Malleable Iron Pipe Fittings From China

Investigation No. 731-TA-1021 (Final)

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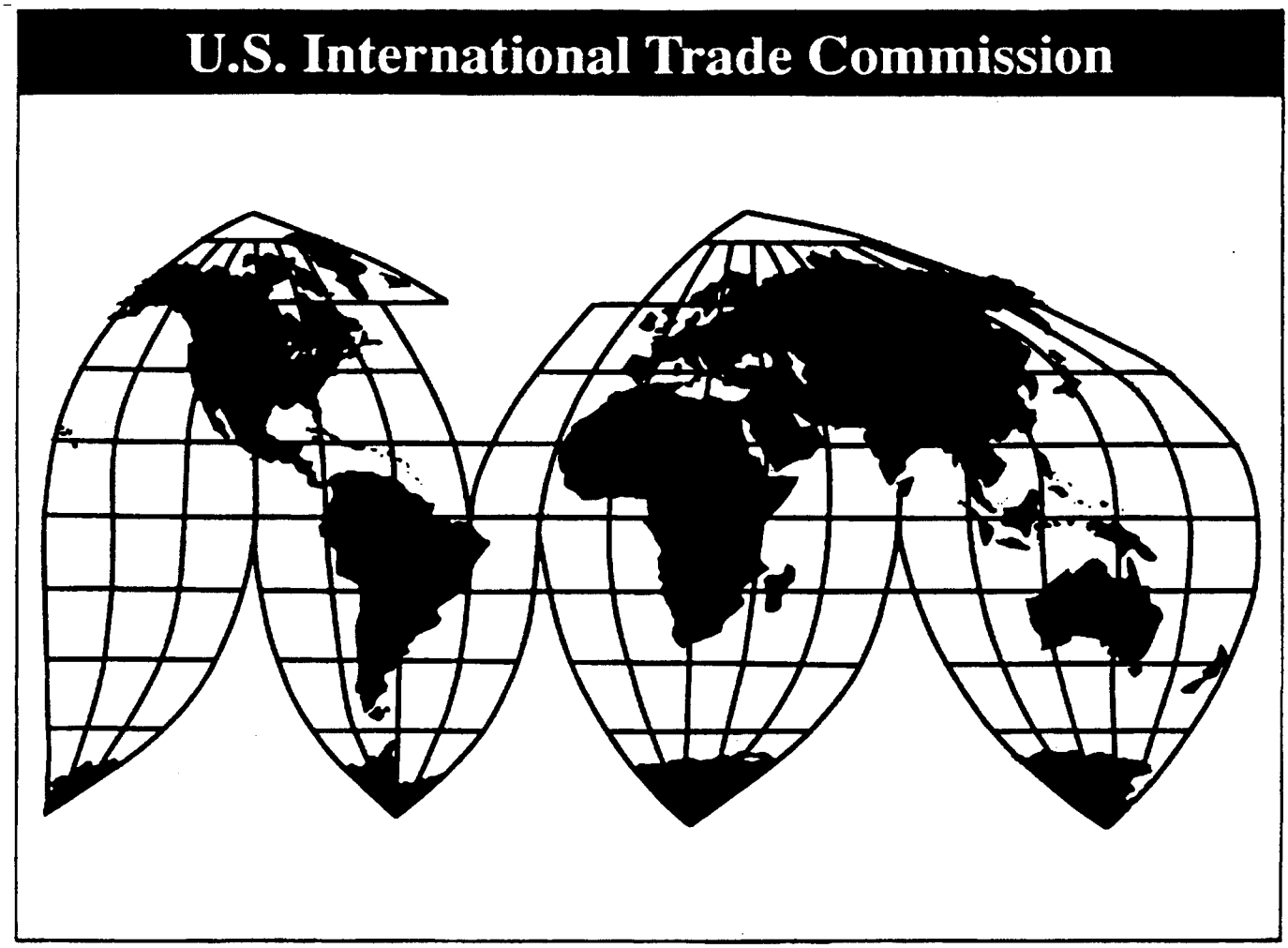
U.S. International Trade Commission



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Note–Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1021 (Final)

MALLEABLE IRON PIPE FITTINGS FROM CHINA

DETERMINATION

On the basis of the record[1] developed in the subject investigation, the United States International Trade Commission (Commission) determines, pursuant to section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)) (the Act), that an industry in the United States is threatened with material injury by reason of imports from China of malleable iron pipe fittings, provided for in subheading 7307.19.90 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be sold in the United States at less than fair value (LTFV).

BACKGROUND

The Commission instituted this investigation effective October 30, 2002, following receipt of a petition filed with the Commission and Commerce by Anvil International, Inc., Portsmouth, NH, and Ward Manufacturing, Inc., Blossburg, PA. The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of malleable iron pipe fittings from China were being sold at LTFV within the meaning of section 733(b) of the Act (19 U.S.C. § 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigation and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of July 10, 2003 (68 FR 41176). The hearing was held in Washington, DC, on October 23, 2003, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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

VIEWS OF THE COMMISSION

Based on the record in this investigation, we determine that an industry in the United States is threatened with material injury by reason of imports of malleable iron pipe fittings ("malleable fittings") from China that are sold in the United States at less than fair value ("LTFV").

The petition in this investigation was filed on October 30, 2002, by domestic producers Anvil International, Inc. ("Anvil") and Ward Manufacturing, Inc. ("Ward") (collectively "petitioners"). The other principal party to the investigation is B&K Industries, Inc. ("B&K"), a respondent interested party. B&K imports malleable fittings from China and opposes the petition.

I. SUMMARY

Malleable fittings are used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing a pipe. They are principally used in the gas and water systems of residential and non-residential buildings and the piping systems of oil refineries. Malleable fittings are distributed through two channels, wholesale and retail, each of which has experienced consolidation in recent years. The malleable fittings sold for residential uses and for commercial and industrial uses are the same, and the domestic like product and subject imports compete directly in both channels. Purchasers reported an increasing overlap in customers between the two channels, citing the tendency of large hardware chains to offer malleable fittings to contractors, who traditionally purchased from wholesalers rather than retailers. The line between the two channels is blurring.

Although the volume of subject imports increased substantially in 2002 and undersold the domestic like product by increasing margins, the domestic industry remains healthy. Petitioner Anvil operated two foundries prior to August 2001, and then consolidated the production of malleable and non-malleable fittings at one foundry. Declining operating income over the period was due largely to increased unit costs beginning in 2001, which was caused in part by ***, and the industry experienced increases in raw material costs and environmental protection measures. Moreover, some end users prefer to use domestic malleable fittings. While this tradition of domestic preference is eroding, this preference helped to mitigate the effects of rising subject imports during the period of investigation as shown in the absence of significant price effects on domestic prices.

The domestic industry, however, is threatened with material injury by reason of subject imports. There exists a significant rate of increase in subject import volume during the period of investigation, particularly in 2002. China also possesses a *** and growing available capacity to produce subject merchandise, and China's malleable fittings industry is export-oriented, with a large share of exports directed to the U.S. market. Domestically produced and imported malleable fittings are substitutable, and price is an important factor in purchasing decisions. The disparity between prices for the domestic like product and subject imports has been increasing so significantly that the preference of certain purchasers for the domestic like product is waning. This growing price disparity will likely heighten demand for subject imports and accelerate penetration of the market by subject imports as purchasers at all levels of distribution increasingly switch from the domestic product to the subject imports to take advantage of the price difference. The convergence of these factors indicates that a significant increase in the volume and market share of subject imports from China is likely in the imminent future, which will have a significant negative impact on the domestic industry.

II. DOMESTIC LIKE PRODUCT

A. In General

In determining whether 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."[1] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[2] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation . . . ."[3]

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.[4] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[5] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[6] Although the Commission must accept the determination of the Department of Commerce ("Commerce") as to the scope of the imported merchandise that has been found to be subsidized or sold at LTFV, the Commission determines what domestic product is like the imported articles Commerce has identified.[7]

B. Product Description

Commerce's final determination defined the imported merchandise within the scope of this investigation as:

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[1] 19 U.S.C. § 1677(4)(A).

[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(10).

[4] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

[6] Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49. See also S. Rep. No. 96-249 at 90-91 (1979) (Congress has indicated that the 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.").

[7] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find single like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-752 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.90.30, 7307.19.90.60 and 7307.19.90.80 of the Harmonized Tariff Schedule (HTSUS). Excluded from the scope of this investigation are metal compression couplings, which are imported under HTSUS number 7307.19.90.80. A metal compression coupling consists of a coupling body, two gaskets, and two compression nuts. These products range in diameter from ½ inch to 2 inches and are carried only in galvanized finish.[8]

Malleable fittings are used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing a pipe.[9] The metal from which they are made, cast iron, is a general term for alloys primarily composed of iron, carbon (greater than two percent), and silicon. The metal is subjected to a lengthy annealing process following casting that improves its machineability, ductility, and durability.[10] Malleable fittings are employed when shock and vibration resistance is required and the fittings must withstand quick temperature changes. They are principally used in the gas and water systems of residential and non-residential buildings and the piping systems of oil refineries.[11]

C. Analysis

In the preliminary phase of this investigation, petitioners argued for a single domestic like product definition co-extensive with the scope. B&K concurred. The Commission determined that, because of differences in physical characteristics, uses and production processes, the lack of interchangeability, and the perceptions of those in the trade, malleable fittings were distinct from non-malleable fittings and grooved fittings. Based on the record, the Commission found one domestic like product consisting of all malleable fittings other than grooved fittings, co-extensive with the scope.[12] The Commission noted that this definition is consistent with that found in previous antidumping investigations involving the subject pipe fittings.[13]

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[8] Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings From the People's Republic of China, 68 Fed. Reg. 61395, 61397 (October 28, 2003).

[9] Confidential Staff Report (CR) at I-7, Public Staff Report (PR) at I-5.

[10] CR at I-7-I-8, PR at I-6.

[11] CR at I-7, PR at I-6.

[12] Malleable Iron Pipe Fittings from China, 731-TA-1021 (Preliminary), USITC Pub. 3568 (December 2002) (Preliminary Determination), at 6-7.

[13] See Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000) (Sunset Determination), at 5; Certain Malleable Cast-Iron Pipe Fittings from Thailand, Inv. No. 731-TA-348 (Final), USITC Pub. 2004 (June 1987) (Original Thailand Determination), at 4-5; Certain Cast-Iron Pipe Fittings from Japan, Inv. No. 731-TA-347 (Final), USITC Pub. 1987 (June 1987) (Original Japan Determination), at 4-5; Certain Malleable Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986) (Original Brazil/Korea/Taiwan Determination), at 4, aff'd, Fundicao Tupy S.A. v. United States, 859 F. 2d 915 (Fed. Cir. 1988) (affirming 678 F. Supp. 898 (Ct. Int'l Trade 1988)). Preliminary Determination at 5-6. Cf. Certain Cast-Iron Pipe Fittings from Brazil, Inv. No. 701-TA-221 (Final), USITC Pub. 1681 at 4 (April 1985) (distinguishing malleable and non-malleable cast iron pipe fittings; finding two separate like products); cf. also Malleable Cast-Iron Pipe and Tube Fittings, Inv. No. TA-201-26, USITC Pub. 835 at 5 (September 1977) (domestic industry defined as facilities devoted to the production of malleable cast-iron pipe and tube fittings).

In this final phase investigation, no party has objected to the Commission's preliminary domestic like product finding and the record does not indicate a basis for reaching a different conclusion.[14] Accordingly, we find one domestic like product consisting of all malleable fittings other than grooved fittings, co-extensive with the scope.

III. DOMESTIC INDUSTRY

The domestic industry is defined as "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[15] Based on our domestic like product finding, we find that the domestic industry consists of all producers of malleable fittings corresponding to the scope.[16]

IV. MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS[17]

In the final phase of antidumping duty investigations, the Commission determines whether an industry in the United States is materially injured by reason of the imports under investigation.[18] In making this determination, the Commission must consider the volume of imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[19] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[20] In assessing whether 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.[21] 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."[22]

For the reasons discussed below, we determine that the domestic industry is not materially injured by reason of subject imports from China found to be sold in the United States at LTFV.

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[14] CR at I-6-I-11, PR at I-5-I-8. The sole development since the preliminary phase concerns exclusion language added to the original scope. The exclusion of certain metal compression couplings, however, does not alter our analysis because there is no domestic production of the excluded item. CR at I-6 n.11, PR at I-4 n.11. The domestic product that is like the subject merchandise continues to be the product that is co-extensive with the scope.

[15] 19 U.S.C. § 1677(4)(A).

[16] No related parties issues are raised under 19 U.S.C. § 1677(4)(B).

[17] The statutory provision for negligible imports, 19 U.S.C. § 1677(24), does not apply because subject imports from China constituted substantially more than three percent of total imports in the most recent twelve-month period for which data are available that precedes the filing of the petition. See CR and PR at Table IV-2.

[18] 19 U.S.C. § 1673d(b).

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

[20] 19 U.S.C. § 1677(7)(A).

[21] 19 U.S.C. § 1677(7)(C)(iii).

[22] Id.

A. Conditions of Competition

The following conditions of competition are pertinent to our analysis in this investigation.

The demand for malleable fittings in the United States market is derived from the demand for the systems that incorporate malleable fittings. The demand for systems that contain malleable fittings tends to follow demand for new and retrofit construction in the residential and commercial/industrial building markets.[23] Data collected in this investigation show that the quantity of apparent U.S. consumption of malleable fittings irregularly decreased by *** percent from *** short tons in 2000 to *** short tons in 2002.[24] Most recently, apparent U.S. consumption was *** percent higher in interim 2003 (*** short tons) compared to interim 2002 (*** short tons).[25]

The petitioners, Anvil and Ward, accounted for *** percent of the U.S. production of malleable fittings in 2002.[26] Anvil operated two foundries prior to August 2001, one in Statesboro, Georgia, at which non-malleable fittings were the main product line, and one in Columbia, Pennsylvania, at which Anvil mainly produced malleable fittings. In August 2001, Anvil sold the foundry in Statesboro and consolidated the production of malleable and non-malleable fittings at the Columbia foundry. This consolidation reduced Anvil's capacity to produce malleable fittings.[27]

Malleable fittings produced in China and domestically produced malleable fittings are substitutable.[28] We note that customers in the past, prior to the period of investigation, perceived quality differences between the two, but this perception, and any quality gap that existed, have essentially dissipated.[29] During the period of investigation, subject imports are fully competitive with the domestic like product on quality.[30] Malleable fittings are produced for the U.S. market to three separate, uniform specifications: a material specification (ASTM), a dimensional specification (ANSI and ASME), and a

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[23] CR at II-10 and PR at II-6.

[24] Apparent U.S. consumption in 2002 reflected a *** percent increase from 2001, which was *** short tons. CR, PR at Tables IV-4, C-1.

[25] CR, PR at Tables IV-4, C-1. We do not find that flexible tubing such as corrugated stainless steel tubing ("CSST") has had or will likely have a significant impact on the demand for malleable fittings for the time periods subject to this investigation. *** estimates that CSST replacement of malleable fittings has affected the demand for malleable fittings by only *** percent between 2000 and 2003, and estimates that CSST sales will ***. Petitioners' Posthearing Brief at 2 n.3 & Exh. 1. See also Transcript of Hearing (October 23, 2003) ("Tr.") at 58 (Thomas E. Fish, President, Anvil) ("I don't think from a cost-effectiveness standpoint in new construction it can compete with the steel pipe and fittings."). We note, moreover, that CSST is creating new opportunities in the gas industry for which there are no malleable fittings applications. Tr. at 57 (Tom Gleason, Vice President, Ward) (CSST has "given the gas industry opportunities to go places they have never gone before, so it is not that CSST is a substitution, it basically created a market for itself.").

[26] CR at III-1, PR at III-1; CR, PR at Table III-2. The Commission also received a questionnaire response from domestic producer Buck Co., Inc. ("Buck"), which is engaged in ***. CR, PR at Table III-2. A fourth and *** domestic producer, Lancaster Malleable Casting Co., permanently shut down malleable fittings production in early 2003 and apparently is out of business. CR at III-1 n.1, PR at III-1 n.1.

[27] CR at III-2-III-3, PR at III-2; Tr. at 18 (Mr. Fish).

[28] CR at II-13-II-19, PR at II-8-II-11.

[29] CR at I-10, PR at I-7; CR, PR at Table II-1; Tr. at 33 (A.J. Maloney, Executive Vice President, Coburn Supply).

[30] Tr. at 59-61 (various witnesses); CR, PR at Table II-1 (most responding purchasers reported that U.S. malleable fittings and subject imports were of comparable quality).

thread specification. Malleable fittings manufactured in the United States and those manufactured in China that subsequently are sold in the U.S. market meet these standards.[31]

Some end-users nevertheless prefer to use domestic malleable fittings. The continuance of such a preference appears to be the product of tradition rather than any qualitative factor.[32] Selective purchasing laws only apply to a very small part of the malleable fittings market.[33] Moreover, this tradition of domestic preference is eroding.[34] As cost cutting reaches all aspects of construction activity, price, already an important factor in malleable fittings purchasing decisions,[35] is growing in importance.[36]

B&K argues that there is only limited competition between subject imports and the domestic like product due to market segmentation, relying in part on the determination in the February 2000 five-year review covering malleable fittings.[37] In the preliminary phase, B&K contended that the market consists of two segments, wholesale and retail, and that U.S. producers by choice focus on the higher-priced wholesale market, while subject imports are directed to the lower-priced retail market.[38] In the final phase, B&K has focused on the end uses to which the malleable fittings are put – residential and commercial/industrial – to support the contention that subject imports and the domestic like product do not compete to any measurable degree due to market segmentation.[39] Petitioners contend that subject

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[31] CR at I-10, PR at I-7.

[32] See, e.g., CR at V-31, PR at V-8 (noting, *inter alia*, that some purchasers connect domestic preference to "union towns"); Tr. at 66 (Roger B. Schagrin, Petitioners' Counsel) (noting strong preference in certain cities with plumbing trade unions, a preference estimated to account for "10 to 15 percent" of the market); Tr. at 69-70 (Mr. Gleason) (testifying to decades-old relationships with suppliers; "[w]e have had loyalty, but I mean pricing is getting so bad that they are saying, love ya, but see ya.").

[33] Tr. at 66 (Mr. Schagrin) (five percent or less of the market).

[34] For example, ***. ***. ***. *** reported that 30 percent to 40 percent of its customer base preferred domestic malleable fittings, but that this figure would decline in the future. *** noted that the large price differential between domestic malleable fittings and fittings imported from China would erode its customers' preference for domestic fittings. *** reported a shifting preference due to the large price differential. CR at V-31-V-32, PR at V-8-V-9.

[35] CR at II-18, PR at II-8-II-9.

