	13,774
Total exports	71,032	47,004	62,095	64,231	66,431
Total shipments	151,144	129,911	137,921	175,304	177,104
Ratios and shares (percent)					
Capacity utilization	55.5	42.4	45.1	46.0	45.6
Inventories to production	25.6	38.7	43.5	28.9	15.6
Inventories to total shipments	30.3	40.8	47.4	25.7	13.8
Share of total quantity of shipments:					
Internal consumption/transfers	12.4	14.0	8.0	6.1	6.1
Home market	40.6	49.8	47.0	57.2	56.4
Exports to--					
United States	28.9	31.1	34.4	28.5	29.7
All other markets ¹	18.1	5.1	10.7	8.1	7.8
All export markets	47.0	36.2	45.0	36.6	37.5
¹ Other export markets include Canada, Colombia, Ecuador, El Salvador, Guatemala, Venezuela, and South America.					
Source: Compiled from data submitted in response to Commission questionnaires.					

While internal consumption of line pipe by Mexican producers accounted for a relatively small and declining share of total shipments throughout the period for which data were requested in these investigations, the Mexican producers' largest commercial market for line pipe was the home market, accounting for 40.6 percent of total shipments during 2001, 49.8 percent during 2002, and 47.0 percent during 2003. Shipments to the home market increased by 5.6 percent from 2001 to 2003 and a further increase is projected in 2004. Line pipe exports to the United States fell from 2001 to 2002, but increased in 2003 to a level 8.5 percent higher than that reported in 2001. Further increases in exports to the United States are projected during 2004 and 2005. Exports to the United States accounted for 28.9 percent of total shipments during 2001, 31.1 percent during 2002, and 34.4 percent during 2003. The Mexican producers reported that Mexican line pipe exports are not subject to antidumping or countervailing duty findings or remedies in any WTO-member country.

AGGREGATE FOREIGN INDUSTRY DATA FOR THE SUBJECT COUNTRIES

Aggregate data provided by foreign producers in the three subject countries are presented in table VII-8. These aggregate data indicate that capacity, production, and capacity utilization increased during the period for which information was collected in these investigations. Further increases are projected for line pipe capacity in 2004 and 2005. During 2001-03, exports of line pipe to the United States increased on an absolute basis and as a share of total shipments. Projections indicate that a decline in exports to the United States is expected for line pipe during calendar years 2004 and 2005.

Table VII-8

Line pipe: Aggregate data for producers in the subject countries, 2001-03, and projected 2004-05

* * * * *

U.S. IMPORTS SUBSEQUENT TO DECEMBER 31, 2003

U.S. importers responding to the Commission's questionnaire provided information concerning their imports of line pipe from the subject countries scheduled for delivery after December 31, 2003. This information is presented in table VII-9.

U.S. IMPORTERS' INVENTORIES

Data collected in these investigations on U.S. importers' end-of-period inventories of line pipe are presented table VII-10.¹⁶ There were no inventories of line pipe from Korea held in the United States during 2001-03 by U.S. importers. The only inventories of subject merchandise held in the United States by U.S. importers during the period for which information was requested in these final investigations, were of line pipe produced in China during 2001 and line pipe produced in Mexico throughout the entire three-year period. U.S. importers' inventories of Mexican line pipe increased from 2001 to 2002, but fell in 2003 to a level lower than that reported in 2001. These inventories as a share of imports and U.S. shipments of imports fell from *** percent during 2001 to *** percent during 2003.

¹⁶ The petitioners asserted that U.S. importers of line pipe do not typically hold inventories, that they import and sell the line pipe immediately to U.S. distributors. They also argue that the U.S. line pipe distributors currently have large inventories of subject line pipe. *Conference Transcript*, testimony of Roger Schagrin, Schagrin Associates, p. 52.

Table VII-9

Line pipe: Subject U.S. imports scheduled for delivery after December 31, 2003, by country

Time period	China	Korea	Mexico	Total subject
<i>Quantity (short tons)</i>				
January 2004	***	15,226	5,248	***
February 2004	***	13,866	6,406	***
March 2004	***	4,180	3,868	***
April 2004	***	9,536	2,202	***
May 2004	***	4,774	1,599	***
June 2004	***	7,434	***	***
Subtotal	***	55,016	***	***
July 2004 and beyond	***	5,927	***	***
Total	***	60,943	21,626	***
Source: Compiled from data submitted in response to Commission questionnaires.				

Table VII-10

Line pipe: U.S. importers' end-of-period inventories of imports, by source, 2001-03

Item	Calendar year		
	2001	2002	2003
China:			
Inventories (<i>short tons</i>)	***	***	***
Ratio of inventories to imports (<i>percent</i>)	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	***	***	***
Korea:			
Inventories (<i>short tons</i>)	0	0	0
Ratio of inventories to imports (<i>percent</i>)	0.0	0.0	0.0
Ratio to U.S. shipments of imports (<i>percent</i>)	0.0	0.0	0.0
Mexico:			
Inventories (<i>short tons</i>)	***	***	***
Ratio of inventories to imports (<i>percent</i>)	***	***	***
Ratio to U.S. shipments of imports (<i>percent</i>)	***	***	***
Subject sources:			
Inventories (<i>short tons</i>)	6,033	4,067	3,051
Ratio of inventories to imports (<i>percent</i>)	13.1	3.4	1.7
Ratio to U.S. shipments of imports (<i>percent</i>)	13.8	3.3	1.7
Other sources:			
Inventories (<i>short tons</i>)	0	0	0
Ratio of inventories to imports (<i>percent</i>)	0.0	0.0	0.0
Ratio to U.S. shipments of imports (<i>percent</i>)	0.0	0.0	0.0
All sources:			
Inventories (<i>short tons</i>)	6,033	4,067	3,051
Ratio of inventories to imports (<i>percent</i>)	7.2	2.1	1.3
Ratio to U.S. shipments of imports (<i>percent</i>)	7.4	2.1	1.2
¹ Not defined.			
Source: Compiled from data submitted in response to Commission questionnaires.			

