Freight Rail Coupler Systems and Components from China

Investigation Nos. 701-TA-670 and 731-TA-1570 (Preliminary)

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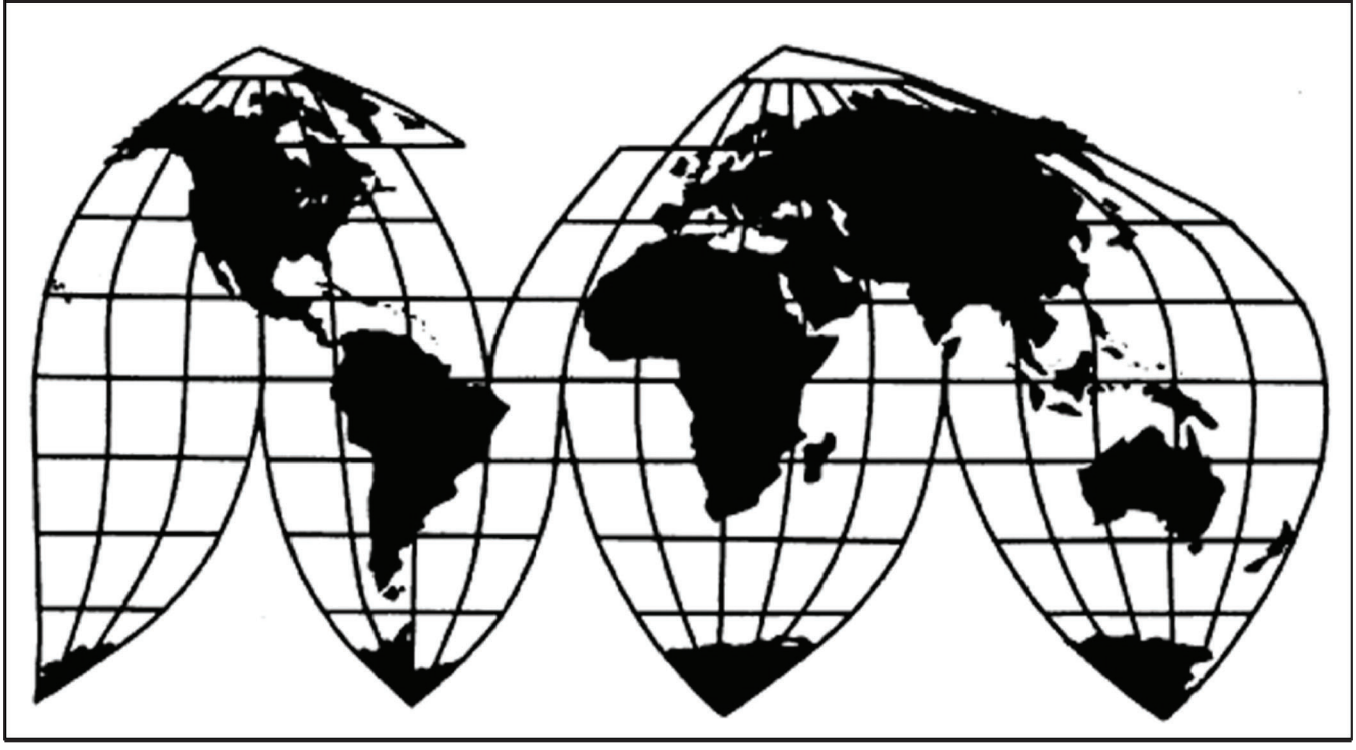
U.S. International Trade Commission



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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-670 and 731-TA-1570 (Preliminary)

Freight Rail Coupler Systems and Components from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of freight rail coupler systems and components from China, provided for in subheading 8607.30.10 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") and to be subsidized by the government of China.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

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 § 207.21 of the Commission's rules, upon notice from the U.S. Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under §§ 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under §§ 705(a) or 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.

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

[2] 86 FR 58864 (October 25, 2021) and 86 FR 58878 (October 25, 2021).

BACKGROUND

On September 29, 2021, the Coalition of Freight Coupler Producers consisting of McConway & Torley LLC ("M&T"), Pittsburgh, PA, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("USW") filed petitions with the Commission and Commerce,[3] alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of freight rail coupler systems and components from China and LTFV imports of freight rail coupler systems and components from China. Accordingly, effective September 29, 2021, the Commission instituted countervailing duty investigation No. 701-TA-670 and antidumping duty investigation No. 731-TA-1570 (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 October 5, 2021 (86 FR 54997). In light of the restrictions on access to the Commission building due to the COVID–19 pandemic, the Commission conducted its conference through written testimony and video conference on October 20, 2021. All persons who requested the opportunity were permitted to participate.

[3] Initially, Petitioner was M&T and another domestic producer. However, the other domestic producer withdrew, and USW was added to the petitions.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of freight rail coupler systems and certain components thereof ("FRCs") from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the government of China.

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

The petitioner, the Coalition of Freight Rail Coupler Producers ("Petitioner" or "the Coalition"), filed the petitions in these investigations on September 29, 2021. Petitioner consists of McConway and Torley, LLC ("M&T"), a U.S. producer of FRCs, and the United Steel, Paper, and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("the USW").[3] Representatives for Petitioner submitted

[1] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

[3] Initially, Petitioner was M&T and another domestic producer, Amsted Rail Co., Inc. ("Amsted"). However, Amsted withdrew as a petitioner and a union, the USW, was added to the petitions. In 2020 M&T accounted for *** of U.S. production of FRCs, *i.e.*, *** percent, whereas Amsted accounted for ***, *i.e.*, *** percent. CR/PR at Table III-1.

testimony and appeared at the staff conference accompanied by counsel. Petitioner also submitted a postconference brief.

Three respondent entities actively participated in these investigations. Strato, Inc. ("Strato"), a U.S. importer of subject merchandise from China, submitted testimony and appeared at the staff conference accompanied by counsel and submitted a postconference brief. Wabtec Corporation ("Wabtec"), another U.S. importer of subject merchandise from China, also submitted testimony and appeared at the staff conference accompanied by counsel and submitted a postconference brief. TTX Company ("TTX"), a U.S. purchaser of FRCs, submitted a postconference brief.

U.S. industry data are based on the questionnaire responses of three firms accounting for virtually all U.S. production of FRCs in 2020.[4] U.S. import data are based on the questionnaire responses from five U.S. importers, accounting for approximately *** percent of imports from China in 2020 under Harmonized Tariff Schedule ("HTS") statistical reporting number 8607.30.1000.[5] Foreign industry data and related information are based on the questionnaire responses of two producers/exporters of FRCs in China accounting for approximately *** percent of FRC production in China in 2020 and approximately *** percent of U.S. imports of subject merchandise from China in 2020.[6]

III. Domestic Like Product

In determining 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."[7] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole 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."[8] In turn, the Tariff Act defines

[4] Confidential Report ("CR") at I-4, INV-TT-127 (Nov. 8, 2021); and *Freight Rail Couple Systems and Certain Components thereof from China*, Inv. Nos. 701-TA-670 and 731-TA-1570 (Final), USITC Pub. 5243 (Nov. 2021) ("PR") at I-4.

[5] CR/PR at IV-1. HTS subheading 8607.30.1000 is a "basket" category that contains out-of-scope merchandise; thus, we have not relied on official import statistics to measure imports of FRCs. *Id*.

[6] CR/PR at VII-3.

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(4)(A).

"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."[9]

By statute, the Commission's "domestic like product" analysis begins with the "article subject to an investigation," *i.e.*, the subject merchandise as determined by the U.S. Department of Commerce ("Commerce").[10] Therefore, Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value is "necessarily the starting point of the Commission's like product analysis."[11] The Commission then defines the domestic like product in light of the imported articles Commerce has identified.[12] 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.[13] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[14] The Commission looks for clear dividing lines among

[9] 19 U.S.C. § 1677(10).

[10] 19 U.S.C. § 1677(10). The Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value. *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[11] *Cleo Inc. v. United States*, 501 F.3d 1291, 1298 (Fed. Cir. 2007); *see also Hitachi Metals, Ltd. v. United States*, 949 F.3d 710, 717 (Fed. Cir. 2020) (the statute requires the Commission to start with Commerce's subject merchandise in reaching its own like product determination).

[12] *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-52 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[13] *See, e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Dep't 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 the following: (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).

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

possible like products and disregards minor variations.[15] The Commission may, where appropriate, include domestic articles in the domestic like product in addition to those described in the scope.[16]

A. Scope Definition

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as:

> . . . freight rail car coupler systems and certain components thereof. Freight rail car coupler systems are composed of, at minimum, four main components (knuckles, coupler bodies, coupler yokes, and follower blocks, as specified below) but may also include other items (e.g., coupler locks, lock lift assemblies, knuckle pins, knuckle throwers, and rotors). The components covered by the investigation include: (1) E coupler bodies; (2) E/F coupler bodies; (3) F coupler bodies; (4) E yokes; (5) F yokes; (6) E knuckles; (7) F knuckles; (8) E type follower blocks; and (9) F type follower blocks, as set forth by the Association of American Railroads (AAR). The freight rail coupler components are included within the scope of the investigation when imported individually, or in some combination thereof, such as in the form of a coupler fit (a coupler body and knuckle assembled together), independent from a coupler system.
>
> Subject freight rail car coupler systems and components are included within the scope whether finished or unfinished, whether imported individually or with other subject or non-subject components, whether assembled or unassembled, whether mounted or unmounted, or if joined with non-subject merchandise, such as other non-subject system parts or a completed rail car.[17] Finishing

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[15] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the 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.").

[16] *See*, *e.g.*, *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington,* 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

[17] Accordingly, FRCs produced in China and incorporated into completed freight railcars are within the scope of the investigation. This includes freight railcars assembled in third countries, *e.g.*, Mexico, and imported into the United States during the POI. *See* CR/PR at II-1 n.7 (Chinese origin FRCs assembled and attached to freight railcars in Mexico and exported to the U.S.). In any final phase investigations, the parties are invited to submit comments on the draft questionnaire concerning data collection for FRCs further processed in third countries and subsequently imported into the United (Continued…)

includes, but is not limited to, arc washing, welding, grinding, shot blasting, heat treatment, machining, and assembly of various components. When a subject coupler system or subject components are mounted on or to other non-subject merchandise, such as a rail car, only the coupler system or subject components are covered by the scope.

The finished products covered by the scope of this investigation meet or exceed the AAR specifications of M-211, "Foundry and Product Approval Requirements for the Manufacture of Couplers, Coupler Yokes, Knuckles, Follower Blocks, and Coupler Parts" or AAR M-215 "Coupling Systems," or other equivalent domestic or international standards (including any revisions to the standard(s)).

The country of origin for subject coupler systems and components, whether fully assembled, unfinished or finished, or attached to a rail car, is the country where the subject coupler components were cast or forged. Subject merchandise includes coupler components as defined above that have been further processed or further assembled, including those coupler components attached to a rail car in third countries. Further processing includes, but is not limited to, arc washing, welding, grinding, shot blasting, heat treatment, painting, coating, priming, machining, and assembly of various components. The inclusion, attachment, joining, or assembly of non-subject components with subject components or coupler systems either in the country of manufacture of the in-scope product or in a third country does not remove the subject components or coupler systems from the scope.[18]

FRCs are comprised of a system of four main metal components: (1) knuckles, (2) coupler bodies, (3) coupler yokes, and (4) follower blocks; in addition to ancillary parts (*e.g.,* coupler locks, coupler lock lifters, knuckle pins, knuckle throwers, and rotors).[19] The main components of FRCs are manufactured in accordance with the Association of American

(…Continued)
States. In any final phase investigations, we will strive to ensure that such in-scope FRCs produced in China and incorporated into finished railcars in third countries (including Mexico) are accurately and fully reported. In this regard, in any final phase investigations, the Commission invites the parties to submit comments addressing whether there is a perceived need for verification of data relating to such further processed FRCs.

[18] *Freight Rail Coupler Systems and Certain Components Thereof from the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 86 Fed. Reg. 58864, 58869 (Oct. 25, 2021); *Freight Rail Coupler Systems and Certain Components Thereof from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 86 Fed. Reg. 58878, 58882-83 (Oct. 25, 2021).

[19] CR/PR at I-7.

Railroads ("AAR") standards to ensure FRCs in the United States are interoperable.[20] Knuckles are typically metal castings in the shape of a hook that pivot on a vertical hinge between a "locked" and "unlocked" position to be able to interlock with knuckles of adjacent FRCs.[21] Coupler bodies are a metal casting that holds the knuckle and allows it to pivot.[22] The coupler body fits within the coupler yoke, which is the metal casting that attaches the FRC to the freight car.[23] The follower block is a rectangular piece of metal that separates the FRC with the adjacent draft gear of the freight car (designed to absorb some of the forces when connecting freight railcars).[24]

FRCs are designed to connect two freight cars together by automatically interlocking the knuckles of both FRCs when the freight cars are pushed together, eliminating the need for previously required and potentially dangerous manual input.[25] A manually operated lever on the side of a freight car connects to the FRC and is used to unlock the FRC by lifting the knuckle pin, allowing the knuckles to release and the freight cars to be uncoupled.[26] Freight cars typically use two FRCs, one on each of the front and rear of the freight car, to allow for coupling additional freight cars together in greater numbers.[27] In addition to interlocking freight cars together, FRCs are also designed to reduce shocks when freight cars are in transit or braking.[28]

FRCs and components are classified under the following AAR designations: type E, E/F, and F couplers, type E and F knuckles, type E and F yokes, and type E and F follower blocks.[29] Type E couplers, knuckles, yokes, and follower blocks meet the basic standards set by AAR but do not have the additional features included in type F components.[30] Additional type F features include interlocking wing pockets and lugs that reduce the likelihood of certain freight car derailments as well as reducing the gap between locked knuckles to improve freight car

[20] CR/PR at I-7. AAR standard M-211 covers foundry and product approval requirements for the manufacture of couplers, coupler yokes, knuckles, follower blocks, and coupler parts. AAR standard M-215 covers complete coupler systems. CR/PR at I-7 n.10.

[21] CR/PR at I-7.

[22] CR/PR at I-7.

[23] CR/PR at I-7.

[24] CR/PR at I-7.

[25] CR/PR at I-7.

[26] CR/PR at I-7.

[27] CR/PR at I-7.

[28] CR/PR at I-7.

[29] CR/PR at I-8.

[30] CR/PR at I-8.

handling.[31] Type F couplers are typically used for freight cars transporting hazardous material. Type E/F couplers contain a basic type E knuckle and type F coupler body components.[32]

B. Parties' Arguments

Petitioner's Arguments. Petitioner argues that the Commission should define a single domestic like product consisting of all FRCs, coextensive with Commerce's scope in these preliminary phase investigations.[33] It maintains that there is a clear dividing line between in-scope FRCs and out-of-scope passenger rail coupler systems ("PRCs").[34] Employing the Commission's semi-finished product analysis, Petitioner also contends that in-scope domestically produced FRC components are not a separate domestic like product from in-scope domestically produced finished FRCs.[35]

Respondents' Arguments. Strato and Wabtec do not object to Petitioner's proposed domestic like product definition for purposes of these preliminary determinations.[36]

C. Analysis and Recommendation

1. FRCs

Based on the current record, we define a single domestic like product consisting of all domestically produced FRCs coextensive with the scope for purposes of these preliminary phase investigations.

Physical Characteristics and Uses. All domestically produced FRCs within the scope are made primarily from pig iron and scrap metal.[37] Although there are some variations in terms of size and design, all domestically produced FRCs within the scope share the same basic overall shape, are generally produced to the same specifications and standards set by the AAR, and have common features, including knuckles, coupler bodies, coupler yokes, and follower

[31] CR/PR at I-8.
[32] CR/PR at I-8.
[33] Petitioner's Postconf. Br. at 6.
[34] Petitioner's Postconf. Br. at 6-9.
[35] Petitioner's Postconf. Br. at 9-11.
[36] Conf. Tr. at 112 (Schutz); Wabtec Postconf. Br. at 7 n.4. TTX did not address how the Commission should define the domestic like product.
[37] CR/PR at I-11 & n.13; Petitioner's Postconf. Br. at 7.

blocks.[38] All domestically produced FRCs within the scope are used to connect and transport freight railcars.[39]

Petitioner maintains that out-of-scope PRCs are made to different specifications and industry standards than domestically produced in-scope FRCs.[40] While the AAR sets the industry standards for FRCs, the American Public Transportation Association ("APTA") sets the industry standards for PRCs.[41] According to Petitioner, out-of-scope PRCs are manufactured to have substantially less slack than domestically produced in-scope FRCs.[42] Petitioner observes that out-of-scope PRCs are used to transport passenger rail or tramway cars and therefore have a different use than domestically produced FRCs within the scope that are used to transport freight railcars.[43] In terms of physical characteristics and uses, both responding U.S. producers and all three responding U.S. importers reported that domestically produced in scope FRCs and out-of-scope PRCs are only "somewhat" or "never" comparable.[44]

Manufacturing Facilities, Production Processes, and Employees. All domestically produced FRCs within the scope are manufactured using the same general production process, which includes melting pig iron and scrap metal with a melt furnace, molding the various FRC components into their respective shapes, removing impurities, heat-treating (including annealing and tempering designed to strengthen and harden the metal), grinding, shaping, painting, oiling, priming, safety testing, and assembly.[45] Petitioner reports that it produces all in-scope FRCs at the same facilities, using the same production processes and equipment, and the same employees.[46]

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[38] CR/PR at I-7-8 and Figures I-1-4; Petition at 17; Petitioner's Postconf. Br. at 7; Conf. Tr. at 45 (Mautino). At the conference, a witness testifying on behalf of Petitioner stated that there are some variations in size with respect to the coupler bodies for domestically produced in-scope FRCs, with the smallest coupler bodies measuring approximately 32 inches long, 12 inches wide, and 12 inches high and weighing in excess of 350 pounds and the largest coupler bodies measuring approximately 75 inches long, 12 inches wide, and 12 inches high and weighing approximately 600 pounds. Conf. Tr. at 44 (Mautino).

[39] CR/PR at I-3.

[40] Petitioner's Postconf. Br. at 7.

[41] Petitioner's Postconf. Br. at 7.

[42] Petitioner's Postconf. Br. at 7; Conf. Tr. at 49 (Mautino).

[43] Petitioner's Postconf. Br. at 7.

[44] CR/PR at Table I-2.

[45] CR/PR at I-11.

[46] Petitioner's Postconf. Br. at 9.

According to Petitioner, out-of-scope PRCs are produced using different manufacturing processes and employees than in-scope FRCs, although an industry witness appearing on behalf of Petitioner testified at the conference that there is some overlap in terms of manufacturing processes between in-scope FRCs and out-of-scope PRCs and that he was aware of one facility where both in-scope and out-of-scope FRCs are manufactured.[47] With respect to manufacturing facilities, production processes, and employees, one of two responding U.S. producers reported that in-scope FRCs and out-of-scope PRCs are "mostly" comparable while the other responding U.S. producer reported that they are "never" comparable.[48] Two of three responding U.S. importers reported that in-scope FRCs and out-of-scope FRCs are only "somewhat" or "never" comparable while one importer reported that they are "mostly" comparable.[49]

Channels of Distribution. U.S. producers sell FRCs through two main channels of distribution.[50] The first is to freight car original equipment manufacturers ("OEMs") that use FRCs in new freight car production.[51] The second is to maintenance companies, freight railroads, and freight car producers that use FRCs and individual components as replacement parts in used freight cars.[52]

During 2018-2019, domestically produced FRCs within the scope were sold mainly to the OEM sector (ranging from *** percent to *** percent) with the remainder sold to the maintenance/replacement sector (ranging from *** percent to *** percent).[53] In contrast, during 2020-interim 2021, domestically produced FRCs within the scope were sold mainly to the maintenance/replacement sector (ranging from *** percent to *** percent) with the remainder sold to the OEM sector (ranging from *** percent to *** percent.[54]

According to Petitioner, out-of-scope PRCs are sold in different channels of distribution than in-scope FRCs.[55] For channels of distribution, one of two responding U.S. producers

[47] Petition at 19; Petitioner's Postconf. Br. 9; Conf. Tr. at 50-51 (Mautino).
[48] CR/PR at Table I-2.
[49] CR/PR at Table I-2.
[50] CR/PR at I-11.
[51] CR/PR at I-11.
[52] CR/PR at I-11.
[53] CR/PR at Table II-1.
[54] CR/PR at Table II-1.
[55] Petitioner's Postconf. Br. at 8. Petitioner states that there is little overlap between the freight railcar manufacturers to which in-scope FRCs are sold and passenger railcar manufacturers to which out-
(Continued…)

reported that in-scope FRCs and out-of-scope PRCs are "mostly" comparable while the other responding U.S. producer reported that they are "never" comparable.[56] Two of three responding U.S. importers reported that in-scope FRCs and out-of-scope FRCs are "mostly" comparable while one importer reported that they are only "somewhat" comparable.[57]

Interchangeability. According to Petitioner, all domestically produced FRCs within the scope are generally interchangeable since they are produced to the same dimensions, specifications, and standards.[58] Petitioner maintains that domestically produced in-scope FRCs and out-of-scope PRCs are not interchangeable.[59] At the conference, a witness testifying on behalf of Petitioner stated that PRCs typically have different body structures and draft systems with less crash cushion energy than FRCs and that PRCs cannot be used instead of FRCs for freight railcars.[60] Petitioner also maintains that it would be against industry standards to use in-scope FRCs and out-of-scope PRCs as interchangeable products.[61] In terms of interchangeability, both responding U.S. producers and all three responding U.S. importers reported that in-scope FRCs and out-of-scope PRCs are "never" interchangeable.[62]

Producer and Customer Perceptions. The very limited record concerning this factor is mixed. According to Petitioner, customers and producers perceive domestically produced FRCs that are within the scope as comprising its own separate and distinct product category compared to out-of-scope PRCs.[63] With respect to producer and customer perceptions, one of two responding U.S. producers reported that in-scope FRCs and out-of-scope PRCs are "never" comparable, and the other responding producer reported that they are "fully" comparable.[64] Two of three responding U.S. importers reported that in-scope FRCs and out-of-scope PRCs are

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(…Continued)
of-scope PRCs are sold. *Id*. Similarly, there is little overlap between freight and passenger railcar maintenance companies. *Id*.

[56] CR/PR at Table I-2.
[57] CR/PR at Table I-2.
[58] Petition at 17; Petitioner's Postconf. Br. at 8.
[59] Petitioner's Postconf. Br. at 8; Petition at 18.
[60] Conf. Tr. at 50 (Mautino).
[61] Petitioner's Postconf. Br. at 8.
[62] CR/PR at Table I-2.
[63] Petitioner's Postconf. Br. at 8-9; Petition at 19.
[64] CR/PR at Table I-2.

"never" comparable while one responding U.S. importer reported that they are "fully" comparable.[65]

Price. The pricing data indicate that there were appreciable variations in quarterly prices among the various pricing products for domestically produced in-scope FRCs during the period of investigation ("POI").[66] According to Petitioner, out-of-scope PRCs are generally much higher-priced than domestically produced in-scope FRCs.[67] In terms of price, both responding U.S. producers and all three responding U.S. importers reported that domestically produced in-scope FRCs and out-of-scope PRCs are "never" comparable in terms of price.[68]

Conclusion. Evidence on the record of these preliminary phase investigations indicates that all domestically produced FRCs coextensive with the scope are made primarily of the same raw materials. Although there are differences in size and design among in-scope products, all domestically produced FRCs share the same basic overall shape and common features, including knuckles, coupler bodies, coupler yokes, and follower blocks. All domestically produced FRCs generally are produced through the same production process, are generally interchangeable and used to connect and transport railcars, are sold overwhelmingly through the same channels of distribution albeit at appreciably varying prices, and are perceived to be a single product category by market participants. No party argues for defining the domestic like product more broadly than the scope for purposes of these preliminary determinations, and producers and importers generally reported that domestically produced in-scope FRCs and out-of-scope PRCs are only somewhat or not comparable for most factors. In light of the above, and the lack of any contrary argument, we define a single domestic like product consisting of all domestically produced FRCs, coextensive with the scope, for purposes of these preliminary determinations.

2. FRC Components

As discussed above, the scope of these investigations includes both FRC components and finished FRCs. We consider below whether the upstream product – FRC components (*e.g.*,

[65] CR/PR at Table I-2.

[66] CR/PR at Tables V-3 to V-6.

[67] Petitioner's Postconf. Br. at 9; Conf. Tr. at 52 (Mautino).

[68] CR/PR at Table I-2. The Commission did not collect pricing data for out-of-scope PRCs in these preliminary phase investigations.

coupler body, knuckle, yoke, and follower block) – and the downstream product – finished FRCs – are part of a single domestic like product.

Applying the semifinished products analysis[69] to the current record, we find that upstream FRC components and downstream finished FRCs belong in a single domestic like product.

Dedication for Use. Petitioner maintains that FRC components are dedicated entirely to the production of in-scope finished FRCs.[70] Two of three responding U.S. producers and three of five responding U.S. importers reported that FRC components do not have uses other than being dedicated solely to the production of in-scope finished FRCs.[71]

Separate Markets. According to Petitioner, because FRC components are further processed by U.S. producers to become finished FRCs or are used as replacement parts for finished FRCs, there is no separate market for FRC components that is distinct from the market for finished FRCs.[72] Petitioner states that FRC components are not sold in any other market besides the market for finished FRCs.[73] Two of three responding U.S. producers reported that there is no separate market for FRC components that is distinct from the market for finished

[69] In a semi-finished products analysis, the Commission examines the following: (1) the significance and extent of the processes used to transform the upstream into the downstream articles; (2) whether the upstream article is dedicated to the production of the downstream article or has independent uses; (3) differences in the physical characteristics and functions of the upstream and downstream articles; (4) whether there are perceived to be separate markets for the upstream and downstream articles; and (5) differences in the costs or value of the vertically differentiated articles. *See*, *e.g.*, *Glycine from India*, *Japan*, *and Korea*, Inv. Nos. 731-TA-1111-1113 (Preliminary), USITC Pub. No. 3921 at 7 (May 2007); *Artists' Canvas from China*, Inv. No. 731-TA-1091 (Final), USITC Pub. No. 3853 at 6 (May 2006); *Live Swine from Canada*, Inv. No. 731-TA-1076 (Final), USITC Pub. 3766 at 8 n.40 (Apr. 2005); *Certain Frozen Fish Fillets from Vietnam*, Inv. No. 731-TA-1012 (Preliminary), USITC Pub. No. 3533 at 7 (Aug. 2002).