[36] As one witness explained: "[T]ypically in a job where the contractor is installing steel pipe, and malleable fittings, the malleable fittings end up being a relatively small dollar-wise part of that purchase; that the bigger dollars are in the steel pipe." Thus, malleable fittings prices have not been on the contractor's "radar screen." "But that has been changing . . . [C]ontractors are starting to look at . . . every aspect of their pricing to make sure that they are competitive . . . " Tr. at 87 (Mr. Maloney). See also id. at 88 (Charles Kafenshtock, President, Kast Marketing) ("In Chicago, over the last three years the largest of the five contractors doing residential construction, three of them are now specifying Chinese product because they have become aware of the price spread . . . .")

[37] Malleable Cast Iron Pipe Fittings from Brazil, Japan, Korea, Taiwan, and Thailand, Inv. Nos. 731-TA-278-280 (Review) and 731-TA-347-348 (Review), USITC Pub. 3274 (February 2000) (Sunset Determination). In the Sunset Determination, the Commission found the existence of "fairly distinct wholesale and retail markets for [malleable fittings]." USITC Pub. at 8. Two Commissioners further found that, "the wholesale market is segmented into primary wholesalers (those selling to large commercial, industrial, and government projects, which account for roughly 80 percent of fittings sold in the wholesale market) and secondary wholesalers (small wholesalers who generally supply residential plumbing contractors)." USITC Pub. 3274 at 14 (Separate Views of Vice Chairman Marcia E. Miller and Commissioner Jennifer A. Hillman) (footnote omitted).

[38] Preliminary Determination at 8-9.

[39] According to B&K's president, Peter Berkman,

> [T]he reason why we've decided to focus on end use, we believe it will help the [C]ommission to understand this segmented nature, that wholesale/retail, it's more complicated than just wholesale/{retail}.

(continued...)

imports and the domestic like product compete nationwide in the same distribution system and that B&K's reliance on end uses to differentiate the two does not reflect competition in the marketplace.[40] Based on the record in this investigation, and as discussed below, we are satisfied that subject imports compete at all levels and, further, that there has been a blurring of the line between retail and wholesale and residential and commercial/industrial channels since the Sunset Determination.

Malleable fittings are distributed through two channels, wholesale and retail,[41] each of which has experienced consolidation in recent years.[42] B&K's experience of selling *** percent of its imports to retail purchasers is not representative of the experience of all importers of subject fittings. Importers reported that sales to wholesalers accounted for 55.0 percent of their total quantity sold in 2002. In 2000 and 2001, these same importers reported that sales to the wholesale market were 56.2 percent and 60.7 percent, respectively.[43] Of 18 importers, 11 reported sales of fittings only to wholesalers, four reported selling to both wholesalers and retailers, and three reported selling exclusively to retailers.[44] The domestic industry has continued to sell *** of its production to wholesalers, but has also sold to the retail market throughout the period of investigation.[45] The domestic like product and subject imports thus compete directly in both channels.

Moreover, most purchasers reported an increasing overlap in customers between the two channels, citing the tendency of large hardware chains to offer malleable fittings to contractors, who are traditionally wholesale purchasers.[46] The line between the two channels is thus blurring.[47] Finally, the malleable fittings sold for residential uses and for commercial/industrial uses are the same,[48] and there is evidence of competition between subject imports and the domestic like product across all applications.[49] In the wholesale channel, including any category within it, increasingly price-conscious end-users are shaping the competition.

Finally, nonsubject malleable fittings were imported during the period of investigation. Shipments increased 19.6 percent from 2000 to 2002, rising from 9,988 short tons in 2000 to 11,946

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[39] (...continued)

> You have a wholesale market that is bifurcated and you have a retail market that is distinct but crosses over with the lower end of the wholesale market.

Tr. at 212 (Mr. Berkman). See also B&K's Prehearing Brief at 3-6, Posthearing Brief at 5-11, and Final Comments at 1-8.

[40] See Petitioners' Prehearing Brief at 9-22, Posthearing Brief at 3-11, and Final Comments at 1-2.

[41] CR at II-1, PR at II-1.

[42] See, e.g., Tr. at 43-46 (Michael McInerney, Chairman and Chief Executive Officer, Thos. Somerville Co.).

[43] CR at II-2, PR at II-2.

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

[45] U.S. producers' sales to wholesalers accounted for *** percent of total quantity sold in 2000, 2001, and 2002, respectively. Individually, Anvil sold *** percent of its total quantity of malleable fittings to retailers in 2000, *** percent in 2001, *** percent in 2002, and *** percent in interim 2003. Ward *** malleable fittings to retailers during the period of investigation, but sold to wholesalers who sold to retailers. CR at II-2 & n.7, PR at II-2 & n.7.

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

[47] CR at II-3, PR at II-3. This also explains why some purchasers characterized their business as involving both markets. ***, for example, reported that they sold malleable fittings in both the wholesale and retail markets. CR at II-3 n.11, PR at II-2 n.11; *** Purchasers' Questionnaire at 4-5.

[48] Tr. at 62 (Mr. Gleason).

[49] For example, six purchasers reported either that a "substantial" amount of subject imports, or a "measurable and growing" share, are sold for commercial/industrial construction. CR at II-4-II-5, PR at II-3. *** CR at II-4-II-5 n.14, PR at II-3 n.14.

short tons in 2002. Shipments of nonsubject imports were 8,290 short tons in interim 2003, compared with 4,968 short tons in 2002, an increase of 66.9 percent.[50]

B. Volume

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[51]

The quantity of subject imports increased substantially by 54.2 percent between 2000 and 2002.[52] The quantity of subject imports increased 6.2 percent over the interim periods.[53]

Shipments of subject imports as a share of apparent U.S. consumption increased from *** percent in 2000 to *** percent in 2001, and to *** percent in 2002 as apparent U.S. consumption declined *** percent.[54] Subject imports increased relative to U.S. production from *** percent in 2000 to *** percent in 2001, and to *** percent in 2002.[55]

Based on the foregoing data, we find the volume of subject imports, both in absolute terms, and relative to production and apparent consumption in the United States, as well as the increase in that volume, to be significant.

C. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[56]

The record in this investigation, as explained above, indicates that the domestic like product and subject fittings are substitutable and that price is an important factor in purchasing decisions. During the investigation, the Commission obtained pricing data for eight malleable fittings products. The products were in sizes that were estimated to account for approximately *** percent of the malleable fittings

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[50] CR at IV-3, PR at IV-3; CR, PR at Tables IV-2, C-1.

[51] 19 U.S.C. § 1677(7)(C)(i).

[52] The quantity of subject imports was 13,492 short tons in 2000, 13,443 short tons in 2001, and 20,809 short tons in 2002. CR, PR at Tables IV-2, C-1.

[53] In interim 2002 and interim 2003, subject imports were 8,954 short tons and 9,505 short tons, respectively. CR, PR at Tables IV-2, C-1.

[54] Subject imports' share of apparent U.S. consumption leveled off in the interim periods (*** percent in interim 2002 and *** percent in interim 2003). CR, PR at Table IV-4.

[55] Subject imports' ratio to U.S. production was higher in interim 2003 at *** percent compared to *** percent in interim 2002. CR, PR at Table IV-2.

[56] 19 U.S.C. § 1677(7)(C)(ii).

market (two inches and under).[57] U.S. producers and importers were requested to provide quarterly data for retail and wholesale sales to unrelated purchasers during the period January 2000 through June 2003. The collected data accounted for *** percent of the commercial shipments of Anvil and Ward during 2002 and *** percent of subject imports from 2002.[58]

The pricing data indicate consistent underselling by the subject imports. In 111 of 112 quarterly comparisons for product sold to retailers, and in all 112 quarterly comparisons of product sold to wholesalers subject imports undersold the domestic like product.[59] The margins of subject import underselling with respect to sales to retailers ranged from 6.1 percent to 72.7 percent.[60] The margins of underselling with respect to sales to wholesalers ranged from 33.6 percent to 81.3 percent.[61] The pricing trends generally show increasing margins of underselling between 2000 and 2003.[62]

Underselling by the subject imports was consistent and significant. Nevertheless, the pricing data and other record information do not yet show significant depression or suppression of prices for the domestic like product. Rather, the pricing data show that prices for the domestic products increased over the period of investigation, from *** percent to *** percent for product sold to retailers and from *** percent to *** percent for product sold to wholesalers, notwithstanding the overall decline in apparent U.S. consumption.[63] Moreover, given the demand trends during the period of investigation, it does not appear that the domestic industry would have been able to raise prices further, regardless of any price effects of subject imports from China.[64] While we were able to confirm some of the lost sales allegations of petitioners, the confirmed instances are not sufficient to affect our conclusion of a lack of significant price effects.[65] In addition, there were no allegations of lost revenues, consistent with the view that the effects of subject imports were experienced primarily through lost volume rather than an effort by the domestic industry to compete with subject imports on the basis of price. For all of these reasons, we do not find the price effects of the subject imports to be significant.

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[57] Petitioners' Posthearing Brief at 7.

[58] CR at V-3-V-4, PR at V-2.

[59] CR, PR at Tables V-18, V-19.

[60] CR, PR at Table V-18.

[61] CR, PR at Table V-19.

[62] CR, PR at Figures V-1-V-15. There were only three instances in which the margin of underselling did not increase during period of investigation. Subject import price increases for products 2, 3, and 8 as sold to wholesalers were greater than domestic price increases for the same products in the same channel. CR, PR at Table V-17.

[63] CR and PR at Table V-19. The average unit values (AUVs) for subject imports and the domestic like product, to the extent they afford a useful measure, do not suggest significant price effects. Domestic malleable fittings AUVs increased *** percent between 2000 ($*** per short ton) and 2002 ($*** per short ton). Subject import AUVs declined 6.7 percent between 2000 ($1,559) and 2002 ($1,455). During the interim periods, domestic malleable fittings AUVs declined *** percent from $*** in interim 2001 to $*** in interim 2002. Subject import AUVs declined 7.4 percent from $1,495 in interim 2001 to $1,384 in interim 2002. CR, PR at Table C-1.

[64] We note that unit costs increased at a greater pace than AUVs. However, we have found that domestic producers were able to increase prices to a certain degree. Moreover, as discussed further below, increases in unit COGS over the period were due to a number of factors, primarily ***, as well as increasing scrap costs, natural gas costs, medical costs, environmental costs, and labor costs.

[65] CR, PR at V-32-V-34.

D. Impact

In examining the impact of the subject imports on the domestic industry, we consider all relevant economic factors that bear on the state of the industry in the United States.[66] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, and research and development. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[67] [68]

We find that the subject imports did not have a significant adverse impact on the domestic industry's performance. Although the volume of subject imports increased significantly, diminishing several financial performance indicators of the domestic industry, we do not find the domestic industry presently materially injured.

The domestic industry's *** operating income declined as subject imports increased, but remained healthy during the period of investigation. The operating income was $*** in 2000, $*** in 2001, and $*** in 2002.[69] The operating income margin increased from *** percent of total net sales in 2000 to *** percent in 2001, and then decreased to a still healthy *** percent in 2002. The operating income margin was *** percent in interim 2001, compared to *** percent in interim 2003.[70]

Declining operating income in 2002 is due largely to increased unit costs beginning in 2001.[71] Unit COGS increased from $*** per short ton in 2000, to $*** per short ton in 2001, and further to $*** per short ton in 2002. Unit COGS were $*** per short ton in interim 2002 compared to $*** per short ton in interim 2003.[72] On a per-short ton basis, unit COGS increased faster than the rise in the AUVs, resulting in a lower gross profit. Unit COGS also increased in each year as a ratio to domestic production.[73] Increases in unit COGS over the period are due to a variety of factors, but primarily they

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[66] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." Id. at 885.).

[67] 19 U.S.C. § 1677(7)(C)(iii). See also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 (Feb. 1999) at 25 n.148.

[68] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii) (V). In its final determination, Commerce found a weighted-average less-than-fair-value margin of 11.35 percent for Jinan Meide Casting Co., Ltd. (Jinan Meide), 14.32 percent for Beijing Sai Lin Ke Hardware Co., Ltd. (BSK), 7.35 percent for Langfang Pannext Pipe Fitting Co., Ltd. (Langfang), 10.96 percent for Chengde Malleable Iron General Factory (Chengde) and SCE Co. Ltd. (SCE), and a PRC-wide rate of 111.36 percent. 68 Fed. Reg. 61395 (October 28, 2003).

[69] Operating income further was $*** million in interim 2002 as compared to $*** million in interim 2003. CR, PR at Table VI-1.

[70] CR, PR at Table VI-1.

[71] CR and PR at Table VI-6.

[72] CR, PR at Table VI-1.

[73] CR, PR at Tables III-2, VI-2.

are due to ***,[74] and increasing scrap costs, natural gas costs, medical costs, environmental costs, and labor costs.[75]

The diminishing performance of the industry was also manifested in other indicators during the period of investigation. Total U.S. capacity decreased by *** percent from 2000 to 2002,[76] as did capacity utilization, which declined by *** percentage points during the same period.[77] However, these declines were ***.[78] Total U.S. production decreased *** percent from 2000 to 2002; the *** decrease of *** percent was from 2000 to 2001, which is attributable to declining demand and was prior to the significant rise in subject imports in 2002.[79] U.S. shipments declined from *** short tons in 2000 to *** short tons in 2002.[80] The market share of the domestic industry decreased from *** percent in 2000 to *** percent in 2002.[81] Domestic producers' inventories, however, declined between 2000 and 2002, and in interim 2003 as compared to interim 2002 although this may reflect ***.[82]

The employment data generally show declines during the period of investigation as well, but a significant portion of this decline is attributable to Anvil's consolidation, which resulted in a reduction of its workforce.[83] The number of production related workers in the domestic industry declined from *** workers in 2000 to *** in 2002.[84] With Anvil's consolidation, productivity decreased during the period of investigation but increased in interim 2003 as compared to interim 2002 period.[85]

As stated above, we find that subject imports over the period of investigation did not significantly prevent domestic producers' prices from rising so as to offset at least a portion of the increasing costs. Though a portion of the increased unit costs was also the result of reduced net sales quantities, and subject imports increased significantly, we find that the present financial condition of the domestic industry, while diminished, remains healthy. We also find that the decline in domestic producers' production, shipments, and other indicators as described above, in part resulted from factors other than subject imports.

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[74] ***.

[75] CR at VI-7-VI-8, PR at VI-2.

[76] CR, PR at Table III-1. There was effectively no decline in domestic capacity during interim 2003.

[77] The domestic industry was operating at a capacity rate of *** percent in 2000 and *** percent in 2002. CR, PR at Table III-2. Capacity utilization was down to *** percent during interim 2003.

[78] CR III-2 n.2, PR at III-2 n.2.

[79] Total U.S. production further decreased *** percent in interim 2003 as compared to interim 2002. CR, PR at Table III-2.

[80] U.S. shipments also declined *** percent between interim 2002 (*** short tons) and interim 2003 (*** short tons). CR, PR at Table III-3.

[81] The domestic industry's market share also declined *** percentage points in interim 2003 (*** percent) as compared to interim 2002 (*** percent). CR, PR at Table IV-3.

[82] CR at VI-7, PR at VI-2. Inventories declined from *** short tons in 2000 to *** short tons in 2002 and from *** short tons in interim 2002 to *** short tons in interim 2003. CR, PR at Table III-4.

[83] Ward has also decreased employment. CR at III-7, PR at III-3.

[84] During the interim periods, production related workers decreased from *** in 2002 to *** in 2003. Hours worked and wages paid have similarly declined (although hourly wages increased). CR, PR at Table III-5.

[85] CR, PR at Table III-8.

For these reasons, we determine that the domestic industry producing malleable fittings is not materially injured by reason of imports of malleable fittings from China that are sold in the United States at less than fair value.[86]

V. THREAT OF MATERIAL INJURY BY REASON OF LESS THAN FAIR VALUE IMPORTS

Section 771(7)(F) of the Act directs the Commission to determine whether the U.S. industry is threatened with material injury by reason of the subject imports by analyzing 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."[87] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole" in making its determination whether dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued.[88] In making our determination, we have considered all statutory factors that are relevant to this investigation.[89]

For the reasons discussed below, we determine that the domestic industry is threatened with material injury by reason of subject imports. As stated in our discussion of material injury, we find that record data reflect a significant rate of increase in subject import volume during the period of investigation. When combined with the growth in subject imports' market share at the expense of the domestic industry, these data strongly indicate the likelihood of substantially increased imports. Specifically, subject imports increased 54.2 percent in volume between 2000 and 2002, and an additional 6.2 percent in interim 2003 as compared to interim 2002.[90] Subject imports' market share increased *** percentage points between 2000 and 2002 before leveling off in the interim periods.[91] In addition, U.S. importers' inventories of subject imports increased between 2000 and 2002 and in interim 2003.[92]

The foreign producer data show production capacity increases throughout the period of investigation, with *** additional increased capacity projected for 2003 and 2004.[93] In 2003, capacity is projected to reach *** short tons and, in 2004, capacity is projected to reach *** short tons, an increase in producing capacity of nearly *** percent as compared to the first year of the period of investigation.[94] The capacity utilization of responding foreign producers declined between 2000 and 2002, from *** percent to *** percent, and also declined in interim 2003 as compared to interim 2002, from *** percent

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[86] Given our determination of no present material injury by reason of subject imports, we do not reach the issue of whether critical circumstances exist. See, e.g., Collated Roofing Nails from China and Taiwan, Inv. Nos. 731-TA-757 and 759 (Final), USITC Pub. 3070 (November 1997), at 24-25.

[87] 19 U.S.C. § 1673d(b) and 1677(7)(F)(ii).

[88] 19 U.S.C. § 1677(7)(F)(ii).

[89] 19 U.S.C. § 1677(7)(F)(i). Factor I is inapplicable in this investigation because no countervailable subsidy is involved. Factor VII is inapplicable in this investigation because it does not involve imports of a raw agricultural product.

[90] CR, PR at Table C-1.

[91] We do not view this temporary leveling off as significant. Nonsubject imports also have taken sales from the domestic industry, but the predominant source of imports is China, representing 63.5 percent of total imports in 2002. CR, PR at Table IV-2. We attribute at least in part the slowing rate of subject import volumes from China during interim 2003 to the filing of the petition.

[92] CR, PR at Table VII-2.

[93] The projections do not include capacity data for one of the reporting producers.

[94] CR, PR at Table VII-1. China's production capacity was *** short tons in 2000.

to *** percent.[95] In terms of production, these producers increased volume from *** short tons in 2000 to *** short tons in 2002. Production during interim 2002 was *** short tons, compared with *** short tons in interim 2003, with projections for complete year 2003 of *** short tons and for 2004 of *** short tons.[96]

The record further demonstrates that China's malleable fittings industry is export-oriented, and that the United States is *** market for malleable fittings exports from China.[97] Moreover, antidumping orders on malleable fittings from China are in place in the EU (August 2000), Turkey (April 2000), Brazil (October 2002), and Argentina (April 2003), increasing the attractiveness of the U.S. market as a focus for future exports from China.[98] The combination of increased inventories, increasing production and production capacity in China, available unused capacity in China, as well as the export orientation, significance of the U.S. market, and limitations on exports to other markets reinforce our finding of a likelihood of substantially increased imports from China.