APPENDIX A
***FEDERAL REGISTER* NOTICES**

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-1073-1075 (Preliminary)]

Certain Circular Welded Carbon Quality Line Pipe From China, Korea, and Mexico

AGENCY: International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping investigations Nos. 731-TA-1073-1075 (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, Korea, and Mexico of certain circular welded carbon quality line pipe, provided for in subheadings 7306.10.10 and 7306.10.50 of the Harmonized Tariff Schedule of the United States, 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 preliminary determinations in antidumping investigations in 45 days, or in this case by April 19, 2004. The Commission's views are due at Commerce within five business days thereafter, or by April 26, 2004.

For further information concerning the conduct of these investigations 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: March 3, 2004.

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 these investigations may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background. These investigations are being instituted in response to petitions filed on March 3, 2004, by American Steel Pipe Division of American Cast Iron Pipe Co. ("ACIPCO"), Birmingham, AL; IPSCO Tubulars, Inc., Camanche, IA; Lone Star Steel Co., Dallas, TX; Maverick Tube Corp., Chesterfield, MO; Northwest Pipe Co., Portland, OR; and Stupp Corp., Baton Rouge, LA.

Participation in the investigations and public service list. Persons (other than petitioners) wishing to participate in the investigations 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 these investigations 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 these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, 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 these investigations for 9:30 a.m. on March 24, 2004, 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 22, 2004, to arrange for their appearance. Parties in support

of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. 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 29, 2004, a written brief containing information and arguments pertinent to the subject matter of the investigations. 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 Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (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: These investigations are 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: March 5, 2004.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 04-5400 Filed 3-8-04; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-1048 and 1050-1053 (Final)]

Electrolytic Manganese Dioxide From Australia, Greece, Ireland, Japan, and South Africa

AGENCY: International Trade Commission.

ACTION: Termination of investigations.

during the subsequent 15-day period (to June 14, 2004).

A copy of the application and accompanying exhibits will be available for public inspection at the Office of the Foreign-Trade Zones Board's Executive Secretary at address Number 1 listed above, and at the U.S. Department of Commerce Export Assistance Center, 211 Commerce Street, Suite 100, Nashville, TN 37201-1802.

Dated: March 19, 2004.

Dennis Puccinelli,

Executive Secretary.

[FR Doc. 04-7095 Filed 3-29-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-122-822]

Notice of Rescission, in Part, of Antidumping Duty Administrative Review: Corrosion-Resistant Carbon Steel Flat Products From Canada

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

SUMMARY: On September 30, 2003, the Department published the initiation of administrative review of the antidumping duty order on corrosion-resistant carbon steel flat products from Canada, covering the period August 1, 2002, through July 31, 2003. *See Initiation of Antidumping and Countervailing Duty Administrative Reviews, Request for Revocation and Deferral of Administrative Reviews* (68 FR 56262) (*Initiation*). This administrative review was initiated on the following exporters: Continuous Color Coat, Ltd. (CCC), Dofasco Inc. (Dofasco), Ideal Roofing Company, Ltd. (Ideal Roofing), Impact Steel Canada, Ltd. (Impact Steel), Russel Metals Export (Russel Metals), Sorevco and Company, Ltd. (Sorevco), and Stelco Inc. (Stelco). For the reasons discussed below, we are rescinding the administrative review of Russel Metals.

EFFECTIVE DATE: March 30, 2004.

FOR FURTHER INFORMATION CONTACT: Addilyn Chams-Eddine or Dana Mermelstein at (202) 482-0648 and (202) 482-1391, respectively; Office of AD/CVD Enforcement VII, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Background

On September 30, 2003, the Department published the initiation of administrative review of CCC, Dofasco, Ideal Roofing, Impact Steel, Russel Metals, Sorevco, and Stelco, covering the period August 1, 2002, through July 31, 2003. *See Initiation*. On December 19, 2003 we rescinded the review of CCC, Ideal Roofing and Impact Steel. *See* 68 FR 70764. On December 24, 2003, Russel Metals timely withdrew its request for an administrative review. The request was the only request for an administrative review of Russel Metals. *See Memorandum For the File from Dana S. Mermelstein: Corrosion Resistant Carbon Steel Flat Products from Canada: Russel Metals Withdrawal of Request for Review*, dated January 12, 2004, and on file in the Central Records Unit (CRU) located in room B-099 of the Main Commerce Building.

Rescission, in Part, of the Administrative Review

Pursuant to the Department's regulations, the Department will rescind an administrative review "if a party that requested the review withdraws the request within 90 days of the date of publication of notice of initiation of the requested review." *See* 19 CFR 351.213(d)(1). Since Russel Metals submitted a timely withdrawal of its request for review, and since this was the only request for a review of Russel Metals, the Department is rescinding its antidumping administrative review of Russel Metals in accordance with 19 CFR 351.213(d)(1). Based on this rescission, the administrative review of the antidumping duty order on corrosion-resistant carbon steel flat products from Canada covering the period August 1, 2002, through July 31, 2003, now covers the following companies: Dofasco, Sorevco, and Stelco.

