Circular Welded Carbon Quality Steel Line Pipe from China

Investigation No. 701-TA-455 (Final)

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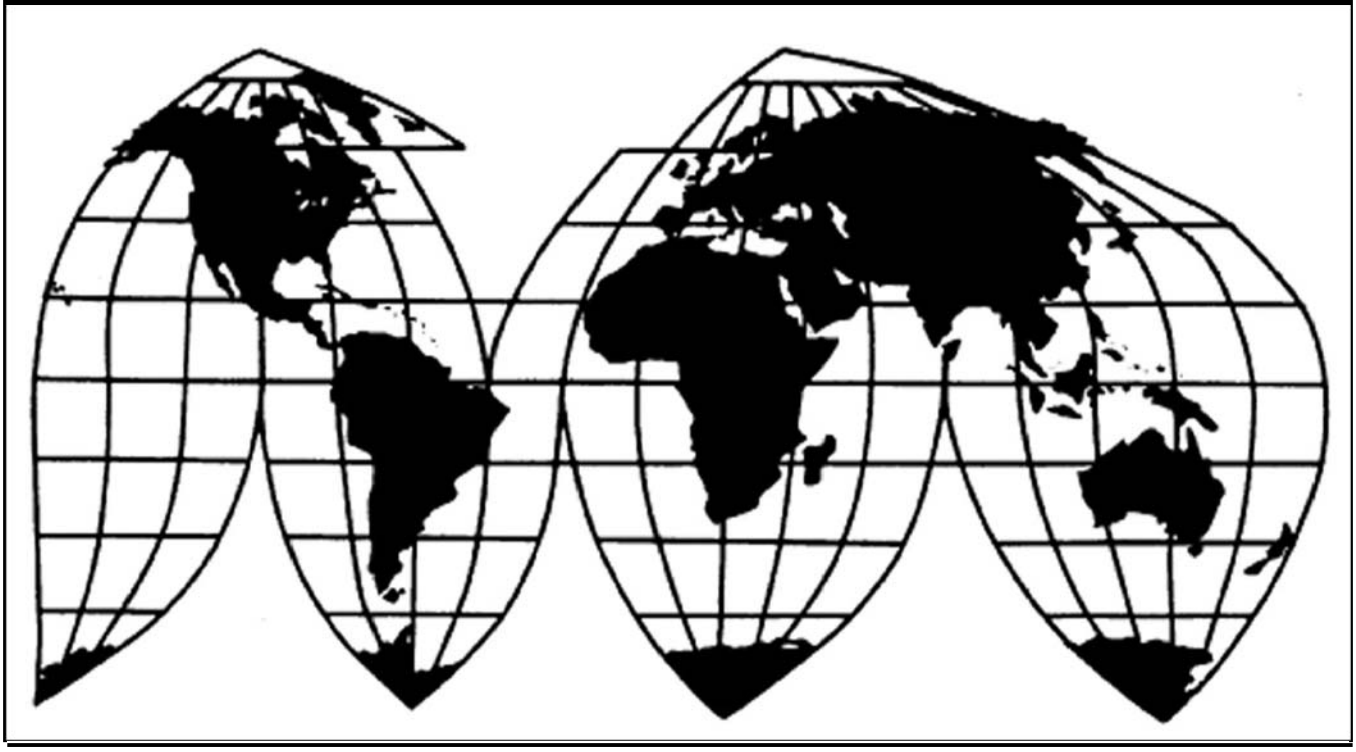
U.S. International Trade Commission



Washington, DC 20436

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Note.--Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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. 701-TA-455 (Final)

CIRCULAR WELDED CARBON QUALITY STEEL LINE PIPE 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 705(b) of the Tariff Act of 1930 (19 U.S.C. § 1671d(b)) (the Act), that an industry in the United States is materially injured or threatened with material injury by reason of imports from China of circular welded carbon quality steel line pipe from China, provided for in subheadings 7306.19.10 and 7306.19.51 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce (Commerce) to be subsidized by the Government of China.[2]

BACKGROUND

The Commission instituted this investigation effective April 3, 2008, following receipt of a petition filed with the Commission and Commerce by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, PA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (Pittsburgh, PA).[3] The final phase of the investigation was scheduled by the Commission following notification of a preliminary determination by Commerce that imports of circular welded carbon quality line pipe from China were being subsidized within the meaning of section 703(b) of the Act (19 U.S.C. § 1671b(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 September 22, 2008 (73 FR 54618). The hearing was held in Washington, DC, on November 24, 2008, 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)).

[2] Commissioners Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert based their affirmative determinations on findings of present material injury. Chairman Shara L. Aranoff, Vice Chairman Daniel R. Pearson, and Commissioner Deanna Tanner Okun based their affirmative determinations on findings of threat of material injury, and further determined that they would not have found material injury but for the suspension of liquidation.

[3] On April 4, 2008, Wheatland Tube Co. (Sharon, PA) separately filed an entry of appearance in support of the petition. Council for petitioning firm Tex-Tube Co. amended its entry of appearance on October 31, 2008, to also include domestic producers Northwest Pipe Co. (Vancouver, WA); Stupp Corp. (Baton Rouge, LA); and TMK IPSCO Tubulars (Lisle, IL); the same council once again amended its entry of appearance on November 3, 2008, to add domestic producer American Steel Pipe Division of ACIPCO (Birmingham, AL).

VIEWS OF THE COMMISSION

Based on the record in the final phase of this investigation,[1] we find that an industry in the United States is materially injured,[2] or threatened with material injury,[3] by reason of imports of certain circular welded carbon quality steel line pipe ("line pipe") from China that have been found by the U.S. Department of Commerce ("Commerce") to be subsidized by the Government of China.[4]

I. BACKGROUND

The petition was filed on April 3, 2008, by three domestic producers (Maverick Tube Corporation and Tex-Tube Company of Houston, TX, and U.S. Steel Corporation of Pittsburgh, PA) and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC.[5]

Representatives of the petitioners appeared at the hearing accompanied by counsel. Petitioners Maverick Tube Corporation, U.S. Steel Corporation, and Tex-Tube Company, and other domestic producers Northwest Pipe Company, Stupp Corporation, TMK IPSCO Tubulars, and American Steel Pipe Division of ACIPCO, filed prehearing and posthearing briefs, and Wheatland Tube Company filed a prehearing brief. No importers or exporters of the subject merchandise filed briefs or participated at the Commission's public hearing.

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[1] Effective November 6, 2008, the U.S. Department of Commerce extended the deadline for its final antidumping duty determination for Certain Circular Welded Carbon Quality Steel Line Pipe from China by 135 days, or to March 23, 2009. Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination, 73 Fed. Reg. 66012 (Nov. 6, 2008). The Commission's determination regarding the final phase of its antidumping investigation is due within 45 days thereafter.

[2] Commissioner Charlotte R. Lane, Commissioner Irving A. Williamson, and Commissioner Dean A. Pinkert determine that a domestic industry is materially injured by reason of subject imports of certain circular welded carbon quality steel line pipe from China. They join all sections, except III.D, of this opinion.

[3] Chairman Shara L. Aranoff, Vice Chairman Daniel R. Pearson, and Commissioner Deanna Tanner Okun determine that a domestic industry is threatened with material injury by reason of subject imports of certain circular welded carbon quality steel line pipe from China. See Section III.D of this opinion for their views concerning threat of material injury. They join all other sections of the opinion, except where noted.

[4] On May 19, 2008, the Commission found a reasonable indication of material injury or threat of material injury in the preliminary phase of these investigations with respect to cumulated subject imports from China and Korea. Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Inv. Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary), USITC Pub. 4003 (May 2008). 73 Fed. Reg. 31712 (June 3, 2008). On November 17, 2008, petitioners notified Commerce that they were withdrawing the petition with respect to less than fair value imports of line pipe from Korea. On November 25, 2008, Commerce notified the Commission that it had terminated the antidumping duty investigation with respect to line pipe from Korea. The Commission subsequently terminated its antidumping duty investigation with respect to Korea. 73 Fed. Reg. 75770 (Dec. 12, 2008).

[5] Petition at 2. On April 4, 2008, Wheatland Tube Co. (Sharon, PA) separately filed an entry of appearance in support of the petitions. Counsel for petitioning firm Tex-Tube Co. amended its entry of appearance on October 31, 2008, to include additional domestic producers Northwest Pipe Co. (Vancouver, WA); Stupp Corp. (Baton Rouge, LA); and TMK IPSCO Tubulars (Lisle, IL). The same counsel once again amended its entry of appearance on November 3, 2008, to add domestic producer American Steel Pipe Division of ACIPCO (Birmingham, AL).

There are ten firms currently producing line pipe[6] in the United States, and nine responded with usable data.[7] These questionnaire responses account for over 95 percent of domestic production and shipments of line pipe and cover the period of January 2005 through September 2008.[8] The Commission also received questionnaire responses from importers representing *** percent of total U.S. imports from China.[9] Only one Chinese producer/exporter responded to the Commission's questionnaires.[10]

II. DOMESTIC LIKE PRODUCT AND DOMESTIC INDUSTRY

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."[11] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a {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."[12] In turn, the Tariff 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 ... ."[13]

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.[14] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[15] The

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[6] Unless otherwise noted, the term "line pipe" refers to circular welded line pipe, 16 inches or less in outside diameter, of carbon quality steel.

[7] Confidential Staff Report, INV-FF-151 (CR) at I-3, III-2, and VI-1; Public Staff Report (PR) at I-3, III-1, and VI-1.

[8] CR/PR at III-1.

[9] CR/PR at IV-1.

[10] CR at VII-7, PR at VII-6.

[11] 19 U.S.C. § 1677(4)(A).

[12] 19 U.S.C. § 1677(4)(A).

[13] 19 U.S.C. § 1677(10).

[14] See, e.g., Cleo, Inc. v. United States, 501 F.3d 1291, 1299 (Fed. Cir. 2007); 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 the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

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

Commission looks for clear dividing lines among possible like products and disregards minor variations.[16] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise subsidized or sold at LTFV,[17] the Commission determines what domestic product is like the imported articles Commerce has identified.[18]

B. Product Description

In its final countervailing duty determination, Commerce defined the imported merchandise within the scope of the countervailing duty investigation as follows:

> circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (line pipe), not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.[19]

The line pipe subject to investigation is used in oil and gas pipelines, principally in the gathering and distributing of oil and gas. It generally is produced to American Petroleum Institute (API) specifications requiring higher hydrostatic test pressures and more restrictive weight tolerances than pipe used in low pressure conveyances of water or steam, known as standard pipe.[20] Line pipe is typically marked or "stenciled" with paint on the outside surface by the manufacturer to indicate the

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[16] Nippon, 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.").

[17] See, e.g., USEC, Inc. v. United States, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); Algoma Steel Corp. v. United States, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), aff'd, 865 F.3d 240 (Fed. Cir.), cert. denied, 492 U.S. 919 (1989).

[18] Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); Cleo, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); Torrington, 747 F. Supp. at 748-52 (affirming Commission determination of six like products in investigations where Commerce found five classes or kinds).

[19] CR/PR at I-9. Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination, 73 Fed. Reg. 70961 (Nov. 24, 2008). The subject merchandise is currently provided for in statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150 of the Harmonized Tariff Schedule of the United States (HTS).

This scope definition previously overlapped with that of another ongoing investigation, Circular Welded Carbon Quality Steel Pipe from China, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final). See Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Inv. Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary), USITC Pub. 4003 (May 2008) at 5 n.16. However, in its final determination, Commerce excluded from the scope of its investigations involving China (but not Korea) certain multiple-stenciled line pipe in order to eliminate the overlap. Commerce's final determination stated as follows: "Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: [i]s 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term 'painted' does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)." 73 Fed. Reg. 70962 (Nov. 24, 2008).