As we discussed previously, domestically produced and imported malleable fittings are substitutable, and price is a significant factor in purchasing decisions. The record indicates that the subject imports undersold the domestic product in 223 of 224 quarterly comparisons.[99] The record further indicates that the disparity between prices for the domestic like product and subject imports has been increasing so significantly that the preference of certain purchasers for the domestic like product is eroding.[100] The growing price disparity will likely heighten demand for subject imports and accelerate penetration of the market by subject imports as purchasers at all levels of distribution increasingly switch from the domestic product to the subject imports to take advantage of the price difference.

In sum, the convergence of the significant increase in volume of the subject imports during the period of investigation, the *** and growing available capacity in China to produce subject merchandise, the heavy reliance of the Chinese industry on the U.S. market for sales of subject fittings, declining subject import prices, and increasing margins of underselling, indicate that a significant increase in the volume and market share of subject imports from China is likely in the imminent future.

We found above that subject imports did not presently have significant price depressing or suppressing effects during the period of investigation. The domestic industry's current strategy is not to set prices in relation to Chinese prices but rather to cede volume to subject imports while maintaining

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[95] CR, PR at Table VII-1.

[96] CR, PR at Table VII-1 (one of the responding producers did not provide interim or projection production data). Inventories increased between 2000 and 2002, from *** short tons to *** short tons.

[97] Most of China's production is dedicated to its export markets, with exports as a share of total quantity of shipments ranging from *** percent to *** percent between 2000 and 2002. During the same period, exports to the United States constituted between *** percent and *** percent of the share of total shipments of China's malleable fittings industry. Exports constituted *** percent of total shipments in interim 2003 as compared to *** percent in interim 2002. In interim 2003, *** percent of total shipments were exported to the United States as compared to *** percent in interim 2002. CR, PR at Table VII-2. Despite evidence of increasing home market demand for malleable fittings, China's growth in capacity and production will outstrip any increase in home market demand. Moreover, the United States will become more attractive to China's exports if, as B&K forecasts, the malleable fittings market in the United States grows. B&K Prehearing Brief at 15 (predicting upswing in business cycle for commercial and industrial sales).

[98] CR at VII-9, PR at VII-4.

[99] CR and PR at Tables V-1-V-16.

[100] CR at V-31-V-32, PR at V-8.

prices at or near current levels.[101] Accordingly, we have not relied upon a finding of likely price depression or suppression in finding a threat of material injury.

We have considered 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. All three producers reported actual and potential negative effects.[102] The domestic industry's production, capacity, and capacity utilization levels all reached their lowest points over the period of investigation in 2002.[103] The domestic industry reports *** research and development expenditures, and the increasing levels of capital expenditures between 2000 and 2002 were largely associated with ***.[104] Moreover, the industry is faced with increasing environmental costs. For example, Ward must install a $6.9 million emission control system *** to comply with the Clean Air Act.[105]

As discussed above, the volume of subject imports from China has already had some adverse impact on the domestic industry over the period of investigation. The likely continued increasing volume and market share of imports in the imminent future likely will have a significant injurious impact on the domestic industry's production, capacity utilization, employment, revenues, and profitability, given the present condition of the domestic industry.[106] Accordingly, we make an affirmative finding of threat of material injury by reason of subject imports.

CONCLUSION

For the reasons stated above, we determine that the domestic industry producing malleable iron pipe fittings is threatened with material injury by reason of subject imports of malleable iron pipe fittings from China that are sold in the United States at less than fair value.[107]

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[101] As one industry witness explained: "When you look at the price of the Chinese product, not necessarily what they are selling it into the market for, but what B&K and Matco Norca are buying it for, and you see that range, and you look at it and say, sure, I can drop my price 60 percent and compete. Not. There is just no way." Tr. at 68 (Mr. Gleason).

[102] CR at VI-10, PR at VI-3.

[103] CR and PR at Table III-2.

[104] CR and PR at Table VI-3.

[105] CR at III-3 n.4, PR at III-2 n.4; Tr. at 26 (Mr. Gleason).

[106] See, e.g., Asociacion de Productores de Salmon y Trucha de Chile AG v. United States, 180 F. Supp. 2d 1360 (Ct. Int'l Trade 2002).

[107] Based on the record of this investigation, we do not find that material injury by reason of subject merchandise that is sold at less than fair value would have been found but for the suspension of liquidation of entries of such merchandise. 19 U.S.C. § 1673d(b)(4)(B).

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Anvil International, Inc. ("Anvil"), Portsmouth, NH, and Ward Manufacturing, Inc. ("Ward"), Blossburg, PA, on October 30, 2002, alleging that an industry in the United States is materially injured and threatened with further material injury by reason of imports at less than fair value ("LTFV") of malleable iron pipe fittings ("malleable fittings")[1] from China. Information relating to the background of the investigation is provided in table I-1.

Table I-1
Malleable fittings: Chronology of events in the subject investigation

Effective date	Action
October 30, 2002	Petition filed with Commerce and the Commission; institution of Commission investigation (67 FR 67645, November 6, 2002)
November 25, 2002	Commerce's notice of initiation (67 FR 70579, November 25, 2002)
December 17, 2002	Commission's preliminary determination (67 FR 78014, December 20, 2002)
April 22, 2003	Commerce's notice of preliminary determination of critical circumstances (68 FR 19779, April 22, 2003)
June 6, 2003	Commerce's preliminary determination (68 FR 33911, June 6, 2003); scheduling of final phase of the Commission's investigation (68 FR 41176, July 10, 2003)[1]
October 28, 2003	Commerce's final determination of sales at LTFV and critical circumstances (68 FR 61395, October 28, 2003)[2]
October 23, 2003	Date of the Commission's hearing[3]
November 21, 2003	Commission's vote
December 3, 2003	Commission's determination sent to Commerce

[1] The Commission's notice of scheduling is presented in app. A.
[2] Commerce's notice is presented in app. A.
[3] A list of witnesses at the hearing is presented in app. B.

Source: *Federal Register* notices of the Commission and Commerce.

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of three firms, Anvil, Ward, and the Buck Co., Inc. ("Buck"), Quarryville, PA, that accounted for virtually all U.S. production of malleable

[1] For purposes of this investigation, the products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, as covered by statistical reporting numbers 7307.19.9030, 7307.19.9060, and 7307.19.9080 of the Harmonized Tariff Schedule of the United States ("HTS"), excluding metal compression couplings, which are covered by statistical reporting number 7307.19.90.80 of the HTS. HTS subheading 7307.19.90 has a normal trade relations tariff rate in 2003 of 6.2 percent *ad valorem*, applicable to imports from China.

fittings during 2002. Data presented on U.S. imports are based on official U.S. Department of Commerce ("Commerce") import statistics. The Chinese industry data are based on the questionnaire responses of six firms whose exports of the subject merchandise to the United States accounted for approximately *** percent of the volume of U.S. imports of the subject merchandise from China during 2002.

PREVIOUS AND RELATED COMMISSION INVESTIGATIONS

On April 13, 1977, the Commission instituted investigation No. TA-201-26 under section 201 of the Trade Act of 1974 concerning malleable cast iron pipe and tube fittings in response to a petition filed by the American Pipe Fittings Association ("APFA"). The Commission made a negative determination in the investigation.[2]

On January 7, 1980, Commerce made a preliminary determination that the Government of Japan was providing benefits that might constitute bounties or grants on the manufacture, production, or exportation of certain malleable cast iron pipe fittings. Accordingly, the Commission instituted investigation No. 701-TA-9 (Final) under section 703(a) of the Tariff Act of 1930 ("the Act"). On March 20, 1980, the Commission terminated the investigation upon written request by petitioner, the APFA.

On September 18, 1984, the Cast Iron Pipe Fittings Committee ("CIPFC") filed countervailing duty petitions with the Commission and Commerce on imports from Brazil and India of certain cast iron pipe fittings, other than for cast iron soil pipe. On October 9, 1984, following receipt of a letter from counsel for the petitioners withdrawing the petition relating to imports of the subject merchandise from India, the Commission discontinued the subsidy investigation concerning India. In the remaining investigation concerning Brazil, the Commission made final determinations that there were two domestic like products, malleable cast iron pipe fittings and non-malleable cast iron pipe fittings, other than for cast iron soil pipe, and made negative determinations concerning both malleable and non-malleable cast iron pipe fittings which were subsidized by the Government of Brazil.[3]

Effective July 31, 1985, the Commission instituted investigations Nos. 731-TA-278-281 (Preliminary) following receipt of antidumping complaints from the CIPFC on malleable cast iron pipe fittings from Brazil, Korea, and Taiwan and non-malleable cast iron pipe fittings, other than for cast iron soil pipe, from Taiwan.[4] On January 14, 1986, Commerce published notice of its preliminary determinations that malleable cast iron pipe fittings from Brazil, Korea, and Taiwan were being, or were likely to be, sold in the United States at LTFV and that non-malleable cast iron pipe fittings from Taiwan were not being, nor likely to be, sold in the United States at LTFV.[5] Accordingly, effective January 13, 1986, the Commission instituted final investigations. The Commission made affirmative determinations on imports from Brazil, Korea, and Taiwan of malleable cast iron pipe fittings, excluding "groove-lock" pipe fittings, whether or not advanced in condition by operations or processes (such as threading) subsequent to the casting process. No information was presented nor arguments made during the investigations which indicated that the Commission should adopt definitions of the domestic like products different from those made in the previous subsidy investigation concerning Brazil.[6]

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

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

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

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

[6] *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Invs. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986).

On August 29, 1986, antidumping petitions were filed on behalf of the CIPFC alleging that malleable cast iron pipe fittings from Japan and Thailand were being sold at LTFV. In June 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Japan, and in August 1987, the Commission determined that an industry in the United States was materially injured by reason of LTFV imports of malleable cast iron pipe fittings from Thailand.[7]

On January 4, 1999, the Commission instituted reviews to determine whether revocation of the antidumping duty orders on malleable cast iron pipe fittings from Brazil, Japan, Korea, Taiwan, and Thailand would likely lead to the continuation or recurrence of material injury to a domestic industry. After conducting full reviews pursuant to section 751(c)(5) of the Act, the Commission determined that revocation of the antidumping duty orders covering malleable cast iron pipe fittings from Brazil, Taiwan, and Thailand would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time and that revocation of the antidumping duty orders concerning malleable cast iron pipe fittings from Japan and Korea would be likely to lead to continuation or recurrence of material injury to an industry within the United States within a reasonably foreseeable time.[8] In each of the original investigations, the Commission had defined the domestic like product as all malleable cast iron pipe fittings other than grooved.[9] In the reviews, no party argued for a different domestic like product definition. The Commission found no need to revisit its original determinations concerning domestic like product and adopted the same definition as in the original determinations.

On February 21, 2002, Anvil and Ward filed a petition with the Commission and Commerce alleging that the non-malleable iron pipe fittings industry in the United States was being materially injured and threatened by material injury by reason of imports from China. In March 2003, the Commission determined that an industry in the United States was threatened with material injury by reason of imports from China of non-malleable cast iron pipe fittings that were found by the Department of Commerce to be sold in the United States at less than fair value. The Commission further determined that it would not have found material injury but for the suspension of liquidation.[10]

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

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

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

[10] *Non-malleable Cast Iron Pipe Fittings from China*, Inv. No. 731-TA-990 (Final), USITC Pub. 3586 (March 2003). Petitioners contend that the duties put in place subsequent to the Commission's affirmative determination in the non-malleable fittings investigation create an incentive for Chinese producers to shift production from non-malleable to malleable fittings, thereby increasing their exports of malleable fittings to the United States. Petitioners' postconference brief, p. 25. Sole respondent B&K Industries, Inc. ("B&K") contends that such a result is unlikely, given the single-digit margins in effect on non-malleable fittings from China. B&K's prehearing brief, p. 17.

NATURE AND EXTENT OF SALES AT LTFV

Table I-2 presents Commerce's final dumping margins. The period of investigation for Commerce's antidumping investigation is April 1, 2002, through September 30, 2002.

Table I-2
Malleable fittings: Commerce's final dumping margins, by manufacturer/exporter

Manufacturer/exporter	Type of comparison	Weighted-average margin (*percent ad valorem*)
Jinan Meide Casting Co., Ltd.[1]	Export price to normal value	11.35
Beijing Sai Lin Ke Hardware Co., Ltd.	Constructed export price to normal value	14.32
Langfang Pannext Pipe Fitting Co., Ltd.	Constructed export price to normal value	7.35
Chengde Malleable Iron General Factory	(2)	10.96
SCE Co., Ltd.[1]	(2)	10.96
All others[1]	(3)	111.36

[1] Based on import data for the comparison periods July 2002 through October 2002 (4 months prior to the filing of the petition) and November 2002 to February 2003 (4 months after the filing of the petition), Commerce found critical circumstances (e.g., a history of dumping, knowledge of dumping, and massive imports over a short period of time) for Jinan Meide, SCE Co., Ltd., and all other manufacturers/exporters in China other than Beijing Sai Lin Ke, Langfang Pannext, Chengde, and Myland Industrial Co.
[2] Weighted average of the margins for Jinan Meide, Beijing Sai Lin Ke, and Langfang Pannext.
[3] Recalculated margin from the petition.

Source: Commerce's final determination of sales at less than fair value and critical circumstances published in the *Federal Register* (68 FR 61395, October 28, 2003).

THE SUBJECT PRODUCT

Scope

The imported product subject to this investigation is defined by Commerce as follows:

> *The products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.9030, 7307.19.9060, and 7307.19.9080 of the Harmonized Tariff Schedule. Excluded from the scope of this investigation are metal compression couplings, which are imported under HTS number 7307.19.90.80. A metal compression coupling consists of a coupling body, two gaskets, and two compression nuts. These products range in diameter from ½ inch to 2 inches and are carried only in galvanized finish.*[11]

[11] *** stated that there is no U.S. production of metal compression couplings and that both imports of these items and the U.S. market for metal compression couplings are very small. ***, telephone interview by Commission staff, (continued...)

The Commission's determination regarding the appropriate domestic product that is "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price.[12] In its preliminary determination and views, the Commission found one domestic like product, consisting of all malleable fittings other than grooved fittings, coextensive with the scope in the preliminary investigation.[13] Information on interchangeability, customer and producer perceptions, and channels of distribution can be found in Part II. Data on the prices of malleable fittings during the period examined (January 2000-June 2003) can be found in Part V. Information regarding the physical characteristics and uses of malleable fittings as well as manufacturing facilities and production employees is set forth below.

Physical Characteristics and Uses

Pipe fittings are generally used for connecting the bores of two or more pipes or tubes, connecting a pipe to some other apparatus, changing the direction of fluid flow, or closing a pipe. The material from which the subject fittings are made, cast iron, is a general term for alloys which are primarily composed of iron, carbon (more than 2 percent), and silicon.[14] Made to the American Society for Testing and Materials ("ASTM") and the American Society of Mechanical Engineers ("ASME") specifications, iron castings exhibit mechanical properties which are determined by the cooling rate during and after solidification, by chemical composition, by heat treatment, by design, and by the nature of the molding technique. During the cooling and solidification processes, carbon is segregated within the crystalline structure of the iron in the form of iron carbide or graphite, resulting in different types of cast irons with different physical properties.

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

Malleable iron is initially cast as white iron[15] which, after casting, is subject to a lengthy annealing process which strengthens the cast iron. The annealing process consists of rapidly heating the

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[11] (...continued)
November 7, 2003.

[12] Petitioners and respondent B&K support the single like product determination from the preliminary investigation. Petitioners' prehearing brief, pp. 5-9 and B&K prehearing brief, p. 2.

[13] The Commission cited record demonstration that domestic malleable fittings are like the subject imports and that, because of differences in physical characteristics, uses and production processes, the lack of interchangeability, and the perceptions of those in the trade, malleable fittings are distinct from non-malleable and grooved cast iron pipe fittings. *Malleable Iron Pipe Fittings from China*, Inv. No. 731-TA-1021 (Preliminary), USITC Pub. 3568, (December 2002), pp. 6-7.

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

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

casting to approximately 1,750°F, followed by a slow, controlled cooling period.[16] This annealing process distinguishes the product from non-malleable cast iron pipe fittings in microstructure and physical characteristics. Specifically, annealing improves the machineability, ductility, and durability of the metal by reducing its brittleness. The overall production and heat treatment process performed on malleable iron fittings distinguishes the product from non-malleable cast iron pipe fittings in chemical composition, microstructure, material strength, size, and weight.

The principal uses of malleable fittings are in gas lines, piping systems of oil refineries, and building gas and water systems. In some applications, malleable fittings may be substituted for non-malleable fittings, but due to the higher cost of the malleable product, such substitution is uneconomical. Malleable fittings are available in many configurations, the most common being 90-degree elbows, tees, couplings, crosses, and unions. They are produced in both black (ungalvanized) and galvanized form.[17] Malleable fittings are lighter, thinner, stronger, and less brittle than non-malleable cast iron fittings and are used where shock and vibration resistance is required and where fittings are subject to quick temperature changes.

Non-malleable or gray cast iron[18] is defined by the ASTM as cast iron that has fine graphite flakes which are formed during cooling. Gray iron has excellent machineability, wear resistance, and high hardness value. Yield strength, however, is not a significant property of gray iron.[19] Gray irons exhibit no elastic behavior and are comparatively weak, with a tensile strength[20] ranging from 20,000 to 58,000 psi. It is the graphite flakes that dominate the properties of this material, weakening the metallic matrix and causing fractures under stress. Fittings produced from non-malleable iron are used primarily in fire protection/sprinkler systems, but are also sometimes used in the steam conveyance systems installed in buildings.

Ductile iron is the latest addition to the family of cast irons, dating from 1940. It is sometimes referred to as nodular iron or spheroid iron because, as defined by the ASTM, it is a cast iron that has a very small but definite amount of magnesium added in the liquid state so as to induce the formation of graphites as spheroids or nodules which remain in the as-cast condition. The characteristics of the particular ductile fittings are derived from the metallurgical differences imparted during the production process. Ductile iron has the ductility of malleable iron and the corrosion resistance of alloy cast iron. It compares in strength and elastic properties with cast steel and can be stronger than malleable iron, with a tensile strength ranging from 60,000 to 100,000 psi.[21] Ductile iron fittings are superior to gray cast iron fittings in elastic properties, impact resistance, yield strength/weight,[22] and wear resistance; they are comparable to such fittings in castability, surface hardenability, and corrosion resistance; and are inferior in ease of machining, vibration damping, and cost of manufacture.

Grooved fittings are specifically excluded from the scope of this investigation. Grooved fittings are produced from ductile or malleable cast iron and are a different type of fitting from threaded or flanged fittings in that a split coupling attaches to a circumferential groove near the end of each piece to

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[16] The overall cooling process takes from 25 to 40 hours to complete. Petition, p. 6.