We are issuing and publishing this determination and notice in accordance with section 777(i) of the Act and 19 CFR 351.213(d)(4).

Dated: March 23, 2004.

James J. Jochum,

Assistant Secretary for Import Administration.

[FR Doc. 04-7094 Filed 3-29-04; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-201-833, A-580-854, A-570-897]

Notice of Initiation of Antidumping Duty Investigations: Certain Circular Welded Carbon Quality Line Pipe From Mexico, The Republic of Korea, and the People's Republic of China

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

ACTION: Initiation of Antidumping Duty Investigations.

EFFECTIVE DATE: March 30, 2004.

FOR FURTHER INFORMATION CONTACT:

Helen Kramer at 202-482-0405 or John Drury at 202-482-0195, Import Administration, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue, NW., Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

Initiation of Investigations

The Petition

On March 3, 2004, the Department of Commerce ("Department") received an Antidumping Duty Petition filed in proper form by American Steel Pipe Division of American Cast Iron Pipe Company, IPSCO Tubulars Inc., Lone Star Steel Company, Maverick Tube Corporation, Northwest Pipe Company, and Stupp Corporation ("Petitioners"). On March 15 and 19, 2004, Petitioners submitted clarifications of the Petition. Petitioners are domestic producers of circular welded carbon quality line pipe ("Line Pipe"). In accordance with section 732(b) of the Tariff Act of 1930, as amended ("the Act"), Petitioner alleges imports of Line Pipe from Mexico, the Republic of Korea ("Korea") and the People's Republic of China ("China") 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 threatening material injury to, the U.S. industry.

The Department finds that Petitioners filed their Petition on behalf of the domestic industry because they are interested parties as defined in section 771(9)(C) of the Act, and they have demonstrated sufficient industry support with respect to the investigations they are presently seeking. *See Determination of Industry Support for the Petition* section below.

Scope of the Investigations

These investigations cover circular welded carbon quality steel pipe of a

kind used for oil and gas pipelines, not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, surface finish (black, or coated with any coatings compatible with line pipe), and regardless of end finish (plain end, beveled ends for welding, threaded ends or threaded and coupled, as well as any other special end finishes), and regardless of stenciling.

The merchandise subject to this investigation may be classified in the Harmonized Tariff Schedule of the United States ("HTSUS") at heading 7306 and subheadings 7306.10.10.10, 7306.10.10.50, 7306.10.50.10, and 7306.10.50.50. The tariff classifications are provided for convenience and Customs purposes; however, the written description of the scope of the investigation is dispositive.

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 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments within 20 days of publication of this notice. Comments should be addressed to Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230. This period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the preliminary determinations.

Determination of Industry Support for the Petition

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 the Department's industry support determination, which is to be made before the initiation of the investigation, be based on whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) 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. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for

more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the "industry" as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The 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 the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a 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 law. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (Ct. Int'l Trade 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 642-44 (Ct. Int'l Trade 1988) ("the ITC does not look behind ITA's determination, but accepts ITA's determination as to which merchandise is in the class of merchandise sold at LTFV").

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.

With regard to the domestic like product, Petitioners' definition of the like product is all welded line pipe under 16 inches in diameter. See March 15, 2004, amended petition at 2. Based on our analysis of the information submitted in the Petition we have determined there is a single domestic like product, Line Pipe, which is defined further in the "Scope of the Investigations" section above, and we

have analyzed industry support in terms of that domestic like product.

In determining whether the domestic petitioner has standing, we considered the industry support data contained in the Petition with reference to the domestic like product as defined above in the "Scope of the Investigations" section. To establish standing, Petitioners first provided production data for the industry for the years 2000 through 2002, obtained from the ITC. Petitioners also provided their own production data during the period 2000 through 2002. However, while Petitioners had their own production data for 2003, Petitioners did not have production data for the entire U.S. industry for the year 2003. Therefore, Petitioners provided their shipments of the domestic like product for the year 2003, and compared them to shipments of the domestic like product for the industry. Petitioners obtained domestic industry shipments from the American Iron and Steel Institute ("AISI") for all line pipe not over 16" in diameter and made adjustments for shipments of seamless line pipe. See Petition at Exhibit I-3 describing how this production data was obtained. In their March 15, 2004, amended petition, Petitioners demonstrated the correlation between shipments and production. See Exhibit A-8. Based on the fact that complete production data for year 2003 is unavailable, and that Petitioners have established a close correlation between shipment and production data, we have relied upon shipment data for purposes of measuring industry support.

The Department considered it unreasonable to exclude all seamless line pipe from the shipments data because seamless line pipe can exceed 16" in diameter. Therefore the Department included seamless line pipe in the AISI data for line pipe not over 16" in diameter, but determined that the Petitioners' share of total estimated U.S. shipments of the subject Line Pipe in year 2003 nevertheless represented over 50 percent of total domestic shipments. Therefore, the Department finds the domestic producers who support the Petition account for at least 25 percent of the total production of the domestic like product. In addition, as no domestic producers have expressed opposition to the Petition, the Department also finds the domestic producers 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. For more information on our analysis and the data upon which we relied, see Antidumping Duty

Investigation Initiation Checklist ("Initiation Checklist"), dated March 23, 2004, Appendix II - Industry Support. Therefore, we find that Petitioners have met the requirements of section 732(c)(4)(A) of the Act.