[70] Petitioner's Postconf. Br. at 10.

[71] CR/PR at Table I-5. One responding U.S. producer and two responding U.S. importers reported that FRC components have uses other than being dedicated solely to the production of in-scope finished FRCs. *Id*.

[72] Petitioner's Postconf. Br. at 10.

[73] Petitioner's Postconf. Br. at 10. According to Petitioner, although FRC components can be sold separately as replacement parts for finished FRCs, FRC components are also assembled into the completed coupler and sold as finished FRCs to railcar OEMs. *Id*. Petitioner states that all FRC components ultimately become finished FRCs whether they are included in the original coupler assembly or are used as replacement parts for a used coupler assembly. *Id*.

FRCs; however, four of five responding U.S. importers reported that there is a separate market for FRC components.[74]

Differences in Physical Characteristics and Functions of the Upstream and Downstream Articles. According to Petitioner, there are virtually no differences in physical characteristics and functions between FRC components and finished FRCs, particularly since FRC components and finished FRCs are made primarily from steel and are used to connect railcars.[75] FRC components typically consists of coupler bodies, knuckles, coupler yokes, and follower blocks.[76] Finished FRCs contain these FRC components as well as additional parts to make the finished product including coupler locks, coupler lock lifters, knuckle pins, knuckle throwers, and rotors.[77] All three responding U.S. producers reported that there are no differences in physical characteristics and functions between FRC components and finished FRCs.[78] By contrast, two responding U.S. importers reported that there are no differences in physical characteristics and functions between FRC components and finished FRCs while two importers reported that there are such differences.[79]

Differences in the Costs or Value. According to the Petitioner, FRC components comprise a significant majority of the cost of finished FRCs.[80] At the conference, an industry witness testifying on behalf of Petitioner estimated that FRC components accounted for approximately *** percent of the cost of finished FRCs.[81] All three responding U.S. producers reported that there are no differences in the cost or value between FRC components and finished FRCs.[82] However, three of five responding U.S. importers reported that there are differences in the cost or value between FRC components and finished FRCs while two of five responding U.S. importers reported that there are no differences in the cost or value.[83]

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[74] CR/PR at Table I-5. One responding U.S. producer reported that there is a separate market for FRC components that is distinct from the market for finished FRCs while one responding U.S. importer reported that there is no separate market for FRC components. *Id*.

[75] Petitioner's Postconf. Br. at 10; Petition at 20.

[76] CR/PR at I-7 and I-11.

[77] CR/PR at I-11.

[78] CR/PR at Table I-5.

[79] CR/PR at Table I-5.

[80] Petitioner's Postconf. Br. at 10; Petition at 20.

[81] Conf. Tr. at 53 (Mautino).

[82] CR/PR at Table I-5.

[83] CR/PR at Table I-5.

Significance and Extent of Processes Used to Transform Upstream Product into Downstream Product. Petitioner contends that the process for transforming FRC components into finished FRCs is relatively minor in nature claiming that the predominant portion of the production process relates to producing FRC components and that minimal additional parts or further processing is required.[84] All three responding U.S. producers reported that the process for transforming FRC components into finished FRCs is not intensive whereas two responding U.S. importers reported that the process is intensive and two importers reported that the process is not intensive.[85]

Conclusion. All producers reported no differences in physical characteristics and functions between FRC components and finished FRCs, no differences in the cost or value between FRC components and finished FRCs, and that the process for transforming FRC components into finished FRCs is not intensive. Most producers also reported that FRC components do not have uses other than being dedicated solely to the production of in-scope finished FRCs and that there is no separate market for FRC components that is distinct from the market for finished FRCs. The available information from the importers is more mixed. Although most importers reported that FRC components do not have uses other than being dedicated solely to the production in-scope finished FRCs, a large minority of importers reported that FRC components had other such uses. Half of responding importers reported that there are no differences in physical characteristics and functions between FRC components and finished FRCs and that the process for transforming FRC components into finished FRCs is not intensive. On the other hand, most importers reported that there are separate markets and differences in cost for FRC components and finished FRCs. Based on the current record, and the lack of any contrary argument at this preliminary phase, we include FRC components and finished FRCs in the same definition of the domestic like product and define a single domestic like product that is coextensive with the scope of these investigations.

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole 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."[86] In defining the domestic

[84] Petitioner's Postconf. Br. at 11; Petition at 20-21.
[85] CR/PR at Table I-5.
[86] 19 U.S.C. § 1677(4)(A).

industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

Petitioner's Arguments. Petitioner argues that the Commission determine there is one domestic industry comprised of all domestic producers of FRCs.[87] Although the petition did not mention refurbishers, Petitioner maintains that refurbishers of FRCs and FRC components are not part of the domestic industry since they are not engaged in the production of FRCs and that including refurbishers in the domestic industry would result in double-counting.[88] Petitioner does not argue that appropriate circumstances exist to exclude any firm pursuant to the related parties provision of the statute in these preliminary phase investigations.[89]

Respondents' Arguments. Wabtec agrees with the Petitioner's proposed definition of the domestic industry.[90] No other respondents addressed the issue of domestic industry definition for purposes of these preliminary phase investigations.[91]

There is no evidence in the record of a related party issue and no information to conduct an analysis of whether refurbishers provide sufficient production-related activities to be included in the domestic industry issues at the preliminary phase.[92] In light of our domestic

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[87] Petitioner's Postconf. Br. at 11.

[88] Petitioner's Postconf. Br. at 11 n.52.

[89] Conf. Tr. at 54 (Pickard). At the conference, counsel for Petitioner stated that, although appropriate circumstances could justify excluding one firm (Huron) from the domestic industry, it "was not making that argument at the prelim." *Id*. Petitioner did not further address related parties in its postconference brief. In the petition, Petitioner maintains that Huron is affiliated with a subject producer/exporter of FRCs and therefore qualifies as a related party. *See* Petition at 21. In its U.S. producer questionnaire, however, Huron reports that it is not affiliated with any subject producers/exporters of FRCs from China. *See* Huron U.S. Producer Questionnaire at I-5 & I-6.

[90] Conf. Tr. at 112-113 (Morrell).

[91] As discussed below, Strato argues that refurbished FRCs should be considered as a pertinent condition of competition in the U.S. market for FRCs. *See* Strato Postconf. Br. at 3, 13-14. In its postconference brief, Strato suggests that the Commission should "evaluate" in any final phase investigations whether refurbishers are engaged in sufficient production-related activities to be included in the domestic industry, and should collect pricing and financial data from refurbishers. *Id*. at 15 n.35.

[92] CR/PR at III-2 & Table III-2. There is no information available on refurbishers activities in these preliminary phase investigations to conduct a sufficient production-related analysis. In any final phase investigations, if parties intend to raise any issues as to whether refurbishers of FRCs and FRC components are engaged in sufficient production-related activities, they should: (1) specify in their comments on the draft questionnaires the criteria that constitutes refurbishment activities to be included in the domestic industry definition; and (2) identify and provide contact information for alleged (Continued…)

like product definition, and the fact that no party has argued to the contrary, we define a single domestic industry consisting of all U.S. producers of FRCs, namely Amsted, Huron Casting, Inc. ("Huron"), and M&T.

V. Reasonable Indication of Material Injury by Reason of Subject Imports[93]

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[94] 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.[95] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[96] 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.[97] 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."[98]

(…Continued)
refurbishers of domestically produced FRCs and FRC components and/or refurbishers of subject merchandise. 19 C.F.R. § 207.20(b).

[93] Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B).

Negligibility is not an issue in these investigations. Subject imports from China accounted for *** percent of total U.S. imports of FRCs in the 12-month period (September 2020 to August 2021) preceding the filing of the petitions. CR/PR at Table IV-4.

[94] 19 U.S.C. §§ 1671b(a), 1673b(a).

[95] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[96] 19 U.S.C. § 1677(7)(A).

[97] 19 U.S.C. § 1677(7)(C)(iii).

[98] 19 U.S.C. § 1677(7)(C)(iii).

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[99] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[100] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[101]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[102] In performing its examination, however, the Commission need not isolate

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[99] 19 U.S.C. §§ 1671b(a), 1673b(a).

[100] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g,* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[101] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement*." Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[102] SAA at 851-52 ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is (Continued…)

the injury caused by other factors from injury caused by unfairly traded imports.[103] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[104] It is clear that the existence of injury caused by other factors does not compel a negative determination.[105]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports."[106] The Commission ensures that it has "evidence in the record" to "show that the

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attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[103] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n,* 266 F.3d at 1345 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[104] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[105] *See Nippon Steel Corp*., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[106] *Mittal Steel*, 542 F.3d at 876 &78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology."), *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its (Continued…)

harm occurred 'by reason of' the LTFV imports," and that it is "not attributing injury from other sources to the subject imports."[107] The Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[108]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[109] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[110]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

Demand for FRCs is driven by the production of new freight railcars.[111] Demand for FRCs is also driven by the demand for maintenance/repair of freight railcars already in service, which may require FRC components rather than complete FRCs.[112]

(…Continued)
decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[107] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 877-79. We note that one relevant "other factor" may involve the presence of significant volumes of price-competitive nonsubject imports in the U.S. market, particularly when a commodity product is at issue. In appropriate cases, the Commission collects information regarding nonsubject imports and producers in nonsubject countries in order to conduct its analysis.

[108] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[109] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[110] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[111] CR/PR at II-7 and II-9. The new freight railcar market is highly cyclical and generally follows general trends in the overall U.S. economy. CR/PR at II-9 and Figure II-1. The number of new railcars in the North American market was approximately 51,000 in 2018, 58,000 in 2019, and 31,000 in 2020. CR/PR at II-9.

Both responding U.S. producers reported that U.S. demand for FRCs fluctuated since January 1, 2018.[113] However, three out of five responding U.S. importers reported that U.S. demand for FRCs declined since January 1, 2018, while two reported that U.S. demand for FRCs fluctuated.[114] Apparent U.S. consumption of FRCs increased from *** pounds in 2018 to *** pounds in 2019, but then declined to *** pounds in 2020, a level *** percent lower than in 2018.[115] Apparent U.S. consumption was *** percent lower in interim 2021, at *** pounds, than in interim 2020, at *** pounds.[116]

2. Supply Conditions

The domestic industry consists of three firms of varying size. In 2020, M&T accounted for *** percent of domestic production of FRCs, Amsted accounted for *** percent, and Huron accounted for *** percent.[117] Over the course of the POI, both ***.[118] M&T had a supply agreement with its former parent company and current U.S. purchaser Trinity Rail Group, LLC ("Trinity") whereby Trinity agreed to purchase set amounts of FRCs that decrease annually until their supply agreement expires in 2023.[119] The domestic industry was generally the second-largest supply source to the U.S. market during the POI except for 2018 when it was the largest source of supply.[120] The industry's market share declined from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; its market share was lower in interim 2021, at *** percent, than in interim 2020, at *** percent.[121]

(…Continued)

[112] CR/PR at II-7 and II-9. Estimates for average annual FRC units in the North American maintenance/replacement market for freight railcars were *** units in 2018, *** units in 2019, and *** units in 2020. CR/PR at II-9. The maintenance market/replacement market is closely tied to railroad revenue per ton miles, which decreased about 30 percent during the COVID-19 pandemic. *Id*. Additionally, the number of freight railcars that were scrapped and/or put into storage increased during January 2018-June 2021. *Id*. Maintenance is not conducted on freight railcars that are scrapped or put into storage. *Id*.

[113] CR/PR at Table II-5.

[114] CR/PR at Table II-5.

[115] CR/PR at Table C-1.

[116] CR/PR at Table C-1.

[117] CR/PR at Table III-1.

[118] CR/PR at Table III-3. Notwithstanding the domestic industry's reduction in capacity from *** pounds in 2018 to *** pounds in 2019 and *** pounds in 2020, its reported capacity exceeded apparent U.S. consumption throughout the POI. CR/PR at Table C-1.

[119] CR/PR at II-8.

[120] CR/PR at Tables IV-5 and C-1.

[121] CR/PR at Tables IV-5 and C-1.

Subject imports were the third-largest source of supply to the U.S. market throughout the POI.[122] Subject imports' market share increased from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; their market share was higher in interim 2021, at *** percent, than in interim 2020, at *** percent.[123] During the POI, U.S. importer Strato, which imported subject merchandise, had a supply agreement for FRCs with TTX, the largest owner of railcars in North America.[124]

Nonsubject imports were generally the largest source of supply to the U.S. market during the POI except for 2018 when they were the second-largest source of supply.[125] Nonsubject imports' market share increased from *** percent in 2018 to *** percent in 2019 and 2020; their market share was higher in interim 2021, at *** percent, than in interim 2020, at *** percent.[126] The largest source of nonsubject imports during 2020 was Mexico.[127]

3. Substitutability and Other Conditions

Based on the current record, we find that there is a moderate-to-high degree of substitutability between domestically produced FRCs and subject imports from China.[128] Both responding domestic producers and all five responding importers reported that the domestic like product and subject imports were always or frequently interchangeable.[129] All FRCs and their major components are subject to manufacturing and safety standards set by the AAR.[130]

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[122] CR/PR at Tables IV-5 and C-1.

[123] CR/PR at Tables IV-5 and C-1.

[124] CR/PR at II-12; Strato Postconf. Br. at 22-23. According to Strato, this supply agreement was a *** contract signed in *** under which ***. Strato Postconf. Br. at 22-23.

[125] CR/PR at Tables IV-5 and C-1.

[126] CR/PR at Tables IV-5 and C-1.

[127] CR/PR at II-1, n.2.

[128] CR/PR at II-11. The degree of substitution between domestic and imported FRC depends upon the extent of product differentiation between the domestic and imported products and reflects how easily purchasers can switch from domestically produced FRCs to FRCs imported from subject countries (or vice versa) when prices change. CR/PR at II-11 n.31. The degree of substitution may include such factors as relative prices (discounts/rebates), quality differences (*e.g.*, grade standards, defect rates, *etc.*), and differences in sales conditions (*e.g.*, lead times between order and delivery dates, reliability of supply, product services, *etc.*). *Id*.

[129] CR/PR at Tables II-7 and II-8.

[130] CR/PR at I-7-8, I-11, and II-1. AAR standard M-211 covers foundry and product approval requirements for the manufacture of couplers, coupler yokes, knuckles, follower blocks, and coupler parts. CR/PR at I-7. AAR standard M-215 covers complete coupler systems. *Id*. AAR standard M-216 covers a fatigue test for knuckles, type E and F. *Id*.

Information available, however, indicates that only subject imports use "Bedloe technology," a proprietary design for couplers, knuckles, and subcomponents for FRCs, that may limit interchangeability with domestic product.[131] As discussed below, we intend to examine this issue further in any final phase investigations.

The limited record in these preliminary phase determinations indicates that price is an important factor in purchasing decisions for FRCs. The two purchasers responding to the lost sales and lost revenue survey both cited price among the three most important factors in purchasing decisions for FRCs.[132] In comparing domestically produced FRCs and subject imports, both responding U.S. producers and three out of four U.S. importers reported that differences other than price were only sometimes or never significant in purchasing decisions.[133]

*** U.S. producers and *** U.S. importers reported that the U.S. market for FRCs was subject to distinct business cycles, with market participants reporting business cycles of varying length (ranging from seven years to eight-ten years) and that downturns in the business cycles for FRCs tend to happen with downturns in the overall U.S. economy.[134]

In 2018 and 2019, domestically produced FRCs were sold predominantly to OEMs, but were also sold in appreciable quantities to the maintenance/repair sector of the market.[135] In 2020 and interim 2021, domestically produced FRCs were sold predominantly to the maintenance/repair sector of the market, but were also sold in appreciable quantities to

[131] CR/PR at II-12.

[132] CR/PR at II-11-12 and Table II-6. The other major purchasing factors identified by purchasers were contractual commitments, performance and durability, availability/supply, and customer preference. *Id*.

[133] CR/PR at Tables II-9 and II-10.

[134] CR/PR at II-8. U.S. producer *** reported that the business cycle is typically seven years from peak to trough. Importer *** reported an eight-to-ten-year cycle and that downtrends tend to happen with downturns in the economy. *Id*. Importer *** further reported that during downturns, railcars are put into storage and general maintenance is deferred, reducing demand for FRCs further. *Id*. Importer *** reported that demand in the OEM market is aligned to the number of new cars built while demand for the maintenance parts in the aftermarket is more dependent on Class I railcar traffic volume and is more consistent than the OEM market. *Id*.

[135] CR/PR at Table II-1.

OEMs.[136] Subject imports were sold predominantly to the maintenance/repair sector of the market, but were also sold in appreciable quantities to OEMs throughout the POI.[137]

During the POI, U.S. producers mostly sold FRCs using annual contracts, lesser but substantial quantities using spot sales and long-term contracts, and very small quantities using short-term contracts.[138] Importers sold subject merchandise mainly using long-term and annual contracts nearly in equal measure, lesser but appreciable quantities using spot sales, and very small quantities using short-term contracts.[139]

During the POI, domestically produced FRCs were produced to order and sold from inventory by nearly equal measure.[140] Subject imports from China were sold primarily from inventory, with lesser but appreciable quantities produced to order.[141]

Raw materials accounted for *** percent of the cost of goods sold ("COGS") for FRCs in 2018, *** percent in 2019, *** percent in 2020, *** percent in interim 2020, and *** percent in interim 2021.[142] FRCs are primarily made of pig iron and scrap metal.[143] Prices for FRCs generally follow the prices for scrap steel.[144] Steel scrap prices fluctuated but increased overall during the POI.[145]

Subject merchandise entering under HTS subheadings 8607.30.10, 8606.10.00, 8606.30.00, 8606.91.00, 8606.92.00, and 8606.99.01 became subject to additional 25 percent *ad valorem* duties pursuant to section 301 of the Tariff Act of 1974[146] ("section 301 tariffs"), which took effect on August 23, 2018.[147] Exclusions for one year were granted effective July 31,

[136] CR/PR at Table II-1.
[137] CR/PR at Table II-1.
[138] CR/PR at Table V-2.
[139] CR/PR at Table V-2.
[140] CR/PR at II-12.
[141] CR/PR at II-12.
[142] CR/PR at V-1 and Table VI-1.
[143] CR/PR at V-1 and VI-14.
[144] CR/PR at V-1.
[145] Steel scrap generally increased in 2018, declined in 2019, and increased again during January 2020-September 2021, with *** in October 2019 and *** in July 2021. Overall, prices for no. 1 busheling scrap increased *** percent during January 2018-September 2021, prices for no. 1 heavy melt scrap increased by *** percent, and shredded auto scrap increased by *** percent. CR/PR at V-1.
[146] 19 U.S.C. § 2411.
[147] CR/PR at I-6-7.

2019 for subject merchandise entering under HTS subheading 8607.30.10.[148] These exclusions expired one year later and subject merchandise entering under HTS subheading 8607.30.10 became subject to additional 25 percent *ad valorem* duties pursuant to section 301 effective July 31, 2020.[149]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff 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."[150]

The volume of subject import shipments increased from *** pounds in 2018 to *** pounds in 2019, but then declined to *** pounds in 2020.[151] Further, the volume of subject import shipments was lower in interim 2021, at *** pounds, than in interim 2020, at *** pounds in interim 2020.[152] The market share of subject import shipments increased by *** percentage points over the POI, increasing from *** percent in 2018 to *** percent in 2019 and *** percent in 2020.[153] The market share of subject import shipments was higher in interim 2021, at *** percent, than in interim 2020, at *** percent.[154]

The ratio of subject imports to domestic production increased from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; it was higher in interim 2021, at *** percent, than in interim 2020, at *** percent.[155]

Based on the record in the preliminary phase of the investigations, we conclude that the volume of subject imports was significant in absolute terms and that the increase in the volume

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[148] CR/PR at I-7.

[149] CR/PR at I-7.

[150] 19 U.S.C. § 1677(7)(C)(i).

[151] CR/PR at Tables IV-5 and C-1.

[152] CR/PR at Tables IV-5 and C-1. The volume of subject imports declined from *** pounds in 2018 to *** pounds in 2019 and *** pounds in 2020. CR/PR at Table IV-2. Further, the volume of subject imports was lower in interim 2021, at *** pounds, than in interim 2020, at *** pounds. *Id*. We recognize that there is a discrepancy between the larger volume of subject imports and the smaller volume of subject import shipments throughout the POI. *Compare* CR/PR at Tables IV-2 *&* IV-5. Based on the current record, this discrepancy appears to be attributable largely to the fact that *** during the POI. *See, e.g.*, *** U.S. Importer Questionnaire at II-5a; Petitioner's Postconf. Br. at 15-16 and Exh. 3.

[153] CR/PR at Tables IV-5 and C-1.

[154] CR/PR at Tables IV-5 and C-1.

[155] *Derived from* CR/PR at Tables IV-2, III-4, and C-1.

of subject imports was significant relative to consumption and production in the United States during the POI.[156]

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of 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.[157]

As addressed in section IV.B.4. above, the record indicates that there is a moderate-to-high degree of substitutability between domestically produced FRCS and the subject imports and that price is an important factor in purchasing decisions.

The Commission collected quarterly pricing data from U.S. producers and importers for four pricing products.[158] Two domestic producers and two importers provided usable pricing data, although not all firms reported pricing for all products for all quarters.[159] Pricing data

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[156] Petitioner contends that the questionnaire responses submitted by importers understate the volume and market share of subject imports. *See* Petitioner's Postconf. Br. at 19. According to Petitioner, the questionnaire data that the Commission received from U.S. importers and foreign producers did not account for subject FRCs from China entering the United States from Mexico or another third country mounted on a railcar, which are covered by the scope of these investigations. *Id*. We intend to further examine this issue in any final phase investigations.

[157] 19 U.S.C. § 1677(7)(C)(ii).

[158] The four pricing products are as follows:

Product 1.--SE60, Grade E steel complete coupler assembly, double shelves, 21.5" shank length, produced to AAR M-211 and/or AAR M-215 specifications;

Product 2.--SBE60, grade E steel complete coupler assembly, bottom shelf, 21.5" shank length, produced to AAR M-211 and/or AAR M-215 specifications;

Product 3.--E50 coupler knuckle, grade E steel, produced to AAR M-211 and/or AAR M-215 specifications; and

Product 4.--SY coupler yoke, grade E steel, produced to AAR M-211 and/or AAR M- 215 specifications.

CR/PR at V-6.

[159] CR/PR at V-6.

reported by these firms accounted for *** percent of U.S. producers' U.S. shipments of FRCs and *** percent of importers' U.S shipments of subject merchandise from China in 2020.[160]

The pricing data show pervasive underselling by subject imports. Prices for subject imports were below those for the domestically produced FRCs in 40 of 52 (or 76.9 percent of) quarterly comparisons, while prices for subject imports were above those for domestically produced FRCs in 12 of 52 (or 23.1 percent of) quarterly comparisons.[161] There were *** units of subject imports in quarterly comparisons in which subject imports undersold the domestic like product (*** percent of the total) and only *** units of subject imports in quarterly comparisons in which subject imports oversold the domestic like product (*** percent of the total).[162] The margins of underselling ranged from *** to *** percent, and averaged *** percent during the POI, while the margins of overselling ranged from *** to *** percent, and averaged *** percent.[163] [164]

In light of the foregoing indicating that subject imports were generally sold at lower prices than domestically produced FRCs, we find, for purposes of these preliminary determinations, that there has been significant price underselling by subject imports. Given that the domestic like product and subject imports are at least moderately substitutable and that price is an important factor in purchasing decisions for FRCs, for purposes of these preliminary determinations, we find that the underselling allowed lower priced subject imports to gain U.S. market share at the direct expense of domestic producers during the POI.[165] [166]

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[160] CR/PR at V-6.

[161] CR/PR at Table V-8.

[162] CR/PR at Table V-8.

[163] CR/PR at Table V-8.

[164] We have also considered purchaser lost sales/lost revenue responses. One of two purchasers that responded to the Commission's lost sales/lost revenue survey reported that, since 2018, it had purchased subject imports instead of the domestic like product. CR/PR at Tables V-9 and V-10. This purchaser, ***, reported that subject import prices were lower than the domestically produced product, but that price was not the primary reason for purchasing subject imports. CR/PR at Table V-10.

[165] CR/PR at Table C-1. The domestic industry's market share declined from *** percent in 2018 to *** percent in 2019 and *** percent in 2020, a decline of *** percentage points over that period. *Id*. Between interim 2020 and interim 2021, the domestic industry's market share declined from *** percent to *** percent, a decline of *** percentage points over those periods. *Id*. In contrast, subject imports' market share increased from *** percent in 2018 to *** percent in 2019 and *** percent in 2020, and increase of *** percentage points. *Id*. Between interim 2020 and interim 2021, subject imports' market share increased from *** percent to *** percent, an increase of *** percentage points. *Id*.