[17] Petition, pp. 4-5.

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

[19] Anytime a piece of iron is pulled apart along its length by force, it will be elongated. Yield strength is the maximum load (measured in pounds per square inch ("psi") of the cross section of the iron piece) that induces a specific permanent elongation in a material. *Iron Castings Handbook*, pp. 205 and 668.

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

[21] *Iron Castings Handbook*, pp. 205 and 248.

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

be joined.[23] A gasket inside the coupling serves as a seal for the pipe and the coupling. Grooved fittings are used for the same purpose for which threaded or flanged fittings are used.

Manufacturing Process

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

The casting process begins with the making of a pattern, which has the same external form and shape as the designed fitting. Sand casting is the predominant method used in the making of malleable fittings. Molding sand, after being mixed with a binder, is spread around the pattern in a mold, and then rammed by a machine to compact the sand. The pattern is then withdrawn, leaving a mold cavity in the sand. Solid molded sand cores are inserted to form the internal shape of the fitting. Two mold halves are put together with the core in the center. A system of gates, risers, and vents is provided in the casting cavity to ensure a smooth flow of the molten iron into the mold cavity under gravity. To form the shape of the fittings, molten iron is poured into the mold cavity. After the iron solidifies, the red-hot fittings are shaken out of the sand on a shaker table or belt and allowed to cool for four to five hours.

The specific chemical compositions and manufacturing processes of malleable, non-malleable, and ductile iron fittings differ somewhat, although all are comprised mainly of iron. Cast iron pipe fittings are available in similar configurations and all are produced using sand casting; however, the specific molds for the individual castings are reportedly not interchangeable. After casting, the production of non-malleable and ductile cast iron pipe fittings is essentially complete, except for cooling, cleaning, and, if necessary, machining, threading, or finishing. In contrast, malleable fittings are subjected to an additional process of annealing and controlled cooling after casting. This additional process makes malleable fittings more expensive to produce per pound than both the ductile and non-malleable ones.

The basic manufacturing processes and technologies for iron castings are well-established and are similar throughout the world.[24] Differences lie mainly in the extent of the application of automatic equipment and ancillary operations such as environmental control facilities.

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[23] The vast majority of grooved fittings are manufactured using ductile iron. Transcript of the Commission's November 20, 2002, conference in the preliminary phase of the investigation ("conference transcript"), p. 72. Anvil does produce grooved ductile fittings. Ward does not currently produce grooved fittings. *Id.*, p. 73.

[24] Although in the past customers may have perceived malleable fittings produced in China as of inferior quality, this perception appears to have dissipated. Hearing transcript, p. 33. Malleable fittings are produced for the U.S. market to three separate uniform specifications: (1) ASTM for material specifications; (2) American National Standards Institute ("ANSI") and ASME for dimensional specifications; and (3) a thread specification. Both malleable fittings manufactured in the United States and those in China, which are subsequently sold in the United States, meet these standards. Hearing transcript, pp. 59-61.

In response to questions on whether they produce other products on the same machinery and equipment, and using the same production and related workers used to produce malleable fittings, Anvil responded that ***.[25] Buck reported that ***.[26] Ward reported that ***.[27]

[25] Anvil, producers' questionnaire response, p. 4. Further, Anvil stated at the conference that its grooved fittings are made in the same production facility as its malleable fittings. It stated that in most cases they are not manufactured using the same equipment, but that they could be made on the same equipment. Conference transcript, p. 73; petitioners' postconference brief, p. A-4.

[26] ***. Buck, producers' questionnaire response, p. 4.

[27] Ward, producers' questionnaire response, p. 4.

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

U.S. MARKET SEGMENTS AND CHANNELS OF DISTRIBUTION

Wholesale/Retail Market Segmentation

The U.S. market for malleable fittings is divided into the wholesale/distributor (wholesale) market segment and the retail market segment. Broadly speaking, the wholesale segment supplies building contractors while the retail segment is composed of hardware stores, both national chains such as Home Depot as well as small, local hardware stores. U.S. producers of malleable fittings typically sell to wholesalers, which in turn sell to distributors, retail outlets, or directly to end users. For example, Anvil reports that the wholesale system in the United States is composed of several master distributors and many regional distributors. Typical customers of these distributors are plumbing supply wholesale distributors and industrial pipe valve and fitting wholesale distributors as well as both national and regional hardware chains.[1] Similarly, Ward reports that it sells malleable fittings through distributors or wholesalers, which then sell to plumbers, HVAC contractors, OEM equipment manufacturers, and natural gas or water utility companies.[2] Wholesalers typically stock a full range of pipe fittings, including the most popular sizes and configurations; both U.S. producers and importers of malleable fittings are able to provide a broad range of sizes and configurations.

Both Anvil and Ward reported that, historically, U.S. producers dominated the wholesale market because contractors required a degree of quality that could not be obtained from Chinese producers of malleable fittings.[3] Contractors also required U.S. producers to stand behind their product and offer warranties, something that could not be obtained from Chinese manufacturers.[4] In contrast, imports from China were largely sold in the retail segment, which was less sensitive to quality concerns.

An issue raised in this investigation is the extent to which any distinction between the wholesale and retail markets may have blurred. Specifically, U.S. producers report that large, nationwide hardware stores such as Home Depot are moving into the wholesale market by selling malleable fittings directly to contractors. At the staff conference, for example, petitioners noted that Home Depot had purchased Apex Supply, a wholesale distributor, and opened up a separate outlet called HD Supply to get a foothold in the wholesale market. Petitioners also reported that Home Depot had set up "contractor only" sections in selected retail outlets.[5] On the other hand, respondent B&K contends that the wholesale market is subdivided into the industrial/commercial segment and the residential segment, that domestic producers' shipments are concentrated in the industrial/commercial segment whereas subject imports are concentrated in the residential segment and the retail market, and that subject imports do not compete to any measurable degree with domestic fittings.[6]

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[1] Conference transcript, p. 19.

[2] Conference transcript, pp. 16-17.

[3] Conference transcript, pp. 27-30.

[4] Conference transcript, p. 31.

[5] Conference transcript, pp. 29-30 and 32.

[6] B&K's prehearing brief, pp. 4, 7, 8, 12, 15, and 18, and its posthearing brief, pp. 5-8. See also the transcript of the Commission's October 23, 2003 hearing, pp. 163-167, 212, 215-216, and 220--224.

While U.S. producers sold approximately *** percent of their malleable fittings to wholesalers in 2002,[7] importers of malleable fittings from China reported that sales to wholesalers accounted for 55.0 percent of their total quantity sold in 2002. In 2000 and 2001, importers reported that sales to the wholesale market were 56.2 and 60.7 percent, respectively.[8] Moreover, of the 18 importers providing usable price and quantity data for malleable fittings, 11 reported sales of fittings only to wholesalers, four reported selling to both wholesalers and retailers, and three reported selling exclusively to retailers.[9]

Of the 33 purchasers of malleable fittings returning the Commission's purchaser questionnaire, 26 provided usable information related to the quantity of their purchases from both domestic and imported sources. Of these 26 purchasers, *** were the five largest. Based upon available information, these same five purchasers are also among the largest purchasers of malleable fittings in the United States, both domestic and imported.[10] However, the five purchasers accounted for only 18.3 percent of apparent U.S. consumption in 2000, 20.9 percent in 2001, and 21.2 percent in 2002. Individually, *** accounted for *** percent of apparent U.S. consumption in 2000, *** percent in 2001, and *** percent in 2002; *** accounted for *** percent in 2000, *** percent in 2001, and *** percent in 2002; *** accounted for *** percent in 2000, *** percent in 2001, and *** percent in 2002; *** accounted for *** percent in 2000, *** percent in 2001, and *** percent in 2002; and *** accounted for *** percent in 2000, *** percent in 2001, and *** percent in 2002.

Purchasers were also asked to self-specify themselves as either a wholesaler, a retailer, predominantly one or the other, or "other." Of the 33 firms that responded to this question, 23 reported that they fell into the category of "wholesaler." Additionally, five firms reported that they were "predominantly wholesaler with some retail sales," four firms listed themselves as "other," and one firm described itself as "wholesaler and other."[11]

Purchasers were also asked whether the distinction between retailers and wholesalers had become blurred during the past 3 years. Of the 26 purchasers providing usable information, 15 responded in the affirmative. Nine purchasers reported that retailers were not a factor in their marketplace and two purchasers reported a lack of information. Most purchasers that reported a blurring of the wholesale/retail market segments cited the tendency of large hardware chains to offer malleable fittings to contractors; three purchasers reported that the blurring had affected the wholesale market

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[7] U.S. producers' sales to wholesalers accounted for *** percent of the total quantity sold in 2000 and *** percent in 2001. Individually, Anvil sold *** percent of its total quantity of malleable fittings to retailers in 2000, *** percent in 2001, and *** percent in 2002. During the first half of 2003, Anvil sold *** percent of its total quantity of malleable fittings to retailers. Ward *** malleable fittings to retailers during the period examined.

[8] These statistics are based upon quantity information for the 8 malleable fitting products reported in the importer questionnaires. Fifteen of 24 importers provided usable quantity data for the wholesale market; not all importers provided data for all periods and/or products.

[9] Twenty-four importers returned questionnaires, of which only 18 provided usable quantity data; not all importers provided information for all periods or for all products.

[10] *** did not report its malleable fittings quantities during the period examined. However, the information that it reported for the value of its purchases of malleable fittings indicates that *** is one of the largest purchasers of malleable fittings in the United States.

[11] Of the five largest purchasers, both *** characterized themselves as "wholesaler." *** characterized itself as "predominantly wholesaler with some retail sales" and *** reported that it sold malleable fittings in both the wholesale and retailer markets. *** characterized itself as a supplier of ***.

while three reported that the blurring of market lines had a small or negligible impact on the wholesale market.[12]

Wholesale Market Sub-segmentation

In order to obtain more information on the issue of market segmentation, Commission staff conducted telephone interviews with 23 purchasers. Nearly all purchasers agreed that the U.S. market for malleable fittings could be divided into retail and wholesale segments. Moreover, 18 of the 23 purchasers stated that the wholesale market segment could be divided further into an industrial/commercial sub-segment and a residential construction segment.[13] Of this group, 11 purchasers also agreed that U.S. malleable fittings were largely sold into the industrial/commercial market while malleable fittings imported from China were sold largely into the residential construction segment.[14] *** all disagreed, stating that substantial amounts of imports are sold into both the industrial/commercial sub-segment and the residential construction segment. Similarly, while *** acknowledged that the industrial/commercial sub-segment was predominantly supplied by U.S. producers of malleable fittings, they also indicated a measurable and growing share of imported malleable fittings from China in that sub-segment. All three firms also agreed that a shift to imported malleable fittings was expected in the industrial/commercial sub-segment over the next 3-5 years.

Purchases of Malleable Fittings from China by the U.S. Producers' Largest Customers

Anvil and Ward provided data on their top 10 customers, producing a list of *** companies. Anvil's top 10 customers account for *** percent of its total sales while Ward's top 10 customers account for *** percent. Similarly, 21 of 24 responding importers reported their top 10 customers, producing a list of 112 companies. Comparing the two lists reveals that *** hold a place on both lists,[15] indicating a fragmented customer base for malleable fittings.

Of the *** largest customers of U.S. producers of malleable fittings mentioned above, the Commission received questionnaires from seven purchasers.[16] In their questionnaire responses, these seven purchasers do not report purchasing large amounts of imports. For example, both *** and *** did

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[12] *** both agree that the line between wholesale and retail is blurring, citing their own crossover into the wholesale market segment.

[13] Five purchasers replied that they did not know enough about the market to discuss the topic. For example, *** all stated that they sold exclusively to the retail market segment. *** stated that it sold exclusively to plumbing contractors and had no experience with the industrial/commercial segment. *** stated that it sold to ***, and was unsure of the final destination of its fittings.

[14] *** both agreed that the wholesale market segment was sub-segmented, but declined to discuss market conditions in the residential market, due to a lack of familiarity. *** acknowledged that it focused solely on the industrial market, and sold only domestic fittings into this market. *** also acknowledged that it focused exclusively on the industrial market, but sold a growing amount (*** percent by 2002) of *** malleable fittings into this market. Conversely, *** agreed on the issue of wholesale market sub-segmentation, but declined to comment on the industrial/commercial market, due to a lack of familiarity. ***, however, did acknowledge that contractors working in the residential construction market did purchase malleable fittings in its partner hardware stores. ***. Petitioner's posthearing brief, p. 5.

[15] *** is counted among the top 10 customers of *** as well as *** importers, *** and ***. *** is found on ***. When the list of U.S. producers' customers is expanded to include the top 20 customers, *** can be found on the lists of U.S. producers (***) and importers. Lists of top customers are presented in appendix D.

[16] *** submitted a purchaser's questionnaire, but did not provide information related to its purchases during the period examined.

not report any purchases any malleable fittings imported from China during the period examined. Moreover, *** all purchased less than *** percent of their malleable fittings from Chinese sources during January 2000 to June 2003. *** followed a similar pattern, purchasing *** percent of its malleable fittings from China in 2000 and *** percent in 2001. However, in 2002, *** purchases of malleable fittings from China increased to *** percent of its total purchases.[17]

Purchasers were asked whether the relative share of malleable fittings from different sources (both domestic and import) had changed in the preceding three years. Twenty-four purchasers submitted usable information, of which 14 indicated that they had increased purchases of malleable fittings from Chinese sources. Overall, this increase in purchases occurred along with a decrease in purchases from U.S., Thai, and Mexican suppliers, although five purchasers indicated that there had been no change in the country of origin. Two purchasers also indicated that they had switched from Chinese sources or were reconsidering the purchase of Chinese fittings due to antidumping duties.

Captive Consumption

***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, U.S. producers are likely to respond to a change in the price of malleable fittings with relatively large changes in the quantity shipped to the U.S. market. The main factors contributing to this supply responsiveness are *** excess capacity, *** and growing inventory levels, and the ability to switch between production of malleable fittings and production of other products. Low levels of export shipments act as a limiting factor.

Industry Capacity[18]

The capacity of U.S. malleable fittings decreased during the period of investigation. U.S. producers' capacity fell by *** percent from *** short tons in 2000 to *** short tons in 2002. Industry capacity remained level at approximately *** short tons during interim (January-June) 2002 and interim (January-June) 2003. U.S. production of malleable fittings fell by *** percent from *** short tons in 2000 to *** short tons by the end of 2002, and fell by *** percent from *** short tons in interim 2002 to *** short tons in interim 2003. As a result, U.S. producers' capacity utilization fell from *** percent in 2000 to *** percent in 2002. Capacity utilization also declined from *** percent in interim 2002 to *** percent in interim 2003. Thus, excess capacity exists from which to expand production in response to changes in price.

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[17] In response to question II-2 of its *** questionnaire, *** states that its relative share of its purchases of malleable fittings from China has decreased due to a higher price trend caused by antidumping duties. While *** did not report either quantity or value information for its purchases of malleable fittings imported from China, it noted in its questionnaire response: ***. Information reported in *** response to question II-1 of the importer's questionnaire indicates that ***.

[18] Information in this section is taken from Part III of this report.

Export Markets[19]

U.S. producers' export shipments of malleable fittings accounted for *** share of total shipments. The percentage of U.S. producers' export shipments of malleable fittings relative to total shipments remained relatively constant at about *** percent during the period 2000 to 2002, and increased *** between interim 2002 and interim 2003. These numbers indicate that U.S. producers' ability to divert exports to domestic markets in response to price changes is limited.

Inventories[20]

U.S. producers' inventories of malleable fittings were in the *** range during the period examined. The ratio of inventories to total shipments increased from *** percent in 2000 to *** percent in 2001, before falling to *** percent by the end of 2002. However, the ratio of inventories to total shipments fell from *** percent in interim 2002 to *** percent in interim 2003. The *** inventory levels of U.S. producers indicate an ability to respond to price changes and meet demand from inventory on hand.

Production Alternatives

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Imports from China

Chinese producers are likely to respond to changes in price with moderate changes in the quantity of malleable fittings shipped to the U.S. market. The main reason for Chinese producers' moderate supply responsiveness is the existence of substantial alternative markets from which Chinese producers could shift sales. *** excess capacity and *** inventory levels, however, will act as constraints on Chinese producers' supply responsiveness.

Industry Capacity[21]

Reporting Chinese producers' average capacity to produce malleable fittings increased by *** percent from *** short tons in 2000 to *** short tons by the end of 2002, and increased by *** percent from *** short tons in interim (January-June) 2002 to *** short tons in interim 2003. While Chinese production of malleable fittings increased by *** percent from *** short tons in 2000 to *** short tons in 2002, interim period production remained constant at approximately *** short tons. As a result, reported Chinese capacity utilization declined *** from *** percent in 2000 to *** percent by the end of 2002, and decreased from *** percent in interim 2002 to *** percent in interim 2003. Thus, the data provided by reporting Chinese producers of malleable iron pipe fittings indicate that they have excess capacity from which to expand production in response to changes in demand and prices.

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[19] Information in this section is taken from Part III of this report.

[20] Information in this section is taken from Part III of this report.

[21] Information in this section is taken from Part IV of this report.

Alternative Markets[22]

Reporting Chinese producers' home market shipments, relative to their total shipments, increased from *** percent in 2000 to *** percent by the end of 2002, and also increased from *** percent in interim 2002 to *** percent in interim 2003. Chinese producers' exports of malleable fittings to countries other than the United States, relative to their total shipments, decreased from *** percent in 2000 to *** percent in 2002, but increased from *** percent in interim 2002 to *** percent in interim 2003. The large percentage of total shipments that are either shipped domestically or exported to markets other than the United States indicates a substantial ability on the part of reporting Chinese manufacturers to divert malleable fittings to the U.S. market in response to large changes in the price or demand.

Inventory Levels[23]

The ratio of Chinese producers' inventories to total shipments fell from *** percent in 2000 to *** percent in 2002, but increased from *** percent in interim 2002 to *** percent in interim 2003. These *** inventory levels somewhat limit the ability of reporting Chinese producers to respond to price and demand changes in the U.S. market with inventory on hand.

Production Alternatives

*** reported that they do not produce products other than malleable fittings on the same equipment and machinery used in the production of malleable fittings. ***, however, reported that it produces *** using the same equipment and machinery used in the production of malleable fittings.

U.S. Demand

The U.S. demand for malleable fittings depends on the demand for the systems that require malleable fittings. Malleable fittings are principally used in the gas and water systems of buildings as well as piping systems of oil refineries. As a result, the demand for systems that use malleable fittings tends to follow the demand for new construction in the residential and commercial building markets. Based on Commission questionnaire responses and official import data, apparent U.S. consumption of malleable fittings decreased by *** percent from *** short tons in 2000 to *** short tons in 2002. However, apparent consumption increased by *** percent from *** short tons in interim 2002 to *** short tons in interim 2003.[24]

In their questionnaire responses, U.S. producers' descriptions of demand ***. Ward reported that ***. Anvil reported that ***. Of the 22 importers that responded to Commission questionnaires, eight reported that demand was flat, constant, or unchanged, six reported declining demand, and two reported that demand had increased. Six importers also responded that they could not determine whether demand had changed. Of the importers reporting declining demand, one cited weakness in the commercial building market, four cited product substitution, and one did not provide a reason. Of the importers describing strong demand for malleable fittings, one cited a growth in building starts and one cited strong demand from new house construction and remodeling.