[20] CR at I-12, PR at I-11.

specifications.[21] Because line pipe that complies with API specifications is automatically in conformance with the less demanding standard pipe specifications of the American Society for Testing and Materials (ASTM) and the American Society of Manufacturing Engineers (ASME), it is often dual (or multiple) stenciled so that it can be used in both line pipe and standard pipe applications.[22] Line pipe has either a black (lacquered) finish or bare surface finish. Most line pipe has a beveled end for welding in the field, although it is sometimes square cut.[23]

Line pipe is made from "carbon quality" steel. "Carbon quality" steel includes both carbon steel and carbon steel combined with small amounts of alloys.[24] Line pipe is most commonly manufactured by the electric resistance welded (ERW) process. However, the continuous weld (CW) process can be used for pipe up to 4.5 inches in outside diameter. The manufacture of line pipe by the ERW process begins with coils of hot-rolled steel sheet, which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe.[25] The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The formed pipe is then welded along the joint axis, and inside and outside flash from the welding process is removed. After post-weld heat treatment, sizing rolls shape the tube to accurate diameter tolerances. The product is cooled and then cut at the end of the tube mill.[26] Line pipe can be produced on the same equipment and with the same workers that produce other forms of welded pipe, including standard pipe, oil country tubular goods (OCTG), and large diameter line pipe.[27]

C. Domestic Like Product

In the preliminary phase of this investigation, the Commission found a single domestic like product, coextensive with the scope of the investigation.[28] The Commission noted that it had found in a previous investigation that large diameter line pipe is a distinct domestic like product from line pipe 16 inches and under in diameter and concluded that the evidence in this investigation was consistent with that prior finding.[29]

In the final phase of this investigation, no new information has been developed since the preliminary phase to suggest that a different like product definition would be warranted. Moreover, no party advocates defining the domestic like product differently. Accordingly, for the reasons discussed in

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[21] CR at I-11 to I-12, PR at I-10 to I-11.

[22] CR at I-12 to I-13, PR at I-11.

[23] CR at IV-20, PR at IV-13.

[24] CR at I-9, PR at I-7. The petitioners defined "carbon quality" to mean products in which (1) iron predominates, by weight, over each of the other contained elements, (2) the carbon content is 2 percent or less, by weight, and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated: (1) 2.00 percent of manganese, (2) 2.25 percent of silicon, (3) 1.00 percent of copper, (4) 0.50 percent of aluminum, (5) 1.25 percent of chromium, (6) 0.30 percent of cobalt, (7) 0.40 percent of lead, (8) 1.25 percent of nickel, (9) 0.30 percent of tungsten, (10) 0.012 percent of boron, (11) 0.50 percent of molybdenum, (12) 0.15 percent of niobium, (13) 0.41 percent of titanium, (14) 0.15 percent of vanadium, or (15) 0.15 percent of zirconium.

[25] CR at I-13, PR at I-12.

[26] CR at I-13 to I-14, PR at I-12.

[27] CR/PR at Table III-4.

[28] Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Inv. Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary), USITC Pub. 4003 (May 2008) at 7.

[29] Id.

the preliminary phase of the investigation, we define a single domestic like product, consisting of circular welded carbon quality steel line pipe, 16 inches or less in outside diameter.

D. Domestic Industry

The domestic industry is defined as the domestic "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."[30] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. Based on our finding that the domestic like product is line pipe 16 inches or less in outside diameter, we define a single domestic industry consisting of all domestic producers of line pipe.[31]

III. MATERIAL INJURY AND THREAT OF MATERIAL INJURY BY REASON OF SUBJECT IMPORTS [32]

A. Legal Standards

In the final phase of antidumping or countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[33] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[34] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[35] 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

[30] 19 U.S.C. § 1677(4)(A).

[31] No domestic producer is related to an exporter or importer of the subject merchandise or imported the subject merchandise during the period examined, or is otherwise a related party as defined by the statute. 19 U.S.C. § 1677(4)(B).

[32] Negligibility is not an issue in this investigation under 19 U.S.C. § 1677(24). Official statistics from Commerce indicate that from April 2007 through March 2008, the most recent 12-month period preceding the filing of the petition for which data were available, imports of line pipe from China accounted for 39.9 percent of total line pipe imports. CR at IV-13, PR at IV-7. While this figure is not adjusted to exclude certain nonsubject dual-stenciled pipe, 84.2 percent of U.S. imports of line pipe from China in 2007 consisted of subject merchandise. CR at IV-13 n.11, PR at IV-7 n.13.

[33] 19 U.S.C. §§ 1671d(b) and 1673d(b).

[34] 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).

[35] 19 U.S.C. § 1677(7)(A).

States.[36] 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."[37]

The statute requires the Commission to determine whether the domestic industry is "materially injured by reason of" unfairly traded imports.[38] The statute, however, does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[39] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation must ensure that subject imports are more than a minimal or tangential cause of material injury and that there is a sufficient causal nexus between subject imports and material injury.[40] Thus, the Commission interprets the "by reason of" language in a manner that implements the statutory requirement of finding a causal, not merely a temporal, link between the subject imports and the material injury to the domestic industry.

In many investigations, there are other economic factors that also may be causing injury to the domestic industry. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from these sources to the subject imports, but does not require the Commission to isolate the injury caused by other factors from injury caused by unfair imports.[41] The statutory scheme clearly contemplates that an industry may be facing difficulties from a

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[36] 19 U.S.C. § 1677(7)(C)(iii).

[37] 19 U.S.C. § 1677(7)(C)(iii).

[38] 19 U.S.C. § 1673d(b).

[39] Angus Chemical Co. v. United States, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("[T]he statute does not 'compel the commissioners' to employ [a particular methodology] . . . [however] regardless of what approach is used, whether it be the two-step or unitary approach or some other approach, the three mandatory factors must be considered in each case"), aff'g 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[40] The Federal Circuit, in addressing the causation standard of the statute, observed that "[a]s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." Nippon Steel Corp. v. USITC, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in Nippon Steel Corp. v. United States, 458 F. 3d 1345, 1357 (Fed. Cir. 2006), where the court stated that the "causation requirement is met so long as the effects of dumping are not merely incidental, tangential, or trivial." See also Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001)("to ensure that the subject imports are causing the injury, not simply contributing to the injury in a tangential or minimal way."); Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997)("the statute requires adequate evidence to show that the harm occurred 'by reason of' the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods."); Mittal Steel Point Lisas Ltd. v. United States, Slip Op. 2007-1552 at 10 (Fed. Cir., Sept. 18, 2008).

[41] Statement of Administrative Action ("SAA") on Uruguay Round Agreements Act (URAA), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports. . . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the

(continued...)

variety of sources, including non-subject imports and other factors, but the existence of injury caused by other factors does not compel a negative determination if the subject imports themselves are making more than a minimal or tangential contribution to material injury.[42] The legislative history further clarifies that subsidized imports need not be the "principal" cause of material injury and that the "by reason of" standard does not contemplate that injury from subsidized imports be weighed against other factors, such as non-subject imports, which may be contributing to overall injury to an industry.[43]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure[s] that it is not attributing injury from other sources to the subject imports."[44] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[45] The Federal Circuit has provided guidance on the questions that it

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[41] (...continued)
export performance and productivity of the domestic industry"); accord Mittal Steel, Slip Op. 2007-1552 at 17.

The Federal Circuit has affirmed the following: "[T]he Commission need not isolate the injury caused by other factors from injury caused by unfair imports. . . . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." Taiwan Semiconductor Industry Ass'n v. USITC, 266 F.3d 1339, 1345 (Fed. Cir. 2001)(emphasis in original); Asociacion de Productores de Salmon y Trucha de Chile AG v. United States 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("[t]he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.). See also Softwood Lumber from Canada, Inv. Nos. 701-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "[i]f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), citing Gerald Metals, Inc. v. United States, 132 F.3d 716, 722 (Fed. Cir. 1997) (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[42] See SAA at 851-52, 885.

[43] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47; see also Nippon Steel Corp., 345 F.3d at 1381 ("[D]umping need not be the sole or principal cause of injury.").

[44] Mittal Steel, Slip Op. 2007-1552 at 16-17; see also id at 9 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination. . . . [and has] broad discretion with respect to its choice of methodology.") citing United States Steel Group v. United States, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

[45] Nucor Corp. v. United States, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005). See also Mittal Steel, Slip Op. 2007-1552 at 20 ("Bratsk did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

would raise and expect the Commission to have considered in its analysis "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market."[46] [47] [48]

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[46] Mittal Steel, Slip Op. 2007-1552 at 13-21.

[47] Commissioner Pinkert does not join in this sentence. He points out that the Federal Circuit, in Bratsk Aluminum Smelter v. United States, 444 F.3d 1369 (Fed. Cir. 2006) and Mittal Steel, held that the Commission is required, in certain circumstances, to undertake a particular kind of analysis of non-subject imports. Mittal Steel explains as follows:

> What Bratsk held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1269. Under those circumstances, Bratsk requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

Slip Op. 2007-1552 at 20.

Based on the record evidence in the final phase of this investigation, Commissioner Pinkert finds that subject line pipe is essentially a commodity product and that price competitive, non-subject imports were a significant factor in the U.S. market during the period of investigation. He further finds that non-subject imports, although they might have replaced subject imports during the period of investigation had the subject imports left the U.S. market, would not likely have done so completely and would not likely have done so at prices as low as those of the subject imports. Accordingly, as explained below, he concludes that the departure of the subject imports from the U.S. market would likely have translated into higher prices for the domestic industry.

The most significant sources of non-subject imports over the period of investigation were Korea and Mexico. CR/PR at Table IV-4. The United States was already at that time receiving over half of Korea's exports of the merchandise. CR/PR at Table VII-6, Table VII-12, and Table VII-14. Mexico was exporting much smaller volumes of the merchandise than Korea and exporting it primarily to the United States. CR/PR at Table VII-6 and Table VII-16. Given these circumstances, it is unsurprising that, during interim 2008, as the subject imports declined sharply, non-subject imports did not completely offset the decline in subject imports. CR/PR at Table IV-3. Moreover, non-subject import prices were generally higher than subject import prices, and AUVs for non-subject imports in the annual periods surveyed were in a higher range ($764 to $781 per short ton) than AUVs for subject imports ($623 to $742 per short ton). CR/PR at Table V-1-V-4; Figure V-6, Tables D-1-D-4, and Table IV-3.

[48] Commissioner Lane notes that the Federal Circuit in Mittal Steel has clarified Gerald Metals and Bratsk and explained the Commission is not required to address the causation issue in any particular way. Instead, "[t]he Commission is simply required to give full consideration to the causation issue and to provide a meaningful explanation of its conclusions." See Mittal Steel, Slip Op. at 19-20. See also Dissenting Views of Commissioner Charlotte R. Lane, Polyethylene Terephthalate Film, Sheet, and Strip from Brazil, China, Thailand, and the United Arab Emirates, Inv. Nos. 731-TA-1131-1134 (Final), USITC Pub. 4040 (Oct. 2008), for further discussion of Mittal Steel.

Commissioner Lane finds, based on the record in the final phase of this investigation, that subject line pipe is essentially a commodity product. As explained in the discussion of price effects in these Views, price is an important consideration in purchasing decisions. Price-competitive nonsubject imports were a significant factor in the marketplace during the period of investigation, although they were generally priced higher than subject imports. See CR/PR at Tables V-1 - V-4, D-1 - D-4. As subject imports captured more of the market during the period, nonsubject imports lost significant market share, losing 8.3 percentage points during 2005 to 2007, as subject imports gained 15.4 percentage points. Nonsubject import market share improved after the filing of the petition, as nonsubject imports held 29.9 percent of the market in interim 2007 and 34.2 percent of the market in interim 2008.

(continued...)

Nonetheless, the question of whether one out of several possible causes of injury exceeds the minimal or tangential threshold and is an independent cause of material injury to the domestic industry is left to the expertise of the Commission. The finding as to whether the threshold is satisfied is a factual one, subject to review under the substantial evidence standard. Congress has delegated these factual findings to the Commission because of the agency's institutional expertise in resolving injury issues.[49]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is material injury or threat of material injury by reason of subject imports.

1. Demand Considerations

End users generally use line pipe for gathering oil and gas from the point of production, as well as for distributing oil and gas to consumers, and in some instances for transmission of oil and gas in extensive pipelines.[50] Demand for line pipe is therefore derived from oil and gas exploration and the level of home construction. Oil and gas exploration is, in turn, directly affected by oil and gas prices.[51] Because demand for line pipe is greatly influenced by the market conditions of the oil and gas industry, the line pipe industry is subject to periods of strong growth followed by sharp downturns. The expansion of drilling for natural gas, rather than oil exploration, was responsible for much of the increase in demand during the period examined, and gas transmission rigs have accounted for a dominant share of the total rig count.[52]

The domestic industry enjoyed a period of strong demand until the end of the period examined. When measured by apparent U.S. consumption, U.S. line pipe demand increased sharply from 872,471 short tons in 2005 to 1,403,335 short tons in 2006, before declining slightly to 1,375,726 short tons in 2007, for an overall increase of 57.7 percent.[53] Apparent U.S. consumption declined by 2.0 percent from

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[48] (...continued)
CR/PR at Table IV-13. Thus, if subject imports had been priced fairly during the period, nonsubject imports would have reaped some benefit in terms of increased market share. Nonsubject imports would also have benefitted in terms of increased average unit values, as evidenced by the improvement shown after the petition was filed. Id. However, the domestic industry would also have benefitted from the fairly traded subject imports, as the domestic producers' market share improved after the petition was filed. Id. Domestic prices would have increased significantly, as they were at their highest levels in the period of investigation after the petition was filed. See CR/PR at Tables V-1 - V-4. Accordingly, Commissioner Lane concludes that the subject imports were a substantial factor contributing to the material injury experienced by the domestic industry during the period of investigation, as opposed to merely being an incidental, tangential or trivial factor. See Mittal Steel, Slip Op. at 20-21.