We have also examined available data on price trends. During the POI, domestic prices generally increased for all four pricing products.[167] Prices of subject imports from China increased for all four pricing products during the POI.[168] However, available data also indicate that the average unit value of complete FRCs for U.S. producers declined between 2018 and 2020 and between interim 2020 and interim 2021, while the AUV of components other than knuckles for U.S. producers declined significantly between interim 2020 and interim 2021 on a per unit basis.[169]

We have also considered whether subject imports have prevented price increases for domestically produced FRCs which otherwise would have occurred to a significant degree. The record shows that the domestic industry's ratio of COGS to net sales increased by *** percentage points from 2018 to 2020, increasing from *** percent in 2018 to *** percent in 2019 and *** percent in 2020.[170] The industry's ratio of COGS to net sales also was *** percentage points higher in interim 2021, at *** percent, than in interim 2020, at *** percent.[171] While the industry's unit COGS increased by *** per 1,000 pounds between 2018 and 2020, its net sales AUVs only increased by *** per 1,000 pounds during that same period.[172] The domestic industry's unit COGS were higher by $*** per 1,000 pounds in interim 2021 than in interim 2020, but its net sales AUVs were only higher by $*** per 1,000 pounds in interim 2021 than in interim 2020.[173] However, we also recognize that while apparent U.S. consumption increased by *** percent between 2018 and 2019, it declined overall by approximately *** percent from 2018 to 2020, and was approximately *** percent lower in

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(…Continued)

[166] We intend to investigate further Respondent and TTX's arguments that the shift in market share was due to non-price reasons. *See infra* n. 208.

[167] CR/PR at Tables V-3-7. During January 2018-June 2021, domestic prices increased by *** percent for Product 1, *** percent for Product 2, *** percent for Product 3, and *** percent for Product 4. CR/PR at Tables V-3-7.

[168] For the period for which data were reported for Product 1 (*i.e.*, July 2018-June 2021) and Product 2 (*i.e.*, April 2018-June 2021), prices for subject imports from China increased by *** percent and *** percent, respectively. During January 2018-June 2021, prices for subject imports from China increased by *** percent for Product 3 and *** percent for Product 4. CR/PR at Tables V-3-7.

[169] CR/PR at Table E-1.

[170] CR/PR at Tables VI-1 and C-1.

[171] CR/PR at Tables VI-1 and C-1.

[172] CR/PR at Table VI-2. The domestic industry's unit COGS increased in each year of the POI, while its net sales AUVs increased between 2018 and 2019, but then declined slightly in 2020; they were higher in interim 2021 than in interim 2020. *Id*.

[173] CR/PR at Table VI-2.

interim 2021 than in interim 2020.[174] This decline in apparent U.S. consumption reflected the decline in railroad revenue per ton miles and an increase in the number of cars in storage/scrapped as well as the downturn in the business cycle for new freight railcars in the latter portion of the POI.[175] We intend to further assess the role of overall declining demand in domestic producers' ability to pass on rising costs in any final phase investigations.

In sum, based on the current record, there is a moderate-to-high degree of substitutability between the domestic like product and subject imports, price is an important factor in purchasing decisions for FRCs, and the volume of subject imports is significant. Moreover, as discussed above, the available information on the record in the preliminary phase of these investigations indicates that subject imports significantly undersold domestically produced FRCs and captured market share from the domestic industry during the POI. Therefore, for purposes of these preliminary determinations, we find that subject imports had significant price effects.

E. Impact of the Subject Imports[176]

Section 771(7)(C)(iii) of the Tariff 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." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development ("R&D"), 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."[177]

The domestic industry's production and shipments deteriorated at a faster rate than the declines in apparent U.S. consumption between 2018 and 2020 and between interim 2020 and

[174] CR/PR at Tables IV-5 and C-1.

[175] CR/PR at II-9-10, Figure II-1, and Table C-1; Petitioner Postconf. Br. at 13; Wabtec Postconf. Br. at 8-10; Strato Postconf. Br. at 8-13.

[176] Commerce initiated its antidumping duty investigation for subject imports from China based on estimated dumping margins of 142.98 percent and 147.11 percent *ad valorem*. *Freight Rail Coupler Systems and Certain Components Thereof from the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 86 Fed. Reg. 58864, 58867 (Oct. 25, 2021).

[177] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act ("TPEA") of 2015, Pub. L. 114-27.

interim 2021.[178] While apparent U.S. consumption declined by *** percent from 2018 to 2020,[179] the domestic industry's production and shipments declined each year and by *** percent and *** percent, respectively, from 2018 to 2020.[180] Similarly, although apparent U.S. consumption was *** percent lower,[181] the domestic industry's production and shipments were lower by *** percent and *** percent, respectively, in interim 2021 than in interim 2020.[182] The domestic industry's capacity declined by *** percent from 2018 to 2020;[183] its capacity was *** percent lower in interim 2021 than in interim 2020.[184] The domestic industry's capacity utilization declined by *** percentage points from 2018 to 2020, and was *** percentage points lower in interim 2021 than in interim 2020.[185] End-of-period inventories increased by *** percent from 2018 to 2020, but were *** percent lower in interim 2021 than in interim 2020.[186] The domestic industry's market share declined from *** percent in 2018 to *** percent in 2019 and *** percent in 2020, for an overall decline of *** percentage points from 2018 to 2020; its market share was *** percentage points lower in interim 2021, at *** percent, than in interim 2020, at *** percent.[187]

[178] CR/PR at Tables III-4, IV-5, and C-1.

[179] Apparent U.S. consumption of FRCs increased from *** pounds in 2018 to *** pounds in 2019, but then declined to *** pounds in 2020. CR/PR at Tables IV-5 and C-1.

[180] The domestic industry's production declined from *** pounds in 2018 to *** pounds in 2019 to *** pounds in 2020. U.S. producers' U.S. shipments declined from *** pounds in 2018 to *** pounds in 2019 and *** pounds in 2020. CR/PR at Tables III-4, III-6, and C-1.

[181] Apparent U.S. consumption of FRCs was *** pounds in interim 2020 and *** pounds in interim 2021. CR/PR at Tables IV-5 & C-1.

[182] The domestic industry's production was *** pounds in interim 2020 and *** pounds in interim 2021. U.S. producers' U.S. shipments were *** pounds in interim 2020 and *** pounds in interim 2021. CR/PR at Tables III-4, III-6, and C-1.

[183] The domestic industry's capacity declined from *** pounds in 2018 to *** pounds in 2019 and *** pounds in 2020. CR/PR at Tables III-4 and C-1.

[184] The domestic industry's capacity was *** pounds in interim 2020 and *** pounds in interim 2021. CR/PR at Tables III-4 and C-1.

[185] The domestic industry's capacity utilization declined from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; its capacity utilization was *** percent in interim 2020 and *** percent in interim 2021. CR/PR at Tables III-4 and C-1.

[186] The domestic industry's end-of-period inventories were *** pounds in 2018, *** pounds in 2019, *** pounds in 2020, *** pounds in interim 2020, and *** pounds in interim 2021. CR/PR at Tables III-8 and C-1.

[187] CR/PR at Tables IV-5 and C-1.

The domestic industry's employment indicia declined during the POI. PRWs,[188] hours worked,[189] wages paid,[190] and productivity[191] declined steadily from 2018 to 2020, and were lower in interim 2021 than in interim 2020. Hourly wages increased irregularly from 2018 to 2020, but were lower in interim 2021 than in interim 2020.[192]

Most of the domestic industry's financial performance indicia declined over the course of the POI. The domestic industry's net sales (by value) declined by *** percent from 2018 to 2020, and were *** percent lower in interim 2021 than in interim 2020.[193] The industry's gross profit declined by *** percent from 2018 to 2020, and was *** percent lower in interim 2021 than in interim 2020.[194] Operating income declined by *** percent from 2018 to 2020, and deteriorated further as the domestic industry had operating losses in interim 2021.[195] Operating income as a share of net sales fell by *** percentage points from 2018 to 2020, and was *** percentage points lower in interim 2021 than in interim 2020.[196] Net income declined

[188] PRWs declined by *** percent from 2018 to 2020, declining from *** in 2018 to *** in 2019 and *** in 2020; they were *** percent lower in interim 2021, at ***, than in interim 2020, at ***. CR/PR at Table C-1.

[189] Total hours worked declined by *** percent from 2018 to 2020, declining from *** hours in 2018 to *** hours in 2019 and *** hours in 2020; they were *** percent lower in interim 2021, at *** hours, than in interim 2020, at *** hours. CR/PR at Table C-1.

[190] Wages paid declined by *** percent from 2018 to 2020, declining from $*** in 2018 to $*** in 2019 and $*** in 2020; they were *** percent lower in interim 2021, at $***, than in interim 2020, at $***. CR/PR at Table C-1.

[191] Productivity declined by *** percent from 2018 to 2020, declining from *** pounds per hour in 2018 to *** pounds per hour in 2019 and *** pounds per hour in 2020; it was *** percent lower in interim 2021, at *** pounds per hour, than in interim 2020, at *** pounds per hour. CR/PR at Table C-1.

[192] Hourly wages paid to PRWs increased by *** percent from 2018 to 2020, declining from $*** per hour in 2018 to $*** per hour in 2019, but then increasing to $*** per hour in 2020; they were *** percent lower in interim 2021, at $*** per hour, than in interim 2020, at $*** per hour. CR/PR at Table C-1.

[193] By value, the domestic industry's net sales declined from $*** in 2018 to $*** in 2019 and $*** in 2020. Its net sales (by value) were lower in interim 2021, at $***, than in interim 2020, at $***. CR/PR at Table C-1.

[194] The domestic industry's gross profit declined from $*** in 2018 to $*** in 2019 and $*** in 2020. Its gross profit was lower in interim 2021, at $***, than in interim 2020, at $***. CR/PR at Table C-1.

[195] The domestic industry's operating income declined from $*** in 2018 to $*** in 2019 and $*** in 2020. Its operating income was $*** in interim 2020 and its operating losses were $*** in interim 2021. CR/PR at Table C-1.

[196] As a ratio to net sales, the domestic industry's operating income was *** percent in 2018, *** percent in 2019, *** percent in 2020, *** percent in interim 2020, and *** percent in interim 2021. CR/PR at Table C-1.

steadily over the course of the POI with the domestic industry experiencing net losses in 2020 and interim 2021.[197] Further, net income as a share of net sales declined by *** percentage points from 2018 to 2020, and were *** percentage points lower in interim 2021 than in interim 2020.[198]

The domestic industry's capital expenditures and R&D expenses fluctuated, but declined overall by *** percent and *** percent, respectively, from 2018 to 2020; they were lower in interim 2021 than in interim 2020 by *** percent and *** percent, respectively.[199] *** reported negative effects on investment and on growth and development due to subject imports, *** responding U.S. producers did not report any such negative effects.[200]

In sum, the available evidence in the current record indicates that subject imports materially contributed to the domestic industry's declining trade and financial performance over the course of the POI. In particular, the volume and market share of subject imports were significant, as were the increases in subject imports' market share. These subject imports significantly undersold the domestic like product and captured increasing market share from the domestic industry. As the domestic industry lost market share, its production and shipments decreased more than apparent U.S. consumption over the POI and its financial performance declined. Moreover, *** reported negative effects on investment and on growth and development due to subject imports.[201] Given these considerations, we conclude for purposes of these preliminary phase investigations that subject imports had a significant adverse impact on the domestic industry.

We also have considered whether there are other factors that may have had an impact on the domestic industry to ensure that we are not attributing injury from such other factors to subject merchandise. We recognize that the domestic industry's performance was likely

[197] The domestic industry's net income declined from $*** in 2018 to $*** in 2019 and net losses of $*** in 2020. Its net income was $*** in interim 2020 and its net losses were $*** in interim 2021. CR/PR at Table C-1.

[198] As a ratio to net sales, the domestic industry's net income was *** percent in 2018, *** percent in 2019, *** percent in 2020, *** percent in interim 2020, and *** percent in interim 2021. CR/PR at Table C-1.

[199] The domestic industry's capital expenditures were $*** in 2018, $*** in 2019, $*** in 2020, $*** in interim 2020, and $*** in interim 2021. Its R&D expenses were $*** in 2018, $*** in 2019, $*** in 2020, $*** in interim 2020, and $*** in interim 2021. CR/PR at Table C-1.

[200] CR/PR at Tables VI-13-14; M&T U.S. Producer Questionnaire at III-16.

[201] CR/PR at Tables VI-10-11.

impacted by declining apparent U.S. consumption for FRCs.[202] As noted above, however, subject imports gained market share at the expense of domestic producers. Thus, based on the record in these preliminary phase investigations, we cannot conclude that demand trends explain all the declines in the domestic industry's condition. We will further examine this issue in any final phase investigations.[203]

In addition, as discussed above, nonsubject imports were generally the largest source of supply to the U.S. market during the POI.[204] The available data indicate that AUVs for nonsubject imports were higher than AUVs for subject imports throughout the POI.[205] We recognize that the market share of nonsubject imports increased from 2018 to 2020, but subject imports' market share increased by *** percentage points over the same period capturing market share from the domestic industry.[206] We therefore find, for purposes of these preliminary determinations, that nonsubject imports do not fully explain the domestic industry's declines in market share and performance during the POI.[207] [208]

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[202] CR/PR at Table C-1.

[203] Strato and Wabtec argue that insofar as the domestic industry was materially injured during the POI, it was related to the COVID-19 pandemic rather than import competition. *See, e.g.*, Strato Postconf. Br. at 7-9; Wabtec Postconf. Br. at 8-9. In any final phase of these investigations, we intend to further examine the impact of the COVID-19 pandemic and any resultant declines in demand on the performance of the domestic industry.

[204] CR/PR at Tables IV-5 & C-1.

[205] CR/PR at Table C-1. The AUVs for subject imports were $*** in 2018, $*** in 2019, $*** in 2020, $*** in interim 2020, and $*** in interim 2021. In contrast, the AUVs for nonsubject imports were $*** in 2018, $*** in 2019, $*** in 2020, $*** in interim 2020, and $*** in interim 2021. *Id*.

[206] CR/PR at Table C-1. The market share of nonsubject imports increased overall by *** percentage points from 2018 to 2020, increasing from *** percent in 2018 to *** percent in 2019 and 2020; their market share was *** percentage points higher in interim 2021, at *** percent, than in interim 2020, at *** percent. *Id*. Further, the market share of subject imports increased overall by *** percentage points from 2018 to 2020, increasing from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; their market share was *** percentage points higher in interim 2021, at *** percent, than in interim 2020, at *** percent. *Id*. The domestic industry's market share declined by *** percentage points from 2018 to 2020, declining from *** percent in 2018 to *** percent in 2019 and *** percent in 2020; its market share was *** percentage points lower in interim 2021, at *** percent, than in interim 2020, at *** percent. *Id*.

[207] In any final phase investigations, we will further examine other factors raised by respondents in order to ensure that we are not attributing injury from other sources to subject imports, including arguments concerning *** pricing behavior in the U.S. market; M&T's purported geographic disadvantages in terms of higher shipping costs and longer delivery times compared to other domestic producers; M&T's sale by Trinity in 2018 and loss of a captive buyer to whom it previously charged artificially high prices; and the relationships between M&T and Amsted and their respective affiliates in (Continued…)

VI. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of FRCs from China that are allegedly sold in the United States at less than fair value and allegedly subsidized by the government of China.

(…Continued)
Mexico and to what degree, if any, M&T and Amsted shifted production to Mexico during the POI at the expense of their domestic production operations. *See, e.g.*, Strato Postconf. Br. at 27-33; Wabtec Postconf. Br. at 11-14, 20-23, 32-34.

[208] Strato, Wabtec, and TTX also contend that any material injury to the domestic industry was attributable to the fact that domestic producers did not offer FRCs that incorporate what is known as "Bedloe" technology, which is currently available only for subject imports from China. *See, e.g.*, Wabtec Postconf. Br. at 14, 34; Strato Postconf. Br. at 22-23, 34; TTX Postconf. Br. at 14-17. Strato emphasizes that it has a long-term supply agreement with TTX whereby TTX requires Strato to use Bedloe technology, which Strato claims rendered large portions of the market unavailable to the domestic industry during the POI. Strato Postconf. Br. at 22-23. We intend to examine this issue further in any final phase investigations.

Part I: Introduction

Background

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by the Coalition of Freight Coupler Producers, consisting of McConway & Torley LLC ("M&T"), Pittsburgh, PA, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC ("the USW") on September 29, 2021, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of freight rail coupler systems and components ("FRC")[1] from China. The following tabulation provides information relating to the background of these investigations.[2] [3]

Table I-1
FRC: Information relating to the background and schedule of this proceeding

Effective date	Action
September 29, 2021	Petitions filed with Commerce and the Commission; institution of Commission investigations (86 FR 54997, October 5, 2021)
October 20, 2021	Commission's conference
October 19, 2021	Commerce's notice of initiation AD (86 FR 58864, October 25, 2021)
October 19, 2021	Commerce's notice of initiation CVD (86 FR 58878, October 25, 2021)
November 12, 2021	Commission's vote
November 15, 2021	Commission's determinations
November 22, 2021	Commission's views

[1] See the section entitled "The subject merchandise" in Part I of this report for a complete description of the merchandise subject in this proceeding.

[2] Pertinent Federal Register notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in appendix B of this report.

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

> *In evaluating the volume of imports of merchandise, 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.. . .In evaluating the effect of imports of such merchandise on prices, 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.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. Part II of this report presents information on conditions of competition and other relevant economic factors. Part III presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. Parts IV and V present the volume of subject imports and pricing of domestic and imported products, respectively. Part VI presents information on the financial experience of U.S. producers. Part VII presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

Market summary

FRC are generally used to connect freight rail cars together. The leading U.S. producers of FRC are *** and ***, while leading producers of FRC outside the United States include ***. The leading U.S. importers of FRC from China are *** and ***. Leading importers of product from nonsubject Countries (primarily Mexico) include ***. U.S. purchasers of FRC are firms that build new railcars, railcar pooling companies and firms that service existing railcars; leading purchasers that responded to the Commission's questionnaire include ***, and ***.

Apparent U.S. consumption of FRC totaled approximately *** pounds ($***) in 2020. Currently, three firms are known to produce FRC in the United States. U.S. producers' U.S. shipments of FRC totaled *** pounds ($***) in 2020 and

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from subject sources totaled *** pounds ($***) in 2020 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled *** pounds ($***) in 2020 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

Summary data and data sources

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of three firms that accounted for virtually all of U.S. production of FRC during 2020. U.S. imports are based on responses to the Commission's questionnaires and are somewhat understated. The Commission received two questionnaire responses from Chinese producers that the Commission solicited responses from. Global Trade Atlas data is used in part VII of this report for Chinese exports of a broad category of hooks and other coupling devices, including products outside of the scope of these investigations.

Previous and related investigations

FRC have not been the subject of any prior countervailing and/or antidumping duty investigations in the United States.

Nature and extent of alleged subsidies and sales at LTFV

Alleged subsidies

On October 25, 2021, Commerce published a notice in the Federal Register of the initiation of its countervailing duty investigation on FRC from China.[6]

[6] For further information on the alleged subsidy programs see Commerce's notice of initiation and related CVD Initiation Checklist. 86 FR 58878, October 25, 2021.

Alleged sales at LTFV

On October 25, 2021, Commerce published a notice in the Federal Register of the initiation of its antidumping duty investigation on FRC from China.[7] Commerce has initiated antidumping duty investigations based on estimated dumping margins of 142.98 and 147.11 percent *ad valorem* for FRC from China.

The subject merchandise

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:[8]

> *The scope of this investigation covers freight rail car coupler systems and certain components thereof. Freight rail car coupler systems are composed of, at minimum, four main components (knuckles, coupler bodies, coupler yokes, and follower blocks, as specified below) but may also include other items (e.g., coupler locks, lock lift assemblies, knuckle pins, knuckle throwers, and rotors). The components covered by the investigation include: (1) E coupler bodies; (2) E/F coupler bodies; (3) F coupler bodies; (4) E yokes; (5) F yokes; (6) E knuckles; (7) F knuckles; (8) E type follower blocks; and (9) F type follower blocks, as set forth by the Association of American Railroads (AAR). The freight rail coupler components are included within the scope of the investigation when imported individually, or in some combination thereof, such as in the form of a coupler fit (a coupler body and knuckle assembled together), independent from a coupler system.*
>
> *Subject freight rail car coupler systems and components are included within the scope whether finished or unfinished, whether imported individually or with other subject or non-subject components, whether assembled or unassembled, whether mounted or unmounted, or if joined with non-subject merchandise, such as other non-subject system parts or a completed rail car. Finishing includes, but is not limited to, arc washing, welding, grinding, shot blasting, heat treatment, machining, and assembly of various components. When a subject coupler system or subject components are mounted on or to other non-subject merchandise, such as a rail car, only the coupler system or subject components are covered by the scope.*

[7] 86 FR 58864, October 25, 2021.
[8] 86 FR 58864, October 25, 2021; 86 FR 58878, October 25, 2021.

The finished products covered by the scope of this investigation meet or exceed the AAR specifications of M-211, "Foundry and Product Approval Requirements for the Manufacture of Couplers, Coupler Yokes, Knuckles, Follower Blocks, and Coupler Parts" or AAR M-215 "Coupling Systems," or other equivalent domestic or international standards (including any revisions to the standard(s)).

The country of origin for subject coupler systems and components, whether fully assembled, unfinished or finished, or attached to a rail car, is the country where the subject coupler components were cast or forged. Subject merchandise includes coupler components as defined above that have been further processed or further assembled, including those coupler components attached to a rail car in third countries. Further processing includes, but is not limited to, arc washing, welding, grinding, shot blasting, heat treatment, painting, coating, priming, machining, and assembly of various components. The inclusion, attachment, joining, or assembly of non-subject components with subject components or coupler systems either in the country of manufacture of the in-scope product or in a third country does not remove the subject components or coupler systems from the scope.

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations are imported under subheading 8607.30.1000 of the Harmonized Tariff Schedule of the United States ("HTS"). Freight rail couplers attached to a freight car may also be imported under HTS 8606.10.0000, 8606.30.0000, 8606.91.0000, 8606.92.0000, 8606.99.0130, and 8606.99.0160 or under HTS 9803.00.5000 when the freight rail coupler is attached to a freight car used as an instrument of international traffic. The 2021 general rate of duty is 3.6 percent *ad valorem* for HTS subheading 8607.30.10; 14 percent *ad valorem* for HTS subheadings 8606.10.00, 8606.30.00, 8606.91.00, 8606.92.00, and 8606.99.01; and free for HTS subheading 9803.00.50. Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Section 301 tariff treatment

U.S. imports from China subject to these investigations were also subject to additional duties under Section 301 of the Trade Act of 1974. HTS subheadings 8607.30.10, 8606.10.00, 8606.30.00, 8606.91.00, 8606.92.00, and 8606.99.01 were included in the list of articles subject

to additional 25 percent *ad valorem* duties effective August 23, 2018. U.S. imports entering under HTS subheading 8607.30.10 were excluded from Section 301 duties effective July 31, 2019 for one year. The exclusion for HTS subheading 8607.30.10 was originally extended until October 2, 2020 and further extended until December 31, 2020, after which U.S. imports were subject to the additional 25 percent *ad valorem* duties effective July 31, 2020.[9]

The product

Description and applications

FRC are comprised of a system of four main metal components: knuckles, coupler bodies, coupler yokes, and follower blocks; in addition to ancillary parts (*e.g.,* coupler locks, coupler lock lifters, knuckle pins, knuckle throwers, and rotors). The main components of FRC are manufactured in accordance with Association of American Railroad (AAR) standards to ensure FRC in the United States are interoperable.[10] Knuckles are typically metal castings in the shape of a hook that pivot on a vertical hinge between a "locked" and an "unlocked" position to allow for interlocking with knuckles of adjacent FRC. Coupler bodies are a metal casting that hold the knuckle and allow it to pivot. The coupler body fits within the coupler yoke, which is a metal casting that attaches the FRC to a freight car. The follower block is a rectangular piece of metal that separates the FRC with the adjacent draft gear of a freight car (designed to absorb some of the forces when connecting freight rail cars).

FRC are designed to connect two freight cars together by automatically interlocking the knuckles of both FRC when the freight cars are pushed together, eliminating previously required and potentially dangerous manual input. A manually operated lever on the side of a freight car connects to the FRC and is used to lift the knuckle pin, allowing the knuckles to release and the freight cars to be uncoupled. Freight cars typically use two FRC, one on each of the front and rear of the freight car, to allow for coupling additional freight cars together in greater numbers. In addition to interlocking freight cars together, FRC are also designed to reduce shocks when freight cars are in transit or braking.

[9] 83 FR 40823, August 16, 2018; 84 FR 37381, July 31, 2019; 84 FR 52553, October 2, 2019; 85 FR 62786, October 5, 2020.

[10] AAR standard M-211 covers foundry and product approval requirements for the manufacture of couplers, coupler yokes, knuckles, follower blocks, and coupler parts. AAR standard M-215 covers complete coupler systems.

Figure I-1
Interlocked freight rail couplers

Source: https://www.railwayage.com/mechanical/freight-cars/mechanical-couplers/

For the purpose of these investigations FRC and components are classified under the following AAR designations: type E, E/F, and F couplers, type E and F knuckles, type E and F yokes, and type E and F follower blocks. Type E couplers, knuckles, yokes, and follower blocks meet the basic standards set by AAR but do not have the additional features included in type F components. Additional type F features include interlocking wing pockets and lugs that reduce the likelihood of certain freight car derailments as well as reducing the gap between coupled knuckles to improve freight car handling.[11] Type F couplers are typically used for freight cars transporting hazardous materials. Type E/F couplers contain a basic type E knuckle and type F coupler body components.

[11] Vantuono, "Mechanical Focus: Couplers," December 27, 2016, https://www.railwayage.com/mechanical/freight-cars/mechanical-couplers/.