Export Price and Normal Value

The following are descriptions of the allegations of sales at less than fair value upon which the Department based its decision to initiate these investigations. The source or sources of data for the deductions and adjustments relating to U.S. and foreign market prices and cost of production ("COP") and constructed value ("CV") have been accorded treatment as business proprietary information. Petitioners' sources and methodology are discussed in greater detail in the business proprietary version of the Petition and in our Initiation Checklist. We corrected certain information contained in the Petition's margin calculations; these corrections are set forth in detail in the Initiation Checklist.

Periods of Investigation

The period of investigation ("POI") for Mexico and Korea will be January 1, 2003, through December 31, 2003, the four most-recently completed fiscal quarters as of the month preceding the month in which the Petition was filed. See 19 CFR 351.204(b). The POI for China will be July 1, 2003, through December 31, 2003, the two most-recently completed fiscal quarters as of the month preceding the month in which the Petition was filed. See 19 CFR 351.204(b).

Mexico

Export Price

To calculate export price ("EP"), Petitioners used average unit values ("AUVs") of U.S. imports for consumption of the subject merchandise and a U.S.-based price quote for Mexican imports of subject merchandise.

For the calculation of EP using AUV, Petitioners calculated the AUVs for two sizes of subject merchandise, *i.e.*, the AUV for sizes up to and including 4.5 inches outside diameter ("OD"), and the AUV for sizes above 4.5 inches OD but not greater than 16 inches OD. See Petition at Volume II, Exhibit II-7. The reported AUVs provide a value of subject imports based on free-alongside-ship ("FAS"), packed for delivery. Petitioners calculated net U.S. price by deducting foreign inland freight from a Mexican producer's factory to the Mexican/U.S. border, thus establishing an *ex-factory* price. See Petition at Exhibit II-5. The per mile freight charge,

exclusive of VAT, is based on a price quote from the same Mexican producer, dated January 6, 2004. See Petition at Exhibit II-3. Petitioners converted Mexican pesos to U.S. dollars using the average exchange rate for the POI. See amended petition dated March 15, 2004, at page 1 and Exhibit A-3. The AUVs were reported in U.S. dollars per short ton (\$/ST), and converted to metric tons for purposes of the margin calculation.

To calculate EP using the quoted U.S. price, Petitioners obtained a price quote on subject merchandise sold by a U.S. distributor of Line Pipe produced in Mexico. The price information was for Line Pipe with a 4 inch nominal (4.5 inch OD) by 0.224 inch wall thickness ("WT") (the product for which Petitioners obtained a home market price quote), among other products. See Petition at Exhibit II-8. The quoted price includes freight to the United States on an FOB basis. The date of the price offering is contemporaneous with the POI.

Petitioners converted the price to U.S. dollars per metric ton using the average exchange rate for the POI. Petitioners then deducted the inland freight and a distributor markup of three percent, applicable to the seller as a U.S. distributor of Mexican-produced subject merchandise. Petitioners reasonably based the distributor markup on one of the Petitioners' experience. See Petition at page II-4 and Exhibit A-6 of the amended petition dated March 15, 2004. No other deductions were made from U.S. price.

Normal Value

To calculate home market normal value ("NV"), Petitioners used price quotes obtained for two sizes of Line Pipe offered for sale in Mexico by a major Mexican producer. See Petition at Exhibit II-3. Petitioners calculated NV separately for each size of Line Pipe based on the price offering obtained from the Mexican producer. The quote did not include delivery charges. See Petition at page II-2 and Exhibit II-5. No adjustments were made for packing costs in the home market.

Petitioners converted Mexican home market prices from pesos per meter to pesos per metric ton and then to U.S. dollars per metric ton using the average exchange rate in effect during the POI. See amended petition dated March 15, 2004, at Exhibit A-3.

The price-to-price margin calculation is between 24.16 percent and 31.34. The price-to-AUV margin calculations range between 8.47 percent and 22.44 percent. See amended petition dated March 19, 2004, at Exhibit A2-2.

Petitioners included COP and CV calculations in their Petition. However, Petitioners did not allege that the sales of certain circular welded carbon quality line pipe products in the Mexican home market were made at prices below the fully absorbed COP within the meaning of section 773(b) of the Act. Therefore, we are not initiating a cost investigation with respect to imports from Mexico at this time. Furthermore, section 773(a)(1) of the Act lays out a specific hierarchy for determining NV. Because petitioners obtained representative home market prices, we have not relied on the CV calculation for purposes of initiation. Accordingly, we are not including in the range of dumping margins any CV comparisons.

Korea

Export Price

To calculate EP, Petitioners used two different prices: AUV of imports of subject merchandise from Korea, and a price offering of Korean imports based on an affidavit from the Vice President of Line Pipe Sales at Lone Star Steel Company describing a lost sale.

For the calculation of EP using AUVs, Petitioners calculated AUVs for two sizes of subject merchandise, the AUV for sizes up to and including 4.5 inches OD, and the AUV for sizes above 4.5 inches OD but not greater than 16 inches OD. Petitioners calculated net U.S. price by deducting international freight from the price. See Exhibit II-6 of the petition and Exhibit A-4 of the amended petition dated March 15, 2004. Petitioners estimated ocean freight by subtracting the average unit FAS value of subject imports imported during the POI from the average unit cost, insurance and freight ("CIF") value of subject imports imported during the POI, using the Bureau of the Census IM145 import statistics. See page II-4 and Exhibit II-6 of the Petition and page 13 and Exhibits A-4 and A-22 of the amended petition dated March 15, 2004.