Regarding purchasers' estimation of demand changes, 15 of 33 purchasers reported that there was no change in demand. *** reported that substitute products had resulted in declining market

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[22] Information in this section is taken from Part IV of this report.

[23] Information in this section is taken from Part IV of this report.

[24] See Part IV of this report.

share for domestic malleable fittings. The remaining purchasers reported no knowledge of demand conditions.

At the staff conference, petitioners claimed that, overall, demand for malleable fittings has grown over the period examined.[25] In contrast, B&K maintains that the market for malleable fittings is a mature market, whereas the market for flexible tubing, a substitute product, is expected to continue to grow.[26]

Demand Characteristics

Substitute products

Ward reported that substitutes for malleable fittings include ***. Anvil ***. Of 23 importers providing usable information on substitutes for malleable fittings, 10 reported that there were no substitutes and three reported a lack of information regarding substitute products. The remaining 10 importers reported that various types of hoses, piping, flexible tubing, and plastic fittings could be used as substitutes for malleable fittings, with the most common responses being PVC or CPVC plastic fittings and stainless steel tubing as well as copper or brass fittings. Of the 10 importers that listed substitute products, four indicated that substitute products had reduced demand for malleable fittings. Additionally, three importers reported a lack of information on the impact of substitutes on malleable fittings, two provided no answer, and one indicated that substitute products did not affect demand for malleable fittings. Specifically, *** reported that the market is slowly moving away from malleable fittings, while *** reported that substitutes had lowered demand and *** reported that malleable fittings substitutes have drastically reduced the need for malleable fittings over the past ten years. *** also reported that sales of Ward's own WardFlex pipe is a substitute for malleable fittings and that sales of WardFlex have cannibalized Ward's product line of malleable fittings and reduced market share for malleable fittings.

Thirty-two purchasers responded on the issue of malleable fitting substitutes, with 17 reporting no substitutes and fifteen reporting one or more substitutes. The most common responses regarding substitutes again fell into the categories of plastic tubing, flexible tubing, stainless steel tubing, and copper tubing. Five of the purchasers listing substitute products reported that substitutes have reduced demand for malleable products, three purchasers reported that substitutes have not affected demand, two purchasers did not provide an answer, and one purchaser indicated that the impact of substitutes on demand could not yet be quantified.[27]

Petitioners have maintained that the growth in demand has outstripped any inroads made by alternative products because such inroads have been minimal.[28] However, B&K has argued that wholesale market sales have declined as a result of increasing competition with substitute products, in particular flexible tubing.[29]

In order to gain more insight into the issue of substitute products for malleable fittings, Commission staff conducted telephone interviews with *** as well as ***. According to ***, a decade ago, steel pipe and associated malleable fittings had nearly 95-100 percent of the market for gas-related

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[25] Conference transcript, p. 35.

[26] Conference transcript, p. 80.

[27] According to ***, "Plastic and flexible pipe have taken share from traditional malleable fitting applications." Similarly, *** responded that "Plastic pipe, flexible gas pipe, PEX pipe, copper tube, and poly pipe have all reduced the malleable fitting market." (Questionnaire responses of *** and ***).

[28] Conference transcript, p. 35. Petitioners provided data that indicate that the amount of domestic consumption of malleable fittings replaced by flexible tubing may be ***. Petitioners' postconference brief, p. A-10.

[29] Conference transcript, pp. 79-80.

applications. However, currently, *** estimates that CSST has established a market share of approximately 20-21 percent for gas-related applications.[30] *** estimated that CSST's market share in gas-related applications stood at 25 percent in 2000.[31]

Cost share

Most U.S. producers, importers, and purchasers either provided no information on the share of the total cost of building piping systems accounted for by the cost of malleable fittings, or were unable to provide an estimate. The few importers and purchasers that did estimate the cost percentage reported cost shares that ranged from 1 percent to 100 percent, indicating that cost share varies by job and application. Regarding gas and water applications, one importer, ***, reported that the cost share for oil and gas systems was approximately 30 percent and 70 percent for water systems. Similarly, a purchaser, ***, reported that the cost share for oil and gas applications was 30 percent and 80 percent for water systems. In contrast, petitioners reported that less than three percent of the cost of installing a natural gas line is accounted for by the cost of malleable fittings because the largest cost component is the steel pipe itself, while only a few directional changes are needed that would require malleable fittings.[32] Since gas and water systems are component parts of new residential or commercial construction, the relevant cost share may be the share of the total cost of the building rather than the cost share of the gas or water system itself.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported malleable fittings depends upon factors such as relative price, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product service, etc.). Based on available data, staff believes that there is a relatively high degree of substitutability between imported and domestic malleable fittings.

Purchase Factors

Purchasers varied on how frequently they purchased malleable fittings, with five reporting daily purchases, 13 weekly purchases, ten monthly, and four purchasers reporting quarterly purchases. For the vast majority of purchasers, this pattern remained consistent, with only one purchaser out of 29 usable responses indicating a change in purchase frequency within the last three years. Prior to making a purchase, 17 of 32 purchasers providing usable information contacted only one supplier, 14 contacted two or three suppliers, and only one contacted more than three suppliers. Overall, purchasers remained loyal to their suppliers, with 27 of 30 responding purchasers changing suppliers either never, seldom, rarely, or infrequently. Of the nine purchasers that did change suppliers within the past three years, three changed because of a policy decision of their buying group, two added an import line to complement their domestic line, two dropped suppliers due to quality or delivery issues, and two switched suppliers

[30] Telephone interview with ***, November 3, 2002. ***.

[31] Telephone interview with ***, November 3, 2003. *** notes that his estimates apply only to new construction and do not include construction work related to rehabilitation or upgrade applications. Also, according to ***, the residential market for gas applications represents less than 10 percent of the total market for malleable fittings.

[32] Conference transcript, p. 36.

because of price.[33] Only one purchaser, ***, reported switching from a domestic supplier to an import source due to a lower price for malleable fittings imported from China. *** switched its purchases of malleable fittings from a Thai source to a Chinese source during the past three years.

When asked to list the top three factors used in choosing a supplier, quality and price were considered the most important; quality was ranked first most frequently and price was ranked both second and third most frequently. In fact, when asked how often they purchased malleable fittings that were offered at the lowest price, 22 of 30 purchasers providing usable information indicated either "always" or "usually." Four purchasers indicated "sometimes" and four purchasers indicated "never." Other factors that figure prominently in the top three factors include service, availability, pre-arranged purchase agreements, and traditional supplier.

Formal pre-qualification or certification of suppliers was required by only eight purchasers out of the 31 providing usable information; 24 required no pre-qualification and two purchasers did not respond to the question. Of 31 reporting purchasers, only three reported that a supplier had failed to obtain pre-qualification. *** reported that its Chinese suppliers had failed dimensional specifications while *** reported that both *** and *** had failed due to the price of their imported fittings; *** also lost qualification due to its service level on imported fittings. *** disqualified *** for its price on domestic malleable fittings. *** also disqualified ***, an importer of malleable fittings from Thailand, but did not give a reason. Purchasers indicated that the internet was not used to purchase malleable fittings.

Regarding brand name identification, 22 of 31 responding purchasers reported that at least a certain percentage of malleable fittings produced in the United States had a brand name, with the vast majority (18 purchasers) reporting that 100 percent of U.S. malleable fittings are branded. Similarly, estimates for the percentage of Chinese fittings that possessed a brand name ranged from 0 percent to 100 percent; eight purchasers out of 30 providing usable information answered that 100 percent of Chinese imports had a brand name and eight purchasers answered that 0 percent had a brand name, while the remaining purchasers reported figures between 13 percent and 70 percent. Estimates for other countries, which ranged between 0 percent and 100 percent, were also wide and varied.

Overall, the level of purchaser's inventories have remained relatively constant during the period examined. For example, the end-of-period inventory levels for 21 purchasers providing usable data were 3,841 short tons in 2000, 3,893 short tons in 2001, and 3,924 short tons in 2002, representing an increase of 2.2 percent between January 2000 and December 2002.

Factors Affecting Purchasing Decisions

Overall, purchasers are aware of both the country of origin and the manufacturer of their malleable fittings. For example, 97 percent of the 32 responding purchasers were either "always" or "usually" aware of whether their malleable fittings were imported or domestic. Similarly, 88 percent were either "always" or "usually" knowledgeable about the manufacturer of their malleable fittings.

Purchasers were also asked to specify the countries of origin for malleable fittings for which they had knowledge. Of the 32 reporting firms, 27 indicated knowledge of malleable fittings from the United States while 21 reported knowledge of Chinese malleable fittings. Similarly, eight firms reported knowledge of malleable fittings from Thailand while one reported knowledge of those from Mexico. Firms were also asked to rate whether imported and domestically produced malleable fittings were used in the same applications. Twenty-five firms compared U.S.-produced malleable fittings with fittings imported from China. Of this total, only two indicated that U.S. malleable fittings and Chinese malleable fittings were not used in the same applications: one firm reported that testing and approvals had limited the use of Chinese product while the other firm stated that specialty fittings required by his firm could

[33] *** did not change suppliers during the period January 2000 to June 2003.

not be imported from China. Nine firms also compared U.S. malleable fittings and fittings produced in Thailand, with all firms reporting that Thai fittings were used in the same applications as domestically-produced fittings. Several firms also compared Chinese and Thai fittings, indicating that they could be used in the same applications.

Twenty-two out of 29 responding purchasers also reported that most grades/types/sizes of malleable fittings could typically be obtained from both domestic and imported sources. Purchasers indicating that certain types of malleable fittings could not be obtained from imported sources typically noted that U.S. producers specialize in large sizes of malleable fittings. Purchasers were asked if specifications of malleable fittings varied by end-use application. Twenty-five out of 30 purchasers providing usable information indicated that specifications did not vary by end-use application. The five remaining firms cited preferences for domestic fittings or technical specifications.

Purchasers that imported malleable fittings in 2002 were asked how much more expensive these fittings would have to be before they purchased U.S.-produced fittings. Responses ranged from 0 percent to more than 200 percent. However, nearly all reporting purchasers indicated that imported malleable fittings would need to be significantly more expensive before they switched to U.S.-produced fittings. Nineteen of 24 reporting purchasers also reported that domestic malleable fittings and Chinese-produced malleable fittings were of equal quality. Only *** reported, respectively, that 100 percent, 100 percent, 75 percent, and 50 percent of imports from China were of lower quality than domestic product; these same firms reported that no U.S. malleable fittings were of lower quality than imports from China.

Purchasers were also asked whether they purchased malleable fittings from only one country. Of the 30 purchasers that responded to the question, 10 indicated that they purchased from a single country, citing price, quality, approvals, and delivery time. Of these ten, five reported purchasing malleable fittings exclusively from China, four reported purchasing only U.S. malleable fittings, and one reported purchasing solely from Thai sources. The four purchasers that sourced domestic malleable fittings reported "domestic only" requirements/preferences among their customers as the reason.

Purchasers were also asked to indicate whether they or their customers ever specifically ordered malleable fittings from one country over other possible sources of supply. Thirty-one firms responded, with 22 firms indicating a country preference and nine firms reporting no preference. Of the 22 firms reporting a preference, some specified price or quality issues, but the majority (16 firms) specifically stated that at least a certain segment of their customer base either preferred or required domestic malleable fittings. When asked whether their customers were aware of the country of origin and manufacturer of malleable fittings, 65.6 percent replied "always," while 31.2 percent reported "sometimes" and 3.1 percent reported "never."

Purchasers were asked to report the importance of 15 factors in their purchase decisions and to make country-by-country comparisons on the same 15 purchase factors. The results are reported in table II-1.

Comparisons of Domestic Products with Subject and Nonsubject Imports

Ward and Anvil both reported lead times of *** days. Fourteen of the responding 22 importers reported average lead times of 1-8 days, while the remainder reported lead times ranging from 30 to 90 days.[34]

Producers and importers were asked to report whether or not the domestic and imported products were used interchangeably or differed in product characteristics or sales conditions. *** reported that U.S.-produced malleable fittings were interchangeable with both subject and nonsubject imports. ***

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[34] B&K's experience is that there is a lead time of 90 to 120 days between the date subject fittings are ordered and the date they enter the United States. B&K's posthearing brief, p. A-3.

Table II-1
Malleable fittings: Ranking of factor importance and comparison of U.S. product with product from other countries, as reported by U.S. purchasers

Factor	Importance			U.S. vs China			U.S. vs other			China vs other		
	V	S	N	Su	C	I	Su	C	I	Su	C	I
	Number of firms responding											
Availability	22	4	0	8	11	2	4	5	0	0	4	0
Delivery terms	13	12	0	6	13	2	4	5	0	0	4	0
Delivery time	16	10	0	10	10	1	4	5	0	1	3	0
Discounts offered	18	7	0	3	7	11	0	5	4	2	1	1
Lower price[1]	20	5	0	1	2	18	0	2	7	2	1	1
Minimum qty. requirements	5	16	4	4	15	3	4	5	0	0	4	0
Packaging	14	10	2	3	12	7	2	6	1	0	4	0
Product consistency	25	1	0	6	14	1	3	6	0	0	4	0
Quality meets industry specs	26	0	0	4	18	0	3	6	0	0	4	0
Quality exceeds industry specs	7	11	8	4	16	0	3	6	0	0	4	0
Product range	10	15	0	8	12	17	3	6	0	1	3	0
Reliability of supply	24	2	0	8	11	2	4	4	1	0	4	0
Technical support/service	5	18	3	8	11	1	5	4	0	1	3	0
Transportation network	4	19	3	7	14	1	3	6	0	0	4	0
U.S. transportation costs	3	16	7	2	17	1	0	9	0	0	4	0

[1] A rating of "Su" (superior) means that the price of the first-listed country's malleable fittings is lower than the price of the price of the second-listed country's (or countries') malleable fittings.

Note.--V = very important, S = somewhat important, N = not important.

Note.--Su = U.S. superior, C = U.S. and other country comparable, I = U.S. inferior.

Note.--Not all purchasers answered all questions.

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

also reported that there were no differences in product characteristics or sales conditions. Similarly, the vast majority of importers reported that U.S.-produced malleable fittings were interchangeable with both subject and nonsubject imports. Overall, importers also agree that nonsubject malleable fittings are interchangeable with both domestic fittings and fittings from China; the few importers that disagreed cited a price differential or special technical specifications.

When comparing U.S.-produced malleable fittings and Chinese fittings, however, importers' responses were more varied. For example, while eight of 18 responded that there were no differences

When comparing U.S.-produced malleable fittings and Chinese fittings, however, importers' responses were more varied. For example, while eight of 18 responded that there were no differences between domestic and Chinese malleable fittings, the remaining importers responded that differences did exist. Price, quality, availability, technical specifications and differences, and one-stop-shop convenience were all listed as the factors differentiating U.S.-produced and Chinese malleable fittings. Most importers also reported that there are no differences in product characteristics and sales conditions between nonsubject malleable fittings and domestic fittings and between nonsubject malleable fittings and fittings imported from China.

ELASTICITY ESTIMATES

U.S. Supply Elasticity

The domestic supply elasticity for malleable fittings measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of malleable fittings. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced malleable fittings. The level of excess capacity, the ability to ship domestically quicker than importers can if inventories become depleted, and the existence of production alternatives using the same facilities indicated that the U.S. industry is likely to be able to appreciably increase or decrease shipments to the U.S. market when there is a change in the price; an estimate in the range of 3 to 6 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for malleable fittings measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of malleable fittings. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute malleable fittings, as well as the component share of the malleable fittings in the production of any downstream products. Based on the available information, the aggregate demand for malleable fittings is likely to be in the range of -0.5 to -1.[35]

Substitution Elasticity

The elasticity of substitution depends upon the extent of malleable fittings differentiation between the domestic and imported products.[36] Malleable fittings differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (availability, sales terms/discounts/rebates, etc.). Based upon available information, the elasticity of substitution between U.S.-produced malleable fittings and malleable fittings imported from China is likely to be in the range of 3 to 6.

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[35] Petitioners have stated that the demand for malleable fittings is inelastic (petitioners' postconference brief, p. 18).

[36] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like product to changes in their relative prices. This reflects how easily purchasers switch from U.S. malleable fittings to subject malleable fittings (or vice versa) when prices change.

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

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

U.S. PRODUCERS

The Commission sent producers' questionnaires to all four firms identified as U.S. producers of malleable fittings in the petition. The Commission received questionnaire data from Anvil, Buck, and Ward, which account for almost all U.S. production of finished malleable fittings.[1] Petitioners Anvil and Ward accounted for *** of reported U.S. production of malleable fittings during 2002. Buck provided the Commission with a response to its producers' questionnaire in the final phase of the investigation. Buck indicated in its questionnaire response that it was in support of the petition filed by Anvil and Ward. *** reporting U.S. producers indicated *** corporate relationship with firms that are engaged in importing, exporting, or producing the subject merchandise in China. Table III-1 presents the list of U.S. producers, with each company's production location(s), share of U.S. production in 2002, and position on the petition.

Table III-1
Malleable fittings: U.S. producers, positions on the petition, shares of U.S. production in 2002, and U.S. production locations

Firm	Production locations	Shares of production (*percent*)	Positions on the petition
Anvil[1]	Columbia, PA	***	Petitioner
Buck[2]	Quarryville, PA	***	Supports
Ward[3]	Blossburg, PA	***	Petitioner

[1] Anvil is a wholly-owned subsidiary of Mueller Co. of Decatur, IL. The predecessor of Anvil was Supply Sales Co., which was formerly known as Grinnell Supply & Manufacturing.
[2] Buck is a wholly-owned subsidiary of DVCC of Chestertown, PA.
[3] Ward is a wholly-owned subsidiary of Hitachi Metals America of Purchase, NY, which in turn is owned by Hitachi Metals, Ltd. of Tokyo, Japan.

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

[1] The fourth firm, Lancaster Malleable Casting Co. ("Lancaster"), believed to be a ***, indicated that it intended to permanently shut down its production of malleable fittings about March 30, 2003, because of an "unprecedented drop" in demand resulting from "the two primary factors" of "overall economic decline, particularly in basic industries such as steel and metalworking, and the exodus of casting production to foreign soil - especially to the Republic of China." (Letter in exhibit 1 of the petition.) Lancaster did not provide questionnaire data to the Commission. Repeated attempts to secure finalized documentation of Lancaster's closing proved futile. ***.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data on U.S. producers' capacity, production, and capacity utilization are presented in table III-2. Total U.S. capacity decreased by *** percent from 2000 to 2001 and then decreased by *** percent from 2001 to 2002.[2] The overall decline in capacity from 2000 to 2002 was *** percent. Total U.S. production of malleable fittings decreased by *** percent from 2000 to 2002 and exhibited *** decrease of *** percent from 2000 to 2001. Capacity utilization decreased by *** percentage points from 2000 to 2001 and then decreased by *** percentage points from 2001 to 2002. *** reported that their capacity was constrained by ***.