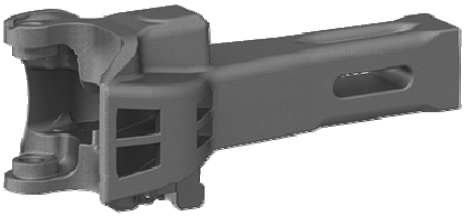
Figure I-2
Type E and F knuckles

Type E knuckle

Type F knuckle

Source: https://www.wabteccorp.com/freight-car/end-of-car-systems/coupler-system/knuckles

Figure I-3
Type E and F coupler bodies



Type E coupler body

Type F coupler body

Source: https://www.wabteccorp.com/freight-car/end-of-car-systems/coupler-system/coupler-bodies

Figure I-4
Type E and F coupler yokes

Type E coupler yoke **Type F coupler yoke**

Source: https://www.wabteccorp.com/freight-car/end-of-car-systems/coupler-system/yokes-followers-components

Figure I-5
Type E and F follower blocks

Type E follower block **Type F follower block**

Source: https://www.wabteccorp.com/freight-car/end-of-car-systems/coupler-system/yokes-followers-components

Manufacturers of FRC sell their products through two main channels of distribution. The first is to freight car original equipment manufacturers that use FRC in new freight car production. The second is to maintenance companies, freight railroads, and freight car producers that use FRC and individual components as replacement parts in used freight cars.[12]

Manufacturing processes

Freight rail knuckles, coupler bodies, coupler yokes, and follower blocks are typically iron castings manufactured in foundries certified by AAR.[13] To begin the process, pig iron and scrap metal are melted in a furnace and poured into molds formed from hardened sand that provide the rough shape for each FRC component. Once the metal has cooled, the hardened sand molds are removed, and any imperfections present in the mold that were transferred to the casting are also removed. The casting undergoes heat treatment processes, such as annealing and tempering, designed to strengthen and harden the metal. Once the metal is hardened, machine tools are used to grind the rough casting into the final desired dimensions, as well as to drill holes and grooves into the components as necessary. Once the specified form is achieved, the components are painted, oiled, or primed to prevent rusting. Lastly, the castings are subjected to several safety and fatigue tests to comply with AAR standards.

For complete FRC, the individual casted components are assembled along with additional ancillary parts (*e.g.,* coupler locks, coupler lock lifters, knuckle pins, knuckle throwers, and rotors). These additional parts do not have to be manufactured in foundries certified by AAR but may still be manufactured by the same producers of the FRC components or purchased from secondary manufacturers.

[12] Petition, p. 17.

[13] Some FRC components are forged from a single piece of steel using dies instead of being cast using molten iron.

Domestic like product issues

No issues with respect to domestic like product have been raised in these investigations. The petitioner proposes that there is a single domestic like product that is co-extensive with the scope of the investigations. It contends that all domestically produced FRC within the scope share the same general physical characteristics and uses, channels of distribution, common manufacturing facilities, production processes, and employees, customer and producer perceptions, are interchangeable, and are sold within a reasonable range of similar prices.[14] No respondents have contested the domestic like product definition for the preliminary phase of these investigations.

The petitioner contends that FRC are a separate domestic product from railway or tramway passenger coupler systems ("passenger railway couplers"). It argues that passenger railway couplers have distinct physical characteristics and uses, are not interchangeable with FRC, are distributed through different channels of distribution than FRC, are perceived by customers and producers to be distinct from FRC, require different production processes and production employees, and are sold at a significantly higher price point than FRC.[15]

The Commission's questionnaires in these preliminary phase investigations asked for producers and importers to compare FRC and passenger railway couplers using the factors which the Commission typically considers in regarding the appropriate domestic product(s) that are "like" the subject imported product: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) common manufacturing facilities, production processes, and production employees; (5) customer and producer perceptions; and (6) price. Factor comparison and narrative responses are presented below in tables I-2, I-3, and I-4.

[14] Petition, pp. 17-19; Petitioner's postconference brief, pp. 6-9.
[15] Petition, pp. 18-19; Petitioner's postconference brief, pp. 6-9.

Table I-2
FRC: U.S. producers' and U.S. importers' count of comparability factors for freight vs passenger railcars within the Commission's traditional six factor domestic like product analysis

Count in number of firms reporting

Comparison factors	Firm type	Fully	Mostly	Somewhat	Never
Physical characteristics	U.S. producer	0	0	1	1
Interchangeability	U.S. producer	0	0	0	2
Channels	U.S. producer	0	1	0	1
Manufacturing	U.S. producer	0	1	0	1
Perceptions	U.S. producer	1	0	0	1
Price	U.S. producer	0	0	0	2
Physical characteristics	U.S. importer	0	0	2	1
Interchangeability	U.S. importer	0	0	0	3
Channels	U.S. importer	0	2	1	0
Manufacturing	U.S. importer	0	1	1	1
Perceptions	U.S. importer	1	0	0	2
Price	U.S. importer	0	0	0	3

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

Note: U.S. producer *** reported no familiarity with products for all comparison factors responses.

Table I-3
FRC: U.S. producers' narrative responses comparing freight vs passenger railcars within the Commission's traditional six factor domestic like product analysis, by firm and by factor

Producer name	Comparison factor	Narrative explanation for comparability
***	Physical characteristics	***
***	Physical characteristics	***
***	Interchangeability	***
***	Interchangeability	***
***	Channels	***
***	Channels	***
***	Manufacturing	***
***	Manufacturing	***
***	Perceptions	***
***	Perceptions	***
***	Price	***
***	Price	***

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

Table I-4
FRC: U.S. importers' narrative responses comparing freight vs passenger railcars within the Commission's traditional six factor domestic like product analysis, by firm and by factor

Producer name	Comparison factor	Narrative explanation for comparability
***	Physical characteristics	***
***	Physical characteristics	***
***	Physical characteristics	***
***	Physical characteristics	***
***	Interchangeability	***
***	Interchangeability	***
***	Interchangeability	***
***	Interchangeability	***
***	Channels	***
***	Channels	***
***	Channels	***
***	Channels	***

Table continued on next page.

Table I-4 Continued
FRC: U.S. importers' narrative responses comparing freight vs passenger railcars within the Commission's traditional six factor domestic like product analysis, by firm and by factor

Producer name	Comparison factor	Narrative explanation for comparability
***	Manufacturing	***
***	Manufacturing	***
***	Manufacturing	***
***	Manufacturing	***
***	Perceptions	***
***	Perceptions	***
***	Perceptions	***
***	Perceptions	***
***	Price	***
***	Price	***
***	Price	***
***	Price	***

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

Intermediate products

The domestic like product proposed by petitioners includes the intermediate, or unfinished products (unfinished and unassembled FRC components) as well as downstream products (finished and complete FRC). Employing the Commission's semi-finished analysis for domestic like product, Petitioner contends that in-scope unfinished and unassembled FRC components are not a separate domestic like product from finished and complete FRC.[16]

The following presents information on these products relating to the Commission's semi-finished like product analysis. Factor comparison responses of U.S. producers and importers regarding differences and similarities between the intermediate and downstream products are presented in table I-5, while detailed narratives provided by U.S. producers and importers on these five factors are provided in tables I-6 and I-7.

Table I-5
FRC: U.S. producers' and U.S. importers' responses to the semi-finished product questions

Semi-finished factor	Firm type	No	Yes
Other uses	U.S. producer	2	1
Separate market	U.S. producer	2	1
Difference in characteristics	U.S. producer	3	0
Difference in cost	U.S. producer	3	0
Transformation intensive	U.S. producer	3	0
Other uses	U.S. importer	3	2
Separate market	U.S. importer	1	4
Difference in characteristics	U.S. importer	2	2
Difference in cost	U.S. importer	2	3
Transformation intensive	U.S. importer	2	2

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

[16] Petition, pp. 19-21; Petitioner's postconference brief, pp. 9-11.

Table I-6
FRC: U.S. producers' narrative responses to semi-finished product analysis, by firm

Producer name	Comparison factor	Narrative explanation on semi-finished like product factor
***	Other uses	***
***	Other uses	***
***	Separate market	***
***	Separate market	***
***	Difference in characteristics	***
***	Transformation intensive	***

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

Table I-7
FRC: U.S. importers' narrative responses to semi-finished product analysis, by firm

Importer name	Comparison factor	Narrative explanation on semi-finished like product factor
***	Other uses	***
***	Other uses	***
***	Separate market	***
***	Separate market	***
***	Separate market	***
***	Separate market	***
***	Difference in characteristics	***
***	Difference in characteristics	***
***	Difference in cost	***
***	Difference in cost	***
***	Transformation intensive	***
***	Transformation intensive	***

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

Part II: Conditions of competition in the U.S. market

U.S. market characteristics

FRC are metal structures used to connect freight railcars together. FRC primarily consist of a coupler body, knuckle, yoke, and follower block.[1] The average coupler body replacement rate is 20 years while the average knuckle replacement rate is 5 to 10 years because the knuckle takes the brunt of the force of railcars. Each railcar typically has two complete couplers – one on each end.

The U.S. FRC market is supplied by U.S. producers, Chinese imports, and nonsubject imports from Mexico.[2] [3] There are two sectors, original equipment manufacturers ("OEM") and maintenance/replacement.[4] All FRC must comply with the Association of American Railroads ("AAR") standards, including imports from China and Mexico.[5] FRC may be imported into the United States fully assembled or as subassemblies, with most or all of the integral parts to assemble an FRC into a finished form.[6] FRC may also be imported as part of a finished railcar.[7] Chinese FRC are subject to section 301 tariffs[8] and some FRC raw materials are subject to section 232 tariffs.[9] Responding FRC purchasers include a new freight railcar builder and a railcar pooling company (that shares railcars with different railroads).[10]

[1] A complete coupler is a device consisting of a coupler body and knuckle. The yoke forms a pocket for the equipment that connects the coupler to the railcar. The follower block is interposed between the back end of the coupler and the front working end of the yoke. Petition, Volume I, Part I, pp. 8-9.

[2] U.S.-produced FRC accounted for *** percent of the U.S. market while Chinese FRC accounted for *** percent in 2020. The remaining *** percent of the U.S. market was supplied by nonsubject imports from Mexico.

[3] Responding U.S. producers include ***; responding importers include ***.

[4] Strato contends that refurbished and second hand FRC compete directly with new FRC. Strato's postconference brief, p. 3.

[5] Petition, Volume I, Part I, pp. 3, 9-10, 23.

[6] Petition, Volume I, Part I, p. 10.

[7] There are instances where FRC from China are imported into Mexico, assembled and attached to newly produced freight railcars, and ultimately exported to the United States market via the finished railcar. Petition, Volume I, Part I, pp. 23-24.

[8] See below for a discussion of the impact of the section 301 tariffs on FRC.

[9] See Part V for a discussion of the impact of the section 232 tariffs on FRC raw materials.

[10] The purchasers are ***, respectively.

One importer (***) and no U.S. producers reported changes to the product mix or marketing of FRC since January 1, 2018. *** reported that its patented designs and technological advancements exceed AAR specifications and improve the return on investment for its customers.

Apparent U.S. consumption of FRC decreased during 2018-20. Overall, apparent U.S. consumption in 2020 was *** percent lower than in 2018.

Channels of distribution

U.S. producers sold mainly to the OEM market during 2018-19 and to the maintenance/replacement market during 2020-interim 2021, as shown in table II-1.[11] Importers of subject product from China sold mainly to the maintenance/replacement market while importers of nonsubject product from Mexico sold mainly to the OEM market.

Table II-1
FRC: Share of U.S. shipments by source, channel of distribution, and period

Shares in percent

Source	Channel	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
United States	OEM market	***	***	***	***	***
United States	Replacement market	***	***	***	***	***
China	OEM market	***	***	***	***	***
China	Replacement market	***	***	***	***	***
Nonsubject sources	OEM market	***	***	***	***	***
Nonsubject sources	Replacement market	***	***	***	***	***
All import sources	OEM market	***	***	***	***	***
All import sources	Replacement market	***	***	***	***	***

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

[11] M&T reports that shipments to the OEM market can be as high as 75 to 80 percent during periods of high car builds. Conference transcript, pp. 46-47 (Mautino).

Geographic distribution

U.S. producers reported selling FRC to all regions in the United States (table II-2). Importers reported selling to all regions in the contiguous United States. For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers sold *** percent within 100 miles of their U.S. point of shipment, *** percent between 101 and 1,000 miles, and *** percent over 1,000 miles.

Table II-2
FRC: Count of U.S. producers' and U.S. importers' geographic markets

Region	U.S. producers	China
Northeast	***	***
Midwest	***	***
Southeast	***	***
Central Southwest	***	***
Mountain	***	***
Pacific Coast	***	***
Other	***	***
All regions (except Other)	***	***
Reporting firms	3	2

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

Note: Other U.S. markets include AK, HI, PR, and VI.

Impact of section 301 tariffs

As discussed in Part I, FRC subject to these investigations have been subject to section 301 tariffs beginning in September 2018 of 10 percent *ad valorem*, which were increased to 25 percent in May 2019.[12] *** U.S. producers and *** importers reported that the imposition of tariffs on Chinese-origin products under section 301 have had an impact on the FRC market in the United States; *** U.S. producer did not know. U.S. producers and importers were asked to report the impact of section 301 tariffs on overall demand, supply, prices, or raw material costs (table II-3).

Table II-3
FRC: Count of firms' responses regarding the impact of the 301 tariffs on Chinese origin products

Impact on	Firm type	Increase	No change	Decrease	Fluctuate
Domestic supply in market	U.S. producers	***	***	***	***
Domestic supply in market	Importers	***	***	***	***
China supply in market	U.S. producers	***	***	***	***
China supply in market	Importers	***	***	***	***
Other than China supply in market	U.S. producers	***	***	***	***
Other than China supply in market	Importers	***	***	***	***
Prices of scope merchandise	U.S. producers	***	***	***	***
Prices of scope merchandise	Importers	***	***	***	***
Overall demand in market	U.S. producers	***	***	***	***
Overall demand in market	Importers	***	***	***	***
Raw material costs of scope merchandise	U.S. producers	***	***	***	***
Raw material costs of scope merchandise	Importers	***	***	***	***

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

U.S. producer *** reported that section 301 duties had no impact on domestic production and that exclusions were granted on some FRC and FRC components, exempting some from duties. It also noted that some railcar producers moved production to Mexico to avoid 301 duties. U.S. producer *** reported that section 301 tariffs appear to have impacted the overall market for U.S. producers. Importer *** reported that the availability of imports from India, Russia, and Malaysia in the U.S. market has increased since the imposition of 301 tariffs.[13] It also noted that U.S. producers increased domestic pricing while steel prices increased and that overall demand is driven by the railcar market, which has

[12] *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 48,000, September 21, 2018; *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 84 FR 20,459, May 9, 2019.

[13] No importers reported imports from these countries in USITC importers' questionnaire data.

been reduced in recent years. Importer *** reported that U.S. producers increased the price of E50 knuckles within thirty days of the imposition of 301 tariffs. It stated that it had to increase prices between 10-20 percent in order to try to stay competitive in the market. Importer *** reported that two U.S. railcar builders moved production to Mexico prior to the COVID-19 pandemic and capitalized on section 301 tariffs. It also noted that FRC prices increased along with scrap steel prices while demand for FRC decreased.

Supply and demand considerations

U.S. supply

Table II-4 provides a summary of the supply factors regarding FRC from U.S. producers and from China. Both U.S. and Chinese capacity and capacity utilization decreased at similar rates. U.S. inventories increased substantially more than Chinese inventories.

Table II-4
FRC: Supply factors that affect the ability to increase shipments to the U.S. market, by country

Quantity in 1,000 pounds; ratio and share in percent; count is number of "yes" responses

Factor	Measure	United States	China
Capacity 2018	Quantity	***	***
Capacity 2020	Quantity	***	***
Capacity utilization 2018	Ratio	***	***
Capacity utilization 2020	Ratio	***	***
Inventories to total shipments 2018	Ratio	***	***
Inventories to total shipments 2020	Ratio	***	***
Home market shipments 2020	Share	***	***
Non-US export market shipments 2020	Share	***	***
Ability to shift production (firms reporting "yes")	Count	***	***

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

Note: Responding U.S. producers accounted for virtually all of U.S. production of FRC in 2020. Responding foreign producer/exporter firms accounted for approximately one-fourth of U.S. imports of FRC from China during 2020. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from each subject country, please refer to Part I, "Summary Data and Data Sources."

Domestic production

Based on available information, U.S. producers of FRC have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced FRC to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of large amounts of unused capacity, large amounts of inventories, and the ability to shift production to or from alternate products. Factors mitigating responsiveness of supply include a limited ability to shift shipments from export markets.

Domestic capacity and production decreased during 2018-20 but production decreased at a much higher rate, resulting in large decreases in capacity utilization.[14] Inventories as a ratio to total shipments increased substantially as U.S. shipments decreased *** percent and inventories increased *** percent during 2018-20.[15] Domestic export shipments as a share of U.S. producers' total shipments decreased from *** percent in 2018 to *** percent in 2020. Other products that producers reportedly can produce on the same equipment as FRC include heavy equipment, mining and agricultural equipment castings, and transit products. Factors affecting U.S. producers' ability to shift production include setting up the machinery and safety training. Reported production constraints include the physical number of heats that producers can pour and the amount of time it takes to melt a furnace full of steel while pouring steel from another furnace.

Subject imports from China

Based on available information, producers of FRC from China have the ability to respond to changes in demand with large changes in the quantity of shipments of FRC to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, the ability to shift shipments from inventories, and the ability to shift production to or from alternate products. Factors mitigating responsiveness of supply include the limited ability to shift shipments from non-U.S. export markets.

Chinese producers' capacity, production, and capacity utilization decreased during 2018-20 while the ratio of inventories to total shipments increased. Factors affecting Chinese producers' ability to shift production include time, technology development, mold R&D and production, and training for skilled workers. Reported production constraints include retrofitting tooling and equipment, insufficient working capital, and electricity consumption.

[14] Capacity decreased by *** percent and production decreased by *** percent during 2018-20.

[15] M&T reports that in recent years its customers have been decreasing their inventory levels and that the firm is having to hold more inventory and incur the cost associated with it. Conference transcript, p. 61 (Mautino).

Chinese producers ship a small amount of their FRC production to non-U.S. markets, but no non-U.S. export markets were listed in questionnaire responses.

Imports from nonsubject sources

Reported nonsubject imports from Mexico accounted for *** percent by quantity of total U.S. imports in 2018, and *** percent by quantity in 2020.

Supply constraints

*** U.S. producers and *** importers reported that they had not experienced supply constraints since January 1, 2018. Importer *** reported that it has often not been able to supply FRC when a customer requests due to volatile demand and supply chain logistics.[16] Importer Strato indicated that the bankruptcy of Columbus Castings in 2016 reduced the U.S. supply by about 50 percent and that U.S. labor and capacity constraints have forced U.S. suppliers to relocate to Mexico.[17]

U.S. demand

Based on available information, the overall demand for FRC is likely to experience small changes in response to changes in price. The main contributing factors are the lack of substitute products and the small cost share of FRC in the production of new freight railcars.

End uses and cost share

U.S. demand for FRC depends on the demand for U.S.-produced railway freight cars. FRC account for a small share of the cost of new railway freight cars. Reported cost shares for railway freight car production were 1 to 3 percent. Demand for FRC is also driven by the need to repair freight railcars already in service. While new cars need complete FRC, maintenance on existing FRC may only require individual parts.[18]

[16] ***

[17] Strato's postconference brief, pp. 15-16.

[18] Petitioner stated that the replacement rate for knuckles is about 5 years. Petition, Volume I, Part I, p. 22, Exhibit I-11. Respondent Strato stated that the replacement rate for its knuckles is about 5 to 10 years. Conference transcript, p. 96 (Foxx).

Business cycles

*** U.S. producers and *** importers indicated that the market was subject to business cycles or conditions of competition. U.S. producer *** reported that the business cycle is typically seven years from peak to trough. Importer *** reported an eight-to-ten-year cycle and that downtrends tend to happen with downturns in the economy. Importer *** further reported that during downturns, railcars are put into storage and general maintenance is deferred, reducing demand for FRC further. Importer *** reported that demand in the OEM market is aligned to the number of new cars built while demand for the maintenance parts in the aftermarket is more dependent on Class I railcar traffic volume and is more consistent than the OEM market.[19]

When asked if there have been any changes in the business cycles or conditions of competition for FRC since January 1, 2018, U.S. producer *** reported that some freight car manufacturers moved production to Mexico to avoid Section 301 duties. Importer *** reported that competition has increased with firms expanding their product offerings. Importer *** reported that Amsted, Columbus Steel, and M&T controlled the U.S. market for many years prior to 2015, then production moved to Mexico and these suppliers reportedly sold FRC casting technology to China. In December 2017, Trinity announced that it would transfer its ownership in M&T to Arcosa, Inc. As part of the sale, Trinity agreed to purchase set amounts of FRC from M&T to decrease annually through 2023.[20]

Demand trends

U.S. producers reported a fluctuation in U.S. and foreign demand for FRC since January 1, 2018; importers reported a fluctuation and a decrease in both U.S. and foreign demand (table II-5). U.S. producer *** reported that demand softened during the COVID-19 pandemic. Importer *** reported reduced demand in the railcar market over the past two years. Importer *** reported a decrease in demand due to the COVID-19 pandemic, Precision Scheduled Railroading ("PSR"),[21] a decline in new railcar manufacturing, and OEM factory relocations to Mexico.

[19] "The seven private Class I railroads are the largest railway carriers, and account for the majority of the rail infrastructure in the country. They operate over nearly 92,000 route miles across 46 states (not Alaska, Hawaii, New Hampshire or Rhode Island)." https://www.aar.org/integrated-rail-network.

[20] Strato's postconference brief, p. 19.

[21] "Under PSR, the freight trains operate on fixed schedules and less stops and fewer trains. The goal is to increase operating margins and reduce costs." Conference transcript, p. 96 (Foxx).

Table II-5
FRC: Count of firms' responses regarding overall domestic and foreign demand

Market	Firm type	Increase	No change	Decrease	Fluctuate
Domestic demand	U.S. producers	0	0	0	2
Domestic demand	Importers	0	0	3	2
Foreign demand	U.S. producers	0	0	0	2
Foreign demand	Importers	1	0	2	2

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

Demand for FRC is driven by both the production of new railcars as well as the maintenance and repair of railcars that are already in service.[22] [23] The new railcar market has been highly cyclical in recent decades with several surges and declines as the market follows general trends in the overall economy (figure II-1).[24] The number of new railcars in the North American market was about 51 thousand in 2018, 58 thousand in 2019, and 31 thousand in 2020 (the average annual deliveries during 1994-2020 was about 52 thousand).[25] Additionally, the number of freight railcars owned and operated by Class I railroads decreased in recent years due to improved utilization (e.g., double-stack container railcars) and the deployment of larger cars.[26] M&T reported that most of its product ends up in the Class I rail system.[27]

Estimates for average annual FRC units in the North American maintenance/replacement market were *** units in 2018, *** units in 2019, and *** units in 2020.[28] The maintenance/replacement market is closely tied to railroad revenue per ton miles, which decreased about 30 percent during the COVID-19 pandemic. Additionally, the number of cars in storage and the number of cars scrapped both increased during January 2018-June 2021.[29] Maintenance is not conducted on freight railcars that are in storage.[30]

[22] Petition, Volume I, Part I, p. 22.

[23] Strato notes that U.S. producers focus primarily on the new railcar market and the maintenance/replacement market to a lesser extent. Strato's postconference brief, p. 1.

[24] The United States experienced economic recessions during 2001, 2007-09, and 2020.

[25] Deliveries during January-June 2021 were 16 thousand.

[26] U.S. Department of Transportation, Bureau of Transportation Statistics, Transportation Statistics Annual Report, 2020.

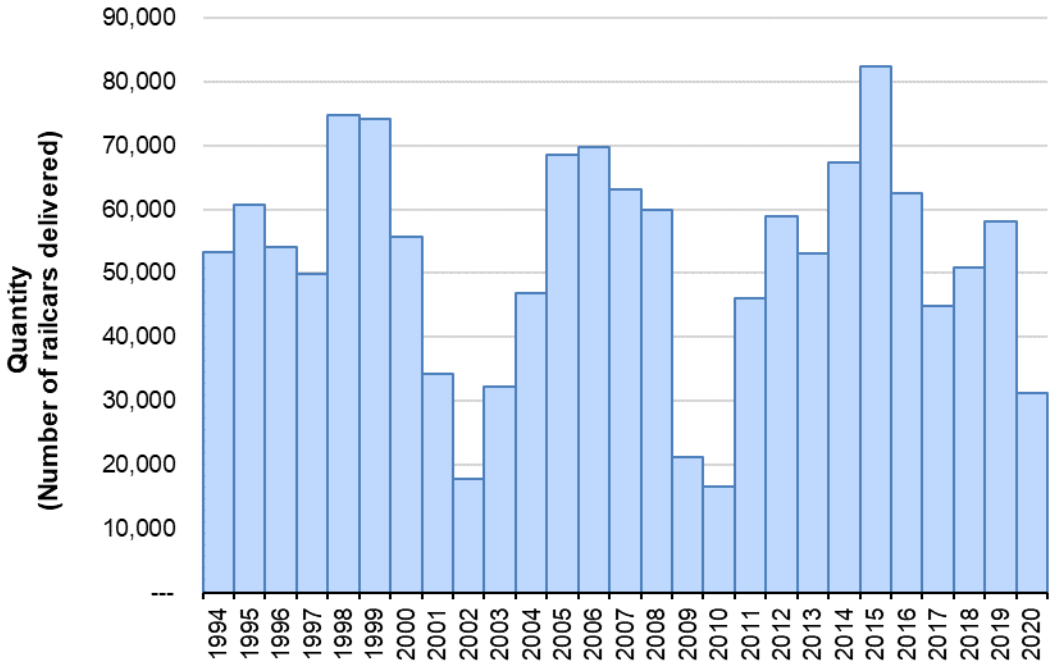
[27] Conference transcript, p. 64 (Mautino).

[28] Petition, Volume I, Part I, Exhibit I-11.

[29] Conference transcript, p. 94 (Foxx).

[30] Conference transcript, p. 126 (Korzeniowski).

Figure II-1
Freight railcars: Deliveries in North America, by year



Source: ARCI (American Railway Car Institute), an RSI (Railway Supply Institute) committee, freight railcar deliveries, 1994-2020. https://www.railwayage.com/mechanical/freight-cars/do-we-need-another-north-american-railcar-builder/#.

Note: Data associated with this figure are provided in Appendix D.

Substitute products

U.S. producers and importers reported that there were no substitutes.