[49] Mittal Steel, Slip Op. 2007-1552 at 9-10; Nippon Steel Corp., 458 F.3d at 1350, citing U.S. Steel Group, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is . . . complex and difficult, and is a matter for the judgment of the ITC.").

[50] CR/PR at I-4, II-1.

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

[52] CR/PR at Fig. II-2.

[53] CR/PR at Table IV-8.

2006 to 2007, and was slightly lower during January-September 2008 than during the same period in 2007.[54]

While subject line pipe is generally used for gathering oil or gas at the well or distributing oil or gas to consumers, a number of large transmission projects during the period also boosted demand for line pipe.[55] These projects have typically used line pipe with diameters over 16 inches, which are not subject to this investigation. However, during 2005 to 2007, a few projects called for highly specialized subject line pipe produced to non-standard specifications or atypical dimensions (such as 14 or 16 inches in diameter and longer than the 40-42 feet standard lengths).[56]

The global economic downturn has caused a dramatic decline in the prices of oil and natural gas.[57] Declining oil and gas prices are causing oil and gas exploration companies to reduce their planned expenditures for 2009, which will translate into significant declines in line pipe demand. For example, weekly averages of U.S. drilling permits generally increased from January 2005 to October 2008, but then dropped sharply in November 2008 to their 2005 levels.[58] Demand related to new home construction also is weakening, as U.S. housing starts peaked in January 2006 and then fell through October 2008.[59] The domestic line pipe producers report that their order book entries on September 30, 2008, were 24.5 percent higher than one year earlier. Nonetheless, order book entries on October 31, 2008, were 14.7 percent lower than the previous month, and orders on November 30, 2008 were 27.9 percent lower than the prior month.[60]

The weakening line pipe market is not unique to the United States. For example, *MBR-Welded Steel Tube and Pipe Monthly* reports that line pipe prices are falling in all regions of the world, and are expected to continue to decline through the first quarter of 2009. It predicts that prices are not expected to recover until at least the second quarter of 2009.[61]

2. Supply Conditions

Nine producers accounted for more than 95 percent of U.S. production of line pipe during the period.[62] Since 2005, the line pipe industry has experienced several mergers and acquisitions. In October 2006, Maverick was acquired by Tenaris S.A. (Luxembourg). In December 2006, IPSCO completed the purchase of the NS Group for $1.5 billion. In June 2007, Lone Star was acquired by U.S. Steel for $2.1 billion. In 2007, SSAB Svenskt Stal AB (Sweden) purchased IPSCO for over $7.7 billion and, in March 2008, the tubular operations of IPSCO were sold by its Swedish parent, SSAB Svenskt Stal AB, to Evraz

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

[55] CR at III-5, PR at III-4.

[56] CR at I-4 n.6, E-8, PR at I-4 n.6, E-4.

[57] See CR at IV-23 n.15, PR at IV-20 n.15. Monthly U.S. prices for crude oil increased sharply from January 2005 through July 2008, and then fell sharply but still remain higher than prices in January 2005. Similarly, natural gas prices increased steadily between September 2007 and July 2008, but then fell to levels similar to those prevailing in the 2005 to 2006 period. CR/PR at Fig. II-1.

[58] CR/PR at Fig. II-5.

[59] CR/PR at Fig. II-6.

[60] CR/PR at Table III-6.

[61] CR at V-14, PR at V-6.

[62] CR/PR at III-1.

Group S.A. (Russia) for $4 billion.[63] Despite the industry's restructuring and some associated production curtailments, the U.S. producers increased their shipments and capacity over the period.[64] The volume of subject imports also increased.[65]

Nonsubject imports increased from 2005 to 2006, before declining in 2007.[66] They were higher in January-September 2008 when compared to their level in January-September 2007.[67] In terms of their market share, nonsubject imports fell from 38.3 percent of the market in 2005 to 30.0 percent in 2007, as subject import volume rose rapidly.[68] Major nonsubject sources of line pipe included Korea, Mexico, Taiwan, Japan, and Brazil.[69]

Due to the growth in imports, the domestic industry's market share declined, from 59.9 percent in 2005 to 52.9 percent in 2007.[70] Because of the strong market, however, the domestic industry's capacity, production, and capacity utilization all rose from 2005 to 2007, despite its loss of market share.[71]

Both domestic producers and the Chinese producers have indicated that line pipe is typically produced on the same equipment and with the same workers that produce other forms of welded pipe, in particular standard pipe, oil country tubular goods (OCTG), and large diameter line pipe.[72] Therefore, producers of other forms of welded pipe can shift their production to subject merchandise in response to changes in demand.

3. Other Conditions

Purchasers generally purchase line pipe on the spot market and negotiate prices for each transaction.[73] For pipeline projects, the end users may solicit bids directly from a manufacturer for the contract.[74] The information on the record indicates that line pipe produced to given specifications is interchangeable.[75] The subject imports from China are typically produced to the same specifications as

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[63] CR/PR at III-1 n.1.

[64] The domestic industry increased its capacity by 9.4 percent from 2005 to 2007. U.S. shipments of domestic line pipe also increased by 39.1 percent from 2005 to 2007. CR/PR at Tables III-4 and III-5.

[65] Subject imports increased from 15,549 short tons in 2005 to 236,358 short tons in 2007. CR/PR at Table IV-3.

[66] CR/PR at Table IV-3.

[67] CR/PR at Table IV-3.

[68] CR/PR at Table IV-13.

[69] See CR/PR at Table IV-2. The most significant sources of nonsubject imports were Korea and Mexico. CR/PR at Table IV-4.

[70] CR/PR at Table IV-13.

[71] CR/PR at Table III-2.

[72] CR at VII-7 to VII-9, PR at VII-7. Subject line pipe constituted 24.8 percent of total 2007 domestic welded pipe production; standard/structural pipe constituted 16.9 percent; large diameter line pipe constituted *** percent; OCTG constituted 36.6 percent; and other products constituted *** percent. CR at III-7, PR at III-5.

[73] CR at V-6, PR at V-4.

[74] CR at E-8, PR at E-4.

[75] See CR/PR at Table II-5. The majority of purchasers, domestic producers and importers indicated that line pipe from China and domestic line pipe are always or frequently interchangeable.

domestic line pipe, resulting in a high degree of substitutability between the subject imports and domestic line pipe.[76]

The domestic industry's cost of goods sold on a per ton basis increased from $781 per short ton in 2005 to $909 per short ton in 2007.[77] Raw material costs were responsible for much of the increase and accounted for approximately 75 percent of the cost of goods sold.[78] Prices for hot-rolled steel, the primary input for production of line pipe, rose to over $1,000 per ton in May 2008.[79] That peak was followed by a sharp drop in prices for hot-rolled steel during the fourth quarter of 2008.[80]

Domestic producers sell to both end users and to distributors. An increase in domestic sales to end users during 2007 resulted from domestic producers supplying a few large pipeline projects.[81] As a result, U.S. producers sold a majority of their line pipe to end users in 2007, though in 2005 and 2006 they made most of their sales to distributors. Because large project sales slowed in 2008, domestic shipments to end users were lower in interim 2008 than in interim 2007, while shipments to distributors were higher.[82] Commodity API grades of line pipe tend to be sold through distributors and, as a result, importers shipped virtually all their shipments to distributors during the period examined.

The most commonly sold lengths of U.S.-produced line pipe are double random lengths,[83] and the most commonly sold lengths of imported line pipe are also double random lengths, with a substantial amount of imported line pipe sold as single random lengths. Line pipe for use in large projects is typically longer length pipe.[84] Only small amounts of imported line pipe are of the longer lengths.[85]

C. Material Injury By Reason of Subject Imports from China[86]

1. Volume of the Subject Imports

In evaluating the volume of subject imports, section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[87]

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[76] CR at II-1, II-11, PR at II-1, II-8.

[77] CR/PR at Table VI-1.

[78] CR/PR at Tables VI-1, VI-2.

[79] CR at V-1, PR at V-1.

[80] CR at V-1, PR at V-1.

[81] CR at III-5, PR at III-4.

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

[83] Nominal 40-45 foot lengths are referred to by the industry as "double random lengths." CR at I-11 n.15, PR at I-10 n.15.

[84] See CR/PR at Table IV-9.

[85] CR at IV-20, PR at IV-13.

[86] Chairman Shara L. Aranoff, Vice Chairman Daniel R. Pearson, and Commissioner Deanna Tanner Okun determine that a domestic industry is threatened with material injury by reason of subject imports of line pipe from China. See Section III.D below for their views concerning threat of material injury. They join in the following discussion, except as noted below.

[87] 19 U.S.C. § 1677(7)(C)(i).

The volume of subject imports increased rapidly, from 15,549 short tons in 2005 to 169,652 short tons in 2006 and to 236,358 short tons in 2007, an increase of over 1,400 percent.[88] Despite a large increase in apparent U.S. consumption, the subject imports captured substantial market share from both the domestic industry and nonsubject imports. The market share of subject imports measured by quantity rose from 1.8 percent in 2005 to 12.1 percent in 2006 and to 17.2 percent in 2007, while the domestic industry's market share declined from 59.9 percent in 2005 to 52.9 percent in 2007.[89] Nonsubject imports lost market share as well, declining from 38.3 percent of the market in 2005 to 30.0 percent in 2007.[90] The ratio of the quantity of subject imports to U.S. production rose from 2.7 percent in 2005 to 30.7 percent in 2007.[91]

During the first nine months of 2008, subject imports were 111,125 short tons compared to 176,730 short tons during the same period in 2007.[92] We attribute the recent decline in subject imports and their diminishing impact on domestic prices for line pipe to the filing of the petitions in April 2008, and therefore accord less weight to the 2008 data in our analysis.[93]

We find that the volume of subject imports and the increase in that volume are significant, both in absolute terms and relative to consumption and production in the United States.

2. Price Effects of the Subject Imports

In evaluating the price effects of the subject imports, section 771(7)(C)(ii) of the Tariff Act provides that 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.[94]

Subject imports from China and domestic line pipe are highly substitutable, and most sales of both the domestic like product and subject imports are made on the spot market to distributors.[95] Price, as

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[88] CR/PR at Table IV-3.

[89] CR/PR at Table IV-13.

[90] CR/PR at Table IV-8.

[91] CR/PR at Table IV-14.

[92] 19 U.S.C. § 1677(7)(I) indicates that "the Commission shall consider whether any change in the volume, price effects, or impact of imports … is related to the pendency of the investigation and, if so, the Commission may reduce the weight accorded to the data for the period after the filing of the petition . . . ."

[93] U.S. imports of Chinese line pipe were noticeably lower during the period May-September 2008 (a period following the filing of the petition) than during May-September 2007. In comparison, U.S. imports of line pipe from nonsubject countries were higher during May-September 2008 than they were during May-September 2007. CR/PR at Table IV-8. Indeed, many importers and purchasers acknowledged that ***. See Maverick Tube Corporation's Prehearing Brief at 30 (***).

[94] 19 U.S.C. § 1677(7)(C)(ii).

[95] CR at V-6, Table II-6, PR at V-5, Table II-6.

well as quality that meets industry standards, were reported to be the two most important purchase factors.[96]

The Commission collected quarterly pricing data for 4-inch, 6-inch, 8-inch, and 12-inch API 5L Grades B/X-42 line pipe.[97] Eight U.S. producers, eight importers of line pipe from China, and 15 importers of line pipe from other countries reported varying amounts of price data for the four product categories.[98]

The subject imports were priced lower than domestic line pipe in all quarters for all four products. Subject imports undersold the domestic like product in all 56 quarterly pricing comparisons by margins that averaged 30.4 percent.[99] Given the consistency and size of the underselling margins and the substitutability of the domestic and imported products, we find the underselling by the subject imports to be significant.