Petitioners converted the price to U.S. dollars per metric ton. Petitioners then deducted the estimated ocean freight in the same manner as used in the calculation using AUVs. No other deductions were made from U.S. price.

Normal Value

To calculate home market NV, Petitioners used price quotes obtained by a consultant for two sizes of Line Pipe from two different Korean producers. See pages II-1 II-2 and Exhibit II-3 of the Petition. For the first producer, Petitioners calculated NV separately for each size of Line Pipe.

Petitioners converted the ex-VAT per unit price to a Korean won price per metric ton, then deducted a distributor markup of three percent and converted the resulting net price to U.S. dollars using the average exchange rate for the POI. No adjustment was made for home market inland freight or for packing. Petitioners reasonably based the distributor markup on an affidavit from one of the petitioning Line Pipe manufacturers, which states that distributor markups are commonly at least three to five percent. See page II-3 and Exhibit II-2 of the petition and Exhibit A-6 of the amended petition dated March 15, 2004.

For the second Korean producer, Petitioners converted the ex-VAT per unit price to a U.S. dollar price per metric ton for each of two sizes of Line Pipe. To convert to U.S. dollars, Petitioners used the average exchange rate for the POI. Petitioners then deducted credit expenses from the price at a rate of 6.2 percent, based on the International Monetary Fund's *International Financial Statistics* published lending rate during December 2003, the month of the price quote. Petitioners reasonably based the credit expense deduction on the terms listed in the price quote. See page II-3 and Exhibit II-2 of the Petition and pages 1 and 14 and Exhibits A-1 and A-24 of the amended petition dated March 15, 2004, and Exhibit A2-4 of the amended petition dated March 19, 2004. No adjustment was made for home market inland freight or for packing.

The price-to-price margin calculations range between 24.55 percent and 28.69 percent.

The price-to-AUV margin calculations range between 36.60 percent and 42.26 percent.

Petitioners stated that they had reason to believe that Line Pipe was sold in Korea at prices less than the COP. See Petition at page II-1. To value hot rolled steel purchases in their calculation of COP, Petitioners used a price of 405,000 won per metric ton, the price listed by POSCO, a major Korean supplier of hot-rolled steel, in *Metal Bulletin*. See petition at Exhibit II-9. The Department determined that the price of 405,000 won per metric ton was not contemporaneous to the POI, and therefore requested that Petitioners recalculate COP based on the price of hot rolled steel in effect during the POI of 355,000 won per metric ton, a price also listed by POSCO in *Metal Bulletin*. See Second Supplemental Questionnaire to the Petition, dated March 18, 2004, at page 2. Petitioners recalculated COP based on this revised price and noted in the amended petition

dated March 19, 2004, at page 4, that there are no longer any home market prices below COP. Consequently, we are not initiating a cost investigation with respect to imports from Korea at this time. Furthermore, section 773(a)(1) of the Act lays out a specific hierarchy for determining NV. Because petitioners obtained representative home market prices, we have not relied on the CV calculation for purposes of initiation. Accordingly, we are not including in the range of dumping margins any CV comparisons.

China

Export Price

Petitioners identified the following four companies as producers and/or exporters of subject line pipe from China: Baoji OCTG Plant, Fanyu Zhujiang Steel Pipe Co., Ltd., Jiling Jiyuan Steel Pipe Co., Ltd., and Shengli Petroleum Administrative Bureau Steel Pipe Plant. To calculate EP, Petitioners used AUVs from the Bureau of the Census IM145 import statistics. Petitioners calculated AUVs for two sizes of subject merchandise, up to and including 4.5 inches OD, and above 4.5 inches OD but not greater than 16 inches OD. See Petition at pages II-5 to II-6 and Exhibits II-2 and II-13. Petitioners deducted U.S. customs duty to arrive at a price net of customs duty. See amended petition dated March 15, 2004, at A-6 to A-7 and Exhibits A-12 and A-13. Petitioners claim the reported AUVs provide an FAS value of subject imports, already packed and ready for delivery at the foreign port. See Petition at pages II-5 to II-6 and Exhibits II-2 and II-13, and amended petition dated March 15, 2004, at pages A-8 to A-9 and Exhibit A-18. Petitioners made no other adjustments or deductions to EP.

Normal Value

Petitioners assert that the Department considers China to be a non-market economy ("NME") country, and therefore constructed NV based on the factors of production ("FOP") methodology pursuant to section 773(c) of the Act. In previous cases, the Department has determined that China is an NME country. See, e.g., *Notice of Final Determination Sales at Less Than Fair Value: Certain Folding Gift Boxes from the People's Republic of China*, 66 FR 58115 (November 20, 2001), and *Notice of Final Determination of Sales at Less Than Fair Value: Folding Metal Tables and Chairs from the People's Republic of China*, 67 FR 20090 (April 29, 2002). In accordance with section 771(18)(c)(i) of the Act, the NME status remains in effect until revoked by the

Department. The NME status of China has not been revoked by the Department and, therefore, remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product appropriately is based on FOP valued in a surrogate market economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of China's NME status and the granting of separate rates to individual exporters.