Substitutability issues

This section will assess the degree to which U.S.-produced FRC and imports of FRC from China can be substituted for one another by examining the importance of certain purchasing factors and the comparability of FRC from domestic and import sources based on those factors. Based on available data, staff believes that there is a moderate-to-high degree of substitutability between domestically produced FRC and FRC imported from China.[31] The primary factor contributing to this level of substitutability is the high degree of interchangeability between domestic and subject sources. Factors reducing substitutability include differences in quality, availability, product range, lead times, and certain types of FRC only being available only from subject sources.

Factors affecting purchasing decisions

Most important purchase factors

Purchasers responding to lost sales lost revenue allegations[32] were asked to identify the main purchasing factors their firm considered in their purchasing decisions for FRC. Two purchasers responded. The major purchasing factors identified by firms include price/cost, contractual commitments, performance and durability, availability/supply, and customer preference. The most often cited top factor firms consider in their purchasing decisions for FRC was price/cost (2 firms) as shown in table II-6. Contractual commitments and performance and durability were cited as first-most important factors (cited by 1 firm each); price/cost and availability/supply were reported as the second-most important factors (1 firm each); and price/cost and customer preference were cited as the third-most important factors (1 firm each).

[31] The degree of substitution between domestic and imported FRC depends upon the extent of product differentiation between the domestic and imported products and reflects how easily purchasers can switch from domestically produced FRC to the FRC imported from subject countries (or vice versa) when prices change. The degree of substitution may include such factors as relative prices (discounts/rebates), quality differences (e.g., grade standards, defect rates, etc.), and differences in sales conditions (e.g., lead times between order and delivery dates, reliability of supply, product services, etc.).

[32] This information is compiled from responses by purchasers identified by Petitioners to the lost sales lost revenue allegations. See Part V for additional information.

Table II-6
FRC: Count of ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Factor	First	Second	Third	Total
Price / Cost	0	1	1	2
Contractual commitments	1	0	0	1
Performance and durability	1	0	0	1
Availability / Supply	0	1	0	1
Customer preference	0	0	1	1
All other factors	0	0	0	NA

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

Note: Other factors include quality and annual supplier evaluation review scores.

Purchaser *** Chinese sourced FRC. Purchaser TTX reported that it prefers ***, that has demonstrated its ability to perform better than the rest of the industry.[33]

Lead times

U.S. producers reported that *** percent of their commercial shipments were produced-to-order, with lead times averaging *** days. The remaining *** percent of their commercial shipments came from inventories, with lead times averaging *** days. Importers reported that *** percent of their commercial shipments came from inventories (*** percent from U.S. inventories with lead times averaging *** days and *** percent from foreign inventories with lead times averaging *** days). The remaining *** percent of their commercial shipments were produced-to-order, with lead times averaging *** days.[34]

[33] TTX's postconference brief, pp. 1, 15.

[34] Strato reported that lead times during periods of reduced demand are very short and during periods of higher demand, quite long. During periods of low demand, a car builder may start and order within months and Strato needs to have inventory on hand to supply the FRC. When builds are at a peak, it can take as long as two years to get a new car. Conference transcript, pp. 123-124 (Cunkelman).

Comparison of U.S.-produced and imported FRC

In order to determine whether U.S.-produced FRC can generally be used in the same applications as imports from China or nonsubject countries, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in tables II-7 and II-8, U.S. producers and importers reported that products from the United States and China, as well as products from the United States and nonsubject countries (primarily Mexico), can always or frequently be used interchangeably.[35]

Table II-7
FRC: Count of U.S. producers reporting the interchangeability between FRC produced in the United States and in other countries, by country pair

Country pair	Always	Frequently	Sometimes	Never
U.S. vs. China	1	1	0	0
U.S. vs. other	1	1	0	0
China vs. other	1	1	0	0

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

Table II-8
FRC: Count of importers reporting the interchangeability between FRC produced in the United States and in other countries, by country pair

Country pair	Always	Frequently	Sometimes	Never
U.S. vs. China	4	1	0	0
U.S. vs. other	3	0	0	0
China vs. other	3	0	0	0

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

In addition, U.S. producers and importers were asked to assess how often differences other than price were significant in sales of FRC from the United States, subject, or nonsubject countries. As seen in tables II-9 and II-10, most U.S. producers and importers reported that differences other than price were sometimes or never significant in sales of FRC. Importer *** reported that there are always differences other than price between the products from the United States and China, citing differences in transportation network, availability, and product range.

[35] As previously mentioned, all FRC must comply with AAR standards, regardless of source, making them highly interchangeable.

Table II-9
FRC: Count of U.S. producers reporting the significance of differences other than price between FRC produced in the United States and in other countries, by country pair

Country pair	Always	Frequently	Sometimes	Never
U.S. vs. China	0	0	1	1
U.S. vs. other	0	0	1	1
China vs. other	0	0	1	1

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

Table II-10
FRC: Count of importers reporting the significance of differences between FRC produced in the United States and in other countries, by country pair

Country pair	Always	Frequently	Sometimes	Never
U.S. vs. China	1	0	1	2
U.S. vs. other	0	0	1	1
China vs. other	0	0	1	1

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

U.S. producer M&T typically provides a five-year warranty that is built into the price of its complete couplers and components, which are bundled and passed through to the ultimate car owner.[36] Importer Strato reported that warranties for refurbished or reconditioned products are limited and would likely have about a one-year warranty, while acceptable secondhand components are generally offered without a warranty.[37]

[36] Conference transcript, pp. 58, 68 (Mautino).
[37] Conference transcript, p. 137 (Cunkelman).

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 subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of three firms that accounted for all known U.S. production of FRC during 2020.

U.S. producers

The Commission issued a U.S. producer questionnaire to three firms based on information contained in the petition. All three firms provided usable data on their operations. Staff believes that these responses represent all known U.S. production of FRC.

Table III-1 lists U.S. producers of FRC, their production locations, positions on the petition, and shares of total production.

Table III-1
FRC: U.S. producers, their position on the petition, location of production, and share of reported production, 2020

Firm	Position on petition	Production location(s)	Share of production
Amsted	***	Granite City, IL	***
Huron	***	Pigeon, MI Pigeon, MI	***
M&T	Petitioner	Pittsburgh, PA	***
All firms	Various	Various	100.0

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

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms.

Table III-2
FRC: U.S. producers' ownership, related and/or affiliated firms

Reporting firm	Relationship type and related firm	Details of relationship
***	***	***
***	***	***
***	***	***

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

As indicated in U.S. producer responses presented in table III-2, one U.S. producer, ***, is related to a foreign producer of nonsubject merchandise. No U.S. producers are related to U.S. importers of the subject merchandise. In addition, as discussed in greater detail below, no U.S. producers directly import subject merchandise or purchase the subject merchandise from U.S. importers.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2018. In ***. *** reported ***.[1]

[1] ***'s producer questionnaire response, section II-2a-2b.

Table III-3
FRC: U.S. producers' reported changes in operations, since January 1, 2018

Item	Firm name and accompanying narrative response
Plant closings	***
Prolonged shutdowns or curtailments	***
Prolonged shutdowns or curtailments	***
Other	***

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

U.S. production, capacity, and capacity utilization

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization.

U.S. producers' capacity decreased from *** pounds in 2018 to *** pounds in 2020, a *** percent decrease during 2018-20. During the same period, U.S. producers' production decreased by *** percent, from *** pounds to *** pounds. Capacity utilization also decreased from *** percent to *** percent from 2018 to 2020. U.S. producers' capacity, production, and capacity utilization were all lower in interim 2021 compared to interim 2020, continuing the trend from 2018-20.

Table III-4
FRC: U.S. producers' capacity, by firm and period

Capacity in 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table III-4 Continued
FRC: U.S. producers' production, by firm and period

Production in 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table III-4 Continued
FRC: U.S. producers' capacity utilization ratio, by firm and by period

Capacity utilization ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table III-4 Continued
FRC: U.S. producers' share of production, by firm and by period

Share of production in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	100.0	100.0	100.0	100.0	100.0

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

Note: Capacity utilization ratio represents the ratio of the U.S. producers' production to its production capacity.

Figure III-1
FRC: U.S. producers' capacity, production, and capacity utilization, by period

* * * * * * *

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

Alternative products

As shown in table III-5, FRC's share of overall production by U.S. producers on shared equipment increased from *** percent in 2018 to *** percent in 2019 and *** percent in 2020. *** U.S. producers reported producing other products using the same equipment, machinery, or employees as used to produce FRC. These products included ***. Overall capacity declined by *** percent from 2018 to 2019 and by *** percent from 2019 to 2020.[2]

Table III-5
FRC: U.S. producers' overall capacity and production on the same equipment as subject production, by period

Quantities in 1,000 pounds; shares and ratios in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Overall capacity	Quantity	***	***	***	***	***
Production: FRC	Quantity	***	***	***	***	***
Production: Passenger rail couplers	Quantity	***	***	***	***	***
Production: Other products	Quantity	***	***	***	***	***
Production: Out-of-scope products	Quantity	***	***	***	***	***
Production: Total	Quantity	***	***	***	***	***
Overall capacity utilization	Ratio	***	***	***	***	***
Production: FRC	Share	***	***	***	***	***
Production: Passenger rail couplers	Share	***	***	***	***	***
Production: Other products	Share	***	***	***	***	***
Production: Out-of-scope products	Share	***	***	***	***	***
Production: Total	Share	100.0	100.0	100.0	100.0	100.0

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

[2] The decrease of overall capacity was driven by the decrease in ***'s reported overall production capacity during 2018-20. ***'s producer questionnaire response, section II-3a.

U.S. producers' U.S. shipments and exports

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. producers did not report any internal consumption and transfers to related parties during 2018-20. U.S. producers' U.S. shipments decreased by quantity and by value from 2018-20 and were lower in interim 2021 compared to interim 2020. *** U.S. producers *** reported export shipments, primarily to ***, which ranged from *** to *** percent of total U.S. producers' total shipments during 2018-20. Average unit values of both U.S. shipments and export shipments ***.

Table III-6
FRC: U.S. producers' shipments, by destination and period

Quantity in 1,000 pounds; value in 1,000 dollars; unit values in dollars per 1,000 pounds; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
U.S. shipments	Quantity	***	***	***	***	***
Export shipments	Quantity	***	***	***	***	***
Total shipments	Quantity	***	***	***	***	***
U.S. shipments	Value	***	***	***	***	***
Export shipments	Value	***	***	***	***	***
Total shipments	Value	***	***	***	***	***
U.S. shipments	Unit value	***	***	***	***	***
Export shipments	Unit value	***	***	***	***	***
Total shipments	Unit value	***	***	***	***	***
U.S. shipments	Share of quantity	***	***	***	***	***
Export shipments	Share of quantity	***	***	***	***	***
Total shipments	Share of quantity	100.0	100.0	100.0	100.0	100.0
U.S. shipments	Share of value	***	***	***	***	***
Export shipments	Share of value	***	***	***	***	***
Total shipments	Share of value	100.0	100.0	100.0	100.0	100.0

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

The Commission also asked U.S. producers to differentiate their U.S. shipments of FRC between complete FRC systems and FRC components (knuckles and other in-scope components). Table III-7 presents U.S. producers' U.S. shipments by product type.

While U.S. shipments of all product types decreased during 2018-20 and were lower in interim 2021 compared to interim 2020, the share of quantity of complete FRC systems decreased from *** percent in 2018 to *** percent in 2020. During the same period, the share of quantity of knuckles increased from *** percent to *** percent, and the share of quantity of all other components increased from *** percent to *** percent. This trend was further observed in the interim 2021 period when compared to interim 2020.

Table III-7
FRC: U.S. producers' U.S. shipments, by product type and period

Quantity in 1,000 pounds, shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity	***	***	***	***	***
Components: Knuckles	Quantity	***	***	***	***	***
Components: Other	Quantity	***	***	***	***	***
Components: All types	Quantity	***	***	***	***	***
All scope merchandise	Quantity	***	***	***	***	***
Complete FRC	Share of quantity	***	***	***	***	***
Components: Knuckles	Share of quantity	***	***	***	***	***
Components: Other	Share of quantity	***	***	***	***	***
Components: All types	Share of quantity	***	***	***	***	***
All scope merchandise	Share of quantity	100.0	100.0	100.0	100.0	100.0

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

U.S. producers' inventories

Table III-8 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments**.**

U.S. producers' end-of-period inventories increased by *** percent during 2018-20, however, they were lower in interim 2021 compared to interim 2020. Similarly, the ratio of inventories to U.S. production, U.S. shipments, and total shipments increased during 2018-2020, by ***, ***, and *** percentage points, respectively. Inventory ratios to U.S. shipments and total shipments were lower in interim 2021 compared to 2020, while inventory ratio to U.S. production was higher.

Table III-8
FRC: U.S. producers' inventories and inventory ratios, by period

Quantity in 1,000 pounds; inventory ratios in percent

Item	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
End-of-period inventory quantity	***	***	***	***	***
Inventory ratio to U.S. production	***	***	***	***	***
Inventory ratio to U.S. shipments	***	***	***	***	***
Inventory ratio to total shipments	***	***	***	***	***

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

U.S. producers' imports and purchases

U.S. producers' imports of FRC are presented in table III-9. One firm, *** reported importing FRC from nonsubject sources (***).

Table III-9
FRC: * U.S. production, U.S. imports, and ratio of imports to production, by period**

Quantity in 1,000 pounds; ratios are ratios of imports to U.S. production in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
U.S. production	Quantity	***	***	***	***	***
Imports from nonsubject sources (***)	Quantity	***	***	***	***	***
Imports from nonsubject sources (***) to U.S. production	Ratio	***	***	***	***	***

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

Table III-10
FRC: * reasons for importing**

Item	Firm's narrative response
*** reason for importing	***

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

U.S. employment, wages, and productivity

Table III-11 shows U.S. producers' employment-related data. The number of production and related workers ("PRWs") decreased by *** between 2018 and 2020, with a net decline of *** PRWs from *** to ***. There were less PRWs in interim 2021 compared to interim 2020.

During 2018-20, total hours worked declined, while hours worked per PRW remained relatively stable. Hourly wages for PRWs increased by *** percent from 2019 to 2020, after decreasing by *** percent from 2018 to 2019. Productivity decreased by *** percent during 2018-20. Unit labor costs increased by *** percent, from $*** per unit in 2018 to $*** per unit in 2020, and were *** percent higher in interim 2021 compared to interim 2020.

Table III-11
FRC: U.S. producers' employment related data, by period

Item	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Production and related workers (PRWs) (number)	***	***	***	***	***
Total hours worked (1,000 hours)	***	***	***	***	***
Hours worked per PRW (hours)	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***
Productivity (pounds per hour)	***	***	***	***	***
Unit labor costs (dollars per 1,000 pounds)	***	***	***	***	***

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

Part IV: U.S. imports, apparent U.S. consumption, and market shares

U.S. importers

The Commission issued importer questionnaires to 22 firms believed to be importers of subject FRC, as well as to all U.S. producers of FRC.[1] Usable questionnaire responses were received from five companies, representing *** percent of U.S. imports from China in 2020 under HTS subheading 8607.30.1000, a statistical reporting number that is a "basket" category.[2] Table IV-1 lists all responding U.S. importers of FRC from China and other sources, their locations, and their shares of U.S. imports, in 2020.

Three U.S. importers reported imports of FRC from China in 2020 with two firms, *** accounting for *** percent of such imports. Four U.S. importers reported imports of FRC from nonsubject sources, all from Mexico, with *** accounting for over two-thirds of such imports.

Table IV-1
FRC: U.S. importers, their headquarters, and share of total imports by source, 2020

Shares in percent

Firm	Headquarters	China	Nonsubject sources	All import sources
Amsted	Chicago, IL	***	***	***
Greenbrier	Lake Oswego, OR	***	***	***
Strato	Piscataway, NJ	***	***	***
Trinity Rail	Dallas, TX	***	***	***
Wabtec	Pittsburgh, PA	***	***	***
All firms	Various	100.0	100.0	100.0

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

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data from third-party sources, may have accounted for more than one percent of total imports under HTS subheading 8607.30.1000 in 2020.

[2] Twelve firms reported that they did not import FRC into the United States: ***.

U.S. imports

Table IV-2 presents data for U.S. imports of FRC from China and all other sources. U.S. imports of FRC from China decreased *** percent by quantity, and *** percent by value from 2018 to 2020. During the same period, U.S. imports of FRC from nonsubject sources increased by *** percent by quantity and *** percent by value from 2018 to 2019, before declining by *** percent by quantity and *** percent by value from 2019 to 2020. U.S. imports of FRC from all sources increased by both quantity and value from 2018 to 2019 before declining by both from 2019 to 2020. Overall, U.S. imports of FRC from all sources increased by *** percent by quantity, and *** percent by value, between 2018 and 2020. U.S. imports of FRC from both China and nonsubject sources were lower in interim 2021 compared to interim 2020.

U.S. imports of FRC from China decreased as a share of total imports of FRC by quantity from *** percent in 2018 to *** percent in 2020. During interim 2021 they were *** percent compared to *** percent during interim 2020. Average unit values of U.S. imports from China were lower than those from nonsubject sources across all periods. Average unit values of FRC imports were higher for both Chinese and nonsubject sources in interim 2021 compared to interim 2020. During 2018-20, U.S. imports of FRC as a ratio to U.S. production increased by *** percentage points for subject imports from China and by *** percentage points for imports from nonsubject sources for an overall increase of *** percentage points. U.S. imports of FRC from both subject and nonsubject sources as a ratio to U.S. production was also higher in interim 2021 compared to interim 2020.

The Commission asked U.S. importers to report any imports and shipments of FRC re-imported from the United States as U.S. imports from the United States. No responding U.S. importers reported such imports.[3]

[3] ***. Based on this explanation, staff has removed this data from the data set.

Table IV-2
FRC: U.S. imports by source and period

Quantity in 1,000 pounds; value in 1,000 dollars; unit values in dollars per 1,000 pounds; ratios to U.S. production; shares and ratios in percent

Source	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
China	Quantity	***	***	***	***	***
Nonsubject sources	Quantity	***	***	***	***	***
All import sources	Quantity	***	***	***	***	***
China	Value	***	***	***	***	***
Nonsubject sources	Value	***	***	***	***	***
All import sources	Value	***	***	***	***	***
China	Unit value	***	***	***	***	***
Nonsubject sources	Unit value	***	***	***	***	***
All import sources	Unit value	***	***	***	***	***
China	Share of quantity	***	***	***	***	***
Nonsubject sources	Share of quantity	***	***	***	***	***
All import sources	Share of quantity	100.0	100.0	100.0	100.0	100.0
China	Share of value	***	***	***	***	***
Nonsubject sources	Share of value	***	***	***	***	***
All import sources	Share of value	100.0	100.0	100.0	100.0	100.0
China	Ratio	***	***	***	***	***
Nonsubject sources	Ratio	***	***	***	***	***
All import sources	Ratio	***	***	***	***	***

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

Figure IV-1
FRC: U.S. imports quantity and average unit value, by source and period

* * * * * * *

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

The Commission also asked U.S. importers to report their U.S. shipments of U.S. imports of FRC between complete FRC, the in-scope knuckle components, and all other in-scope components. These data are presented in table IV-3. From 2018 to 2020, shares of quantity increased from *** percent to *** percent for complete FRC and from *** percent to *** percent for knuckles, while decreasing from *** percent to *** percent for all other components.

Table IV-3
FRC: U.S. importers' U.S. shipments of imports from China, by product type and by period

Quantity in 1,000 pounds, Shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity	***	***	***	***	***
Components: Knuckles	Quantity	***	***	***	***	***
Components: Other	Quantity	***	***	***	***	***
Components: All types	Quantity	***	***	***	***	***
All scope merchandise	Quantity	***	***	***	***	***
Complete FRC	Share of quantity	***	***	***	***	***
Components: Knuckles	Share of quantity	***	***	***	***	***
Components: Other	Share of quantity	***	***	***	***	***
Components: All types	Share of quantity	***	***	***	***	***
All scope merchandise	Share of quantity	100.0	100.0	100.0	100.0	100.0

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

Negligibility

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[4] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[5] Imports from China accounted for *** percent of total imports of FRC by quantity during September 2020 through August 2021, as presented in table IV-4.

Table IV-4
FRC: U.S. imports in the 12-month period preceding the filing of the petition, September 2020 through August 2021

Quantity in 1,000 pounds; share of quantity in percent

Source of imports	Quantity	Share of quantity
China	***	***
Nonsubject sources	***	***
All import sources	***	100.0

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

[4] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[5] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Apparent U.S. consumption and market shares

Table IV-5 and figure IV-2 present data on apparent U.S. consumption and U.S. market shares for FRC. Apparent U.S. consumption increased by *** percent by quantity, and by *** percent, by value, from 2018 to 2019 before declining by *** percent by quantity, and by *** percent by value, from 2019 to 2020. Overall, from 2018 to 2020, apparent U.S. consumption declined by *** percent by quantity, from *** pounds to *** pounds and by *** percent by value, from $*** dollars to $*** dollars. Apparent U.S. consumption was also lower in interim 2021 compared to interim 2020.

U.S. producers' share of apparent U.S. consumption decreased from *** percent to *** percent, by quantity, and from *** percent to *** percent, by value, from 2018 to 2020. Subject imports' share of the U.S. market increased from *** percent to *** percent, by quantity, and from *** percent to *** percent, by value, from 2018 to 2020. The share of nonsubject imports (***) increased from *** percent to *** percent, by quantity, and from *** percent to *** percent, by value, during the same period. U.S. producers' share of apparent U.S. consumption was lower in interim 2021 compared to interim 2020 while market shares of U.S. shipments of imports from both China and nonsubject sources were higher.

Table IV-5
FRC: Apparent U.S. consumption and market shares, by source and by period

Quantity in 1,000 pounds; value in 1,000 dollars

Source	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
U.S. producers	Quantity	***	***	***	***	***
China	Quantity	***	***	***	***	***
Nonsubject sources	Quantity	***	***	***	***	***
All import sources	Quantity	***	***	***	***	***
All sources	Quantity	***	***	***	***	***
U.S. producers	Value	***	***	***	***	***
China	Value	***	***	***	***	***
Nonsubject sources	Value	***	***	***	***	***
All import sources	Value	***	***	***	***	***
All sources	Value	***	***	***	***	***
U.S. producers	Share of quantity	***	***	***	***	***
China	Share of quantity	***	***	***	***	***
Nonsubject sources	Share of quantity	***	***	***	***	***
All import sources	Share of quantity	***	***	***	***	***
All sources	Share of quantity	100.0	100.0	100.0	100.0	100.0
U.S. producers	Share of value	***	***	***	***	***
China	Share of value	***	***	***	***	***
Nonsubject sources	Share of value	***	***	***	***	***
All import sources	Share of value	***	***	***	***	***
All sources	Share of value	100.0	100.0	100.0	100.0	100.0

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

Figure IV-2
FRC: Apparent U.S. consumption, by source and period

* * * * * * *

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

Tables IV-6 and IV-7 present data on apparent U.S. consumption and U.S. market shares for complete FRC and FRC components (knuckles and all other components). Complete FRC accounted for around half of apparent U.S. consumption across all periods.

U.S. producers' share of apparent U.S. consumption for complete FRC decreased from *** percent to *** percent, by quantity, from 2018 to 2020. Subject and nonsubject imports' share of the U.S. market for complete FRC, by quantity, increased from *** percent to *** percent, and from *** percent to *** percent, respectively, during the same period. U.S. producers' market share was lower in interim 2021 compared to interim 2020 while market shares of U.S. shipments of imports from both China and nonsubject sources were higher.

U.S. producers' share of apparent U.S. consumption for FRC components also decreased from *** percent to *** percent, by quantity, from 2018 to 2020. During the same period, subject imports' share of the U.S. market for FRC components, by quantity, increased from *** percent to *** percent, while nonsubject imports' share increased from *** percent to *** percent. U.S. producers' market share and U.S. shipments of imports of FRC components from China were lower in interim 2021 compared to interim 2020 while market shares of nonsubject sources were higher.

Table IV-6
Complete FRC: U.S. producers' and importers' U.S. shipments, by source and by period

Quantities in 1,000 pounds; shares and ratios in percent

Source	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
U.S. producers	Quantity	***	***	***	***	***
China	Quantity	***	***	***	***	***
Nonsubject sources	Quantity	***	***	***	***	***
All import sources	Quantity	***	***	***	***	***
All sources	Quantity	***	***	***	***	***
U.S. producers	Share of quantity	***	***	***	***	***
China	Share of quantity	***	***	***	***	***
Nonsubject sources	Share of quantity	***	***	***	***	***
All import sources	Share of quantity	***	***	***	***	***
All sources	Share of quantity	100.0	100.0	100.0	100.0	100.0
U.S. producers	Ratio to apparent consumption	***	***	***	***	***
China	Ratio to apparent consumption	***	***	***	***	***
Nonsubject sources	Ratio to apparent consumption	***	***	***	***	***
All import sources	Ratio to apparent consumption	***	***	***	***	***
All sources	Ratio to apparent consumption	***	***	***	***	***

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

Table IV-7
FRC components: U.S. producers' and importers' U.S. shipments, by source and by period

Quantities in 1,000 pounds; shares and ratios in percent

Source	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
U.S. producers	Quantity	***	***	***	***	***
China	Quantity	***	***	***	***	***
Nonsubject sources	Quantity	***	***	***	***	***
All import sources	Quantity	***	***	***	***	***
All sources	Quantity	***	***	***	***	***
U.S. producers	Share of quantity	***	***	***	***	***
China	Share of quantity	***	***	***	***	***
Nonsubject sources	Share of quantity	***	***	***	***	***
All import sources	Share of quantity	***	***	***	***	***
All sources	Share of quantity	100.0	100.0	100.0	100.0	100.0
U.S. producers	Ratio to apparent consumption	***	***	***	***	***
China	Ratio to apparent consumption	***	***	***	***	***
Nonsubject sources	Ratio to apparent consumption	***	***	***	***	***
All import sources	Ratio to apparent consumption	***	***	***	***	***
All sources	Ratio to apparent consumption	***	***	***	***	***

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

Part V: Pricing data

Factors affecting prices

Raw material costs

The manufacturing process for FRC includes molding, metal melting, heat treatment,[1] finishing, assembly, testing, and quality control. FRC are produced from pig iron and ferrous scrap metal using a standard foundry process; prices for FRC generally follow the price for scrap steel.[2] Raw material costs as a share of total cost of goods sold ("COGS") were *** percent in 2018, *** percent in 2019, and *** percent in 2020.[3]

Steel scrap prices fluctuated between January 2018 and September 2021, with *** in October 2019 and *** in July 2021 (figure V-1). Steel scrap prices increased overall, generally increasing during 2018, decreasing during 2019, and increasing again during January 2020-September 2021. Overall, prices for no. 1 busheling scrap increased *** percent during January 2018-September 2021, no. 1 heavy melt scrap increased *** percent, and shredded auto scrap increased *** percent.