Prices for domestically produced line pipe were generally steady, only fluctuating within a narrow range from 2005 through the first quarter of 2008, despite the large growth in apparent U.S. consumption in 2006 and 2007 relative to 2005, and cost increases.[100] Prices for all four pricing products followed relatively similar trends.[101]

We find that the subject imports prevented domestic price increases that otherwise would have occurred to a significant degree. On a per unit basis, the domestic industry's cost of goods sold (COGS) increased from 2006 to 2007, primarily as a result of an increase in per unit raw material costs.[102] While the industry increased the unit value of its net sales, the increases were not nearly sufficient to offset rising costs.[103] As a result, the domestic industry's COGS as a ratio to net sales increased from 2005 to 2007, resulting in a cost-price squeeze.[104]

The domestic industry was unable to raise its prices to cover increases in costs, notwithstanding a substantial increase in demand from 2005 to 2007. In 2008, as subject imports declined due to the filing

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[96] CR/PR at Table II-3.

[97] The specification of the products were the following: API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch (Product 1); API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch (Product 2); API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.322 inch (Product 3); API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch (Product 4). CR at V-7, PR at V-5.

[98] The data accounted for 10.3 percent of U.S. producers' shipments, 19.7 percent of imports from China, and 13.3 percent of imports from nonsubject countries during January 2005-September 2008. CR at V-7, PR at V-6.

[99] CR/PR at Table V-6.

[100] CR/PR at Tables V-1, V-2, V-3, and V-4; CR/PR at Figure V-6.

[101] See CR/PR at Figure V-3.

[102] The unit value of average COGS was $781 per short ton in 2005, $775 per short ton in 2006, and $909 per short ton in 2007. CR/PR at Table VI-1. The unit value cost of raw materials was $585 per short ton in 2005, $575 per short ton in 2006, and $677 per short ton in 2007. Raw material costs continued to increase during interim 2008, resulting in a unit value COGS of $995 per short ton compared to $894 per short ton in interim 2007. CR/PR at Table VI-2. As discussed above, the rising cost of hot-rolled steel accounted for the increase in the cost of raw materials.

[103] The unit value of net sales was $981 per short ton in 2005, $1,006 per short ton in 2006, and $1,053 per short ton in 2007. CR/PR at Table VI-1. In interim 2008, the unit value of net sales was $1,321 compared to a unit value of net sales of $1,050 in interim 2007. Id.

[104] The COGS-to-net-sales ratio was 79.6 percent in 2005, 77.1 percent in 2006, and 86.3 percent in 2007. CR/PR at Table VI-1.

of the petition, the domestic industry was able to increase its prices to cover its increasing costs, and the industry increased its profitability.[105] As noted above, we give less weight to the interim 2008 data.

We find that subject imports, to a significant extent, prevented the domestic industry from raising prices to cover increasing costs. We therefore conclude that increasing volumes of subsidized subject imports prevented price increases, which otherwise would have occurred, to a significant degree.[106]

3. Impact of the Subject Imports on the Domestic Industry

In examining the impact of subject imports, section 771(7)(C)(iii) of the Tariff Act provides that the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[107] These factors include output, sales, inventories, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[108]

From 2005 to 2007, as demand for line pipe increased, the domestic industry increased its production, capacity utilization, shipments, and net sales quantities. Domestic production increased by 35.0 percent from 2005 to 2007.[109] Domestic producers' U.S. shipments increased by 39.1 percent from 2005 to 2007,[110] although their inventories as a ratio to shipments also increased.[111] The industry also was

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[105] The COGS-to-net-sales ratio was 85.1 percent in interim 2007, 75.3 percent in interim 2008, and 86.3 percent in 2007. CR/PR at Table VI-1.

[106] There were no lost sales or lost revenue allegations in this investigation. The petitioners reported that because most producer sales are made to distributors, they were unable to identify specific instances of lost sales or lost revenues. They reported that much of the competition is between distributors selling domestic and imported line pipe. See CR at V–16, PR at V-12.

[107] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[108] 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 at 25 n.148 (Feb. 1999).

[109] Domestic production of line pipe increased from 570,076 short tons in 2005 to 749,202 short tons in 2006 and to 769,607 short tons in 2007. Production was 601,226 short tons in interim 2008, however, compared with 621,294 short tons in interim 2007. CR/PR at Table III-2.

[110] U.S. shipments were 522,831 short tons in 2005, 694,012 short tons in 2006, and 727,185 short tons in 2007. U.S. shipments were 601,492 short tons in interim 2008 compared to 589,909 short tons in interim 2007. CR/PR at Table III-5.

[111] The ratio of inventories to total shipments was 7.6 percent in 2005, 6.7 percent in 2006, and 10.6 percent in 2007. The ratio was *** percent in interim 2008 compared to 8.8 percent in interim 2007. CR/PR at Table III-6.

able to increase its net sales[112] and its capacity utilization during the period examined despite the increases in capacity.[113]

In addition to increases in production and shipments, most of the domestic industry's employment indicators improved over the period examined. The number of production and related workers, aggregate hours worked, aggregate wages paid, and hourly wages all increased.[114] There was a small decline in productivity, but the industry increased its capital expenditures.[115]

Even with the increase in the output of the domestic industry during a period of strong demand, the industry's profitability and market share suffered. While growth in demand enabled the industry to remain profitable, it experienced a 25.9 percent decline in operating income from 2005 to 2007 and a 49.5 percent decline from 2006 to 2007.[116] The industry lost seven percentage points of market share as well, despite its increased capacity and production.[117] We attribute this decline in profitability to the presence of subsidized subject imports from China and their price-suppressing effects, which were most pronounced during 2007. Only those domestic producers that concentrated on sales of line pipe to end users for large projects were shielded to any extent from the effects of the subject imports, as such imports do not compete for this business.[118]

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[112] The domestic industry's quantity of net sales was 586,170 short tons in 2005, 745,701 short tons in 2006, and 741,853 short tons in 2007. The total value of the industry's net sales was $574.9 million in 2005, $749.8 million in 2006, and $780.9 million in 2007. In interim 2008, total net sales were 617,520 short tons ($815.7 million), compared to 582,055 short tons ($611.3 million) in interim 2007. CR/PR at Table VI-1.

[113] The domestic industry increased its capacity from 946,890 short tons in 2005 to 947,312 short tons in 2006 and to 1,035,515 short tons in 2007. The industry's capacity was slightly lower in interim 2008 when compared to interim 2007. The industry's capacity utilization increased from 60.2 percent in 2005 to 79.1 percent in 2006, before declining to 74.3 percent in 2007. Capacity utilization was higher in interim 2008 than in interim 2007. CR/PR at Table III-2.

[114] The number of production and related workers increased from 770 in 2005 to 919 in 2006 and 1,028 in 2007. They were 960 in interim 2008 compared with 1,050 in interim 2007. Aggregate hours worked increased from 1.5 million in 2005 to 1.9 million in 2006 and to 2.1 million in 2007, but they were 1.5 million in interim 2008 compared with 1.6 million in interim 2007. Aggregate wages paid increased from $34.3 million in 2005 to $42.8 million in 2006, and then to $47.9 million in 2007. They were $38.3 million in interim 2008 compared with $36.2 million in interim 2007. Hourly wages fell from $23.28 in 2005 to $22.92 in 2006 and then rose to $23.14 in 2007. CR/PR at Table III-8.

[115] Productivity (measured in short tons per 1,000 hours) rose from 387.2 in 2005 to 400.9 in 2006, before falling to 371.9 in 2007. Productivity increased from 384.4 to 402.3 when the interim periods are compared. CR/PR at Table III-8. The industry's capital expenditures were $7.9 million in 2005, $11.4 million in 2006, and $11.1 million in 2007. The industry's capital expenditures fell slightly when the interim periods are compared, from $7.7 million in interim 2007 to $7.6 million in interim 2008. CR/PR at Table VI-4.

[116] The industry's operating income increased from $93.5 million in 2005 to $137.3 million in 2006, before falling to $69.3 million in 2007. Operating income was $168.9 million in interim 2008 compared with $62.2 million in interim 2007. CR/PR at Table VI-1. Operating income as a ratio to net sales increased from 16.3 percent in 2005 to 18.3 percent in 2006 and then fell to 8.9 percent in 2007. Id. The industry recovered in interim 2008 as its operating income as a ratio to net sales was 20.7 percent in interim 2008 compared with 10.2 percent in interim 2007. Id.

[117] See CR/PR at Table IV-13.

[118] As a share of total U.S. producer shipments, U.S. producer shipments to end users increased from 39.7 percent in 2005 to 52.7 percent in 2007, as the corresponding share of U.S. producer shipments to distributors fell from 60.3 percent to 47.3 percent. CR/PR at Table II-1. Much of the increase in domestic sales to end users during 2007

(continued...)

We have also considered the role of nonsubject imports in the U.S. market during the period examined. Nonsubject imports were present in the market in significant quantities.[119] Most purchasers reported that welded line pipe from the major non-subject supplying countries is interchangeable with the domestic product.[120] On the other hand, nonsubject imports were consistently priced above subject imports, indicating that nonsubject imports do not compete as aggressively and would not have captured market share from the domestic industry to the same extent as subject imports.[121] Producers in nonsubject countries lost substantial U.S. market share to subject imports over the period just as domestic producers did. We do not find that the injury to the domestic industry described above can be attributed in any significant way to the nonsubject imports.[122]

The domestic industry was able to increase its prices and profitability when subject imports declined in interim 2008, as a result of the petition. For the same reasons described in the sections discussing import volume and price effects of the subject imports, we accord less weight to the interim 2008 data.

The business cycle of the welded line pipe industry is such that domestic producers must maximize profits during high demand periods to carry them through the low periods when orders for line pipe decline due to the cyclical nature of the oil and gas industries. By taking market share and suppressing domestic producers' prices, the subject imports limited profits of the domestic industry during 2007 when demand was strong.[123]

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[118] (...continued)
resulted from domestic shipments by producers supplying a few large pipeline projects. The petitioners argued that the ***. CR at E-8, PR at E-4. The record confirms that those producers that focused on sales to end users experienced less reduction in their operating margins during 2007 than those selling mainly to distributors. Compare CR/PR at Table E-5 with Table E-6 (a decline of *** percentage points vs. *** percentage points, from 2006-07). Those producers that focused on sales to distributors experienced a greater drop in operating margins from 2006 to 2007 and, conversely, a greater improvement in interim 2008 compared to interim 2007 as subject imports declined. See CR/PR at Table E-6. Those producers that focused on sales to end users saw some reduction in operating margins in 2007, but *** improvement in interim 2008. See CR/PR at Table E-5.

[119] See CR/PR at Tables IV-2, IV-3, IV-4.

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

[121] CR/PR at Fig. V-6.

[122] We have considered the effects of factors other than the subject imports such as costs associated with the acquisitions involving Maverick Tube, IPSCO and U.S. Steel. The record indicates, however, that operations of U.S. producers on assets acquired on or after January 2005 suffered reduced profitability in 2007 that was only modestly below the decline experienced by operations on assets that did not change hands since 2005. See CR/PR at Tables E-1 and E-2 (a decline of *** percentage points versus *** percentage points in operating income from 2006-07). Accordingly, we do not find that the domestic industry's declining profitability can be explained by acquisition costs.

[123] Chairman Aranoff, Vice Chairman Pearson, and Commissioner Okun do not join the rest of this section. They determine that during the period examined, when viewed as a whole, the various indicators of the condition of the domestic industry were mixed, with positive changes in most factors relating to production and sales, and adverse changes in most financial measures. In particular, although the financial condition of the industry declined from 2006 to 2007, a decline which was attributable in significant part to the increasing presence of subject imports, they note that during that same period the industry remained profitable, regained a portion of the market share it had lost the previous year, and registered increases in production, U.S. shipments, employment, hours worked, and wages paid. Accordingly, while Chairman Aranoff, Vice Chairman Pearson, and Commissioner Okun find that the domestic industry has not yet experienced material injury by reason of subject imports, as explained below they find
(continued...)