As required by 19 CFR section 351.202(b)(7)(i)(C), Petitioners provided dumping margin calculations for two types of merchandise within the proposed scope using the Department's NME methodology described in 19 CFR section 351.408. For the NV calculation, Petitioners based the quantities of FOP, as defined by section 773(c)(3) of the Act (raw materials, labor, energy and packing), for Line Pipe from China on usage rates for an Indian producer of subject merchandise, Surya Roshni, Ltd. ("Surya Roshni") and one of the petitioning parties, and used publicly available surrogate values from India to calculate the respective factor costs. Petitioners assert that information regarding the Chinese producers' usage rates is not reasonably available, and have therefore assumed, for purposes of the Petition, that producers in China use the same inputs in the same quantities as Surya Roshni and the petitioning Line Pipe manufacturer. However, because Surya Roshni's financial statements did not contain sufficient information on the consumption of steel inputs and labor, Petitioners used the steel input data from one of the petitioning Line Pipe manufacturers in the United States. Likewise, Petitioners used the same U.S. manufacturer's labor data for the quantity of labor used in producing a ton of finished Line Pipe. See amended petition dated March 15, 2004, at pages A-9 to A-10. Based on the information provided by Petitioners, we believe that Petitioners' FOP methodology represents information reasonably available to Petitioners and is appropriate for purposes of initiating this investigation.

Pursuant to section 773(c) of the Tariff Act, the Petitioners assert that India is the most appropriate surrogate country for China, claiming India is: (1) a market economy; (2) a significant producer of comparable merchandise; and (3) at a level of economic development comparable to China in terms of per capita gross national income (GNI). The Department's regulation states it will place primary emphasis on per capita GNI in determining whether a given

market economy is at a level of economic development comparable to the NME country (see 19 CFR 351.408(b)). In recent antidumping cases involving China, the Department identified a group of countries at a level of economic development comparable to China based primarily on per capita GNI. This group includes India, Indonesia, Sri Lanka, the Philippines, and Pakistan. Petitioners assert that India is the most appropriate surrogate. 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 Tariff Act, Petitioners valued FOP, where possible, on reasonably available, public surrogate data from India. Materials were valued based on the financial statements of Surya Roshni. See pages II-4 to II-5 and Exhibits II-7 and II-12 at page 33, and the amended petition dated March 15, 2004, at Exhibits A-13 and A-19. With regard to steel inputs, Petitioners used the per-metric ton price paid by Surya Roshni for the coil and strip used to produce subject merchandise. See amended petition dated March 15, 2004, at pages A-9 to A-10. Surya Roshni's financial statements identified the quantities and prices of electricity, furnace oil, and natural gas used in producing the subject merchandise. The updated labor rate was taken from the Department's web site. Surrogate values were not adjusted for inflation. Depreciation, overhead, SG&A, interest expense, packing, and profit ratios all came from Surya Roshni's financial statement. See Petition at pages II-4 to II-5 and Exhibits II-2, II-9, II-10, and II-12, and amended petition dated March 15, 2004, at pages A-9 to A-10 and Exhibit A-2.

The Department accepts Petitioners' calculation of NV based on the above arguments, which resulted in an estimated dumping margin of 67.24 percent for API 5LB, 12" OD, 0.280 Wall line pipe, and 43.53 percent for API 5LB, 4" OD, 0.280 Wall line pipe.

Fair Value Comparisons

Based on the data provided by Petitioners, there is reason to believe imports of Line Pipe from Mexico, Korea and China are being, or are likely to be, sold at less than fair value.

Allegations and Evidence of Material Injury and Causation

With respect to Mexico, Korea and China, Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or

threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. The Petition contains information on the evolution of the volume and prices of the allegedly dumped imports over the period beginning with 2001 and ending in 2003. See Petition at page I-16 and Exhibits I-12 and I-13. The Petition also contains evidence showing the effect of these import volumes and prices on the shipments and production of the domestic like product and of the consequent impact on the domestic industry. See Petition at pages I-15 to I-19 and Exhibits I-9, I-10, I-11, I-17, I-18, I-19, I-20, I-21, and I-23. This evidence shows lower AUVs of subject Line Pipe and price suppression of the domestic like product, resulting in declining value of sales, declining market share and lost sales. For a full discussion of the allegations and evidence of material injury, see Initiation Checklist at Attachment IV.

Initiation of Antidumping Investigations

Based on our examination of the Petition covering Line Pipe, we find it meets the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of Line Pipe from Mexico, Korea and China are being, or are likely to be, sold in the United States at less than fair value. Unless this deadline is extended pursuant to section 733(b)(1)(A) of the Act, we will make our preliminary determinations 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 representatives of the governments of Mexico, Korea and China. We will attempt to provide a copy of the public version of the Petition to each exporter named in the Petition, as provided in section 19 CFR 351.203(c)(2).

International Trade Commission Notification

The ITC will preliminarily determine no later than April 19, 2004, whether there is reasonable indication that imports of Line Pipe from Mexico, Korea and China are causing, or threatening, material injury to a U.S. industry. A negative ITC determination for any country will result in the investigation being terminated with respect to that country; otherwise, these

investigations 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 23, 2004.

James J. Jochum,
Assistant Secretary for Import
Administration.

[FR Doc. 04-7093 Filed 3-29-04; 8:45 am]

BILLING CODE 3510-DS-S

DEPARTMENT OF COMMERCE

International Trade Administration

The New York Structural Biology Center, Inc., et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes

This is a decision consolidated pursuant to section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89-651, 80 Stat. 897; 15 CFR part 301). Related records can be viewed between 8:30 a.m. and 5 p.m. in Suite 4100W, Franklin Court Building, U.S. Department of Commerce, 1099 14th Street, NW, Washington, DC.