*** U.S. producers and *** importers characterized raw material prices as having increased since January 1, 2018.[4] When noting how raw material price changes have affected selling prices for FRC, importer *** reported that its selling prices for FRC had increased because of raw material price increases.

[1] Common energy sources for metal melting and heat treatment are electricity and gas. M&T stated that electricity and gas are approximately 25 percent of its costs to produce FRC. The firm noted that most of its electricity is generated by gas and that it experiences large savings because Pittsburgh has relatively low gas rates. Conference transcript, p. 65 (Mautino).

[2] Petition, Volume 1, Part I, pp. 10, 29.

[3] Costs were *** percent in January-June 2020 and *** percent in January-June 2021.

[4] Importer *** also characterized prices as fluctuating.

Figure V-1
Steel scrap: Prices, by month and by source of scrap

* * * * * * *

Source: American Metal Market LLC. Accessed October 13, 2021.

Note: Data associated with this figure are provided in Appendix F.

One U.S. producer reported that the imposition of tariffs under section 232 on imported steel/aluminum products caused raw material prices to fluctuate and subsequently caused its selling prices for FRC to fluctuate; the other two U.S. producers reported no change. Three importers reported that the tariffs caused raw material prices to increase with one importer reporting that selling prices for FRC had increased due to higher raw material prices.[5]

[5] Importer *** reported having lost significant contracts as a result of higher prices for FRC.

Transportation costs to the U.S. market

Transportation costs for FRC shipped from China to the United States averaged 7.6 percent during 2020. These estimates were derived from official import data and represent the transportation and other charges on imports.[6] Importer Strato reports that prices to ship containers from Asia to the United States are surging due to supply chain issues resulting from the COVID-19 pandemic.[7]

U.S. inland transportation costs

*** responding U.S. producers reported that transportation is arranged by the purchaser and did not provide estimates of U.S. inland transportation costs. *** responding importers reported that transportation is arranged by the purchaser and reported transportation costs ranged from 4 to 8 percent.[8]

Pricing practices

Pricing methods

U.S. producers and importers reported typically setting prices using transaction-by-transaction negotiations, contracts, and price lists (table V-1).[9] U.S. producer M&T reported that price discussions are driven by historical pricing and feedback from customers on the direction of the market.[10] The AAR publishes a quarterly survey of major railroads, repair shops, and short-line railroads regarding pricing for FRC components and other products and is used primarily for the maintenance/replacement market.[11]

[6] The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2020 and then dividing by the customs value based on the HTS statistical reporting number 8607.30.1000.

[7] Strato's postconference brief, p. 43.

[8] Wabtec stated that FRC are large, heavy, and costly to transport. Producers of FRC can obtain a competitive advantage by locating production near freight car builders as Amsted did by moving operations to Mexico. Wabtec's postconference brief, pp. 13-14.

[9] Multiple firms reported using more than one way to set prices.

[10] Conference transcript, pp. 66-67 (Lefevre).

[11] Conference transcript, pp. 92-93 (Foxx).

Table V-1
FRC: U.S. producers' and importers' reported price setting methods, count

Method	U.S. producers	Importers
Transaction-by-transaction	***	***
Contract	***	***
Set price list	***	***
Other	***	***
Responding firms	3	3

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

Note: The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

U.S. producers reported selling the majority of their FRC under annual contracts, but also considerable portions on the spot market and under long-term contracts (table V-2).[12] Importers reported selling the majority of their FRC pursuant to long-term or annual contracts.

Table V-2
FRC: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2020

Share in percent

Type of sale	U.S. producers	Importers
Long-term contracts	***	***
Annual contracts	***	***
Short-term contracts	***	***
Spot sales	***	***
Total	100.0	100.0

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

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

*** reported using annual contracts to set prices; *** allowed for price renegotiations, *** did not. U.S. producers' annual contracts had ***.[13] *** reported that annual contracts were indexed to raw material prices.[14] *** reported using long-term contracts, *** reported an average of ***. *** allowed for price negotiations, *** fixed the price, and *** indexed to raw material prices on long-term contracts.

[12] M&T reported that there are some subtle differences in the type of sale between OEM and replacement/maintenance market FRC but overall, it is generally the same. Conference transcript, p. 59 (Lefevre).

[13] *** reported allowing for price renegotiation but also reported fixing the price.

[14] Indexes reportedly used by *** include American Metal Market, Ryan's Notes, Platts, PJM, and Henry Hub.

*** importers reported using annual contracts, ranging from about ***. *** allowed for price renegotiations, *** fixed the price, and *** indexed to raw material prices on long-term contracts.[15] *** reported using annual contracts; *** allowed for price negotiations, *** fixed prices, and *** indexed to raw material prices.

Sales terms and discounts

U.S. producers and importers typically quote prices on *** and ***. U.S. producer *** reported that rebates are offered on a quarterly, annual, or contractual basis. U.S. producer *** offers rebates in support of long-term customer relationships and that it has no discount policy for spot sales. Importer *** offers early payment discounts of 1 to 2 percent to certain customers. Importer *** reported that volume discounts can be given based on excess inventory, spreading costs, and maintaining business for key customers.

Importer Wabtec testified that it bundles freight car components as packages, noting that "{c}omponent suppliers will reduce prices on packages, at times losing money on some products to increase sales on others in order to increase the average content per railcar," which simplifies the buying process and creates cost savings in the OEM market.[16] Wabtec can quote packages up to $18,000.[17]

[15] *** reported making price adjustments based on the Producer Price Index and scrap steel indexes. *** reported using X-Rates.com, feigang.net, Freightos Baltic, and CUSTEEL average scrap steel.

[16] Conference transcript, pp. 84-85 (Korzeniowski).

[17] The firm noted that Amsted can quote packages up to $30,000 and M&T up to $2,000, where the dollar value of the package reflects the size of the portfolio of products that can be offered. Wabtec's postconference brief, pp. 11-12.

Price data

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following FRC products shipped to unrelated U.S. customers during January 2018-June 2021. Firms that imported products 1 and/or 2 from China for their own use were requested to provide import purchase cost data.[18]

Product 1.--SE60, Grade E steel complete coupler assembly, double shelves, 21.5" shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Product 2.--SBE60, grade E steel complete coupler assembly, bottom shelf, 21.5" shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Product 3.--E50 coupler knuckle, grade E steel, produced to AAR M-211 and/or AAR M-215 specifications.

Product 4.--SY coupler yoke, grade E steel, produced to AAR M-211 and/or AAR M- 215 specifications.

Two U.S. producers and two importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[19] Pricing data reported by these firms accounted for approximately *** percent of U.S. producers' shipments of FRC and *** percent of U.S. shipments of subject imports from China in 2020.[20]

Price data for products 1-4 are presented in tables V-3 to V-6 and figures V-2 to V-5.

[18] Only one importer (***) submitted a questionnaire reporting purchase cost data. It was determined that the product the firm imports is out-of-scope in these investigations and its questionnaire was not used.

[19] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[20] Pricing coverage is based on U.S. shipments reported in questionnaires.

Table V-3
FRC: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarter

Price in dollars per unit, quantity in units, margin in percent.

Period	US price	US quantity	China price	China quantity	China margin
2018 Q1	***	***	***	***	***
2018 Q2	***	***	***	***	***
2018 Q3	***	***	***	***	***
2018 Q4	***	***	***	***	***
2019 Q1	***	***	***	***	***
2019 Q2	***	***	***	***	***
2019 Q3	***	***	***	***	***
2019 Q4	***	***	***	***	***
2020 Q1	***	***	***	***	***
2020 Q2	***	***	***	***	***
2020 Q3	***	***	***	***	***
2020 Q4	***	***	***	***	***
2021 Q1	***	***	***	***	***
2021 Q2	***	***	***	***	***

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

Note: Product 1: SE60, Grade E steel complete coupler assembly, double shelves, 21.5” shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Figure V-2
FRC: Weighted-average prices and quantities of domestic and imported product 1, by quarter

Price of product 1

* * * * * * *

Volume of product 1

* * * * * * *

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

Note: Product 1: SE60, Grade E steel complete coupler assembly, double shelves, 21.5” shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Table V-4
FRC: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarter

Price in dollars per unit, quantity in units, margin in percent.

Period	US price	US quantity	China price	China quantity	China margin
2018 Q1	***	***	***	***	***
2018 Q2	***	***	***	***	***
2018 Q3	***	***	***	***	***
2018 Q4	***	***	***	***	***
2019 Q1	***	***	***	***	***
2019 Q2	***	***	***	***	***
2019 Q3	***	***	***	***	***
2019 Q4	***	***	***	***	***
2020 Q1	***	***	***	***	***
2020 Q2	***	***	***	***	***
2020 Q3	***	***	***	***	***
2020 Q4	***	***	***	***	***
2021 Q1	***	***	***	***	***
2021 Q2	***	***	***	***	***

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

Note: Product 2: SBE60, grade E steel complete coupler assembly, bottom shelf, 21.5” shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Figure V-3
FRC: Weighted-average prices and quantities of domestic and imported product 2, by quarter

Price of product 2

* * * * * * *

Volume of product 2

* * * * * * *

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

Note: Product 2: SBE60, grade E steel complete coupler assembly, bottom shelf, 21.5” shank length, produced to AAR M-211 and/or AAR M-215 specifications.

Table V-5
FRC: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarter

Price in dollars per unit, quantity in units, margin in percent.

Period	US price	US quantity	China price	China quantity	China margin
2018 Q1	***	***	***	***	***
2018 Q2	***	***	***	***	***
2018 Q3	***	***	***	***	***
2018 Q4	***	***	***	***	***
2019 Q1	***	***	***	***	***
2019 Q2	***	***	***	***	***
2019 Q3	***	***	***	***	***
2019 Q4	***	***	***	***	***
2020 Q1	***	***	***	***	***
2020 Q2	***	***	***	***	***
2020 Q3	***	***	***	***	***
2020 Q4	***	***	***	***	***
2021 Q1	***	***	***	***	***
2021 Q2	***	***	***	***	***

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

Note: Product 3: E50 coupler knuckle, grade E steel, produced to AAR M-211 and/or AAR M-215 specifications.

Figure V-4
FRC: Weighted-average prices and quantities of domestic and imported product 3, by quarter

Price of product 3

* * * * * * *

Volume of product 3

* * * * * * *

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

Note: Product 3: E50 coupler knuckle, grade E steel, produced to AAR M-211 and/or AAR M-215 specifications.

Table V-6
FRC: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 and margins of underselling/(overselling), by quarter

Price in dollars per unit, quantity in units, margin in percent.

Period	US price	US quantity	China price	China quantity	China margin
2018 Q1	***	***	***	***	***
2018 Q2	***	***	***	***	***
2018 Q3	***	***	***	***	***
2018 Q4	***	***	***	***	***
2019 Q1	***	***	***	***	***
2019 Q2	***	***	***	***	***
2019 Q3	***	***	***	***	***
2019 Q4	***	***	***	***	***
2020 Q1	***	***	***	***	***
2020 Q2	***	***	***	***	***
2020 Q3	***	***	***	***	***
2020 Q4	***	***	***	***	***
2021 Q1	***	***	***	***	***
2021 Q2	***	***	***	***	***

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

Note: Product 4: SY coupler yoke, grade E steel, produced to AAR M-211 and/or AAR M- 215 specifications.

Figure V-5
FRC: Weighted-average prices and quantities of domestic and imported product 4, by quarter

Price of product 4

* * * * * * *

Volume of product 4

* * * * * * *

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

Note: Product 4: SY coupler yoke, grade E steel, produced to AAR M-211 and/or AAR M- 215 specifications.

Price trends

In general, prices increased during January 2018-June 2021. Table V-7 summarizes the price trends, by country and by product. As shown in the table, domestic price increases ranged from *** to *** percent during January 2018-June 2021 while import price increases ranged from *** to *** percent.[21] [22]

Table V-7
FRC: Summary of price data, by product and source

Volume in units, price in dollars per unit, change in percent

Product	Source	Number of quarters	Volume of shipments	Low price	High price	First quarter price	Last quarter price	Percent change in price over period
Product 1	United States	***	***	***	***	***	***	***
Product 1	China	***	***	***	***	***	***	***
Product 2	United States	***	***	***	***	***	***	***
Product 2	China	***	***	***	***	***	***	***
Product 3	United States	***	***	***	***	***	***	***
Product 3	China	***	***	***	***	***	***	***
Product 4	United States	***	***	***	***	***	***	***
Product 4	China	***	***	***	***	***	***	***

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

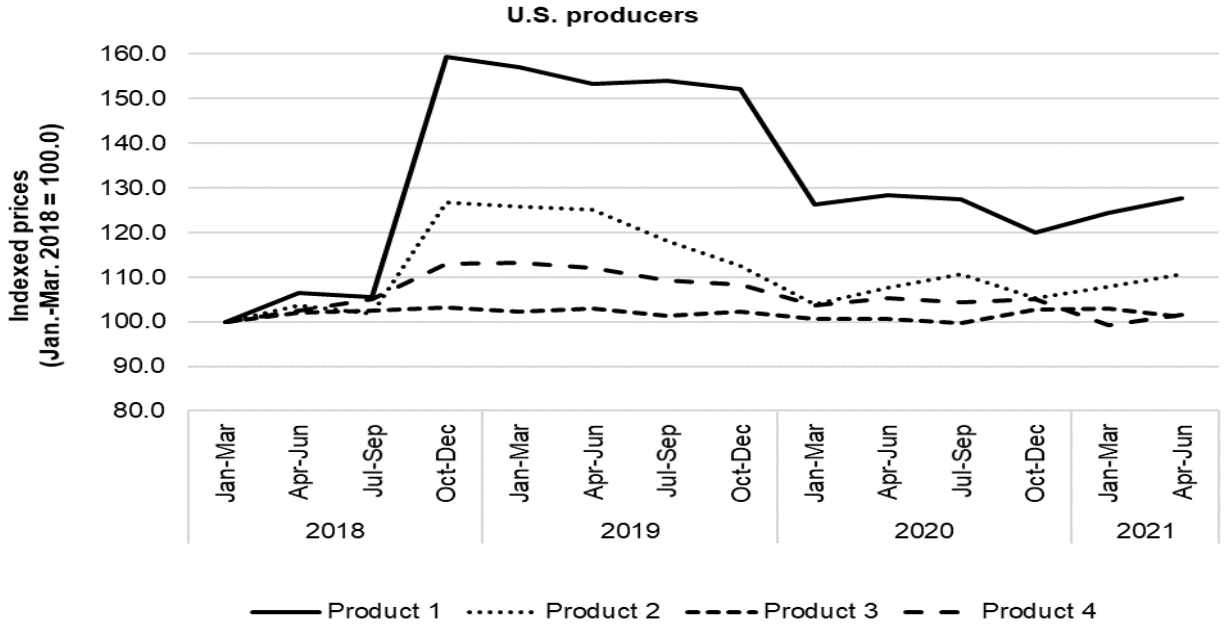
Note: Percent change column is percentage change from the first quarter 2018 to the second quarter in 2021.

Indexed prices of U.S. producers' and importers' price data shows the difference in price variation between the two (figures V-6 and V-7).

[21] Prices for product 1 from China were first reported in the third quarter of 2018 at ***; the percent increase over the period of July 2018-June 2021 was *** percent. Prices for product 2 from China were first reported in the second quarter of 2018 at ***; the percent increase over the period of July 2018-June 2021 was *** percent.

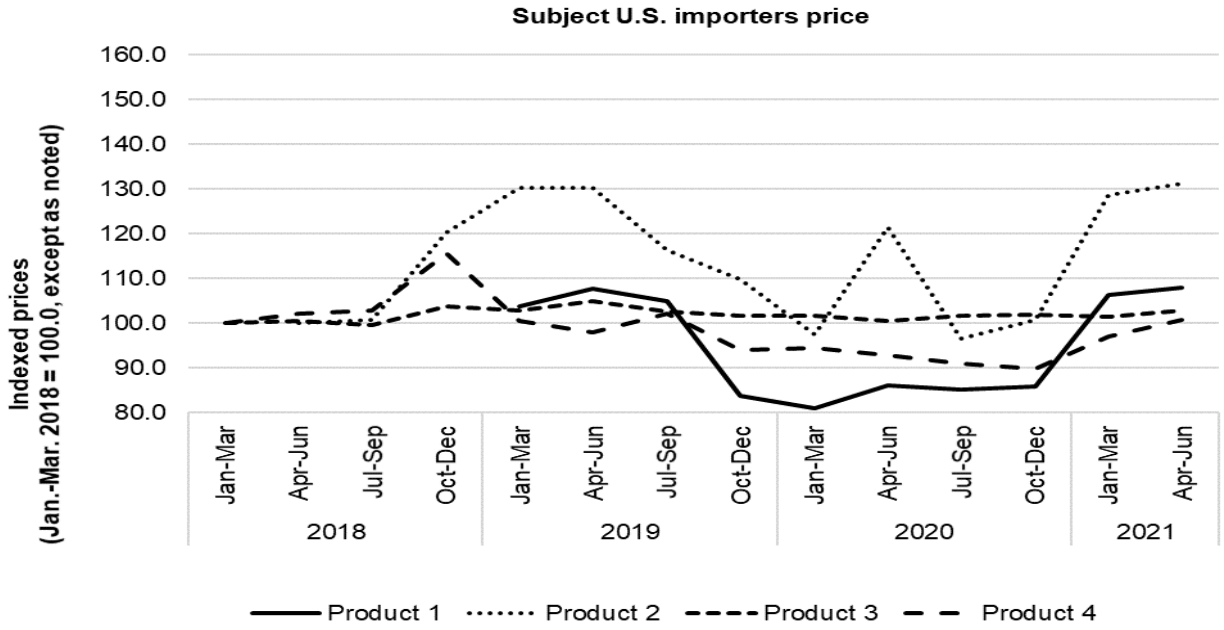
[22] U.S. producer M&T ***. ***, email to USITC staff, October 22, 2021.

Figure V-6
FRC: Indexed U.S. producer prices, by quarter



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

Figure V-7
FRC: Indexed subject U.S. importer prices, by quarter



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

Price comparisons

As shown in table V-8, prices for product imported from China were below those for U.S.-produced product in 40 of 52 instances (*** units); margins of underselling ranged from *** to *** percent. In the remaining 12 instances (*** units), prices for product from China were between *** and *** percent above prices for the domestic product.

Table V-8
FRC: Instances of underselling and overselling and the range and average of margins, by product

Quantity in units; margin in percent

Product	Type	Number of quarters	Quantity	Average margin	Min margin	Max margin
Product 1	Underselling	8	***	***	***	***
Product 2	Underselling	6	***	***	***	***
Product 3	Underselling	13	***	***	***	***
Product 4	Underselling	13	***	***	***	***
Total	Underselling	40	***	***	***	***
Product 1	Overselling	3	***	***	***	***
Product 2	Overselling	7	***	***	***	***
Product 3	Overselling	1	***	***	***	***
Product 4	Overselling	1	***	***	***	***
Total	Overselling	12	***	***	***	***

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

Note: These data include only quarters in which there is a comparison between the U.S. and subject product.

Lost sales and lost revenue

The Commission requested that U.S. producers of FRC report purchasers with which they experienced instances of lost sales or revenue due to competition from imports of FRC from China during January 2018-June 2021. Of the three responding U.S. producers, two reported that they had to either reduce prices or roll back announced price increases, and one firm reported that it had lost sales. One U.S. producer submitted lost sales and lost revenue allegations and identified three firms with which it lost sales and revenue.[23] Allegations include ***.

[23] The U.S. producer, ***, is part of a coalition that filed the petition on September 29, 2021.

Staff contacted three purchasers and received responses from two purchasers.[24] Responding purchasers reported purchasing *** pounds of FRC during 2018-20 (table V-9).[25]

During 2020, responding purchasers purchased *** percent from U.S. producers, *** percent from China, and *** percent from nonsubject countries. Purchasers were asked about changes in their purchasing patterns from different sources since 2018. *** reported decreasing purchases from domestic producers. Explanations for decreasing purchases of domestic product included, 1) maintaining an inventory of U.S.-produced FRC prior to the period of reduced railcar demand in 2019 and 2020, and 2) import orders had been placed six months before COVID-19 and then the pandemic decreased business in 2020.

*** reported purchasing imported FRC from China instead of U.S.-produced product since 2018. *** reported that subject import prices *** lower than U.S.-produced product but that price ***. *** estimated the quantity of FRC from China purchased instead of domestic product (table V-10). *** identified performance and durability of the product as non-price reasons for purchasing imported rather than U.S.-produced product.

*** reported not knowing if U.S. producers had reduced prices in order to compete with lower-priced imports from China.

[24] The two responding firms were ***; the ***.

[25] *** reported that it purchases FRC for attachment to finished railcars. *** reported that it purchased FRC to maintain its existing railcar fleet and that the quantity reported does not include FRC that accompanied new railcars purchased by the firm.

Table V-9
FRC: U.S. purchasers' U.S. purchases and U.S. imports, 2018-20

Quantity in 1,000 pounds, share in percent

Purchaser	Domestic quantity	Subject quantity	All other quantity	Change in domestic share	Change in subject country share
***	***	***	***	***	***
***	***	***	***	***	***
All firms	***	***	***	***	***

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

Note: All other includes all other sources and unknown sources. Change is the percentage point change in the share of the firm's total purchases of domestic and/or subject country imports between first and last years.

Table V-10
FRC: Purchasers' responses to purchasing subject imports instead of domestic product

Quantity in 1,000 pounds

Purchaser	Purchased subject imports instead of domestic	Imports priced lower	Choice based on price	Quantity	Explanation
***	***	***	***	***	***
***	***	***	***	***	***
All firms	Yes--1; No--1	Yes--1; No--0	Yes--0; No--1	***	NA

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

Part VI: Financial experience of U.S. producers

Background[1]

Three U.S. producers Amsted, Huron and McConway & Torley ("M&T") provided usable financial results on their FRC operations. *** responding U.S. producers reported financial data on the basis of GAAP and *** responding U.S. producers provided their financial data on a calendar year basis.[2]

*** produce complete FRC systems and FRC components while *** does not produce any complete FRC systems.[3] [4]

Figure VI-1 presents each responding firm's share of the total reported net sales quantity in 2020. As depicted, ***.

[1] The following abbreviations may be used in the tables and/or text of this section: generally accepted accounting principles ("GAAP"), fiscal year ("FY"), net sales ("NS"), cost of goods sold ("COGS"), selling, general, and administrative expenses ("SG&A expenses"), average unit values ("AUVs"), research and development expenses ("R&D expenses"), and return on assets ("ROA").

[2] ***.

[3] ***. Email from ***. October 14, and November 1, 2021.

[4] ***. Calculated from data in U.S. producers' questionnaire response, sections III-9a and III-9b.

Figure VI-1
FRC: Share of net sales quantity in 2020, by firm

* * * * * * *

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

Operations on FRC

Table VI-1 presents aggregated data on U.S. producers' operations in relation to FRC, while table VI-2 presents corresponding changes in AUVs. Table VI-3 presents selected company-specific financial data.

Table VI-1
FRC: Results of operations of U.S. producers, by item and period

Quantity in 1,000 pounds; value in 1,000 dollars; ratios in percent and represent ratio to net sales value

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Total net sales	Quantity	***	***	***	***	***
Total net sales	Value	***	***	***	***	***
Raw material costs	Value	***	***	***	***	***
Direct labor costs	Value	***	***	***	***	***
Other factory costs	Value	***	***	***	***	***
COGS	Value	***	***	***	***	***
Gross profit or (loss)	Value	***	***	***	***	***
SG&A expenses	Value	***	***	***	***	***
Operating income or (loss)	Value	***	***	***	***	***
All other expenses/(income), net	Value	***	***	***	***	***
Net income or (loss)	Value	***	***	***	***	***
Depreciation/amortization	Value	***	***	***	***	***
Cash flow	Value	***	***	***	***	***
Raw material costs	Ratio	***	***	***	***	***
Direct labor costs	Ratio	***	***	***	***	***
Other factory costs	Ratio	***	***	***	***	***
COGS	Ratio	***	***	***	***	***
Gross profit	Ratio	***	***	***	***	***
SG&A expense	Ratio	***	***	***	***	***
Operating income or (loss)	Ratio	***	***	***	***	***
Net income or (loss)	Ratio	***	***	***	***	***

Table continued on next page.

Table VI-1 Continued
FRC: Results of operations of U.S. producers, by item and period

Shares in percent and represent share of cost of goods sold; unit values in dollars per 1,000 pound; count in number of firms reporting

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Raw material costs	Share	***	***	***	***	***
Direct labor costs	Share	***	***	***	***	***
Other factory costs	Share	***	***	***	***	***
COGS	Share	***	***	***	***	***
Total net sales	Unit value	***	***	***	***	***
Raw material costs	Unit value	***	***	***	***	***
Direct labor costs	Unit value	***	***	***	***	***
Other factory costs	Unit value	***	***	***	***	***
Cost of goods sold	Unit value	***	***	***	***	***
Gross profit or (loss)	Unit value	***	***	***	***	***
SG&A expenses	Unit value	***	***	***	***	***
Operating income or (loss)	Unit value	***	***	***	***	***
Net income or (loss)	Unit value	***	***	***	***	***
Operating losses	Count	***	***	***	***	***
Net losses	Count	***	***	***	***	***
Data	Count	***	***	***	***	***

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

Table VI-2
FRC: Changes in average per pound values between comparison periods

Changes in percent

Item	2018-20	2018-19	2019-20	Jan-Jun 2020-21
Total net sales	▲***	▲***	▼***	▲***
Raw material costs	▲***	▲***	▼***	▲***
Direct labor costs	▲***	▲***	▲***	▲***
Other factory costs	▲***	▲***	▲***	▼***
COGS	▲***	▲***	▲***	▲***

Table continued.