We conclude that subject imports had a significant adverse impact on the condition of the domestic industry during the period of investigation. As discussed above, subject imports gained significant market share from the domestic industry, undersold the domestic product, and suppressed domestic prices for line pipe to a significant degree. The domestic industry's costs increased, but with significant volumes of subsidized subject imports entering the U.S. market, the domestic industry was caught in a cost-price squeeze. It could not increase its prices sufficiently to cover its increasing costs. The increase in subject imports and their adverse effects on U.S. prices materially impacted the domestic industry's profitability and market share over the period of investigation.

D. Views of Chairman Shara L. Aranoff, Vice Chairman Daniel R. Pearson, and Commissioner Deanna Tanner Okun Concerning Threat of Material Injury

Section 771(7)(F) of the Tariff 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."[124] 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 subject imports would occur unless an order is issued.[125] In making our determination, we consider all statutory threat factors that are relevant to this investigation.[126]

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[123] (...continued)
that the domestic industry is vulnerable to imminent injury if underselling by large and increasing volumes of subject imports continues unabated.

[124] 19 U.S.C. § 1677(7)(F)(ii).

[125] 19 U.S.C. § 1677(7)(F)(ii).

[126] These factors are as follows:

> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement) and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products;
>
> . . .

(continued...)

Based on the record in this investigation, we determine that an industry in the United States is threatened with material injury by reason of subject imports of line pipe from China.

1. Threat of Material Injury by Reason of Subject Imports from China

a. Likely Volume of the Subject Imports

As discussed above, there has been a significant rate of increase in the volume and market penetration of subject imports over the period of investigation, indicating a likelihood of substantially increased imports. The volume of subject imports increased from 15,549 short tons in 2005 to 169,652 short tons in 2006 and to 236,358 short tons in 2007.[127] Subject imports captured substantial market share from both the domestic industry and nonsubject imports as nonsubject imports' market share declined. The domestic industry's overall loss of market share to subject imports was due in part to the rapid increase in subject imports.

The increase in subject imports occurred not only when demand in the U.S. market was increasing from 2005 to 2006, but also after demand stabilized from 2006 to 2007. That subject import volumes increased during both periods indicates that the increases were not simply the result of strong demand for line pipe in the U.S. market. It was only after the petitions were filed that subject import volume began to decline, and, as discussed above, we attribute the subsequent declines in subject imports to the pendency of the investigation. We find that the rate of increase in volume of the subject imports during the period examined indicates that increased volumes of subject imports are likely in the absence of import relief.

With regard to production capacity for line pipe in China, China is already the world's largest producer of welded pipe products. The World Steel Association indicates that China is currently the largest producer of welded pipe and tube products in the world with production of welded pipe products estimated to be 22.1 million short tons.[128] The domestic interested parties identified *** line pipe producers in China. Only one Chinese subject producer, however, Kunshan Pearl, responded to the

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[126] (...continued)
(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).

19 U.S.C. § 1677(7)(F)(i). This investigation does not involve an agricultural product, so statutory threat factor (VII) is not implicated. There is no contention that the domestic industry is attempting to develop derivative or more advanced versions of line pipe, so statutory threat factor (VIII) is not implicated.

[127] CR/PR at Table IV-3. During the first nine months of 2008, subject imports were 111,125 short tons compared with 176,730 short tons during the same period in 2007. Id.

[128] CR at VII-3, VII-6, PR at VII-2, VII-4.

Commission's requests for information.[129] Current Chinese production capacity for line pipe is estimated to total 8.5 million short tons.[130]

Welded pipe and tube production capacity in China is projected to increase further, as several new welded pipe production facilities are projected to come on line by 2009. News reports detail several expansion projects that are underway that will expand line pipe capacity in China by 2.73 million metric tons.[131] The government of China has also projected that capacity for all welded pipe will grow rapidly.[132]

Much of the new production will be devoted to export markets as the Chinese producers have become increasingly export-oriented.[133] There is a relatively limited home market for Chinese production of line pipe because China is a minor oil and gas producer with a land rig count of only 10 in October 2008.[134] Further, a substantial share of exports is likely to be directed to the U.S. market. The Chinese producers of line pipe have become increasingly reliant upon the U.S. market for their product, directing an increasing percentage of their line pipe exports to the U.S. market from 2005 to September 2008.[135] We find that these imminent increases in production capacity and increased focus on the U.S. market indicate the likelihood of increased subject imports in the absence of import relief.

Unused production capacity in China is difficult to quantify given the virtual absence of responses from the Chinese industry. The limited record evidence indicates that the Chinese producers were operating at a capacity utilization rate of 94.4 percent in 2007.[136] Based upon Chinese production capacity of 8.5 million short tons, therefore, the Chinese producers possessed unused capacity of 476,000 short tons in 2007. This was equivalent to approximately 34.6 percent of apparent U.S. consumption in 2007, a level that we find to be significant.[137] The recent worldwide drop in demand for line pipe and other pipe products suggests that current unused capacity may well be even higher.[138]

There is also the potential for production facilities in China currently being used to produce other pipe products to shift to the production of subject line pipe. The five line pipe producers who responded

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[129] We note that, despite extensive participation at Commerce, there was virtually no cooperation by Chinese producers here and that (as Petitioners claim) we have no reason to believe that this failure to respond to Commission requests for information was anything other than a strategic choice on the part of Chinese producers. While they have not actively impeded the investigation, they have purposely deprived us of requested information they could have provided. We have conducted as thorough an investigation as possible, using the facts available including public data sources and information about the Chinese industry provided by domestic producers.

[130] Maverick Pipe Company's Prehearing Brief at 42-43.

[131] U.S. Steel Prehearing Brief at 46.

[132] ***. Wheatland Tube's Prehearing Brief, Exhibit 4.

[133] Exports of line pipe from China totaled 541,893 short tons in the first nine months of 2008 alone. CR/PR at Table VII-1.

[134] CR at VII-9 n.25, PR at VII-6 n.25.

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

[136] This figure is derived from information submitted by five producers of subject line pipe in China in a recent investigation of standard pipe from China. See CR/PR at Table VII-2.

[137] See CR/PR at Table IV-13. A large amount of excess capacity is also suggested by the fact that production capacity for line pipe in China is estimated to total 8.5 million short tons, yet exports of line pipe from China totaled only 541,893 short tons in the first nine months of 2008. CR/PR at Table VII-1; Maverick Pipe Company's Prehearing Brief at 42-43.

[138] See CR at V-14, PR at V-6.

in the recent investigations on standard pipe[139] indicated that they produce line pipe and other products on the same equipment and machinery.[140] These producers have increased their production of line pipe relative to other pipe products from 2005 to 2007, apparently in response to strong demand for line pipe.

Chinese producers currently have other incentives to shift to the production of line pipe from standard pipe and other products.[141] Standard pipe from China faces import restrictions or active investigations in the United States, Canada, the EU, and Australia.[142] Furthermore, Chinese line pipe producers are already shifting some of their production to OCTG to avoid duties on line pipe stemming from antidumping actions in Europe and in the United States.[143]

The Chinese government had also encouraged production of line pipe by imposing a 15 percent export tax on hot-rolled strip and other welded pipe products, while providing a 13-percent value added tax rebate on exported line pipe.[144] Additionally, in January of 2008, the government of China excluded line pipe from an export tax instituted on a variety of other steel products, including standard pipe.[145] The preferential treatment afforded line pipe vis-a-vis other steel products provides an additional incentive for Chinese producers to shift to the production and increased exportation of line pipe.[146]

Given the current incentives facing the Chinese producers, we find that it is likely that they will continue to shift to the production of line pipe unless a countervailing duty order is imposed.[147]

b. Likely Underselling and Price Effects of the Subject Imports

We evaluate the likely underselling and price effects in light of key conditions of competition in the U.S. market. Once made to industry standards, the subject imports and the domestic product are highly substitutable and price is an important factor in purchasing decisions. As discussed above, we have concluded that subject imports consistently undersold domestic line pipe to a significant degree

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[139] Certain Circular Welded Carbon Quality Steel Pipe from China, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final) ITC Pub 4019 (July 2008). See CR/PR at Table VII-2.

[140] CR at VII-4, VII-10, PR at VII-3, VII-8.

[141] There are no known dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation. CR at VII-13, PR at VII-9.

[142] CR at VII-13, PR at VII-8.

[143] CR/PR at VII-3 n.8; Maverick Pipe Company's Prehearing Brief at 50.

[144] CR at VII-6, PR at VII-4. The export tax on hot-rolled steel has been eliminated as of December 1, 2008.

[145] Petition at 43 and Exhibit 24.

[146] Certain subsidy programs provide further incentive for the production and export of line pipe, and Commerce provided information concerning the nature of the subsidies. Certain subsidy programs are countervailable subsidies: "Two Free, Three Half" Program; Provision of Land for Less Than Adequate Remuneration; Provision of Hot-Rolled Steel for Less Than Adequate Remuneration; Foreign Trade Development Fund Program (Grants and VAT refunds); Export Interest Subsidies; Export Loans; Liaoning Province Grants–Five Points One Line Program; Income Tax Credits on Purchases of Domestically-Produced Equipment by Domestically Owned Companies; and Preferential Lending of Policy Loans to State-Owned Enterprises and the Steel Industry by State-Owned and Controlled Banks. Issues and Decision Memorandum for Final Determination in the Countervailing Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China, November 17, 2008. See CR at I-8 n.9, PR at I-7 n.9.

[147] Due to the lack of response from the producers of line pipe in China, the Commission has virtually no information concerning the level of inventories of subject merchandise in China. U.S. importers' inventories of subject merchandise fell *** in 2007. See CR/PR at Table VII-4.

during the period by substantial margins. The underselling occurred not only while demand increased by over 60 percent from 2005 to 2006, but continued as demand stabilized from 2006 to 2007. Given that underselling was consistent and that it persisted despite changes in demand in the U.S. market, underselling appears likely to continue in the imminent future. The subject imports also prevented price increases for the domestic product that otherwise would have occurred during the period examined. Only after the filing of the petitions in April 2008 was the domestic industry able to raise prices to cover their rising costs. Given that subject imports would be likely to continue to substantially increase in volume, we find that subject imports would have further significant depressing and suppressing effects on U.S. prices and be likely to increase demand for imports.

c. Vulnerability and Likely Impact[148]

The domestic industry experienced some positive changes over the period examined as it participated in a market characterized by sharply rising demand. From 2005 to 2007, the domestic industry increased its capacity by 9.4 percent, its production by 35.0 percent and its capacity utilization by 14.1 percentage points. U.S. shipments increased by 39.1 percent and net sales values increased by 35.8 percent.[149]

However, as subject imports increased between 2005 and 2007, unit COGS rose and the domestic industry was unable to increase its prices sufficiently to keep pace with rising production costs, leading to a 6.7 percentage point rise in its COGS/net sales ratio,[150] a 25.9 percent drop in operating income,[151] and an operating income margin that fell from 18.3 percent to 8.9 percent.[152]

As discussed above, we attribute the industry's declining financial fortunes in 2007 to the effect of competition from subsidized subject imports. Given the sharp increase in demand and the reduction in nonsubject imports over the period examined, the domestic industry should have been able to maintain, if not improve, its profitability. Instead, the domestic industry suffered declining operating results as subject imports captured a substantial portion of the increase in apparent U.S. consumption, took market share from the domestic industry, consistently undersold the domestic product, and prevented the domestic industry from increasing prices sufficiently to offset rising production costs due to increased raw material prices.

While the domestic industry has not yet experienced material injury by reason of subject imports, one of the conditions that allowed the domestic industry to avoid material injury, although it still

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[148] We further determine, pursuant to 19 U.S.C. § 1671d(b)(4)(B), that we would not have made a material injury determination but for Commerce's suspension of liquidation of subject imports on September 9, 2008. The period examined, and thus the comprehensive record evidence available, in this investigation was through September 30, 2008 – covering a period only about three weeks after suspension of liquidation. While the record evidence demonstrates that the domestic industry is vulnerable to material injury by reason of subject imports, we do not find that but for the suspension of liquidation the domestic industry's condition would have worsened in this limited period to a level reflecting material injury. We note, however, that we have joined our colleagues in finding, pursuant to 19 U.S.C. § 1677(7)(I), that the reductions in the volume of subject imports, increases in prices for the domestic like product, and improvements in the domestic industry's performance during interim 2008 (as compared to interim 2007) are related to the filing of the petition in April 2008 and, hence, we have accorded less weight to the 2008 data in our analysis.

[149] CR/PR at Tables III-3, III-5, and VI-1.

[150] CR/PR at Tables III-7, VI-1, and C-1.