*** reported that they *** fittings using the same manufacturing equipment and workers. ***.

In August 2001, Anvil sold its Statesboro, Georgia foundry and consolidated its malleable and non-malleable fittings production facilities into one foundry in Columbia, Pennsylvania.[3] *** report any plant openings, closures, or other changes in the character of their operations since January 1, 2000.[4]

*** reported *** involvement in toll agreements or production of malleable fittings in foreign trade zones.[5]

Table III-2
Malleable fittings: U.S. producers' capacity, production, and capacity utilization, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

U.S. PRODUCERS' U.S. SHIPMENTS, COMPANY TRANSFERS, AND EXPORT SHIPMENTS

As detailed in table III-3, the volume of U.S. producers' U.S. shipments fell by *** percent from 2000 to 2002. The value of their U.S. shipments also decreased, by *** percent, during the same time period. Transfers to related firms and internal shipments ***. *** reported export shipments, which were made to *** and accounted for *** percent of its total volume of 2002 shipments.

Table III-3
Malleable fittings: U.S. producers' shipments, by type, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

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[2] The decreases in capacity were ***. Anvil's combination of two different product lines from two foundries into one foundry reduced its capacity for both non-malleable and malleable fittings. Hearing transcript, p. 18.

[3] The combination of facilities required capital investment of approximately $17 million. Hearing transcript, p. 18.

[4] ***, producers' questionnaire responses, p. 3. The petition also stated that the U.S. industry is faced with increasing environmental costs due to more stringent Environmental Protection Agency ("EPA") regulations going into effect in the near future. These new regulations will require the U.S. industry to invest millions of dollars to build new dry baghouses to capture and clean foundry emissions. For example, Ward must install a $6.9 million emission control system. Petition, p. 26; petitioners' postconference brief, p. 22.

[5] Producers' questionnaire responses, p. 4.

U.S. PRODUCERS' IMPORTS AND PURCHASES

*** did not directly import or purchase imports of malleable fittings during the period examined. ***.

U.S. PRODUCERS' INVENTORIES

Data on end-of-period inventories of malleable fittings for the period examined are presented in table III-4.

Table III-4
Malleable fittings: U.S. producers' end-of-period inventories, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Data provided by U.S. producers on the number of production and related workers ("PRWs") engaged in the production of malleable fittings, the total hours worked by such workers, and wages paid to such PRWs during the period for which data were collected in this investigation are presented in table III-5. In August 2001, Anvil sold its Statesboro, GA, foundry and consolidated its malleable and non-malleable fittings production facilities into one foundry in Columbia, PA. This consolidation of production facilities resulted in Anvil reducing its workforce, and it has since reduced its workforce further.[6] Ward laid off 57 workers in April 2001, 38 workers in January 2002, 45 workers in October 2002, and an additional 35 workers in 2003.[7]

Table III-5
Malleable fittings: Average number of production and related workers producing malleable fittings, hours worked, wages paid to such employees, and hourly wages, productivity, and unit labor costs, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

[6] Hearing transcript, p. 19.

[7] Hearing transcript, p. 24.

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

U.S. IMPORTERS

The Commission sent importer questionnaires to 37 firms believed to be importers of malleable fittings from China, as well as to four U.S. producing firms.[1] Questionnaire responses were received from 24 companies, including from most of the large importers from China (based on information provided by Customs).[2] However, U.S. import data presented herein consist of official import statistics as compiled by the U.S. Department of Commerce because the volume of imports reported in questionnaire responses was well below that of the official import statistics, especially for countries other than China.[3]

Table IV-1 lists all responding U.S. importers and their quantity of imports, by source, in 2002.[4] Questionnaire respondents were located in Arkansas, California (3), Florida (2), Illinois (5), Ohio, New Jersey (2), New York (4), North Carolina, Pennsylvania, Rhode Island, Tennessee, Texas, and Virginia. All 24 firms reported imports of malleable fittings from China during the period examined and five firms, ***, reported imports of malleable fittings from Thailand. No reporting U.S. importers entered the subject product into or withdrew it from foreign trade zones or bonded warehouses.

Table IV-1
Malleable fittings: Reported U.S. imports, by importer and by source of imports, 2002

* * * * * * *

U.S. IMPORTS

Table IV-2 shows that the volume of U.S. imports of malleable fittings from China increased by 54.2 percent from 2000 to 2002. The volume of U.S. imports from China remained relatively stable from 2000 to 2001, increased by 54.8 percent in 2002, and increased by 6.2 percent between the partial-year (interim) periods. The trend was similar for the value of U.S. imports from China, except for a small decrease between the interim periods. The quantity of imports from nonsubject countries increased by 19.6 percent from 2000 to 2002.[5] The volume of imports from nonsubject countries decreased by 5.4

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[1] The Commission sent questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by the Bureau of Customs and Border Protection ("Customs"), may have imported malleable fittings since 2000.

[2] In addition to the 24 responses, the Commission received responses from *** indicating that they did not import malleable fittings during the period examined.

[3] Petitioners and the respondent stated that the official import statistics compiled by Commerce are an accurate measure of the volume and value of U.S. imports of malleable fittings from China and nonsubject countries. Conference transcript, pp. 39 and 89.

[4] Based on responding importers' data, 51 percent of the volume of U.S. shipments of imports from China in 2002 was to wholesalers and 49 percent was to retailers; U.S. shipments of reported 2002 imports from countries other than China (in this case, Thailand) were ***.

[5] In 2002, the majority of imports from nonsubject countries came from Thailand, which accounted for 18.2 percent of the volume of total imports of malleable fittings and 49.9 percent of the volume of imports from nonsubject countries. Also, imports from Mexico accounted for 9.5 percent of the volume of total imports in 2002

(continued...)

percent from 2000 to 2001, but then increased by 26.5 percent in 2002, before again increasing between the interim periods by 66.9 percent. The value of imports from nonsubject countries increased by 65.8 percent from 2000 to 2002, and between the interim periods the value of such imports increased by 48.6 percent.

Table IV-2
Malleable fittings: U.S. imports, by source, 2000-2002, January-June 2002, and January-June 2003

Source	Calendar year			January-June	
	2000	2001	2002	2002	2003
			Quantity (*short tons*)		
China	13,492	13,443	20,809	8,954	9,505
All others	9,988	9,446	11,946	4,968	8,290
Total	23,480	22,889	32,755	13,922	17,795
			Landed, duty-paid value (*$1,000*)		
China	21,029	20,395	30,276	13,385	13,155
All others	24,636	22,253	40,837	17,259	25,655
Total	45,665	42,649	71,113	30,644	38,810
			Unit value (*per short ton*)		
China	$1,559	$1,517	$1,455	$1,495	$1,384
All others	2,466	2,356	3,418	3,474	3,095
Average	1,945	1,863	2,171	2,201	2,181
			Share of quantity (*percent*)		
China	57.5	58.7	63.5	64.3	53.4
All others	42.5	41.3	36.5	35.7	46.6
Total	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
China	46.1	47.8	42.6	443.7	33.9
All others	53.9	52.2	57.4	56.3	66.1
Total	100.0	100.0	100.0	100.0	100.0
			Ratio of the volume of imports to U.S. production (*percent*)		
China	***	***	***	***	***
All others	***	***	***	***	***
Total	***	***	***	***	***

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

[5] (...continued)
and 25.9 percent of the volume of imports from nonsubject countries.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of malleable fittings are based on U.S. producers' shipments as reported in the Commission's questionnaires and imports as recorded by the U.S. Department of Commerce. Data on apparent U.S. consumption are presented in table IV-3.

Table IV-3
Malleable fittings: U.S. shipments of domestic product, U.S. imports, by source, and apparent U.S. consumption, 2000-2002, January-June 2002, and January-June 2003

Item	Calendar year			January-June	
	2000	2001	2002	2002	2003
	Quantity (*short tons*)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	13,492	13,443	20,809	8,954	9,505
All others	9,988	9,446	11,946	4,968	8,290
Total imports	23,480	22,889	32,755	13,922	17,795
Apparent U.S. consumption	***	***	***	***	***
	Value (*$1,000*)				
U.S. producers' U.S. shipments	***	***	***	***	***
U.S. imports from--					
China	21,029	20,395	30,276	13,385	13,155
All others	24,636	22,253	40,837	17,259	25,655
Total imports	45,665	42,649	71,113	30,644	38,810
Apparent U.S. consumption	***	***	***	***	***

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

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

U.S. MARKET SHARES

Data on market shares in the U.S. market for malleable fittings are presented in table IV-4.

Table IV-4
Malleable fittings: Apparent U.S. consumption and market shares, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

CRITICAL CIRCUMSTANCES

As indicated in Part I, Commerce has made affirmative critical circumstances determinations on the Chinese firms Jinan Meide, SCE Co., Ltd., and all other manufacturers/exporters in China other than Beijing Sai Lin Ke, Langfang Pannext, Chengde, and Myland Industrial. Total monthly imports into the United States (from official Commerce import statistics), monthly exports to the United States by reporting individual firms for which Commerce made final critical circumstances determinations, monthly exports to the United States by individual firms which reported to the Commission, and residual data for all others for which Commerce did not make a specific determination are shown in the following tabulation (in short tons from January 2002 to June 2003).

* * * * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

U.S. producers reported that raw material costs to produce malleable fittings accounted for *** percent of the cost of goods sold in 2000, *** percent in 2001, *** percent in 2002, and *** percent in the first two quarters of 2003.

Transportation Costs

Transportation costs for malleable fittings from China to the United States (excluding U.S. inland costs) are estimated to be equivalent to approximately 9.5 percent of the customs value of malleable fittings. These estimates are derived from January 2000-June 2003 official import data and represent the transportation and other charges on imports on a c.i.f. basis, as compared with customs value. Importers estimated that transportation costs for their shipments of subject imports from China accounted for about 8.4 percent of the total delivered cost of malleable fittings.

U.S. producers reported that transportation costs accounted for approximately *** percent of their total delivered cost of malleable fittings. U.S. producers tend to ship malleable fittings longer inland distances than do importers. U.S. producers reported that *** percent of their shipments are for distances within 100 miles of their production facilities, *** percent are for distances between 101 and 1,000 miles, and *** percent are for distances greater than 1,000 miles. Subject importers reported that 35.7 percent of their shipments are for distances less than 100 miles from their U.S. storage facility or port of entry, 40.7 percent are for distances between 101 and 1,000 miles, and 23.6 percent are for distances greater than 1,000 miles.

*** reported serving all fifty U.S. states. Six of 17 importers reported serving either the continental United States or the entire United States; other importers reported serving one or more regions including the Midwest, Northeast, South, and the West Coast. *** reported arranging transportation to customer locations. Similarly, 15 of 17 importers reported arranging transportation of malleable fittings to their customers' locations.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Chinese yuan relative to the U.S. dollar remained essentially unchanged at 8.28 yuan to the dollar during the period examined. Since January 1994, the Chinese government has maintained a policy of pegging the Chinese yuan to the U.S. dollar. Real exchange rates cannot be calculated due to the unavailability of the relevant Chinese producer price information.

PRICING PRACTICES

***.

Importers reported that prices are determined through transaction-by-transaction negotiations, discounts from price lists, and a markup above the landed cost. Discounts, when available, are typically based upon order quantity, with a few importers offering annual volume rebates. Most importers quote prices on a delivered basis, and sales terms typically range from 3/4 to 2 percent 10 net 30 days. Neither *** reported sales of malleable fittings over the internet.

Regarding brand names associated with malleable fittings, *** reported that *** percent of their production displayed a brand name. In contrast, nine of 17 importers reported that imported malleable fittings had a brand name while eight importers reported that malleable fittings imported from China did not have a brand name.

Contracts

*** reported that *** of their malleable fittings sales are made on a spot basis. Importers from China reported that 18.4 percent of their sales are on a contract basis and 81.6 percent are on a spot basis. Of the few importers that did conduct contract sales, most reported a contract duration of one year. Contracts typically fix price only, do not have meet-or-release provisions, and are renegotiated at year end. Standard minimum quantity requirements varied from 18 short tons per order to a full case. Price premiums for sub-minimum shipments ranged between 6 percent and 13 percent.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly quantity and f.o.b. value data for retail and wholesale sales to unrelated purchasers during the period January 2000 through June 2003. Product specifications for which pricing data were requested are as follows:

Product 1.–1/2 inch malleable, black, threaded, standard pressure (150 psi) 90-degree elbows ("Ls").

Product 2.–1/2 inch malleable, black, threaded, standard pressure (150 psi) "T" pipe fittings.

Product 3.–1/2 inch malleable, black, threaded, standard pressure (150 psi) unions.

Product 4.–1/2 inch malleable, galvanized, threaded, standard pressure (150 psi) 90-degree elbows ("Ls").

Product 5.–3/4 inch malleable, black, threaded, standard pressure (150 psi) 90-degree elbows ("Ls").

Product 6.–3/4 inch malleable, black, threaded, standard pressure (150 psi) "T" pipe fittings.

Product 7.–2 inch malleable, black, threaded, standard pressure (150 psi) "T" pipe fittings.

Product 8.–2 inch malleable, black, threaded, standard pressure (150 psi) unions.

Anvil, Ward, and 16 importers of Chinese malleable fittings provided usable pricing data, although not all firms reported pricing data for all products or all quarters.[1] Pricing data reported by Anvil and Ward accounted for *** percent of their U.S. commercial shipments of malleable fittings during 2002. Pricing data reported by importers from China accounted for *** percent of U.S. imports from China of malleable fittings during 2002.

Weighted-average f.o.b. prices and margins of underselling/overselling for U.S.-produced and imported Chinese malleable fittings are shown in tables V-1 through V-16 and figures V-1 through V-16.

[1] Importers reporting usable quantity and value information were ***.

Coverage consists of eight products, split out by retail and wholesale sales, for a total of 16 price tables and 16 figures. A summary of the price data, by product, is shown in table V-17 and summaries of the margins of underselling/overselling are shown in tables V-18 and V-19.

Table V-1
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-2
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-3
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-4
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-5
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-6
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-7
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-8
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 4 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-9
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-10
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 5 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-11
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 6 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-12
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 6 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

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Table V-13
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 7 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-14
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 7 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-15
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 8 sold to retailers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Table V-16
Malleable fittings: Weighted-average f.o.b. prices and quantities of domestic and imported product 8 sold to wholesalers, and margins of underselling/(overselling), by quarter, January 2000-June 2003

* * * * * * *

Figure V-1
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to retailers, January 2000-June 2003

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Figure V-2
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 1 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-3
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-4
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 2 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-5
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 3 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-6
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 3 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-7
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 4 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-8
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 4 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-9
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 5 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-10
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 5 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-11
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 6 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-12
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 6 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-13
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 7 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-14
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 7 sold to wholesalers, January 2000-June 2003

* * * * * * *

Figure V-15
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 8 sold to retailers, January 2000-June 2003

* * * * * * *

Figure V-16
Malleable fittings: Weighted-average f.o.b. prices of domestic and imported Chinese product 8 sold to wholesalers, January 2000-June 2003

* * * * * * *

Table V-17
Malleable fittings: Change in quarterly prices of U.S. and imported Chinese malleable fittings, by type of customer and by product, January 2000-June 2003

Product	United States		China	
	Retailer	Wholesaler	Retailer	Wholesaler
	Percent			
1	+***	+***	-22.9	-25.7
2	+***	+***	-12.2	+20.4
3	+***	+***	-17.6	+22.5
4	+***	+***	-19.7	-3.9
5	+***	+***	-18.6	-7.8
6	+***	+***	-33.0	-4.5
7	+***	+***	-3.0	+14.4
8	+***	+***	-19.4	+9.8

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

Table V-18
Malleable fittings: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from China sold to retailers, by product, January 2000-June 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
1	14	37.4	6.1	0	(1)	(1)
2	14	49.9	33.4	0	(1)	(1)
3	14	49.8	29.5	0	(1)	(1)
4	14	53.3	34.2	0	(1)	(1)
5	13	28.1	6.9	1	(1.4)	(1.4)
6	14	72.7	36.7	0	(1)	(1)
7	14	66.4	58.4	0	(1)	(1)
8	14	37.0	13.1	0	(1)	(1)

[1] Not applicable.

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

Table V-19
Malleable fittings: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from China sold to wholesalers, by product, January 2000-June 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		Percent	*Percent*		*Percent*	*Percent*
1	14	58.8	33.6	0	(1)	(1)
2	14	72.2	53.3	0	(1)	(1)
3	14	81.3	65.6	0	(1)	(1)
4	14	63.6	52.5	0	(1)	(1)
5	14	51.0	39.5	0	(1)	(1)
6	14	57.3	44.7	0	(1)	(1)
7	14	71.3	60.1	0	(1)	(1)
8	14	60.2	55.8	0	(1)	(1)

[1] Not applicable.

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

Commission staff interviewed purchasers to obtain additional information on relative price levels in the malleable fittings market in the United States. Of the 32 purchasers that returned Commission questionnaires, staff interviewed the 16 purchasers that predominantly source their malleable fittings from U.S. producers. These purchasers were asked why they bought the majority of their malleable fittings from U.S. producers, given that malleable fittings imported from China are so much less expensive. Thirteen of the 16 purchasers responded that they continued to purchase malleable fittings produced in the United States because their customers either preferred or required domestic fittings.[2] Purchasers whose customers predominantly prefer domestic malleable fittings include: ***. The last four purchasers (***) indicated that union contracts or "union towns" explained either preferences or requirements for domestic malleable fittings among their customer base. For example, both *** sell malleable fittings to customers in the New York City metropolitan area.[3]

Some purchasers reported a solid but declining preference for domestic malleable fittings. For example, *** reported that 30-40 percent of its customer base preferred domestic malleable fittings, but that this figure would decline in the next few years. *** also reported that most of its customers prefer domestic malleable fittings, but also acknowledged that the large price differential between domestic malleable fittings and fittings imported from China would erode its customers' preference for domestic fittings. Similarly, *** reported that its customers prefer malleable fittings, but that imports were expected to

[2] *** stated that it had ***, and had no way of knowing their individual preferences. *** replied that it could not quantify preferences or requirements for domestic fittings among its customer base. *** also reported that it was not aware of its customers' preferences or requirements related to malleable fittings.

[3] *** identified as New York City, Chicago, and San Francisco as typical "union towns." *** identified Philadelphia as a union town.

increase due to the large price differential. Lastly, *** reported that 20 percent of its customers prefer domestic fittings while *** reported that 15 percent prefer domestic fittings.