Table VI-2 Continued
FRC: Changes in AUVs between comparison periods

Changes in dollars per 1,000 pounds

Item	2018-20	2018-19	2019-20	Jan-Jun 2020-21
Total net sales	▲***	▲***	▼***	▲***
Raw material costs	▲***	▲***	▼***	▲***
Direct labor costs	▲***	▲***	▲***	▲***
Other factory costs	▲***	▲***	▲***	▼***
COGS	▲***	▲***	▲***	▲***
Gross profit or (loss)	▼***	▼***	▼***	▼***
SG&A expense	▲***	▲***	▲***	▲***
Operating income or (loss)	▼***	▼***	▼***	▼***
Net income or (loss)	▼***	▼***	▼***	▼***

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

Table VI-3
FRC: Firm-by-firm total net sales quantity, by period

Net sales quantity

Quantity in 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm total net sales value, by period

Net sales value

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm COGS, by period

COGS

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm gross profit or (loss), by period

Gross profit or (loss)

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3 Continued
FRC: Firm-by-firm selling, SG&A expenses, by period

SG&A expenses

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm operating income or (loss), by period

Operating income or (loss)

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm net income or (loss), by period

Net income or (loss)

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm ratio of COGS to net sales value, by period

COGS to net sales ratio

Ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3 Continued
FRC: Firm-by-firm ratio of gross profit or (loss) to net sales value, by period

Gross profit or (loss) to net sales ratio

Ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm ratio of SG&A expenses to net sales value, by period

SG&A expenses to net sales ratio

Ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm ratio of operating income or (loss) to net sales value, by period

Operating income or (loss) to net sales ratio

Ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm ratio of net income or (loss) to net sales value, by period

Net income or (loss) to net sales ratio

Ratios in percent

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3 Continued
FRC: Firm-by-firm unit net sales value, by period

Unit net sales value

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit raw material cost, by period

Unit raw material costs

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit direct labor cost, by period

Unit direct labor costs

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit other factory costs, by period

Unit other factory costs

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3 Continued
FRC: Firm-by-firm unit COGS, by period

Unit COGS

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit gross profit or (loss), by period

Unit gross profit or (loss)

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit SG&A expenses, by period

Unit SG&A expenses

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued.

Table VI-3 Continued
FRC: Firm-by-firm unit operating income or (loss), by period

Unit operating income or (loss)

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

Table continued on next page.

Table VI-3 Continued
FRC: Firm-by-firm unit net income or (loss), by period

Unit net income or (loss)

Unit values in dollars per 1,000 pounds

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

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

Net sales

Total revenue reflects commercial sales of complete FRC systems and FRC components. As seen in table VI-4 complete FRC systems, knuckles, and all other components accounted for*** percent of total FRC sales quantity, respectively in 2020.[5]

As shown in table VI-1, total net sales declined by *** and *** percent in quantity and value respectively, during 2018-20 and were also lower in quantity and value in interim 2021 than in interim 2020. *** U.S. producers reported declining sales quantities and values during 2018-20 (***).***.[6] [7] On an average per pound basis, net sales values increased from $*** to 2018 to $*** in 2019 before declining to $*** in 2020 and were slightly higher in interim 2021 at $*** than interim 2020 at $***. As shown in table VI-3, per pound sales values for *** U.S. producers increased overall from 2018 to 2020 but

[5] ***. U.S. producers' questionnaire response, section III-9b.

[6] ***. Email form ***. October 19, 2021.

[7] ***. U.S. producers' questionnaire response, section II-2b, email from ***, November 2, 2021, and email form ***. November 3, 2021.

varied in trends between the three U.S. producers during the annual and interim periods. Per-pound values for *** were lower in interim 2021 than in interim 2020, while the per pound values reported by *** were higher in interim 2021 than in interim 2020.

Table VI-4 details data about the U.S. producers net sales by product type.

Table VI-4
FRC: U.S. producers' net sales, by type and period

Quantity in 1,000 pounds, shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity	***	***	***	***	***
Components: Knuckles	Quantity	***	***	***	***	***
Components: Other	Quantity	***	***	***	***	***
Components: All types	Quantity	***	***	***	***	***
All scope merchandise	Quantity	***	***	***	***	***
Complete FRC	Share of quantity	***	***	***	***	***
Components: Knuckles	Share of quantity	***	***	***	***	***
Components: Other	Share of quantity	***	***	***	***	***
Components: All types	Share of quantity	***	***	***	***	***
All scope merchandise	Share of quantity	***	***	***	***	***

Table continued.

Table VI-4 Continued
FRC: U.S. producers' net sales, by type and period

Value in 1,000 dollars; shares in percent; unit value in dollars per 1,000 pounds

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Value	***	***	***	***	***
Components: Knuckles	Value	***	***	***	***	***
Components: Other	Value	***	***	***	***	***
components: All types	Value	***	***	***	***	***
All scope merchandise	Value	***	***	***	***	***
Complete FRC	Share of value	***	***	***	***	***
Components: Knuckles	Share of value	***	***	***	***	***
Components: Other	Share of value	***	***	***	***	***
Components: All types	Share of value	***	***	***	***	***
All scope merchandise	Share of value	***	***	***	***	***
Complete FRC	Unit value	***	***	***	***	***
Components: Knuckles	Unit value	***	***	***	***	***
Components: Other	Unit value	***	***	***	***	***
components: All types	Unit value	***	***	***	***	***
All scope merchandise	Unit value	***	***	***	***	***

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

Cost of goods sold and gross profit or loss

Raw material costs, direct labor and other factory costs accounted for *** percent of total COGS, respectively, in 2020.

Raw material costs, the *** component of COGS during most of the reporting period, decreased by *** percent during 2018-20 percent and were *** percent lower in interim 2021 than in interim 2020. On an average per pound basis, raw material costs increased from $*** in 2018 to $*** in 2020 and were higher in interim 2021 at $*** than in interim 2020 at $***. As seen in table VI-3, *** of the three firms reported an increase in their average per pound values during 2018-20. *** was the only firm to report an increase in its average per pound raw material costs in interim 2021 compared to interim 2020.[8] [9] As a ratio to net sales, raw material costs increased from *** percent in 2018 to *** in 2020, and were higher in interim 2021 at *** percent compared to interim 2020 at *** percent.

Table VI-5 presents details on specific raw material inputs as a share of total raw material costs in 2020. Other material inputs accounted for the largest share of raw material costs at *** percent and included steel busheling, sand, resin, scrap steel, and alloys (ferrosilicon, silicomanganese, molybdenum, and ferrochrome), the remaining *** percent of raw material costs reflect iron.

Table VI-5
FRC: Raw material costs in 2020

Value in 1,000 dollars; unit values in dollars per 1,000 pounds; share of value in percent

Item	Value	Unit value	Share of value
Iron	***	***	***
Other material inputs	***	***	***
Total, raw materials	***	***	***

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

Direct labor costs, the *** share of total COGS during most of the reporting period, declined by *** percent during 2018-20 and were *** percent lower in interim 2021 than in interim 2020. On an average per pound basis, direct labor costs continuously increased from

[8] ***. U.S. producers' questionnaire response, section IV-18.
[9] ***. Email from ***. November 2, 2021.

$*** in 2018 to $*** in 2020. In interim 2021 the average per pound value of direct labor costs also increased from $*** in interim 2020 to $*** in interim 2021. ***.[10] As a ratio to net sales, direct labor costs increased from *** percent to *** percent during 2018-20 and were higher in interim 2021 at *** percent compared to interim 2020 at *** percent.

Other factory costs, the *** component of COGS decreased by *** percent during 2018-20 and were*** percent lower in interim 2021 than in interim 2020. On an average per pound basis, other factory costs increased from $*** in 2018 to $*** in 2020 and were slightly lower in interim 2021 at $*** compared to interim 2020 at $***. As seen in table VI-3,*** U.S producers reported an increase in their other factory costs average per pound values during 2018-20, and *** was the only firm to report higher per pound values in interim 2021 compared to interim 2020.[11] As a ratio to net sales, other factory costs continuously increased from *** percent in 2018 to *** percent in 2020 and were *** percentage point lower in interim 2021 (*** percent) than in interim 2020 (*** percent).

Overall total COGS declined by *** percent from 2018 to 2020 and were*** percent lower in interim 2021 than in interim 2020. On an average per pound basis, COGS increased from $*** in 2018 to $*** in 2020 and were higher in interim 2021 at $*** than in interim 2020 at $***. As a ratio to net sales COGS continuously increased from *** in 2018 to *** percent in 2020 and were higher at *** percent in interim 2021 than in interim 2020 at *** percent.

As seen in table VI-1 gross profit irregularly decreased from $*** in 2018 to $*** in 2019 and further declined to $*** in 2020, and was lower in interim 2021 at $*** compared to interim 2020 at $***. As a ratio to net sales, gross profit consistently declined from *** percent in 2018 to *** percent in 2020 and was lower at *** percent in interim 2021 compared to *** percent in interim 2020. On a firm by firm basis, *** U.S. producers reported a decline in gross profits during 2018-20. *** was the *** U.S. producer that reported a loss of $*** in 2020, the firm losses declined in interim 2021 to $*** compared to a loss of $*** in interim 2020.

[10] M&T testified that the firm relies heavily on skilled expensive labor during the melting and molding parts of the production process. *** also indicated that it kept a ***. Conference transcript, p.70 (Mautino) and email from ***, October 27, 2021.

[11] ***. Email from ***. November 2, 2021.

SG&A expenses and operating income or loss

U.S. producers' SG&A expenses declined during 2018-20 and were higher in interim 2021 than in interim 2020 driven primarily by ***.[12] As seen in table VI-3, *** reported an increase in its reported SG&A expenses in 2018-20 and lower expenses in interim 2021 than in interim 2020.[13] The corresponding SG&A expense ratio increased from *** percent in 2018 to *** percent in 2020 and was higher in interim 2021 at *** percent than in interim 2020 at *** percent.

Similar to gross profit trends, operating income irregularly declined from $*** in 2018 to $*** in 2019 and $*** in 2020, and declined into an operating loss of $*** in interim 2021 compared to a positive operating income of $*** in interim 2020. As a ratio to net sales, operating income also declined from *** percent in 2018 to *** percent in 2020 and was at a negative *** percent in interim 2021 compared to a positive *** percent in interim 2020.[14]

All other expenses and net income or loss

Classified below the operating income level are interest expenses, other expenses, and other income. In table VI-1, these items are aggregated with the net amount shown. *** of the U.S. producers reported either interest expenses or other income. All other expenses reported solely by *** decreased during 2018-20 and were higher in interim 2021 than in interim 2020.[15]

Net income declined from $*** in 2018 to $*** in 2019 and further declined into a loss of $*** in 2020. The three firms collectively also reported a net loss of $*** in interim 2020 compared to a positive net income of $*** in interim 2020.

[12] ***. Email from ***. November 2, 2021.

[13] ***. Email from ***. November 3, 2021.

[14] Given the mix of complete FRC systems and FRC components and changes in product mix during the period, a variance analysis is not shown in this section of the report.

[15] Other expenses reported by ***. Email from ***. October 28, 2021.

Capital expenditures and research and development expenses

Table VI-6 presents capital expenditures, by firm, and table VI-7 presents R&D expenses, by firm. Tables VI-8 and VI-9 present the firms' narrative explanations of the nature, focus, and significance of their capital expenditures and R&D expenses, respectively. Capital expenditures increased from 2018 to 2019 then declined in 2020; they were lower in interim 2021 than interim 2020. R&D expenses, reported by *** only, declined irregularly from 2018 to 2020 and were lower in interim 2021 compared to interim 2020.

Table VI-6
FRC: U.S. producers' capital expenditures, by firm and period

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Amsted	***	***	***	***	***
Huron	***	***	***	***	***
M&T	***	***	***	***	***
All firms	***	***	***	***	***

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

Table VI-7
FRC: U.S. producers' R&D expenses, by firm and period

Value in 1,000 dollars

Firm	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
***	***	***	***	***	***
All firms	***	***	***	***	***

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

Table VI-8
FRC: Narrative descriptions of U.S. producers' capital expenditures, by firm

Firm	Narrative explanation
Amsted	***
Huron	***
M&T	***

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

Table VI-9
FRC: Narrative descriptions of U.S. producers' R&D expenses, by firm

Firm	Narrative explanation
***	***
***	***

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

Assets and return on assets

Table VI-10 presents data on the U.S. producers' total assets while table VI-11 presents their operating ROA.[16] Table VI-12 presents U.S. producers' narrative responses explaining their major asset categories and any significant changes in asset levels over time. Total assets declined from $*** in 2018 to $*** in 2020. *** accounted for the largest share of total net assets while *** accounted for the majority of the decline. Return on assets also declined from *** percent in 2020 to *** percent in 2020.[17]

Table VI-10
FRC: U.S. producers' total net assets, by firm and period

Value in 1,000 dollars

Firm	2018	2019	2020
Amsted	***	***	***
Huron	***	***	***
M&T	***	***	***
All firms	***	***	***

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

[16] The operating ROA is calculated as operating income divided by total assets. With respect to a firm's overall operations, the total asset value reflects an aggregation of a number of assets which are generally not product specific. Thus, high-level allocations are generally required in order to report a total asset value for FRC.

[17] ***. Email from ***. November 3, 2021.

Table VI-11
FRC: U.S. producers' ROA, by firm and period

Ratio in percent

Firm	2018	2019	2020
Amsted	***	***	***
Huron	***	***	***
M&T	***	***	***
All firms	***	***	***

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

Table VI-12
FRC: Narrative descriptions of U.S. producers' total net assets, by firm

Firm	Narrative explanation
Amsted	***
M&T	***

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

Capital and investment

The Commission requested U.S. producers of FRC to describe any actual or potential negative effects of imports of FRC from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-13 presents the number of firms reporting an impact in each category and table VI-14 provides the U.S. producers' narrative responses.

Table VI-13
FRC: Count of firms indicating actual and anticipated negative effects of imports from subject sources on investment, growth, and development since January 1, 2020, by effect

Number of firms reporting

Effect	Category	Count
Cancellation, postponement, or rejection of expansion projects	Investment	1
Denial or rejection of investment proposal	Investment	0
Reduction in the size of capital investments	Investment	1
Return on specific investments negatively impacted	Investment	1
Other investment effects	Investment	0
Any negative effects on investment	Investment	1
Rejection of bank loans	Growth	0
Lowering of credit rating	Growth	0
Problem related to the issue of stocks or bonds	Growth	0
Ability to service debt	Growth	0
Other growth and development effects	Growth	1
Any negative effects on growth and development	Growth	1
Anticipated negative effects of imports	Future	1

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

Note: ***.

Table VI-14
FRC: Narratives relating to actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2020

Item	Firm name and accompanying narrative response
Cancellation, postponement, or rejection of expansion projects	***
Reduction in the size of capital investments	***
Return on specific investments negatively impacted	***
Other effects on growth and development	***
Anticipated effects of imports	***
Anticipated effects of imports	***

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

Part VII: Threat considerations and information on nonsubject countries

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

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; 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. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

The industry in China

According to the Global Trade Atlas ("GTA") HS subheading 8607.30 (a broad category that in addition to FRC includes hooks and other coupling devices, buffers and parts thereof, for railway or tramway vehicles), China leads the world in such exports in terms of value, accounting for 23.1 percent of exports in 2020 – up from 18.3 percent in 2018.

The Commission issued foreign producers' or exporters' questionnaires to eight firms believed to produce and/or export FRC from China.[3] Usable responses to the Commission's questionnaire were received from two firms: Tongyao, and Qingdao Lianshan Casting Co.,Ltd ("Lianshan").[4] These firms' exports to the United States accounted for approximately *** percent of U.S. imports of FRC from China in 2020.[5] According to estimates requested of the responding producers in China, the production of FRC in China reported in questionnaires accounts for approximately *** percent of overall production of FRC in China. Table VII-1 presents information on the FRC operations of the responding producers and exporters in China.

Table VII-1
FRC: Summary data on firms in China, 2020

Quantity in 1,000 pounds; shares in percent

Firm	Production (1,000 pounds)	Share of reported production (percent)	Exports to the United States (1,000 pounds)	Share of reported exports to the United States (percent)	Total shipments (1,000 pounds)	Share of firm's total shipments exported to the United States (percent)
Tongyao	***	***	***	***	***	***
Lianshan	***	***	***	***	***	***
All firms	***	100.0	***	100.0	***	***

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

[3] These firms were identified through a review of information submitted in the petition and presented in third-party sources.

[4] *** provided an incomplete questionnaire response missing several data. Please see table notes in this section for further detail.

[5] This calculation is based on the ratio of reported exports of FRC from China to the United States to official import statistics (which may be overstated, as statistical reporting number 8607.30.1000 is a "basket" category).

Changes in operations

Table VII-2 presents operational and organizational changes since January 1, 2018 reported by responding producers in China.

Table VII-2
FRC: Reported changes in operations by producers in China, since January 1, 2018

Item	Firm name and accompanying narrative response
Prolonged shutdowns or curtailments	***

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

Operations on FRC

Table VII-3 presents information on the FRC operations of the responding producers and exporters in China. FRC capacity remained relatively constant during 2018-20. FRC production decreased by *** percent from 2018 to 2019, and by *** percent from 2019 to 2020, a decrease from *** million pounds to *** million pounds during 2018-20. Capacity is projected to remain the same while projected production of FRC for calendar years 2021 and 2022 are near production levels for 2019 and 2018, respectively. This trend reflects the impact of ***. Capacity utilization decreased from *** percent in 2018 to *** percent in 2020 but was *** in interim 2021 compared to interim 2020 and projected to ***.

Total home market shipments and export shipments both decreased during 2018-20, by *** percent and by *** percent respectively. Export shipments to the United States decreased by *** percent and export shipments to other markets decreased by *** percent during this period. Export shipments to the United States as a share of total shipments increased from *** percent to *** percent during 2018-20. Total home market shipments as a share of total shipments decreased by *** percentage points during 2018-20, while export shipments to other markets as a share of total shipments increased by *** percentage points.

Table VII-3
FRC: Data for producers in China, by period

Quantity in 1,000 pounds

Item	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021	Projection 2021	Projection 2022
Capacity	***	***	***	***	***	***	***
Production	***	***	***	***	***	***	***
End-of-period inventories	***	***	***	***	***	***	***
Internal consumption	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Home market shipments	***	***	***	***	***	***	***
Exports to the United States	***	***	***	***	***	***	***
Exports to all other markets	***	***	***	***	***	***	***
Export shipments	***	***	***	***	***	***	***

Table continued.

Table VII-3 Continued
FRC: Data on producers in China, by period

Shares and ratios in percent

Item	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021	Projection 2021	Projection 2022
Capacity utilization ratio	***	***	***	***	***	***	***
Inventory ratio to production	***	***	***	***	***	***	***
Inventory ratio to total shipments	***	***	***	***	***	***	***
Internal consumption share	***	***	***	***	***	***	***
Commercial home market shipments share	***	***	***	***	***	***	***
Home market shipments share	***	***	***	***	***	***	***
Exports to the United States share	***	***	***	***	***	***	***
Exports to all other markets share	***	***	***	***	***	***	***
Export shipments share	***	***	***	***	***	***	***
Total shipments share	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Note: *** did not report beginning or end--of-period inventories, home market shipments, or export figures for projected calendar years 2021 and 2022.

Alternative products

As shown in table VII-4, responding firms in China produced other products on the same equipment and machinery used to produce FRC. Other products included *** with FRC production accounting for about *** of total production during 2018-20. Reported factors affecting the ability to switch production include ***.

Table VII-4
FRC: Overall capacity and production on the same equipment as in-scope production by producers in China, by period

Quantities in 1,000 pounds; shares and ratios in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Overall capacity	Quantity	***	***	***	***	***
Production: FRC	Quantity	***	***	***	***	***
Production: Passenger rail couplers	Quantity	***	***	***	***	***
Production: Other products	Quantity	***	***	***	***	***
Production: Out-of-scope	Quantity	***	***	***	***	***
Production: Total	Quantity	***	***	***	***	***
Overall capacity utilization	Ratio	***	***	***	***	***
Production: FRC	Share	***	***	***	***	***
Production: Passenger rail couplers	Share	***	***	***	***	***
Production: Other products	Share	***	***	***	***	***
Production: Out-of-scope	Share	***	***	***	***	***
Production: Total	Share	100.0	100.0	100.0	100.0	100.0

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

Note: Data presented does not include *** as it did not report usable data.

Exports

According to GTA, the leading export markets for hooks and other coupling devices, buffers and parts thereof, for railway or tramway vehicles from China are the Unites States, Australia, and Mexico (table VII-5). During 2020, the United States was the top export market for such merchandise from China, accounting for 41.3 percent, followed by Australia, accounting for 14.6 percent, and Mexico, accounting for 10.6 percent.

Table VII-5
Hooks and other coupling devices, buffers and parts thereof, for railway or tramway vehicles: Exports from China, by destination market and by period

Quantity in 1,000 pounds; value in 1,000 dollars

Destination market	Measure	2018	2019	2020
United States	Quantity	62,361	56,027	27,823
Australia	Quantity	5,406	8,995	9,834
Mexico	Quantity	6,313	17,200	7,103
Canada	Quantity	3,741	6,813	4,937
Hong Kong	Quantity	81	95	3,401
Russia	Quantity	1,661	4,313	2,253
India	Quantity	1,896	2,714	2,243
Germany	Quantity	1,501	1,403	1,641
Poland	Quantity	1,518	1,016	1,119
All other destination markets	Quantity	9,322	9,242	6,935
All destination markets	Quantity	93,800	107,817	67,288
United States	Value	73,813	65,880	34,722
Australia	Value	13,543	22,842	30,085
Mexico	Value	6,881	15,624	6,629
Canada	Value	7,089	9,343	5,932
Hong Kong	Value	1,179	1,851	54,325
Russia	Value	1,605	6,553	4,868
India	Value	7,930	9,253	7,544
Germany	Value	6,694	8,773	11,378
Poland	Value	7,687	4,311	4,675
All other destination markets	Value	35,471	39,668	34,209
All destination markets	Value	161,892	184,097	194,365

Table continued.

Table VII-5 Continued
Hooks and other coupling devices, buffers and parts thereof, for railway or tramway vehicles: Exports from China, by destination market and by period

Unit values in dollars per 1,000 pounds; shares in percent

Destination market	Measure	2018	2019	2020
United States	Unit value	1,184	1,176	1,248
Australia	Unit value	2,505	2,539	3,059
Mexico	Unit value	1,090	908	933
Canada	Unit value	1,895	1,371	1,201
Hong Kong	Unit value	14,583	19,518	15,974
Russia	Unit value	966	1,519	2,161
India	Unit value	4,183	3,409	3,364
Germany	Unit value	4,461	6,252	6,934
Poland	Unit value	5,063	4,244	4,176
All other destination markets	Unit value	3,805	4,292	4,933
All destination markets	Unit value	1,726	1,707	2,889
United States	Share of quantity	66.5	52.0	41.3
Australia	Share of quantity	5.8	8.3	14.6
Mexico	Share of quantity	6.7	16.0	10.6
Canada	Share of quantity	4.0	6.3	7.3
Hong Kong	Share of quantity	0.1	0.1	5.1
Russia	Share of quantity	1.8	4.0	3.3
India	Share of quantity	2.0	2.5	3.3
Germany	Share of quantity	1.6	1.3	2.4
Poland	Share of quantity	1.6	0.9	1.7
All other destination markets	Share of quantity	9.9	8.6	10.3
All destination markets	Share of quantity	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8607.30 as reported by China Customs in the Global Trade Atlas database, accessed October 6th, 2021.

Note: United States is shown at the top. All remaining top export destinations are shown in descending order of 2020 data.

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Zeroes, null values, and undefined calculations are suppressed and shown as "---". United States is shown at the top, all remaining top export destinations shown in descending order of 2020 data.

U.S. inventories of imported merchandise

Table VII-6 presents data on U.S. importers' reported inventories of FRC. Inventories of FRC imports from China decreased by *** percent from 2018 to 2020, while inventories of FRC imports from nonsubject sources increased by *** percent.[6] Inventories of both FRC imports from China and nonsubject sources were lower in interim 2021 compared to interim 2020.

The ratio of importers' inventories to U.S. shipments of imports of FRC from China decreased from 2018 to 2020 from *** percent to *** percent while the ratio of importers' inventories to U.S. shipments of imports of FRC from nonsubject sources increased from *** percent to *** percent during the same period. These ratios were both lower in interim 2021 compared to interim 2020.

Table VII-6
FRC: U.S. importers' end-of-period inventories of imports, by source and by period

Quantity in 1,000 pounds; ratios in percent

Measure	Source	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Inventories quantity	China	***	***	***	***	***
Ratio to imports	China	***	***	***	***	***
Ratio to U.S. shipments of imports	China	***	***	***	***	***
Ratio to total shipments of imports	China	***	***	***	***	***
Inventories quantity	Nonsubject	***	***	***	***	***
Ratio to imports	Nonsubject	***	***	***	***	***
Ratio to U.S. shipments of imports	Nonsubject	***	***	***	***	***
Ratio to total shipments of imports	Nonsubject	***	***	***	***	***
Inventories quantity	All	***	***	***	***	***
Ratio to imports	All	***	***	***	***	***
Ratio to U.S. shipments of imports	All	***	***	***	***	***
Ratio to total shipments of imports	All	***	***	***	***	***

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

[6] *** accounted for the vast majority of increased inventory of FRC from nonsubject sources (Mexico) in 2020.