[151] CR/PR at Table VI-1.

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

experienced declining profitability, has changed. The period of strong demand that occurred during most of the period examined, and mitigated the impact of increasing subject imports, has ended. The duration of the recent downturn in demand may be uncertain, but it is clear that the high levels experienced in 2006 and 2007 will not recur in the imminent future. As detailed above, demand for line pipe has recently fallen dramatically due to the decline in oil and gas prices and a weakening housing industry.[153] Large pipeline projects are reportedly being cancelled, resulting in reduced sales to end users.[154] This is significant in that direct sales to end users are the one portion of the market in which the domestic producers do not compete with subject imports. Additionally, because the domestic industry was so profitable, particularly in 2005 and 2006, it was able to moderate the impact of the increases in subject imports. However, the declines in profitability from 2006 to 2007 resulting from substantial increases in low-priced subject imports was large enough that it would be unsustainable without the cushion of favorable demand conditions. Based on our consideration of the record, including the recent developments in the marketplace, we find that the domestic industry is vulnerable to material injury from large and increasing volumes of subject imports.

The domestic industry is no longer shielded from the impact of subject imports, which are likely to increase significantly in volume and continue to undersell significantly the domestic like product in the absence of import relief. The domestic industry would likely experience significantly reduced production, shipments and market share, and significantly depressed or suppressed prices, leading to reduced employment and profitability.

We also find that subject imports will have negative effects on the development and production efforts of the domestic industry. From 2005 to 2006, the sharp increase in demand mitigated the impact of subject imports, and allowed the domestic industry to increase its profits even as it lost market share. This trend did not continue in the following year, however, as demand stabilized, subject imports continued to increase, and the domestic industry experienced declining financial performance. As subject imports continue to increase in the imminent future, the domestic industry will lose not only market share, but sales volumes as well. As the increased competition continues to prevent the industry from raising prices to cover rising production costs, the domestic industry will experience declining operating income margins, and will experience declines in employment, returns on assets, and in its ability to maintain and upgrade production facilities.

In considering whether the domestic industry is threatened with material injury by reason of subject imports, we have also considered the extent to which other factors are likely to contribute to injury to ensure that we do not attribute injury from other factors to subject imports. As discussed above, we find that reduced demand for line pipe is likely to render the industry more vulnerable to the effects of imports. Even so, we do not find that likely material injury to the domestic industry described above can be attributed in any significant way to the effects of weak demand or nonsubject imports. First, in interim 2008, the industry's fortunes actually improved despite weakening demand, once subject imports left the market. Second, nonsubject imports were consistently priced above subject imports during the period of examined, indicating that nonsubject imports do not compete as aggressively and would not have captured market share from the domestic industry to the same extent as subject imports.[155] We therefore find that these other factors likely would not play a material role in the injury experienced by the domestic industry.

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[153] See CR at II-4 to II-10, PR at II-3 to II-7.

[154] Maverick Prehearing Brief at 58. We note that sales to end users declined in interim 2008 in comparison to interim 2007 though sales to distributors increased. CR/PR at Table II-1.

[155] See CR/PR Fig. V-6.

Considering the statutory threat factors and the record as a whole, we determine that further subsidized imports of line pipe from China are imminent and that material injury by reason of subject imports would occur unless an order is issued. Accordingly, we determine that the domestic industry producing line pipe is threatened with material injury by reason of subject imports from China.

CONCLUSION

For the reasons stated above, we find that an industry in the United States is materially injured, or threatened with material injury, by reason of imports of line pipe from China that have been found by Commerce to be subsidized by the Government of China.

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed on April 3, 2008, with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, PA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO-CLC (Pittsburgh, PA).[1] The petition alleges that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of circular welded carbon quality steel line pipe ("line pipe")[2] from China.[3] Information relating to the background of the investigations is provided below.[4]

Effective date	Action
April 3, 2008	Petition filed with Commerce and the Commission; institution of Commission investigations (73 FR 20064, April 14, 2008)
April 29, 2008	Commerce's notices of initiation (73 FR 23184 (countervailing duty investigation) and 73 FR 23188 (antidumping duty investigation))
May 19, 2008	Commission's preliminary affirmative determination (73 FR 31712, June 3, 2008)
June 6, 2008	Commerce's postponement of preliminary countervailing duty determination (73 FR 32290)
August 29, 2008	Commerce's postponement of preliminary antidumping duty determination (73 FR 50941)
September 9, 2008	Commerce's preliminary affirmative countervailing duty determination (73 FR 52297)
September 9, 2008	Commission's scheduling of final phase investigations (73 FR 54618, September 22, 2008)

Tabulation continued on following page.

[1] On April 4, 2008, Wheatland Tube Co. (Sharon, PA) separately filed an entry of appearance in support of the petitions. Council for petitioning firm Tex-Tube Co. amended its entry of appearance on October 31, 2008, to also include domestic producers Northwest Pipe Co. (Vancouver, WA); Stupp Corp. (Baton Rouge, LA); and TMK IPSCO Tubulars (Lisle, IL); the same council once again amended its entry of appearance on November 3, 2008, to add domestic producer American Steel Pipe Division of ACIPCO (Birmingham, AL).

[2] *See* the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[3] The petition also alleged that an industry in the United States was materially injured and threatened with material injury by reason of LTFV imports of line pipe from Korea. However, on November 17, 2008, the petitioners filed a letter with Commerce and the Commission withdrawing their petition with respect to Korea and on November 25, 2008, the Commission received a letter from Commerce terminating its antidumping duty investigation. Accordingly, pursuant to section 207.40(a) of the Commission's Rules of Practice and Procedure (19 CFR § 207.40(a)), the Commission terminated its antidumping duty investigation on line pipe from Korea (73 FR 75770, December 12, 2008). The petitioners testified that the primary reason for withdrawing the petition with respect to Korea was that U.S. imports of line pipe from China were the "biggest problem" and "gravest concern" to the domestic line pipe industry, especially in light of the preliminary antidumping margins found by Commerce with respect to U.S. line pipe imports from Korea. Hearing transcript, pp. 75-81 (Hecht, Price, Schagrin, and Cura) and 126-127 (Hecht).

[4] *Federal Register* notices cited in the tabulation, beginning with the Commission's scheduling of final phase investigations, are presented in appendix A.

Effective date	Action
November 6, 2008	Commerce's preliminary antidumping duty determination (73 FR 66012)
November 24, 2008	Commerce's final countervailing duty determination (73 FR 70961)
November 24, 2008	Commission's hearing[1]
November 25, 2008	Commission's termination of antidumping duty investigation with respect to Korea (73 FR 75770, December 12, 2008)
December 22, 2008	Commission's vote on countervailing duty investigation
January 7, 2009	Commission's countervailing duty determination transmitted to Commerce
March 23, 2009	Scheduled date for Commerce's final antidumping duty determination
April 23, 2009	Scheduled date for Commission's vote on antidumping duty investigation
May 6, 2009	Commission's antidumping duty determination scheduled to be transmitted to Commerce

[1] The list of witnesses that appeared at the hearing is presented in appendix B.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory Criteria

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

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

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

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.*
> . . .
> *In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether . . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.*
> . . .

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

Organization of the Report

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

U.S. LINE PIPE MARKET SUMMARY

Consumption for line pipe totaled approximately $1.2 billion (nearly 1.4 million short tons) in the U.S. market in 2007. Currently, at least ten firms produce line pipe in the United States. Nine of these producers – American, California Steel, IPSCO, Maverick, Northwest, Stupp, Tex-Tube, U.S. Steel, and Wheatland – accounted for more than 95 percent of estimated U.S. production in 2007. At least 16 firms have imported line pipe from China since 2005. The four largest importers providing responses to the questionnaire in the final phase of these investigations – *** – accounted for *** percent of reported subject U.S. imports from China in 2007. The petition estimates that there are 65 producers of subject line pipe in China.[5]

[5] The Commission sent foreign producer questionnaires to 65 firms in China identified as producers of line pipe, including the following five Chinese producers identified as Chinese producers of line pipe in the Commission's recently completed investigation on *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)): Benxi Northern Steel Pipe Co., Ltd., Liaoning Northern Steel Pipe Co., Ltd., Shanghai Alison Steel Pipe Co., Ltd., Tai Feng Qiao Metal Products Co. Ltd., and Tianjin Lifengyuanda Steel Group Co., Ltd. The Commission also sent foreign producer questionnaires to counsel representing the following Chinese entities in the antidumping and countervailing duty proceedings concerning line pipe at Commerce: the Bureau of Fair Trade for Imports and Exports, Ministry of Commerce of People's Republic of China; Huludao Steel Pipe Industrial Co. Ltd.; Tianjin Lida Steel Tube Co. and its subsidiaries Tianjin Xingyuda Import and Export Co. and Tianjin Lifengyuanda Steel Group Co. Ltd.; Pangang Group Beihai Steel Pipe Corp.; Shanghai Metals & Minerals
(continued...)

End users generally employ line pipe for gathering oil and gas from the point of production, as well as for distributing oil and gas to the consumer, and in some instances for transmission of oil and gas in extensive pipelines.[6] The quantity of apparent U.S. consumption of line pipe increased by 57.7 percent between 2005 and 2007, reflecting the growth in natural gas drilling. However, the quantity of apparent U.S. consumption of line pipe was somewhat lower during January-September 2008 than in January-September 2007. The value of apparent U.S. consumption increased by 57.3 percent from 2005 to 2007, and was 27.8 percent higher in January-September 2008 than in January-September 2007. U.S. producers' U.S. shipments of line pipe totaled 727,185 short tons in 2007, and accounted for 52.9 percent of apparent U.S. consumption by quantity. Subject U.S. imports from China totaled 236,358 short tons in 2007, and accounted for 17.2 percent of apparent U.S. consumption by quantity. U.S. imports from all other nonsubject sources combined totaled 412,183 short tons in 2007, and accounted for 30.0 percent of apparent U.S. consumption by quantity. The largest sources of imported line pipe are China and Korea, followed by Mexico.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in the investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of nine firms believed to account for more than 95 percent of U.S. production of line pipe during 2007. U.S. imports are based on official import statistics of Commerce, as adjusted.[7] Data regarding the Chinese industry are based on public sources, one foreign producer questionnaire response in the final phase of these investigations, and five foreign producer questionnaires from the Commission's recently completed investigation on *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)). Information with respect to other foreign industries is drawn from published sources and from direct requests by the Commission for data.

PREVIOUS AND RELATED INVESTIGATIONS

The Commission has conducted several previous import relief investigations on line pipe. Table I-1 presents data on previous and related title VII and safeguard investigations. In addition, several related Commission investigations have included imports of welded line pipe, in whole or in part. Details on these related investigations are provided in table I-2. At this time, however, the only welded carbon quality line pipe with a diameter of 16 inches or less that is subject to import relief is certain multiple-stenciled line pipe from China with physical characteristics typically associated with standard pipe.[8]

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[5] (...continued)
Import & Export Corp. d/b/a Shanghai Minmetals Materials & Products Corp.; and Northern Steel Pipe Co., Ltd. The Commission did not receive any completed questionnaires from producers of line pipe in China during the preliminary phase of these investigations and received only one completed questionnaire in the final phase of these investigations from Kunshan Pearl Machinery Industry Co., a producer of line pipe in China.

[6] In most instances, however, transmission requires line pipe in diameters greater than 16 inches.

[7] Import statistics presented throughout this report for subject imports from China were adjusted using Commission importer questionnaire responses to subtract certain multiple-stenciled pipe excluded from the scope by Commerce.