LOST SALES AND LOST REVENUES

The Commission requested U.S. producers of malleable pipe fittings to report any instances of lost sales or revenues they experienced due to competition from imports of malleable fittings from China since 1999. Neither producer provided specific instances of lost revenues. Regarding lost sales, ***. ***.[4] A summary of the information obtained from *** and from purchasers is shown in table V-20.

Five purchasers added additional comments. For example, *** agreed with the lost sales allegation submitted by ***, writing: "There are many countries of origin for import malleable fittings. The Chinese are lower than the others, but even the Thailand and other countries' fittings are substantially cheaper than domestic. I can't afford domestic fittings." *** also agreed, stating: "I agree that lower priced imports from China have had a big effect on the market. I have seen jobs paid for by U.S. tax dollars use the import products, schools, hospitals, etc."

On the other hand, several companies that disagreed with lost sales allegations also submitted comments. For example, *** answered "disagree" on its lost sales allegation response form and provided the following comment: "***."[5] *** also disagreed, writing: "Our business was down in 2002 with domestic manufacturers, but it wasn't related to China imports." Last, ***, which disagreed with the lost sales allegation submitted by ***, wrote: "Malleable fittings are being replaced by a flexible stainless steel line (***). Our investment in malleable is becoming less and less."

Table V-20
Malleable fittings: U.S. producers' lost sales allegations

* * * * * * *

[4] ***. While the Commission was unable to verify specific instances of lost sales or lost revenues with these companies, several of the purchasers named in these allegations submitted purchaser questionnaire responses which provide some information on their purchasing behavior. ***. ***. ***. ***.

[5] In the preliminary phase of the investigation, *** responded to a lost sales allegation submitted by *** by writing: "We have answered no to the question above because we have customers that want U.S. produced malleable pipe fittings and we have customers that want a lower priced import fitting. If the China material were not available, the U.S. producer would still have lost the sale to some other import country (i.e., Mexico or Thailand). Perhaps a better statement is 'U.S. producers of malleable pipe fittings have not lost sales to my firm due to lower priced malleable pipe fittings from China, but the 'other' importers have lost sales to my firm because of the lower-priced China product.' "

PART VI: FINANCIAL EXPERIENCE AND CONDITION OF U.S. PRODUCERS

BACKGROUND

Three producers[1] of malleable fittings (Anvil, Buck, and Ward), accounting for virtually all U.S. production of finished malleable fittings in 2002, supplied requested financial data. Anvil had two foundries: one in Columbia, PA, which was built before World War II, and another in Statesboro, GA, which was established in 1973. The Columbia foundry's main product line was malleable fittings while the Statesboro foundry's main product line was non-malleable fittings. Anvil sold its Statesboro foundry in August 2001. It combined the production of malleable fittings and non-malleable fittings in the Columbia foundry by incurring a capital investment of about $17 million.[2] Anvil's producer questionnaire data were verified for 1999, 2000, 2001, January-September 2001, and January-September 2002.[3]

OPERATIONS ON MALLEABLE FITTINGS

Income-and-loss data for the U.S. producers on malleable fittings operations are presented in table VI-1; selected financial data, by firm, are presented in table VI-2. Because of variations in product mix from period to period, a variance analysis is not presented. The operating income margin increased from *** percent of total net sales in 2000 to *** percent in 2001, and then decreased to *** percent in 2002. The operating income margin decreased from *** percent in January-June 2002 to *** percent in January-June 2003.

Table VI-1
Results of operations of U.S. producers in the production of malleable fittings, fiscal years 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

Table VI-2
Results of operations of U.S. producers in the production of malleable fittings, by firms, fiscal years 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

From 2000 to 2002, the volume of total net sales declined by *** percent; on a per-short-ton basis, the average cost of goods sold ("COGS") increased faster than the rise in the average unit value of sales, resulting in a lower gross profit. Moreover, the selling, general, and administrative ("SG&A") expenses in absolute dollars declined but increased per short ton due to the lower volume, contributing to the lower operating income in 2002. From January-June 2002 to January-June 2003, the volume of total net sales dropped by *** percent; on a per-short-ton basis, the average unit value of sales decreased by

---

[1] U.S. producers' fiscal year ends are ***.

[2] Conference transcript, p. 12.

[3] Anvil's data provided in the preliminary phase of the investigation were verified when Anvil's data supplied in the final phase of the non-malleable fittings investigation were verified.

*** percent while the average COGS rose by *** percent, resulting in a lower gross profit and a lower operating income.

With respect to an increase in absolute dollars and per short ton for raw materials, direct labor, and other factory costs in 2002, which resulted in a lower gross profit and a lower operating income, Anvil stated that ***. [4]

With respect to the impact of consolidation of two product lines in one foundry on its malleable iron pipe fittings' operations, Anvil indicated that ***.[5]

With respect to the increase in other factory costs in 2001 and 2002, compared with 2000, despite the decline in sales volume, Ward explained that ***.[6]

With respect to the increase per short ton in direct labor in 2002, compared with 2000 and 2001, despite the decline in sales volume, Ward indicated that ***.[7]

With respect to the increase per short ton in raw materials, direct labor, and other factory costs in January-June 2003, compared with those in January-June 2002, Ward stated that ***.[8]

Ward explained that the increase per short ton in general and administrative expenses in 2002, compared with 2000 and 2001, and in January-June 2003, compared with January-June 2002, was due to *** (despite the decline in sales volume and value).[9]

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

The responding firms' data on capital expenditures, R&D expenses, and the value of their property, plant, and equipment for their malleable fittings operations are shown in table VI-3.

Table VI-3
Capital expenditures, research and development expenses, and value of assets of U.S. producers of malleable fittings, fiscal years 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

The following tabulation presents Anvil's capital expenditures on malleable fittings:

* * * * * * *

Anvil's capital expenditures reported in table VI-3 for malleable fittings represent only specifically identifiable capital expenditures for this product line. Anvil did not include in the data in table VI-3 either allocated environmental capital expenditures or shared capital expenditures with other product lines.[10]

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[4] Anvil's submission dated September 11, 2003.

[5] Ibid.

[6] Ward's submission dated September 10, 2003.

[7] Ibid.

[8] Ibid.

[9] Ibid.

[10] Anvil's submission dated September 23, 2003.

The following tabulation presents Ward's total capital expenditures on malleable fittings:

* * * * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of malleable fittings from China on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product). Their responses are shown below.

Actual negative effects:

Anvil.–***

Buck.–***

Ward.–***

Anticipated negative effects:

Anvil.–***

Buck.–***

Ward.–***

PART VII: THREAT CONSIDERATIONS

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

THE INDUSTRY IN CHINA

Table VII-1 presents data for reported production and shipments of malleable fittings for China. The Commission requested data from ten firms believed to produce the subject fittings (three of which were listed in the petition and five of which were listed in petitioners' prehearing brief) and four exporters.[1] The Commission received questionnaire responses from four producers of malleable fittings in China (Jinan, Pannext, Shandong KM, and Tangshan)[2] and from two non-producing exporters (SCE and SLK).[3] ***.

Table VII-1
Malleable fittings: China's reported production capacity, production, shipments, and inventories, 2000-2002, January-June 2002, January-June 2003, and projections for 2003 and 2004

* * * * * * *

Jinan reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China. It also estimated that its 2002 exports to the United States accounted for *** percent of all exports to the United States from China of malleable fittings (in fact, it accounted for approximately *** percent). It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 2000 to 2002, Jinan's share of its total shipments being exported to the United States increased by *** percentage points as its share of its total shipments

[1] The Commission requested data from: (1) Eathu Casting & Forging Co., Ltd. ("Eathu"); (2) Hebei Machinery Corp. ("Hebei"); (3) Jinan Meide Casting Co., Ltd. ("Jinan"); (4) National Steel Products Co., Ltd. ("National"); (5) Langfang Pannext Fittings Corp. ("Pannext"); (6) SCE Co., Ltd. ("SCE"); (7) Shandong Flying Casting & Forging Co., Ltd. ("Shandong FCF"); (8) Shandong King Metals Co., Ltd. ("Shandong KM"); (9) Shijiazhuang Donghuan Malleable Iron Castings Co., Ltd. ("Shijiazhuang"); and (10) Tangshan T.F.F. Malleable Iron Co., Ltd. ("Tangshan"), all of which are believed to be producers of malleable fittings in China, and from (1) Beijing Sai Lin Ke Hardware Co., Ltd. ("SLK"); (2) Dalian Zhong Sheng Metal Products Co., Ltd. ("DZ"); (3) Tianjin Foreign Trade Group ("Tianjin"); and (4) Xiamen Jia Da Quan Valves & Fittings Co., Ltd. ("Xiamen"), all believed to be exporters of malleable fittings from China; staff was not successful in contacting reported exporter Hebei Great Wall Import & Export Corp.

[2] Tangshan was related to National, which ceased operations in March 1999.

[3] The exact number of foundries in China was not provided to the Commission nor is the number publicly available; however, one witness testified at the hearing that there were in excess of 25 producers of malleable fittings in China. Hearing transcript, p. 238 (Mr. Berkman). Jinan, Pannext, Tangshan, SCE, Shandong KM, and SLK estimate that together they account for *** percent of total malleable fittings production in China and approximately *** percent of the total U.S. imports of the subject merchandise during 2002. ***.

being exported to other world markets[4] decreased by *** percentage points.[5] During this period its home market sales of malleable fittings increased by *** short tons, an increase of *** percent. Jinan's capacity increased throughout the period examined, *** from 2000 to 2002, and is projected to increase by *** percent by 2004. Its production increased by *** percent during 2000-2002, and is projected to increase further, by *** percent by 2004. Jinan did not describe the basis for its projections. *** are Jinan's largest U.S. importers of malleable fittings. Commerce determined that critical circumstances exist on imports of malleable fittings from Jinan;[6] monthly export data are provided in Part IV of this report.

Pannext reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China.[7] It also estimated that its 2002 exports to the United States accounted for *** percent of all exports from China to the United States of malleable fittings (in fact, it accounted for approximately *** percent). It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 2000 to 2002, Pannext's share of its total shipments being exported to the United States increased by *** percentage points as its share of its total shipments being exported to other world markets[8] decreased by *** percentage points.[9] During this period its home market sales of malleable fittings increased by *** short tons, an increase of *** percent. Pannext's capacity increased throughout the period examined, *** from 2000 to 2002, and is projected to increase by *** percent by 2004. Its production increased during 2000-2002, by ***, and is projected to increase further by *** percent by 2004. The basis for Pannext's projections was not provided. *** are Pannext's largest U.S. importers of malleable fittings. Commerce did not determine that critical circumstances exist on imports of malleable fittings from Pannext.

Exporter SCE reported that its source's production of malleable fittings accounted for *** percent of total malleable fittings production in China.[10] It also estimated that its 2002 exports to the United States accounted for *** percent of all exports to the United States from China of malleable fittings (in fact, it accounted for approximately *** percent). It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 2000 to 2002, SCE's share of its total shipments being exported to the United States decreased by *** percentage points. *** are SCE's largest U.S. importers of malleable fittings. Commerce determined that critical circumstances exist on imports of malleable fittings from SCE; monthly export data are provided in Part IV of this report.

Shandong KM reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China. It also estimated that its 2002 exports to the United States accounted for *** percent of all exports to the United States from China of malleable fittings (in fact, it accounted for approximately *** percent). It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 2000 to 2002, Shandong KM's share of its total shipments being exported to the United States increased by *** percentage points as its share of its total shipments being exported to other world markets decreased by *** percentage points. During this period Shandong KM *** home market sales of malleable fittings. Shandong KM's capacity increased during

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[4] Jinan reported that its other export markets are ***.

[5] Jinan reported that ***.

[6] 68 FR 61395, October 28, 2003.

[7] ***.

[8] Pannext reported that its other export markets are ***.

[9] Pannext reported that ***.

[10] SCE reported ***. SCE's questionnaire response, p. 2, and ***, SCE, telephone interviews by Commission staff, November 3 and 6, 2003.

the period examined, *** from 2000 to 2002. Shandong KM ***.[11] Its production increased by *** percent during 2000-2002. Shandong KM *** its largest U.S. importers of malleable fittings.[12] Commerce determined that critical circumstances exist on imports of malleable fittings from Shandong KM as part of the PRC-wide entity;[13] monthly export data are provided in Part IV of this report.

SLK reported no production of malleable fittings; however, it purchases subject product in China from ***. SLK estimated that its 2002 exports to the United States accounted for *** percent of all exports from China to the United States of malleable fittings (in fact, it accounted for approximately *** percent). It reported that *** percent of its total sales in its most recent fiscal year were sales of malleable fittings. SLK ***. From 2000 to 2002, SLK's exports to the United States decreased by *** percent, and decreased by *** percent during the interim periods. SLK projects 2003 exports to the United States of *** short tons based on ***, and 2004 exports to the United States of *** short tons based on ***. ***.[14] Commerce did not determine that critical circumstances exist on imports of malleable fittings from SLK.

Tangshan reported that its production of malleable fittings accounted for *** percent of total malleable fittings production in China. It also estimated that its 2002 exports to the United States accounted for *** percent of all exports from China to the United States of malleable fittings (***). It reported that *** percent of its total sales in the most recent fiscal year were sales of malleable fittings. From 2000 to 2002, Tangshan's share of its total shipments being exported to the United States decreased by *** percentage points as its share of its total shipments being exported to other world markets[15] increased by *** percentage points.[16] During this period its home market sales of malleable fittings increased by *** short tons. Tangshan's capacity remained constant throughout the period examined.[17] Its production increased during 2000-2002 and is projected to decrease by *** percent in 2003 before returning to 2002 levels in 2004. The basis for Tangshan's projections was not reported. *** are Tangshan's largest U.S. importers of malleable fittings. Commerce determined that critical circumstances exist on imports of malleable fittings from Tangshan as part of the PRC-wide entity;[18] monthly export data are provided in Part IV of this report.

U.S. IMPORTERS' INVENTORIES

Reported inventories held by U.S. importers of malleable fittings from China are shown in table VII-2.[19]

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[11] Shandong KM reported ***. Shandong KM's foreign producers' questionnaire response, p. 3.

[12] Shandong KM reported ***. Shandong KM's foreign producers' questionnaire response, p. 5.

[13] 68 FR 61395, October 28, 2003.

[14] ***.

[15] Tangshan reported that its other export markets are ***.

[16] Tangshan projected that ***.

[17] Tangshan stated in a textual response in the questionnaire that ***. Tangshan's questionnaire response, pp. 3 and 5.

[18] 68 FR 61395, October 28, 2003.

[19] Respondent B&K contends that most of the importers' inventories of subject product are destined for residential end uses and are unlikely to compete significantly with domestic producers' fittings. B&K's prehearing brief, p. 17.

Table VII-2
Malleable fittings: U.S. importers' end-of-period inventories of imports, by source, 2000-2002, January-June 2002, and January-June 2003

* * * * * * *

U.S. IMPORTERS' IMPORTS SUBSEQUENT TO JUNE 30, 2003

The Commission requested importers to indicate whether they imported or arranged for the importation of malleable fittings from China after June 30, 2003. Of the 24 responding importers, 15 reported imports of malleable fittings from China subsequent to June 30, 2003. Importers and the quantity of malleable fittings imported subsequent to June 30, 2003 are shown in the tabulation below.

* * * * * * *

DUMPING IN THIRD-COUNTRY MARKETS

In August 2000, the European Union ("EU") reportedly imposed antidumping duties of on malleable fittings from China.[20] "Malleable iron connections" from China have also been subject to an antidumping duty order in Mexico.[21] In October 2002, Brazil reportedly imposed an antidumping duty order on malleable fittings from China.[22] Finally, in October 2003, Argentina imposed an antidumping duty order on malleable fittings from China.[23] Petitioners argue that the antidumping measures imposed by other countries increasingly make the U.S. market the focus for exports from China.[24]

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[20] *See* petition, p. 28 and exh. 41.

[21] *Id.*

[22] ***, which also indicated that antidumping duties were imposed on malleable fittings from China by Turkey in April 2000 and by Argentina in April 2003.

[23] ***, telephone interview by Commission staff, November 7, 2003.

[24] Petitioners' prehearing brief, p. 37.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1021 (Final)]

Malleable Iron Pipe Fittings From China

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of an antidumping investigation.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731–TA–1021 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from China of malleable iron pipe fittings, provided for in subheading 7307.19.90 of the Harmonized Tariff Schedule (HTS).[1]

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

EFFECTIVE DATE: June 6, 2003.

FOR FURTHER INFORMATION CONTACT: Cynthia Trainor (202–205–3354), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by

[1] For purposes of this investigation, the imported merchandise from China consists of malleable iron pipe fittings, cast, other than grooved fittings, and excludes metal compression couplings (couplings consisting of a coupling body, two gaskets, and two compression nuts; ranging in diameter from ½ inch to 2 inches; and in galvanized finish).

accessing its internet server (*http://www.usitc.gov*). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://www.edis.usitc.gov*.

SUPPLEMENTARY INFORMATION:

Background.—The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of malleable iron pipe fittings from China are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on October 30, 2002, by Anvil International, Inc., Portsmouth, NH and Ward Manufacturing, Inc., Blossburg, PA.

Participation in the investigation and public service list.—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of this investigation as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201.11 of the Commission's rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigation need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigation.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in the final phase of this investigation available to authorized applicants under the APO issued in the investigation, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigation. A party granted access to BPI in the preliminary phase of the investigation need not reapply for such access. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Staff report.—The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on October 8, 2003, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on October 23, 2003, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or before October 16, 2003. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on October 20, 2003, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions.—Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is October 16, 2003. Parties may also file written testimony in connection with their presentation at the hearing, as provided in section 207.24 of the Commission's rules, and posthearing briefs, which must conform with the provisions of section 207.25 of the Commission's rules. The deadline for filing posthearing briefs is October 30, 2003; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation on or before October 30, 2003. On November 14, 2003, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before November 18, 2003, but such final comments must not contain new factual information and must otherwise comply with section 207.30 of the Commission's rules. All written submissions must conform with the provisions of section 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002).

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

Authority: This investigation is being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.21 of the Commission's rules.

By order of the Commission.

Issued: July 3, 2003.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 03–17426 Filed 7–9–03; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

[A–570–881]

Final Determination of Sales at Less Than Fair Value and Critical Circumstances: Certain Malleable Iron Pipe Fittings From the People's Republic of China

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

ACTION: Notice of final determination of sales at less than fair value and critical circumstances.

EFFECTIVE DATE: October 28, 2003.

FOR FURTHER INFORMATION CONTACT: Helen Kramer, Anya Naschak, or Ann Barnett-Dahl, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington, DC 20230; telephone: (202) 482–0405, 482–6375, or 482–3833, respectively.

Final Determination

We determine that certain malleable iron pipe fittings from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value, as provided in section 735 of the Tariff Act of 1930, as amended (the Act). The estimated margin of dumping is shown in the "Continuation of Suspension of Liquidation" section of this notice.