U.S. importers' outstanding orders

The Commission requested importers to indicate whether they imported or arranged for the importation of FRC from China and other sources after June 30, 2021. Four of five responding firms indicated they had arranged FRC imports. For each responding firm, the quantity of arranged FRC imports was lower in the 2022 periods compared to the 2021 periods. These data are presented in table VII-7.

Table VII-7
FRC: Arranged imports, by source and by period

Quantity in 1,000 pounds

Source of arranged imports	Jul-Sep 2021	Oct-Dec 2021	Jan-Mar 2022	Apr-Jun 2022	Total
China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	***	***	***	***	***

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

Third-country trade actions

There are no known antidumping or countervailing duty orders on FRC in third-country markets.

Information on nonsubject countries

Global exports for China and the largest nonsubject countries are presented in table VII-8. There are AAR certified manufacturing plants for FRC components in Mexico and India, in addition to facilities in the United States and China. ASF-K de Mexico, S. de R. L. de C.V. Sahagun manufactures freight couplers, knuckles, and yokes in Mexico.[7] Texmaco Rail and Engineering Limited ("Texmaco") manufactures freight yokes in India.[8] Texmaco recently added new yoke designs, hoping to increase its exports to the U.S. market.[9]

Petitioner believes that production of freight cars in Mexico increased after implementation of Section 301 duties on FRC. Instead of importing FRC from China into the United States that would be subject to Section 301 tariffs, producers moved manufacturing to

[7] ASF-K de Mexico, S. de R. L. de C.V. Sahagun is owned by ASF-Keystone, which is a division of Amsted Industries' Amsted Rail Group.

[8] Petition, Exhibit I-3.

[9] Texmaco, Annual Report 2020-21, p. 26.

Mexico. FRC from China would then be installed on freight cars in Mexico, and those freight cars would subsequently be exported to the United States.[10]

Table VII-8
Hooks and other coupling devices, buffers and parts thereof, for railway or tramway vehicles: Global exports, by reporting country and by period
Value in 1,000 dollars, shares in percent

Exporting country	Measure	2018	2019	2020
United States	Value	175,883	173,140	95,692
China	Value	161,892	184,097	194,365
Germany	Value	144,183	151,104	141,927
Poland	Value	94,445	96,742	95,699
Hong Kong	Value	23,034	23,137	72,129
Sweden	Value	73,832	66,045	56,557
Czech Republic	Value	26,601	34,349	45,694
United Kingdom HMRC	Value	50,941	31,351	28,546
Russia	Value	32,434	27,754	19,807
Mexico	Value	24,016	18,373	17,405
Japan	Value	18,103	15,769	12,558
Switzerland	Value	2,721	7,956	10,372
All other exporters	Value	57,652	62,793	49,653
All reporting exporters	Value	885,738	892,610	840,405
United States	Share of value	19.9	19.4	11.4
China	Share of value	18.3	20.6	23.1
Germany	Share of value	16.3	16.9	16.9
Poland	Share of value	10.7	10.8	11.4
Hong Kong	Share of value	2.6	2.6	8.6
Sweden	Share of value	8.3	7.4	6.7
Czech Republic	Share of value	3.0	3.8	5.4
United Kingdom HMRC	Share of value	5.8	3.5	3.4
Russia	Share of value	3.7	3.1	2.4
Mexico	Share of value	2.7	2.1	2.1
Japan	Share of value	2.0	1.8	1.5
Switzerland	Share of value	0.3	0.9	1.2
All other exporters	Share of value	6.5	7.0	5.9
All reporting exporters	Share of value	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8607.30 as reported by various national statistical authorities in the Global Trade Atlas database, accessed October 6th, 2021.

Note: United States is shown at the top followed by the countries under investigation, all remaining top exporting countries in descending order of 2020 data.

[10] Petition, pp. 23-24.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, Federal Register notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
86 FR 54997, September 29, 2021	*Freight Rail Coupler Systems and Components From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.govinfo.gov/content/pkg/FR-2021-10-05/pdf/2021-21725.pdf
86 FR 58864, October 19, 2021	*Freight Rail Coupler Systems and Certain Components Thereof From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*	https://www.govinfo.gov/content/pkg/FR-2021-10-25/pdf/2021-23231.pdf
86 FR 58878, October 19, 2021	*Freight Rail Coupler Systems and Certain Components Thereof From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.govinfo.gov/content/pkg/FR-2021-10-25/pdf/2021-23232.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared in the United States International Trade Commission's preliminary conference via videoconference:

Subject: Freight Rail Coupler Systems and Components from China

Inv. Nos.: 701-TA-670 and 731-TA-1570 (Preliminary)

Date and Time: October 20, 2021 - 9:30 a.m.

OPENING REMARKS:

In Support of Imposition (**Daniel B. Pickard**, Wiley Rein LLP)
In Opposition to Imposition (**David Morrell**, Jones Day)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Wiley Rein LLP
Washington, DC
on behalf of

Coalition of Freight Coupler Producers

Chris Lefevre, Director of Sales, McConway & Torley, LLC

Scott Mautino, Executive Vice President, McConway & Torley, LLC

Antonio Wellmaker, USW (President of USW Local 1063)

Amy E. Sherman, International Trade Analyst, Wiley Rein LLP

Daniel B. Pickard
Robert E. DeFrancesco, III
Jake R. Frischknecht
) – OF COUNSEL

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Jones Day
Washington, DC
on behalf of

Wabtec Corporation

Mickey Korzeniowski, Vice President, Components Group,
Wabtec Corporation

David Morrell)
) – OF COUNSEL
Kevin Garvey)

Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP
Washington, DC
on behalf of

Strato, Inc.

Mike Foxx, CEO, Strato Inc.

Brian Cunkelman, President, Strato Inc.

Dan Foxx, CIO, Strato Inc.

Andrew T. Schutz)
) – OF COUNSEL
Michael S. Holton)

REBUTTAL/CLOSING REMARKS:

In Support of Imposition
(Daniel B. Pickard and Robert E. DeFrancesco, III, Wiley Rein LLP)
In Opposition to Imposition
(**Andrew T. Schutz**, Grunfeld Desiderio Lebowitz Silverman & Klestadt LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
FRC: Summary data concerning the U.S. market, 2018-20, January to June 2020, and January to June 2021
Quantity=1,000 pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 pounds; Period changes=percent--exceptions noted

	Reported data					Period changes			
	Calendar year			Jan-Jun		Comparison years			Jan-Jun
	2018	2019	2020	2020	2021	2018-20	2018-19	2019-20	2020-21
U.S. consumption quantity:									
Amount	***	***	***	***	***	▼***	▲***	▼***	▼***
Producers' share (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Importers' share (fn1):									
China	***	***	***	***	***	▲***	▲***	▲***	▲***
Nonsubject sources	***	***	***	***	***	▲***	▲***	▼***	▲***
All import sources	***	***	***	***	***	▲***	▲***	▲***	▲***
U.S. consumption value:									
Amount	***	***	***	***	***	▼***	▲***	▼***	▼***
Producers' share (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Importers' share (fn1):									
China	***	***	***	***	***	▲***	▲***	▲***	▲***
Nonsubject sources	***	***	***	***	***	▲***	▲***	▼***	▲***
All import sources	***	***	***	***	***	▲***	▲***	▲***	▲***
U.S. importers' U.S. shipments of imports from:									
China:									
Quantity	***	***	***	***	***	▼***	▲***	▼***	▼***
Value	***	***	***	***	***	▼***	▲***	▼***	▼***
Unit value	***	***	***	***	***	▼***	▲***	▼***	▲***
Ending inventory quantity	***	***	***	***	***	▼***	▲***	▼***	▼***
Nonsubject sources:									
Quantity	***	***	***	***	***	▲***	▲***	▼***	▼***
Value	***	***	***	***	***	▲***	▲***	▼***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▼***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▲***	▼***
All import sources:									
Quantity	***	***	***	***	***	▲***	▲***	▼***	▼***
Value	***	***	***	***	***	▲***	▲***	▼***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▼***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▲***	▼***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Production quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Capacity utilization (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
U.S. shipments:									
Quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Value	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▼***	▲***
Export shipments:									
Quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Value	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit value	***	***	***	***	***	▲***	▼***	▲***	▼***
Ending inventory quantity	***	***	***	***	***	▲***	▲***	▲***	▼***
Inventories/total shipments (fn1)	***	***	***	***	***	▲***	▲***	▲***	▼***
Production workers	***	***	***	***	***	▼***	▼***	▼***	▼***
Hours worked (1,000s)	***	***	***	***	***	▼***	▼***	▼***	▼***
Wages paid ($1,000)	***	***	***	***	***	▼***	▼***	▼***	▼***
Hourly wages (dollars per hour)	***	***	***	***	***	▲***	▼***	▲***	▼***
Productivity (pounds per hour)	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit labor costs	***	***	***	***	***	▲***	▲***	▲***	▲***

Table continued.

Table C-1 continued

FRC: Summary data concerning the U.S. market, 2018-20, January to June 2020, and January to June 2021

Quantity=1,000 pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per 1,000 pounds; Period changes=percent--exceptions noted

	Reported data					Period changes			
	Calendar year			Jan-Jun		Comparison years			Jan-Jun
	2018	2019	2020	2020	2021	2018-20	2018-19	2019-20	2020-21
Net sales:									
Quantity	***	***	***	***	***	▼***	▼***	▼***	▼***
Value	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit value	***	***	***	***	***	▲***	▲***	▼***	▲***
Cost of goods sold (COGS)	***	***	***	***	***	▼***	▼***	▼***	▼***
Gross profit or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
SG&A expenses	***	***	***	***	***	▼***	▼***	▼***	▲***
Operating income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Net income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit COGS	***	***	***	***	***	▲***	▲***	▲***	▲***
Unit SG&A expenses	***	***	***	***	***	▲***	▲***	▲***	▲***
Unit operating income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
Unit net income or (loss) (fn2)	***	***	***	***	***	▼***	▼***	▼***	▼***
COGS/sales (fn1)	***	***	***	***	***	▲***	▲***	▲***	▲***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Net income or (loss)/sales (fn1)	***	***	***	***	***	▼***	▼***	▼***	▼***
Capital expenditures	***	***	***	***	***	▼***	▲***	▼***	▼***
Research and development expenses	***	***	***	***	***	▼***	▼***	▲***	▼***
Net assets	***	***	***	***	***	▼***	▼***	▼***	***

Note.--Shares and ratios shown as "0.0" percent represent non-zero values less than "0.05" percent (if positive) and greater than "(0.05)" percent (if negative). Zeroes, null values, and undefined calculations are suppressed and shown as "---". Period changes preceded by a "▲" represent an increase, while period changes preceded by a "▼" represent a decrease.

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Percent changes only calculated when both comparison values represent profits; The directional change in profitability provided when one or both comparison values represent a loss.

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

APPENDIX D

FREIGHT RAILCAR DELIVERIES IN NORTH AMERICA

Table D-1
Freight railcars: Deliveries in North America, by year

Quantity in number of railcars delivered

Year	Quantity
1994	53,269
1995	60,618
1996	54,031
1997	49,902
1998	74,832
1999	74,223
2000	55,791
2001	34,258
2002	17,714
2003	32,180
2004	46,841
2005	68,612
2006	69,733
2007	63,149
2008	59,954
2009	21,150
2010	16,579
2011	46,125
2012	58,891
2013	53,043
2014	67,228
2015	82,296
2016	62,433
2017	44,963
2018	50,803
2019	58,026
2020	31,282

Source: ARCI (American Railway Car Institute), an RSI (Railway Supply Institute) committee, freight railcar deliveries, 1994-2020. https://www.railwayage.com/mechanical/freight-cars/do-we-need-another-north-american-railcar-builder/#.

APPENDIX E

U.S. SHIPMENTS BY PRODUCT TYPE

Table E-1
FRC: U.S. producers' U.S. shipments, by type and period

Quantity 1 in 1,000 pounds; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 1	***	***	***	***	***
Components: Knuckles	Quantity 1	***	***	***	***	***
Components: Other	Quantity 1	***	***	***	***	***
Components: All types	Quantity 1	***	***	***	***	***
All scope merchandise	Quantity 1	***	***	***	***	***
Complete FRC	Share of quantity 1	***	***	***	***	***
Components: Knuckles	Share of quantity 1	***	***	***	***	***
Components: Other	Share of quantity 1	***	***	***	***	***
Components: All types	Share of quantity 1	***	***	***	***	***
All scope merchandise	Share of quantity 1	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-1 Continued
FRC: U.S. producers' U.S. shipments, by type and period

Quantity 2 in units; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 2	***	***	***	***	***
Components: Knuckles	Quantity 2	***	***	***	***	***
Components: Other	Quantity 2	***	***	***	***	***
Components: All types	Quantity 2	***	***	***	***	***
All scope merchandise	Quantity 2	***	***	***	***	***
Complete FRC	Share of quantity 2	***	***	***	***	***
Components: Knuckles	Share of quantity 2	***	***	***	***	***
Components: Other	Share of quantity 2	***	***	***	***	***
Components: All types	Share of quantity 2	***	***	***	***	***
All scope merchandise	Share of quantity 2	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table E-1 Continued
FRC: U.S. producers' U.S. shipments, by type and period

Value in 1,000 dollars; share in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Value	***	***	***	***	***
Components: Knuckles	Value	***	***	***	***	***
Components: Other	Value	***	***	***	***	***
Components: All types	Value	***	***	***	***	***
All scope merchandise	Value	***	***	***	***	***
Complete FRC	Share of value	***	***	***	***	***
Components: Knuckles	Share of value	***	***	***	***	***
Components: Other	Share of value	***	***	***	***	***
Components: All types	Share of value	***	***	***	***	***
All scope merchandise	Share of value	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-1 Continued
FRC: U.S. producers' U.S. shipments, by type and period

Unit value 1 in dollars per 1,000 pounds; unit value 2 in dollars per unit; ratio in pounds per unit

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Unit value 1	***	***	***	***	***
Components: Knuckles	Unit value 1	***	***	***	***	***
Components: Other	Unit value 1	***	***	***	***	***
Components: All types	Unit value 1	***	***	***	***	***
All scope merchandise	Unit value 1	***	***	***	***	***
Complete FRC	Unit value 2	***	***	***	***	***
Components: Knuckles	Unit value 2	***	***	***	***	***
Components: Other	Unit value 2	***	***	***	***	***
Components: All types	Unit value 2	***	***	***	***	***
All scope merchandise	Unit value 2	***	***	***	***	***
Complete FRC	Ratio	***	***	***	***	***
Components: Knuckles	Ratio	***	***	***	***	***
Components: Other	Ratio	***	***	***	***	***
Components: All types	Ratio	***	***	***	***	***
All scope merchandise	Ratio	***	***	***	***	***

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

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Zeroes, null values, and undefined calculations are suppressed and shown as "---".

Table E-2
FRC: U.S. importers' U.S. shipments of imports from China, by type and period

Quantity 1 in 1,000 pounds; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 1	***	***	***	***	***
Components: Knuckles	Quantity 1	***	***	***	***	***
Components: Other	Quantity 1	***	***	***	***	***
Components: All types	Quantity 1	***	***	***	***	***
All scope merchandise	Quantity 1	***	***	***	***	***
Complete FRC	Share of quantity 1	***	***	***	***	***
Components: Knuckles	Share of quantity 1	***	***	***	***	***
Components: Other	Share of quantity 1	***	***	***	***	***
Components: All types	Share of quantity 1	***	***	***	***	***
All scope merchandise	Share of quantity 1	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-2 Continued
FRC: U.S. importers' U.S. shipments of imports from China, by type and period

Quantity 2 in units; share in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 2	***	***	***	***	***
Components: Knuckles	Quantity 2	***	***	***	***	***
Components: Other	Quantity 2	***	***	***	***	***
Components: All types	Quantity 2	***	***	***	***	***
All scope merchandise	Quantity 2	***	***	***	***	***
Complete FRC	Share of quantity 2	***	***	***	***	***
Components: Knuckles	Share of quantity 2	***	***	***	***	***
Components: Other	Share of quantity 2	***	***	***	***	***
Components: All types	Share of quantity 2	***	***	***	***	***
All scope merchandise	Share of quantity 2	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table E-2 Continued
FRC: U.S. importers' U.S. shipments of imports from China, by type and period

Value in 1,000 dollars; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Value	***	***	***	***	***
Components: Knuckles	Value	***	***	***	***	***
Components: Other	Value	***	***	***	***	***
Components: All types	Value	***	***	***	***	***
All scope merchandise	Value	***	***	***	***	***
Complete FRC	Share of value	***	***	***	***	***
Components: Knuckles	Share of value	***	***	***	***	***
Components: Other	Share of value	***	***	***	***	***
Components: All types	Share of value	***	***	***	***	***
All scope merchandise	Share of value	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-2 Continued
FRC: U.S. importers' U.S. shipments of imports from China, by type and period

Unit value 1 in dollars per 1,000 pounds; unit value 2 in dollars per unit, ratios in pounds per unit

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Unit value 1	***	***	***	***	***
Components: Knuckles	Unit value 1	***	***	***	***	***
Components: Other	Unit value 1	***	***	***	***	***
Components: All types	Unit value 1	***	***	***	***	***
All scope merchandise	Unit value 1	***	***	***	***	***
Complete FRC	Unit value 2	***	***	***	***	***
Components: Knuckles	Unit value 2	***	***	***	***	***
Components: Other	Unit value 2	***	***	***	***	***
Components: All types	Unit value 2	***	***	***	***	***
All scope merchandise	Unit value 2	***	***	***	***	***
Complete FRC	Ratio	***	***	***	***	***
Components: Knuckles	Ratio	***	***	***	***	***
Components: Other	Ratio	***	***	***	***	***
Components: All types	Ratio	***	***	***	***	***
All scope merchandise	Ratio	***	***	***	***	***

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

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Zeroes, null values, and undefined calculations are suppressed and shown as "---".

Table E-3
FRC: U.S. importers' U.S. shipments of imports from nonsubject sources, by type and period

Quantity 1 in 1,000 pounds; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 1	***	***	***	***	***
Components: Knuckles	Quantity 1	***	***	***	***	***
Components: Other	Quantity 1	***	***	***	***	***
Components: All types	Quantity 1	***	***	***	***	***
All scope merchandise	Quantity 1	***	***	***	***	***
Complete FRC	Share of quantity 1	***	***	***	***	***
Components: Knuckles	Share of quantity 1	***	***	***	***	***
Components: Other	Share of quantity 1	***	***	***	***	***
Components: All types	Share of quantity 1	***	***	***	***	***
All scope merchandise	Share of quantity 1	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-3 Continued
FRC: U.S. importers' U.S. shipments of imports from nonsubject sources, by type and period

Quantity 2 in units; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 2	***	***	***	***	***
Components: Knuckles	Quantity 2	***	***	***	***	***
Components: Other	Quantity 2	***	***	***	***	***
Components: All types	Quantity 2	***	***	***	***	***
All scope merchandise	Quantity 2	***	***	***	***	***
Complete FRC	Share of quantity 2	***	***	***	***	***
Components: Knuckles	Share of quantity 2	***	***	***	***	***
Components: Other	Share of quantity 2	***	***	***	***	***
Components: All types	Share of quantity 2	***	***	***	***	***
All scope merchandise	Share of quantity 2	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table E-3 Continued
FRC: U.S. importers' U.S. shipments of imports from nonsubject sources, by type and period

Value in 1,000 dollars; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Value	***	***	***	***	***
Components: Knuckles	Value	***	***	***	***	***
Components: Other	Value	***	***	***	***	***
Components: All types	Value	***	***	***	***	***
All scope merchandise	Value	***	***	***	***	***
Complete FRC	Share of value	***	***	***	***	***
Components: Knuckles	Share of value	***	***	***	***	***
Components: Other	Share of value	***	***	***	***	***
Components: All types	Share of value	***	***	***	***	***
All scope merchandise	Share of value	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-3 Continued
FRC: U.S. importers' U.S. shipments of imports from nonsubject sources, by type and period

Unit value 1 in dollars per 1,000 pounds; unit value 2 in dollars per unit; ratios in pounds per unit

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Unit value 1	***	***	***	***	***
Components: Knuckles	Unit value 1	***	***	***	***	***
Components: Other	Unit value 1	***	***	***	***	***
Components: All types	Unit value 1	***	***	***	***	***
All scope merchandise	Unit value 1	***	***	***	***	***
Complete FRC	Unit value 2	***	***	***	***	***
Components: Knuckles	Unit value 2	***	***	***	***	***
Components: Other	Unit value 2	***	***	***	***	***
Components: All types	Unit value 2	***	***	***	***	***
All scope merchandise	Unit value 2	***	***	***	***	***
Complete FRC	Ratio	***	***	***	***	***
Components: Knuckles	Ratio	***	***	***	***	***
Components: Other	Ratio	***	***	***	***	***
Components: All types	Ratio	***	***	***	***	***
All scope merchandise	Ratio	***	***	***	***	***

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

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Zeroes, null values, and undefined calculations are suppressed and shown as "---".

Table E-4
FRC: U.S. importers' U.S. shipments of imports from all import sources, by type and period

Quantity 1 in 1,000 pounds; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 1	***	***	***	***	***
Components: Knuckles	Quantity 1	***	***	***	***	***
Components: Other	Quantity 1	***	***	***	***	***
Components: All types	Quantity 1	***	***	***	***	***
All scope merchandise	Quantity 1	***	***	***	***	***
Complete FRC	Share of quantity 1	***	***	***	***	***
Components: Knuckles	Share of quantity 1	***	***	***	***	***
Components: Other	Share of quantity 1	***	***	***	***	***
Components: All types	Share of quantity 1	***	***	***	***	***
All scope merchandise	Share of quantity 1	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-4 Continued
FRC: U.S. importers' U.S. shipments of imports from all import sources, by type and period

Quantity 2 in units; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Quantity 2	***	***	***	***	***
Components: Knuckles	Quantity 2	***	***	***	***	***
Components: Other	Quantity 2	***	***	***	***	***
Components: All types	Quantity 2	***	***	***	***	***
All scope merchandise	Quantity 2	***	***	***	***	***
Complete FRC	Share of quantity 2	***	***	***	***	***
Components: Knuckles	Share of quantity 2	***	***	***	***	***
Components: Other	Share of quantity 2	***	***	***	***	***
Components: All types	Share of quantity 2	***	***	***	***	***
All scope merchandise	Share of quantity 2	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table E-4 Continued
FRC: U.S. importers' U.S. shipments of imports from all import sources, by type and period

Value in 1,000 dollars; shares in percent

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Value	***	***	***	***	***
Components: Knuckles	Value	***	***	***	***	***
Components: Other	Value	***	***	***	***	***
Components: All types	Value	***	***	***	***	***
All scope merchandise	Value	***	***	***	***	***
Complete FRC	Share of value	***	***	***	***	***
Components: Knuckles	Share of value	***	***	***	***	***
Components: Other	Share of value	***	***	***	***	***
Components: All types	Share of value	***	***	***	***	***
All scope merchandise	Share of value	100.0	100.0	100.0	100.0	100.0

Table continued.

Table E-4 Continued
FRC: U.S. importers' U.S. shipments of imports from all import sources, by type and period

Unit value 1 in dollars per 1,000 pounds; unit value 2 in dollars per unit; ratios in pounds per unit

Item	Measure	2018	2019	2020	Jan-Jun 2020	Jan-Jun 2021
Complete FRC	Unit value 1	***	***	***	***	***
Components: Knuckles	Unit value 1	***	***	***	***	***
Components: Other	Unit value 1	***	***	***	***	***
Components: All types	Unit value 1	***	***	***	***	***
All scope merchandise	Unit value 1	***	***	***	***	***
Complete FRC	Unit value 2	***	***	***	***	***
Components: Knuckles	Unit value 2	***	***	***	***	***
Components: Other	Unit value 2	***	***	***	***	***
Components: All types	Unit value 2	***	***	***	***	***
All scope merchandise	Unit value 2	***	***	***	***	***
Complete FRC	Ratio	***	***	***	***	***
Components: Knuckles	Ratio	***	***	***	***	***
Components: Other	Ratio	***	***	***	***	***
Components: All types	Ratio	***	***	***	***	***
All scope merchandise	Ratio	***	***	***	***	***

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

Note: Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Zeroes, null values, and undefined calculations are suppressed and shown as "---".

APPENDIX F

STEEL SCRAP PRICES BY SOURCE

Table F-1
Steel scrap: Prices, by month and by source of scrap

Prices in dollars per gross ton

Year	Month	No1 busheling	No1 heavy melt	shredded auto scrap
2018	January	***	***	***
2018	February	***	***	***
2018	March	***	***	***
2018	April	***	***	***
2018	May	***	***	***
2018	June	***	***	***
2018	July	***	***	***
2018	August	***	***	***
2018	September	***	***	***
2018	October	***	***	***
2018	November	***	***	***
2018	December	***	***	***
2019	January	***	***	***
2019	February	***	***	***
2019	March	***	***	***
2019	April	***	***	***
2019	May	***	***	***
2019	June	***	***	***
2019	July	***	***	***
2019	August	***	***	***
2019	September	***	***	***
2019	October	***	***	***
2019	November	***	***	***
2019	December	***	***	***

Table continued on next page.

Table F-1 Continued
Steel scrap: Prices, by month and by source of scrap

Prices in dollars per gross ton

Year	Month	No1 busheling	No1 heavy melt	Shredded auto scrap
2020	January	***	***	***
2020	February	***	***	***
2020	March	***	***	***
2020	April	***	***	***
2020	May	***	***	***
2020	June	***	***	***
2020	July	***	***	***
2020	August	***	***	***
2020	September	***	***	***
2020	October	***	***	***
2020	November	***	***	***
2020	December	***	***	***
2021	January	***	***	***
2021	February	***	***	***
2021	March	***	***	***
2021	April	***	***	***
2021	May	***	***	***
2021	June	***	***	***
2021	July	***	***	***
2021	August	***	***	***
2021	September	***	***	***

Source: American Metal Market LLC. Accessed October 13, 2021.