[8] Pipes that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term "painted" does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

Table I-1
Line pipe: Previous Title VII and safeguard investigations

Investigations		Dates		
Number	Product / Country	Begin	End	Outcome
701-TA-165, 168	Welded Carbon Steel Pipes and Tubes from Brazil and Korea	05/07/1982	12/27/1982	Brazil - terminated after Commission preliminary affirmative determination
			02/08/1983	Korea - Commission final affirmative determination;[1] order revoked by Commerce effective October 1, 1984
731-TA-212	Welded Carbon Steel Pipes and Tubes from Venezuela	12/18/1984	02/01/1985	Commission preliminary negative determination[2]
701-TA-242 & 731-TA-253	Welded Carbon Steel Pipes and Tubes from Venezuela	02/28/1985	12/05/1985	Terminated by Commerce following Commission preliminary affirmative determination[2]
701-TA-252-253 & 731-TA-272-274	Welded Carbon Steel Pipes and Tubes from Taiwan, Turkey, and Yugoslavia	07/16/1985	01/08/1986	Taiwan and Yugoslavia - terminated by Commerce following Commission preliminary affirmative determinations
			02/21/1986	Turkey - Commission final affirmative determination;[2] countervailing duty order revoked by Commerce effective January 1, 2000
731-TA-375	Certain Line Pipes and Tubes from Canada	02/11/1987	03/30/1987	Commission preliminary negative determination[3]
TA-201-70	Circular Welded Carbon Quality Line Pipe	06/30/1999	12/22/1999	Commission affirmative determination with respect to all countries except Mexico and Canada;[4] relief ended effective March 1, 2003.
731-TA-1073-1075	Circular Welded Carbon Quality Line Pipe from China, Korea, Mexico	10/06/2004	12/14/2004	China - terminated by Commerce following Commission preliminary affirmative determination
			02/17/2005	Korea and Mexico terminated after petition withdrawn[5]
731-TA-1150	Circular Welded Carbon Quality Steel Line Pipe from Korea	04/03/2008	11/25/2008	Terminated after petition withdrawn

[1] The Commission found small (16 inches or less) diameter welded carbon steel standard, line, and structural pipes and tubes to constitute a single like product.

[2] The Commission found separate like products consisting of welded standard pipe and welded line pipe.

[3] The Commission found that the product "like" welded line pipe from Canada was welded line pipe. Commissioner Brunsdale concurred with reservations, writing that "...while I do not do so here, it appears appropriate to find that the like product consists of both standard and line pipe."

[4] The Commission found that the domestic product "like or directly competitive" with line pipe (including multiple-stenciled line pipe) was line pipe. Commissioner Crawford concluded that the record would justify defining the like or directly competitive product as both line pipe and standard pipe, although she declined to do so.

[5] The Commission found small (16 inches or less) diameter welded line pipe to constitute a single like product but in the final phase sought data on both welded standard pipe and welded line pipe.

Source: Various Commission publications and Federal Register notices.

Table I-2
Line pipe: Related Commission investigations

Investigations		Dates		Outcome
Number	**Product / Country**	**Begin**	**End**	
TA-201-51	Carbon and Certain Alloy Tool Steel Products	01/24/1984	07/24/1984	Commission negative determination[1]
731-TA-732-733	Circular Welded Nonalloy Steel Pipe from Romania and South Africa	04/26/1995	06/27/1996	Commission final negative determination[2]
731-TA-943-947	Circular Welded Non-Alloy Steel Pipe from China, Indonesia, Malaysia, Romania, and South Africa	05/24/2001	07/16/2001	Indonesia, Malaysia, Romania, and South Africa - Commission preliminary negative determination
			07/02/2002	China - Commission final negative determination[3]
TA-421-06	Circular Welded Non-Alloy Steel Pipe from China	08/02/205	10/21/2005	Commission affirmative[4] followed by a Presidential determination that import relief was not in the national interest
701-TA-447 & 731-TA-1116	Circular Welded Carbon Quality Steel Pipe from China	06/07/2007	07/02/08	Commission affirmative final determinations[5] [6]

[1] The Commission found that the like or directly competitive product was all welded and seamless pipe.

[2] In the final phase of the investigations, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) included all multiple-stenciled pipe. Commissioners Crawford and Watson concluded that the record would justify defining the domestic like product to include all (welded) line pipe, although they declined to do so.

[3] In the final phase of the investigation, the Commission found that the domestic product "like" subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications), "absent argument and information to the contrary."

[4] The Commission found that the domestic product "like or directly competitive" with subject imports of standard pipe (including multiple-stenciled pipe used in standard pipe applications) was standard pipe (including multiple-stenciled pipe used in standard pipe applications).

[5] The Commission defined the domestic like product as coterminous with Commerce's scope. Commerce's scope includes multiple-stenciled line pipe when it meets the physical description (in the scope) and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish.

[6] Following affirmative determinations by Commerce (with respect to countervailable subsidies and sales in the United States at LTFV) and the Commission (with respect to material injury by reason of the subject imports), Commerce issued countervailing duty and antidumping duty orders on circular welded carbon quality steel pipe from China effective July 22, 2008. Weighted average antidumping duty margins ranged from 69.20 to 85.55 percent, while countervailing duty margins ranged from 29.62 to 44.93 percent for most exporters/manufacturers, but were 616.83 percent for Tianjin Shuangjie Steel Pipe Co., Ltd.; Tianjin Shuangjie Steel Pipe Group Co., Ltd.; Tianjin Wa Song Imp. & Exp. Co., Ltd.; and Tianjin Shuanglian Galvanizing Products Co., Ltd. *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Notice of Amended Final Affirmative Countervailing Duty Determination and Notice of Countervailing Duty Order*, 73 FR 42545, July 22, 2008; and *Notice of Antidumping Duty Order: Circular Welded Carbon Quality Steel Pipe from the People's Republic of China*, 73 FR 42547, July 22, 2008.

Source: Various Commission publications and Federal Register notices.

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

On November 24, 2008, Commerce published in the *Federal Register* its final determination of countervailable subsidies for producers and exporters of line pipe in China.[9] Commerce's final findings of subsidization of line pipe produced in China are presented in table I-3.

Table I-3
Line pipe: Commerce's final subsidy determination with respect to imports from China

Entity	Margin (*percent, ad valorem*)
Liaoning Northern Steel Pipe Co., Ltd.	40.05
Huludao Seven–Star Steel Pipe Group Co., Ltd.; Huludao Steel Pipe Industrial Co. Ltd.; and Huludao Bohai Oil Pipe Industrial Co. Ltd.	35.63
All others	37.84
Source: 73 FR 70961, November 24, 2008.	

[9] Commerce examined 30 programs and found the following programs to be countervailable: "Two Free, Three Half" Program; Provision of Land for Less Than Adequate Remuneration; Provision of Hot-Rolled Steel for Less Than Adequate Remuneration; Foreign Trade Development Fund Program (Grants and VAT refunds); Export Interest Subsidies; Export Loans; Liaoning Province Grants–Five Points One Line Program; Income Tax Credits on Purchases of Domestically-Produced Equipment by Domestically Owned Companies; and Preferential Lending of Policy Loans to State-Owned Enterprises and the Steel Industry by State-Owned and Controlled Banks. *Issues and Decision Memorandum for Final Determination in the Countervailing Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe (Line Pipe) from the People's Republic of China,* November 17, 2008; *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination,* 73 FR 70961, November 24, 2008.

Sales at LTFV

On November 6, 2008, Commerce published in the *Federal Register* its preliminary determinations of sales at LTFV with respect to imports from China.[10] Commerce's preliminary dumping margins with respect to imports of line pipe from China are presented in table I-4.

Table I-4
Line pipe: Commerce's preliminary weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Preliminary dumping margin (*percent*)
Huludao Steel Pipe Industrial Co., Ltd./Huludao City Steel Pipe Industrial Co., Ltd.	Huludao Steel Pipe Industrial Co., Ltd./Huludao City Steel Pipe Industrial Co., Ltd.	67.83
Shanghai Metals & Minerals Import & Export Corp. d/b/a Shanghai Minmetals Materials & Products Corp.	Huludao Steel Pipe Industrial Co., Ltd. or Benxi Northern Pipes Co. Ltd.	81.52
Benxi Northern Pipes Co., Ltd.	Benxi Northern Pipes Co., Ltd. or Tianjin Lianzhong Steel Pipe Co., Ltd.	74.68
Pangang Group Beihai Steel Pipe Corp.	Pangang Group Beihai Steel Pipe Corp.	74.68
Jiangsu Yulong Steel Pipe Co., Ltd.	Jiangsu Yulong Steel Pipe Co., Ltd.	74.68
Tianjin Xingyuda Import and Export Co., Ltd.	Tianjin Lifengyuanda Steel Pipe Group Co., Ltd.	74.68
China wide entity		81.52
Source: 73 FR 66012, November 6, 2008.		

[10] *Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 73 FR 66012, November 6, 2008.

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce has defined the scope of these investigations as:

> circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (line pipe), not more tha{n} 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. The term "carbon quality steel" includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (HTSUS). Specifically, the term "carbon quality" includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: (i) 2.00 percent of manganese, (ii) 2.25 percent of silicon, (iii) 1.00 percent of copper, (iv) 0.50 percent of aluminum, (v) 1.25 percent of chromium, (vi) 0.30 percent of cobalt, (vii) 0.40 percent of lead, (viii) 1.25 percent of nickel, (ix) 0.30 percent of tungsten, (x) 0.012 percent of boron, (xi) 0.50 percent of molybdenum, (xii) 0.15 percent of niobium, (xiii) 0.41 percent of titanium, (xiv) 0.15 percent of vanadium, or (xv) 0.15 percent of zirconium. Line pipe is normally produced to specifications published by the American Petroleum Institute (API) (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple-stenciled pipe with an API line pipe stencil is covered by the scope of these investigations.[11]

In its countervailing duty determination with respect to line pipe from China, Commerce modified the scope to include the following language in order to eliminate the overlap that existed between the scope of the recently completed circular welded pipe investigation and the subject line pipe investigation.

> Excluded from this scope are pipes that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term "painted" does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)[12]

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[11] *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297, September 9, 2008; *Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 73 FR 66012, November 6, 2008; and *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961, November 24, 2008.

[12] *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297, September 9, 2008; *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961, November 24, 2008; *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Final*

(continued...)

Tariff Treatment

Subject line pipe is currently classifiable in the Harmonized Tariff Schedule of the United States ("HTS") under statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150 (after February 3, 2007) and 7306.10.1010, 7306.10.1050, 7306.10.5010, and 7306.10.5050 (prior to February 3, 2007).[13] Line pipe imported from China enters the U.S. market at a column 1-general duty rate of "free."

THE DOMESTIC LIKE PRODUCT

Description and Applications

The line pipe subject to these investigations is made from "carbon quality steel" which includes both carbon steel and carbon steel combined with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the HTS. Specifically, the term "carbon quality" includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: 2.00 percent of manganese, 2.25 percent of silicon, 1.00 percent of copper, 0.50 percent of aluminum, 1.25 percent of chromium, 0.30 percent of cobalt, 0.40 percent of lead, 1.25 percent of nickel, 0.30 percent of tungsten, 0.012 percent of boron, 0.50 percent of molybdenum, 0.15 percent of niobium, 0.41 percent of titanium, 0.15 percent of vanadium, or 0.15 percent of zirconium.[14]

The welded line pipe at issue is a circular pipe product not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. Line pipe generally is produced in the United States in lengths of 40 feet or greater,[15] and with either a bare finish or a black (lacquered) finish to protect the pipe from rust, which is especially important for storage in humid climates or for waterborne transportation. End finishes typically include square cut or beveled[16] for welding in the field.

The tubular product at issue includes pipe of a kind used in oil and gas pipelines, whether or not stenciled. Such line pipe normally is produced in conformance with the American Petroleum Institute's specification API 5L, and generally bears an API line pipe stencil. A "stencil" is information marked by the manufacturer with paint on the outside surface of the pipe indicating the specification in conformance with which it has been manufactured.[17] The API 5L specification for line pipe indicates that the markings

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[12] (...continued)
Determination of Critical Circumstances: Circular Welded Carbon Quality Steel Pipe from the People's Republic of China, 73 FR 31970, June 5, 2008; and *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966, June 5, 2008.

[13] Questionnaire responses in these investigations indicate that the amount of subject line pipe imported under the statistical reporting numbers for alloy line pipe, (7306.19.5110, and 7306.19.5150 (after February 3, 2007) and 7306.10.5010, and 7306.10.5050 (prior to February 3, 2007)), is minimal.

[14] *Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 32189, April 29, 2008.

[15] Nominal 40-45 foot lengths are referred to by the industry as "double random lengths" or "DRL."

[16] A square cut is made at a right angle to the axis of the pipe. A beveled finish is made at an angle, which is not a right angle, to the axis of the pipe to accommodate the weld deposit.

[17] The purchaser and manufacturer can agree to put all or part of the markings on the inside surface of the pipe. Pipe that is 1-1/2 inches and smaller has the identification markings die-stamped on a metal tag fixed to the bundle
(continued...)

should identify the manufacturer's name, specification ("Spec 5L"), size and weight designation, grade and class (e.g., A-25, A, B, and X-42 through X-80), process of manufacture (seamless pipe, electric resistance welded pipe, or continuous welded pipe), heat treatment, and test pressure.