Docket Number: 04-001. *Applicant:* The New York Structural Biology Center, Inc., New York, NY 10027. *Instrument:* Electron Microscope, Model Tecnai G² F20 Twin Cryo. *Manufacturer:* FEI Company, The Netherlands. *Intended Use:* See notice at 69 FR 9301, February 27, 2004. *Order Date:* October 7, 2003.

Docket Number: 04-004. *Applicant:* University of California, Santa Barbara 93106-5050. *Instrument:* Electron Microscope, Model Tecnai G² F30 U-TWIN. *Manufacturer:* FEI Company, The Netherlands. *Intended Use:* See notice at 69 FR 9301, February 27, 2004. *Order Date:* December 3, 2002.

Comments: None received. *Decision:* Approved. No instrument of equivalent scientific value to the foreign instrument, for such purposes as these instruments are intended to be used, was being manufactured in the United States at the time the instruments were ordered. *Reasons:* Each foreign instrument is a conventional transmission electron microscope (CTEM) and is intended for research or scientific educational uses requiring a CTEM. We know of no CTEM, or any other instrument suited to these purposes, which was being

APPENDIX B
CONFERENCE WITNESSES

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 investigations:

**CERTAIN CIRCULAR WELDED CARBON QUALITY LINE PIPE
FROM CHINA, KOREA, AND MEXICO**

Investigations Nos. 731-TA-1073-1075 (Preliminary)

March 24, 2004 - 9:30 am

The conference was held in Room 101 (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

American Steel Pipe Division of ACIPCO
IPSCO Tubulars, Inc.
Lone Star Steel Co.
Maverick Tube Corp.
Northwest Pipe Co.
Stupp Corp.

T. Scott Evans, Vice President - Sales and Marketing, Maverick Tube Corp.
Paul Vivian, Marketing Manager - Energy Products, Maverick Tube Corp.
Barham Moss, Marketing Manager - Line Pipe, Maverick Tube Corp.
Steve Fowler, Senior Vice President - Sales and Marketing, Lone Star Steel Co.
Rusty Fisher, Vice President - Line Pipe Sales, Lone Star Steel Co.
William Kleinfelter, Vice President and Legislative Director, United Steelworkers of
America AFL-CIO

Roger B. Schagrin--OF COUNSEL

IN OPPOSITION TO THE IMPOSITION OF ANTIDUMPING DUTIES:

Kaye Scholer, LLP
Washington, DC
on behalf of

Korea Iron & Steel Association
SeAH Steel Corp., Ltd.
Husteel Co., Ltd.
Hyundai HYSCO Co., Ltd.

Albert Cegarra, Sales Manager, State Pipe and Supply, Inc.

Donald B. Cameron--OF COUNSEL
Julie C. Mendoza

Shearman & Sterling, LLP
Washington, DC
on behalf of

Hylsa, S.A. de C.V.
Tuberias Procarsa S.A. de C.V.

Jaime Trevino, Export Sales Manager, Hylsa, S.A. de C.V.
Alejandro Gomez Strozzi, International Trade Practices Unit, Government of Mexico

Jeffrey M. Winton--OF COUNSEL
Christopher Ryan

Blank Rome, LLP
Washington, DC
on behalf of

Central Plastics Co.

Robert Schorn, Executive Director, Central Plastics Co.
Rick Hale, Purchasing Manager, Central Plastics Co.

Edward J. Farrell--OF COUNSEL
Roberta K. Dagher

APPENDIX C
SUMMARY TABLE

Table C-1

Line pipe: Summary data concerning the U.S. market, 2001-03

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit expenses are per short ton; and period changes=percent, except where noted)

Item	Reported data			Period changes		
	Calendar year			Calendar year		
	2001	2002	2003	2001-2003	2001-2002	2002-2003
U.S. consumption quantity:						
Amount	621,403	591,898	718,491	15.6	-4.7	21.4
Producers' share ¹	86.9	67.9	65.8	-21.1	-19.0	-2.1
Importers' share: ¹						
China	***	***	***	***	***	***
Korea	2.5	11.9	14.6	12.1	9.5	2.7
Mexico	***	***	***	***	***	***
Subtotal	7.0	20.8	24.5	17.5	13.8	3.7
Other sources	6.1	11.3	9.7	3.6	5.2	-1.6
Total	13.1	32.1	34.2	21.1	19.0	2.1
U.S. consumption value:						
Amount	288,039	277,982	350,433	21.7	-3.5	26.1
Producers' share ¹	86.3	67.6	67.5	-18.8	-18.7	-0.1
Importers' share: ¹						
China	***	***	***	***	***	***
Korea	2.2	10.0	12.8	10.6	7.9	2.7
Mexico	***	***	***	***	***	***
Subtotal	7.0	19.2	23.2	16.2	12.2	4.0
Other sources	6.7	13.2	9.3	2.6	6.5	-3.9
Total	13.7	32.4	32.5	18.8	18.7	0.1
U.S. shipments of imports from--						
China:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory	***	***	***	***	***	***
Korea:						
Quantity	15,307	70,519	104,861	585.1	360.7	48.7
Value	6,235	27,880	44,752	617.8	347.2	60.5
Unit value	\$407	\$395	\$427	4.8	-2.9	7.9
Ending inventory	0	0	0	(²)	(²)	(²)
Mexico:						
Quantity	***	***	***	***	***	***
Value	***	***	***	***	***	***
Unit value	***	***	***	***	***	***
Ending inventory	***	***	***	***	***	***
Subtotal, subject sources:						
Quantity	43,796	123,380	176,304	302.6	181.7	42.9
Value	20,051	53,319	81,197	305.0	165.9	52.3
Unit value	\$458	\$432	\$461	0.6	-5.6	6.6
Ending inventory	6,033	4,067	3,051	-49.4	-32.6	-25.0

Table continued on next page.