Case History

On April 22, 2003, we published in the **Federal Register** a preliminary determination that critical circumstances exist for imports of malleable pipe fittings for one of the mandatory respondents, Jinan Meide Casting Co. (JMC), and one of the non-selected respondents, SCE Co., Ltd. (SCE), based on an increase in imports exceeding the required 15 percent, but that no massive imports exist for the other mandatory respondents, Langfang Pannext Pipe Fitting Co., Ltd. (Pannext), and Beijing Sai Lin Ke Hardware Co., Ltd. (SLK), and the other non-selected respondents, Myland Industrial Co., Ltd. (Myland) and Chengde Malleable Iron General Factory (Chengde). In addition, we found that imports of subject merchandise were massive in the three-month comparison period for the PRC-wide entity for which data are available.

We published the preliminary determination in this investigation on June 6, 2003. *See* Notice of Preliminary Determination of Sales at Less Than Fair Value: Certain Malleable Iron Pipe Fittings from the People's Republic of China, 68 FR 33911 (June 6, 2003) (Preliminary Determination). Since the publication of the Preliminary Determination, the following events have occurred.

On June 3, 2003, in order to remedy deficiencies in respondents' reporting of scrap inputs, the Department asked respondents to weigh and keep accurate records of each ingredient that goes into the cupola and to submit biweekly reports to the Department until two weeks before verification. JMC and Pannext each submitted three production reports covering a six-week period, and SLK submitted four reports covering an eight-week period.

On June 4, 2003, SLK requested that the Department correct an alleged ministerial error in SLK's margin calculation. On June 13, 2003, the Department determined that the error in the margin calculation resulted from SLK's failure to indicate that it had reported the weight of the fittings in its revised sales database in pounds, although all other data were in kilograms. In addition, the Department determined that this error was not ministerial in nature. As a result, at that time we did not make the suggested correction. However, SLK subsequently revised its reported weights, which are used in the calculation of U.S. price, to kilograms, and we have used the corrected weights for the final determination.

On July 3, 2003, the petitioners (Ward Manufacturing, Inc. and Anvil International, Inc.) submitted a request for a public hearing in accordance with 19 CFR 351.310(c). On July 7, 2003, respondents JMC and Pannext requested a hearing. On September 2, 2003, the Department informed all interested parties that a hearing would be held (see Memorandum from Ann Barnett-Dahl to the File dated September 2, 2003). On September 5, 2003, the petitioners requested that the Department conduct a portion of the hearing in closed session. The hearing was held on September 17, 2003. The petitioners and three respondents submitted case briefs and rebuttal briefs on September 8 and 15, 2003, respectively.

On July 16, 2003, JMC, Pannext and SLK placed on the record public information for the purpose of providing the Department with additional information that can be used in valuing the factors of production.

The Department conducted verifications on the following dates: June 25, 2003, Houston, Texas—Pannext Fittings Corp.; July 8–10, 2003, Chicago, Illinois—LDR Industries, Inc.; July 28–August 1, 2003, Jinan, PRC—JMC;

August 11–12, 2003, Beijing, PRC—SLK; August 13–15, 2003, Tianjin, PRC—a supplier to SLK.

Period of Investigation

The period of investigation is April 1, 2002 through September 30, 2002.

Non-Market Economy Country Status

The Department has treated the PRC as a non-market economy (NME) country in all its past antidumping investigations. A designation as an NME country remains in effect until the Department revokes it. See section 771(18)(C) of the Act. The respondents in this investigation have not requested revocation of the PRC's NME status. We have continued to treat the PRC as an NME in this investigation. For further discussion, see the Department's Preliminary Determination, 68 FR 33391, 33913.

Separate Rates

In our Preliminary Determination, we determined that the respondents had met the criteria for the application of separate antidumping duty rates. We have not received any other information that would warrant reconsideration of our separate rates determination with respect to these companies. For a complete discussion of the Department's determination that the respondents are entitled to a separate rate, see Preliminary Determination.

The PRC-Wide Rate

For the reasons set forth in the Preliminary Determination, we continue to find that the use of adverse facts available for the PRC-wide rate is appropriate for other exporters in the PRC, based on our presumption that those respondents who failed to demonstrate entitlement to a separate rate constitute a single enterprise under common control by the Chinese government. See Preliminary Determination, 68 FR 33911, 33915–33916. The PRC-wide rate applies to all entries of the merchandise under investigation except for entries from the three mandatory respondents and the respondents that are entitled to a separate rate.

When analyzing the petition for purposes of the initiation, the Department reviewed all of the data upon which the petitioner relied in calculating the estimated dumping margin and determined that the margin in the petition was appropriately calculated and supported by adequate evidence in accordance with the statutory requirements for initiation. In order to corroborate the petition margin for purposes of using it as adverse facts available, we examined the price and cost information provided in the petition in the context of our preliminary determination. For further details, see Memorandum from Ann Barnett-Dahl to Richard Weible, Office Director, Total Facts Available Corroboration Memorandum for All Others Rate, dated May 28, 2003.

Consistent with our Preliminary Determination, as adverse facts available, we have used the rate from the petition, recalculated with the new surrogate value information discussed in the Memorandum to the File Regarding Total Facts Available Corroboration Memorandum for the PRC-Wide Rate, October 20, 2003. See also the Issues and Decision Memorandum for the Final Determination in the Less Than Fair Value Investigation of Certain Malleable Iron Pipe Fittings from the People's Republic of China: April 1, 2002 through September 30, 2002, at Comments 4 through 10, accompanying this notice (Decision Memorandum). The recalculated rate for the China-wide entity is 111.36 percent.

Surrogate Country

For purposes of the final determination, the Department continues to find that India is the appropriate primary surrogate country. For further discussion and analysis regarding the surrogate country selection, see the Department's Preliminary Determination at 33916.

Use of Facts Available

Section 776(a) of the Act provides that, if necessary information is not available on the record, or if an interested party fails to provide such information in a timely manner or in the form or manner requested, the Department shall use, subject to sections 782(d) and (e) of the Act, facts otherwise available in reaching the applicable determination. If an interested party is unable to submit the information requested or in the requested form, that party is required to notify the Department promptly and must suggest a reasonable alternative. *See* section 782(c)(1).

In the *Preliminary Determination*, we relied on partial facts available for the value of recycled scrap because the information on the record did not satisfy the statute with respect to the unreported inputs in the calculation of normal value. *See Preliminary Determination* at 33918. After the *Preliminary Determination*, but prior to verification, on June 3, 2003, the Department requested that respondents "weigh and keep accurate written records of each ingredient that goes into the cupola for each charge on a CONNUM specific basis * * * Provide the source of each input, *e.g.* purchased or reprocessed material * * * {and} for each CONNUM, record (1) The total casting weight, (2) the total weight of produced subject merchandise, and (3) the total weight of generated scrap," in an effort to allow respondents another opportunity to alleviate the Department's concerns regarding the quantities of inputs reported to date. On June 4, 2003, the Department also requested that respondents address the Department's concerns regarding the underreporting of metallic inputs during the POI. Although respondents submitted additional information in response to each of these requests, the information provided to the Department did not address the Department's concern that respondents have failed to report sufficient quantities of inputs to account for total production during the POI, and the reported information continued to have significant discrepancies that have not been explained. Therefore, the application of facts available is appropriate pursuant to section 776(a), because the Department does not have the necessary information needed to calculate its margin, respondents did not provide the information, and respondents have not proposed any reasonable alternatives to account for underreported or unreported inputs, in accordance with section 782(c)(1).

For Pannext, as facts available for the under-reported purchased scrap inputs, the Department is continuing to increase purchased scrap, where necessary, to the POI-wide average quantity for steel scrap input as reported in its response, when the reported metallic inputs (including steel scrap and pig iron) to produce one kilogram of output was less than one kilogram. For JMC, as facts available for the under-reported purchased scrap inputs, the Department is increasing the reported purchased and non-subject merchandise recycled scrap inputs for those CONNUM where the sum of these inputs is less than one kilogram to produce one kilogram of output. The factor used to increase these CONNUMs is the average of the CONNUMs where the sum of the inputs is greater than or equal to one. For SLK the Department has also increased the inputs when the sum of the inputs are less than one kilogram to produce one kilogram of output for certain suppliers. *See* SLK Proprietary Analysis Memo.

Additionally, as facts available for recycled scrap that was not reported in the "form or manner requested" (*see* section 776(a) of the Act), the

Department is continuing to use an average of the adjustment ratios for JMC and Pannext as calculated in petitioners' May 15th letter at Exhibit 4, and increasing JMC, Pannext, and SLK's reported values for metallic inputs by this average, 56.83%. For a complete discussion of this issue, *see* accompanying Decision Memorandum at Comment 1.

For this final determination, given an increase in total inputs as described above and in the Decision Memorandum at Comment 1, the Department must increase respondents' energy inputs to a level that corresponds to the increase in these inputs. Therefore the Department has applied neutral facts available to value respondents' energy inputs to determine normal value in accordance with section 773(c)(1) of the Tariff Act. As facts available for these underreported energy inputs, the Department has used respondents' reported energy data to find an appropriate neutral facts available adjustment for these underreported inputs. For a complete discussion of this issue, see accompanying Decision Memorandum at Comment 2 and JMC, Pannext, and SLK's Proprietary Analysis Memoranda.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this investigation, and to which we have responded, are listed in the Appendix to this notice and addressed in the Decision Memorandum, which is hereby adopted by this notice. Parties can find a complete discussion of all issues raised in this investigation and the corresponding recommendations in this public memorandum, which is on file in B–099. In addition, a complete version of the Decision Memorandum can be accessed directly on the World Wide Web at *http://ia.ita.doc.gov/frn/*. The paper copy and electronic version of the Decision Memorandum are identical in content.

Changes Since the Preliminary Determination

Based on our findings at verification, and analysis of comments received, we have made adjustments to the calculation methodology in calculating the final dumping margin in this proceeding. *See* Final Analysis Memorandum for JMC; Final Analysis Memorandum for Pannext; and Final Analysis Memorandum for SLK.

Verification

Pursuant to section 782(i) of the Act, we verified the information submitted by each respondent for use in our final determination. We used standard verification procedures including examination of relevant accounting and production records, and original source documents provided by the respondents. For changes from the Preliminary Determination as a result of verification, see Final Analysis Memorandum for Pannext and Final Analysis Memorandum for SLK.

Scope of Investigation

For purposes of this investigation, the products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.90.30, 7307.19.90.60 and 7307.19.90.80 of the Harmonized Tariff Schedule (HTSUS). Excluded from the scope of this investigation are metal compression couplings, which are imported under HTSUS number 7307.19.90.80. A metal compression coupling consists of a coupling body, two gaskets, and two compression nuts. These products range in diameter from ½ inch to 2 inches and are carried only in galvanized finish. HTSUS subheadings are provided for convenience and Bureau of Customs and Border Protection (BCBP) purposes, however, the written description of the scope of this proceeding is dispositive.

Final Determination of Critical Circumstances

On April 22, 2003, before the *Preliminary Determination*, we made a preliminary finding of critical circumstances with respect to JMC, SCE, and the PRC-wide entity on the basis of massive imports of the subject merchandise over a relatively short period and a history of injurious dumping from the PRC based on a current antidumping duty order on the subject merchandise imposed by the European Community. See Notice of Preliminary Determination of Critical Circumstances: Certain Malleable Iron Pipe Fittings from the People's Republic of China, 68 FR 19779, 19780. We received no comments on this issue from any of the parties. Based on our final determination of sales at less than fair value, pursuant to section 735(a)(3)(A)(i) and (B), we therefore determine that critical circumstances exist with respect to JMC, SCE, and the PRC-wide entity.

Continuation of Suspension of Liquidation

In accordance with section 735(c)(1)(B) of the Act, we are directing the BCBP to continue to suspend liquidation of all entries of subject merchandise from the PRC, that are entered, or withdrawn from warehouse, for consumption as follows: for Pannext, SLK, or Chengde, on or after the date of publication of the Preliminary Determination in the **Federal Register**, June 6, 2003; for JMC, SCE and companies subject to the PRC-wide rate, on or after the date which is 90 days prior to the date of publication of the Preliminary Determination, *i.e.*, March 8, 2003, due to the Final Determination of Critical Circumstances. BCBP shall continue to require a cash deposit or posting of a bond equal to the estimated amount by which the normal value exceeds the U.S. price as shown below. These suspension of liquidation instructions will remain in effect until further notice.

The weighted-average dumping margins are as follows:

Manufacturer/exporter	Percent[1]
Jinan Meide Casting Co., Ltd	11.35
Beijing Sai Lin Ke Hardware Co., Ltd	14.32
Langfang Pannext Pipe Fitting Co., Ltd	7.35
Chengde Malleable Iron General Factory	10.96
SCE Co., Ltd	10.96
PRC-Wide	111.36

[1] Weighted-average margin percent.

ITC Notification

In accordance with section 735(d) of the Act, we have notified the International Trade Commission (ITC) of our determination. As our final determination is affirmative, the ITC will, within 45 days, determine whether these imports are materially injuring, or threaten material injury to, the U.S. industry. If the ITC determines that material injury, or threat of material injury does not exist, the proceeding will be terminated and all securities posted will be refunded or canceled. If the ITC determines that such injury does exist, the Department will issue an antidumping duty order directing Customs officials to assess antidumping duties on all imports of the subject merchandise entered for consumption on or after the effective date of the suspension of liquidation.

This determination is issued and published in accordance with sections 735(d) and 777(i)(1) of the Act.

Dated: October 20, 2003.

James J. Jochum,

Assistant Secretary for Import Administration.

Appendix I

General Issues

Comment 1: Whether to Apply Facts Available for Material Inputs
Comment 2: Whether to Apply Facts Available for Energy Inputs
Comment 3: Financial Ratios
Comment 4: Surrogate Values—Whether to Update Information for the POI
Comment 5: Surrogate Values—Recycled Iron Scrap
Comment 6: Surrogate Values—Iron and Steel Shavings
Comment 7: Surrogate Values—Ferrosilicon
Comment 8: Surrogate Values—Firewood
Comment 9: Surrogate Values—Wood Pallets
Comment 10: Surrogate Values—Zinc Dust and Zinc Powder
Comment 11: Whether to Consider Certain Inputs as Overhead Items
Comment 12: Whether the Department Correctly Calculated the Distance for the Non-Market Economy ("NME") Inland Freight Charge for Respondents
Comment 13: Calculate Cost of Production ("COP") on a per-piece basis
Comment 14: Whether to Add Surrogate Freight to the Surrogate Values of Recycled Scrap

Company Specific Issues

A. JMC

Comment 15: Whether Certain Sales by JMC should be considered CEP
Comment 16: Ministerial Errors

B. Pannext

Comment 17: Whether to Correct Items found at Verification

C. SLK

Comment 18: Use of Yield-Adjusted Factors of Production for SLK supplier
Comment 19: Weight-Averaging in the Normal Value calculation
Comment 20: Use of the Correct Weight of the Finished Product

[FR Doc. 03–27165 Filed 10–27–03; 8:45 am]

BILLING CODE 3510–25–P

APPENDIX B

CALENDAR OF THE PUBLIC HEARING

CALENDAR OF THE PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject:	Malleable Iron Pipe Fittings from China
Investigation No.:	731-TA-1021 (Final)
Date and Time:	October 23, 2003 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room, 500 E Street, SW, Washington, DC.

In Support of the Imposition of Antidumping Duties:

Schagrin Associates
Washington, DC
on behalf of

Anvil International, Inc.
Ward Manufacturing

Thomas E. Fish, President, Anvil International, Inc.
William Strouss, Vice President, Finance, Anvil International, Inc.
Robert Kim, Vice President, Manufacturing, Anvil International, Inc.
John Martin, Vice President, National Accounts, Anvil International, Inc.
Tom Gleason, Vice President, Marketing and Sales, Ward Manufacturing
Kevin Barron, Manager of Operations, Ward Manufacturing
A.J. Maloney, Executive Vice President, Coburn Supply Co.
Charles Kafenshtock, President, Kast Marketing
Michael McInerney, Chairman and Chief Executive Officer, Thos. Somerville Co.
Joseph Mitchell, Sr., Secretary and Treasurer, Glass, Molders, Pottery, Plastics and Allied Workers International Union (AFL-CIO-CLC)

Roger B. Schagrin – OF COUNSEL

In Opposition to the Imposition of Antidumping Duties:

Katten Muchin Zavis Rosenman
Chicago, IL
on behalf of

B&K Industries, Inc.

Peter D. Berkman, President, B&K Industries, Inc.

Michael E. Roll)
John P. Smirnow) – OF COUNSEL

APPENDIX C

SUMMARY TABLE

Table C-1
Malleable iron pipe fittings: Summary data concerning the U.S. market, 2000-2002, January-June 2002, and January-June 2003

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

	Reported data					Period changes			
				January-June					Jan.-June
Item	2000	2001	2002	2002	2003	2000-2002	2000-2001	2001-2002	2002-2003
U.S. consumption quantity:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount	***	***	***	***	***	***	***	***	***
Producers' share (1)	***	***	***	***	***	***	***	***	***
Importers' share (1):									
China	***	***	***	***	***	***	***	***	***
All other sources	***	***	***	***	***	***	***	***	***
Total imports	***	***	***	***	***	***	***	***	***
U.S. imports from:									
China:									
Quantity	13,492	13,443	20,809	8,954	9,505	54.2	-0.4	54.8	6.2
Value	21,029	20,395	30,276	13,385	13,155	44.0	-3.0	48.4	-1.7
Unit value	$1,558.66	$1,517.20	$1,454.95	$1,494.93	$1,384.03	-6.7	-2.7	-4.1	-7.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	9,988	9,446	11,946	4,968	8,290	19.6	-5.4	26.5	66.9
Value	24,636	22,253	40,837	17,259	25,655	65.8	-9.7	83.5	48.6
Unit value	$2,466.47	$2,355.89	$3,418.46	$3,474.02	$3,094.69	38.6	-4.5	45.1	-10.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	23,480	22,889	32,755	13,922	17,795	39.5	-2.5	43.1	27.8
Value	45,665	42,649	71,113	30,644	38,810	55.7	-6.6	66.7	26.6
Unit value	$1,944.84	$1,863.32	$2,171.06	$2,201.17	$2,180.96	11.6	-4.2	16.5	-0.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000s)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

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

APPENDIX D

CUSTOMER OVERLAP

The top 20 customers of Anvil and Ward, and the top 10 customers of each of the responding importers of Chinese malleable fittings are presented below. Those firms that are customers of both the U.S. producers and the responding importers are shown in bold.

ANVIL'S TOP TWENTY CUSTOMERS

* * * * * * *

WARD'S TOP TWENTY CUSTOMERS

* * * * * * *

RESPONDING CHINESE IMPORTERS' TOP TEN CUSTOMERS

* * * * * * *