Table C-1--Continued

Line pipe: Summary data concerning the U.S. market, 2001-03

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit expenses are per short ton; and period changes=percent, except where noted)

Item	Reported data			Period changes		
	Calendar year			Calendar year		
	2001	2002	2003	2001-2003	2001-2002	2002-2003
U.S. shipments of imports from--						
Other sources:						
Quantity	37,875	66,762	69,711	84.1	76.3	4.4
Value	19,336	36,773	32,579	68.5	90.2	-11.4
Unit value	\$511	\$551	\$467	-8.5	7.9	-15.2
Ending inventory	0	0	0	(²)	(²)	(²)
All sources:						
Quantity	81,671	190,142	246,015	201.2	132.8	29.4
Value	39,387	90,092	113,776	188.9	128.7	26.3
Unit value	\$482	\$474	\$462	-4.1	-1.8	-2.4
Ending inventory	6,033	4,067	3,051	-49.4	-32.6	-25.0
U.S. producers'--						
Capacity quantity	1,212,298	1,152,833	1,012,237	-16.5	-4.9	-12.2
Production quantity	583,008	416,512	487,773	-16.3	-28.6	17.1
Capacity utilization ¹	48.1	36.1	48.2	0.1	-12.0	12.1
U.S. shipments:						
Quantity	539,732	401,756	472,476	-12.5	-25.6	17.6
Value	248,652	187,890	236,657	-4.8	-24.4	26.0
Unit value	\$461	\$468	\$501	8.7	1.5	7.1
Export shipments:						
Quantity	27,302	22,335	42,050	54.0	-18.2	88.3
Value	13,524	11,259	20,642	52.6	-16.7	83.3
Unit value	\$495	\$504	\$491	-0.9	1.8	-2.6
Ending inventory quantity	89,590	80,781	52,816	-41.0	-9.8	-34.6
Inventories/total shipments ¹	15.8	19.0	10.3	-5.5	3.2	-8.8
Production workers	935	797	807	-13.7	-14.8	1.3
Hours worked (1,000s)	2,109	1,760	1,712	-18.8	-16.5	-2.7
Wages paid (\$1,000s)	37,046	33,906	35,493	-4.2	-8.5	4.7
Hourly wages	\$17.57	\$19.26	\$20.73	18.0	9.7	7.6
Productivity (tons/1,000 hours)	276.4	233.8	284.9	3.1	-15.4	21.9
Unit labor costs	\$63.54	\$82.40	\$72.77	14.5	29.7	-11.7

Table continued on next page.

Table C-1--Continued

Line pipe: Summary data concerning the U.S. market, 2001-03

(Quantity=short tons; value=1,000 dollars; unit values, unit labor costs, and unit expenses are per short ton; and period changes=percent, except where noted)

Item	Reported data			Period changes		
	Calendar year			Calendar year		
	2001	2002	2003	2001-2003	2001-2002	2002-2003
Net sales:						
Quantity	557,035	424,091	514,524	-7.6	-23.9	21.3
Value	263,065	199,757	257,134	-2.3	-24.1	28.7
Unit value	\$472	\$471	\$500	5.8	-0.3	6.1
Cost of goods sold (COGS)	249,769	195,331	254,110	1.7	-21.8	30.1
Gross profit or (loss)	13,296	4,426	3,024	-77.3	-66.7	-31.7
SG&A expenses	12,458	11,716	13,188	5.9	-6.0	12.6
Operating income or (loss)	838	(7,290)	(10,164)	(²)	(²)	-39.4
Capital expenditures	***	***	***	***	***	***
Unit COGS	\$448	\$461	\$494	10.1	2.7	7.2
Unit SG&A expenses	\$22	\$28	\$26	14.6	23.5	-7.2
Unit operating income or (loss)	\$2	\$(17)	\$(20)	(²)	(²)	-14.9
COGS/sales ¹	94.9	97.8	98.8	3.9	2.8	1.0
Operating income or (loss)/sales ¹	0.3	(3.6)	(4.0)	-4.3	-4.0	-0.3
¹ "Reported data" are in percent and "period changes" are in percentage points. ² Undefined.						
Note.—Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.						
Source: Compiled from data submitted in response to Commission questionnaires.						

APPENDIX D

**ALLEGED EFFECTS OF SUBJECT IMPORTS ON U.S. FIRMS'
EXISTING DEVELOPMENT AND PRODUCTION EFFORTS,
GROWTH, INVESTMENT, AND ABILITY TO RAISE CAPITAL**

The Commission requested U.S. producers to describe any actual or potential negative effects since January 1, 2001, on their return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of line pipe from China, Mexico, and/or Korea. Unless specifically noted, the producers did not distinguish between China, Mexico, and Korea in their comments. Their responses are as follows:

Actual Negative Effects

* * * * *

Anticipated Negative Effects

* * * * *