The API 5L grades define the strength level of the pipe and of the steel that is used to make the pipe. For grades A-25 and X-42 to X-80, the last two digits reflect the tensile strength of the steel.[18] Lower grades of line pipe, namely, A-25, grade A, and grade B, have lower strength but have other desirable properties. For example, grade A line pipe is more malleable and more readily weldable than pipes of higher grades.

The API 5L specification also specifies that "products in compliance with multiple compatible standards may be marked with the name of each standard."[19] The API stencil identifies the product as that which can be used in line pipe applications. Produced to API specifications, welded line pipe for use in oil and gas pipelines requires higher hydrostatic test pressures and more restrictive weight tolerances than standard pipe.[20] Pipe that is in conformance with API Specification 5L Grade B automatically is in conformance with the less restrictive standard pipe specification of the American Society for Testing and Materials, ASTM A-53 Grade B.[21] As a consequence, manufacturers often mark such product with both specifications (a practice known as "dual stenciling") so that it may be applied for either use.[22] Product also may be simultaneously in conformance with both Grade B and Grade X-42 of the API 5L specification; indeed, much of the line pipe used in the United States meets the specifications of both Grades B and X-42.[23] Such product may be marked with API 5L Grade B, API 5L Grade X-42, and ASTM A-53 Grade B (a "triple stencil"). Finally, some standard pipe customers require product marked as being in compliance with the American Society of Manufacturing Engineers ("ASME") AS-53, which is identical to ASTM A-53; including this information can result in a "quad stencil."

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[17] (...continued)
or printed on the straps or binding clips used to tie the bundle.

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

[19] API, *Specification for Line Pipe: API Specification 5L*, March 2004, p. 52.

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

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

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

[23] Since Grade B and X-42 are at the low end of the APL 5L specifications, most line pipe typically satisfies these specifications.

Manufacturing Processes

U.S. mills commonly manufacture line pipe by the electric resistance weld ("ERW") process;[24] however, the continuous weld ("CW") process can be used for pipe up to 4.5 inches (114.3 mm) in diameter.[25] The manufacture of welded line pipe by the ERW process begins with coils of hot-rolled sheet steel,[26] which are cut by a slitting machine into strips of the precise width needed to produce a desired diameter of pipe.[27] The slit coils are fed into the tube mills, which cold-form the flat ribbon of steel into a tubular cylinder by a series of tapered forming rolls. The product then is welded along the joint axis. The welded tube next passes under a tool that removes the outside flash resulting from the pressure during welding. Inside flash is likewise removed by cutting tools. The tube is then subjected to such post-weld heat treatment as is required. Such treatment may involve heat treatment of the welded seam only or treatment of the full cross-section of the pipe. After heat treatment, sizing rolls shape the tube to specific diameter tolerances. The product is cooled and then cut to size at the end of the tube mill.[28] The same equipment and workers can be used to produce standard pipe as well as other tubular products, most commonly oil country tubular goods ("OCTG").[29]

DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase of these investigations, the petitioners contended that the Commission should find one domestic like product that was co-extensive with the scope of merchandise subject to the investigations as identified by Commerce.[30] Respondents did not disagree with the petitioners' characterization.[31] The Commission determined in the preliminary phase of the investigations that there was a single domestic like product consisting of line pipe 16 inches and under in outside diameter, coextensive with the scope of the investigations.[32] At the time of the Commission's preliminary phase of the investigations Commerce's scope overlapped with that of another then-ongoing investigation

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

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

[26] Flat-rolled steel that is more than 0.1875 inch in thickness if more than 48 inches in width, or more than 0.230 inch in thickness if 48 inches or less in width, may be called "plate in coils."

[27] The required diameter and wall thickness of a pipe are a function of the intended volume and pressure of material that is to flow through the pipe.

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

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

[30] U.S. Steel and Maverick's postconference brief, p. 7.

[31] Conference transcript, p. 113 (Cameron).

[32] *Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Investigation Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary)*, USITC Publication 4003, p. 7.

(*Circular Welded Carbon Quality Steel Pipe from China*, Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)), although Commerce indicated at that time that it intended to ensure that there would be no overlap between the scope of the investigations concerning circular welded pipe and these investigations.[33] In its determinations in the preliminary phase of the investigations, the Commission noted, "While the scope of these investigations may change in the final phase of the investigations, for now we accept the definition that Commerce has provided and base our determination as to the domestic like product on that definition. Therefore, the existence of the overlap does not affect our determination as to domestic like product."[34] In its notice of preliminary and final countervailing duty determinations concerning line pipe from China, Commerce indicated that it had modified the scope of the line pipe investigation to exclude certain multiple-stenciled pipes in order to eliminate the overlap that existed between the scope of the recently completed circular welded pipe investigation and the subject line pipe investigation.[35]

In preparation for the final phase of the investigations, the Commission issued draft questionnaires eliciting comments from all parties. In their comments on the draft questionnaires, no party specifically raised any domestic like product issues. Likewise, no parties provided comments on domestic like product issues in briefs or at the Commission's hearing in the final phase of these investigations.

Consistent with the preliminary phase of the investigations, the Commission collected domestic industry data based on the broader definition contained in Commerce's scope concerning its antidumping duty investigations on imports of line pipe from Korea.[36] However, on November 17, 2008, the petitioners withdrew their petition with respect to Korea and the Commission subsequently terminated its antidumping duty investigations on imports of line pipe from Korea.[37] Therefore, although the domestic industry data presented in this report are consistent with those presented in the preliminary phase report, they are broader than the current scope of the subject merchandise imported from China.

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[33] 73 FR 23189, April 29, 2008.

[34] *Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Investigation Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary)*, USITC Publication 4003, p. 5, fn. 16.

[35] *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297, September 9, 2008; *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961, November 24, 2008; *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances: Circular Welded Carbon Quality Steel Pipe from the People's Republic of China*, 73 FR 31970, June 5, 2008; and *Circular Welded Carbon Quality Steel Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances*, 73 FR 31966, June 5, 2008.

[36] The scope language in Commerce's preliminary antidumping duty determination with respect to Korea remained the same as was previously defined in its initiation notice but was broader than the scope language in its determinations with respect to China. *Circular Welded Carbon Quality Steel Line Pipe From the People's Republic of China: Notice of Initiation of Countervailing Duty Investigation*, 73 FR 23184, April 29, 2008; *Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188, April 29, 2008; *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297, September 9, 2008; *Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 73 FR 66012, November 6, 2008; *Preliminary Determination of Sales at Less Than Fair Value and Postponement of the Final Determination: Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea*, 73 FR 66020, November 6, 2008; *Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination*, 73 FR 70961, November 24, 2008.

[37] Effective November 25, 2008 (73 FR 75770, December 12, 2008).

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

U.S. MARKET CHARACTERISTICS

Line pipe is used for gathering, transporting, and distributing oil and gas via pipelines. Because of the size range of the tubular products at issue (line pipe with an outside diameter of 16 inches or less), the most common use is in gathering oil or gas from the point of extraction to the transmission line or distributing it to the consumer. Transportation of oil and natural gas typically takes place through large diameter line pipe, although there can be notable exceptions. Regardless of application, line pipe normally is produced in conformance with the American Petroleum Institute's specification API 5L, and bears an API line pipe stencil.

Shipments of line pipe by U.S. producers and importers to distributors and end users are shown in table II-1. U.S. producers sold mainly to distributors in 2005 and 2006, but sold a majority of their line pipe to end users in 2007.[1] U.S. producers' shipments to end users were lower in interim 2008 than in interim 2007, while shipments to distributors were higher; nonetheless end user shipments constituted a majority of U.S. shipments. For importers of line pipe from China and other countries, nearly all shipments went to distributors during the entire period.

Two of the nine responding U.S. producers reported that they sell nationally, while the remaining seven reported selling in various regions. U.S. producers sold primarily to the Central Southwest (39.9 percent of reported sales), Mountain (21.3 percent), Midwest (14.5 percent), and Southeast (14.2 percent) regions. None of the importers of subject product reported selling to all specified regions. Importers of subject product from China sold primarily to the Central Southwest (45.1 percent of Chinese subject imports) and Pacific Coast (43.1 percent) regions.

When asked to estimate the average lead time for sales of line pipe, responses by U.S. producers and importers depended upon whether the product was sold from inventories or produced to order. When sold from inventories, U.S. producers' lead times ranged from 2 to 7 days, and importers' lead times ranged from immediate to 7 days. For items produced to order, U.S. producers' lead times ranged from 30 to 170 days, and importers' lead times ranged from 60 to 180 days. For both producers and importers, the vast majority of all line pipe sales are produced to order, although U.S. producers reported selling a larger share from inventory.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Domestic supply responsiveness depends upon such factors as the level of industry capacity utilization, the level of inventories, the existence of alternate markets, and the flexibility of U.S. producers' production equipment.

The available data suggest that U.S. line pipe producers have flexibility to expand output and U.S. shipments in response to an increase in price. The main factors contributing to this degree of supply responsiveness are relatively low industry capacity utilization rates and the flexibility of U.S. producers' production equipment. U.S. producers' capacity utilization rates increased from 60.2 percent in 2005 to 79.1 percent in 2006, then fell to 74.3 percent in 2007. U.S. producers' capacity utilization rates were 74.4 percent in interim 2007 and 74.7 percent in interim 2008. The ratio of U.S. producers' end-of-period inventories to their total shipments ranged from a low of 6.7 percent in 2006 to a high of 10.6 percent in 2007. U.S. producers' export shipments, as a share of total shipments, decreased from 10.4 percent in

[1] The increases in end user sales during the period are largely attributable to shipments by ***.

Table II-1
Line pipe: Channels of distribution for domestic product and imports sold in the U.S. market, by source, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			Jan.-Sept.	
	2005	2006	2007	2007	2008
	Quantity *(short tons)*				
U.S. producers' U.S. shipments of line pipe:					
Distributors	315,443	394,656	344,005	268,849	291,354
End users[1]	207,388	299,356	383,180	321,060	310,138
U.S. shipments of line pipe from China:					
Distributors	30,961	150,039	165,055	117,377	41,160
End users	0	0	6	0	0
U.S. shipments of line pipe from all other import sources:					
Distributors	174,763	201,122	201,030	151,741	116,671
End users	4,929	28,355	6,703	6,637	1,146
	Share of total quantity *(percent)*				
U.S. producers' U.S. shipments of line pipe:					
Distributors	60.3	56.9	47.3	45.6	48.4
End users[1]	39.7	43.1	52.7	54.4	51.6
U.S. shipments of line pipe from China:					
Distributors	100.0	100.0	100.0	100.0	100.0
End users	0.0	0.0	0.0	0.0	0.0
U.S. shipments of line pipe from all other import sources:					
Distributors	97.3	87.6	96.8	95.8	99.0
End users	2.7	12.4	3.2	4.2	1.0

[1] The increase in shipments to end users between 2005 and 2007 (175,792 short tons) is largely attributable to increases in sales by ***.

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

2005 to 6.8 percent in 2006, and continued to fall to 2.2 percent in 2007. U.S. producers' export shipments, as a share of total shipments, were 2.2 percent in interim 2007 and *** in interim 2008.

When asked whether they produce other products using the machinery and equipment used to produce line pipe, all nine of the U.S. producers listed other products. Those most commonly mentioned included standard pipe, large diameter line pipe, and oil country tubular goods. This indicates that U.S. producers may have some flexibility in shifting between products in response to changes in relative price.

Subject Imports

The ability of line pipe producers in China to increase or decrease shipments to the U.S. market depends upon such factors as capacity utilization rates, planned expansions in capacity, current inventory levels, and current levels of both home market sales and exports to markets other than the United States.

Only limited information relating to these variables is available with respect to Chinese producers. The World Steel Association indicates that China is currently the world's leading producer of all welded tubes, with total production of 22.1 million short tons in 2006, a 54-percent increase over the level recorded in 2004. Industry observers believe that the rate of growth of Chinese line pipe production is likely to depend on shifting export tax policy, increasing emphasis on OCTG production, and current domestic and export market conditions. In the U.S. market, China and Korea have been the leading foreign suppliers of welded line pipe. China's exports of welded line pipe to the United States increased sharply between 2005 and 2007, while Chinese exports to other markets, most notably Canada, continued to increase. See chapter VII of this report (Threat Considerations and Bratsk Information) for a detailed discussion of the Chinese line pipe industry.

U.S. Demand

The demand for line pipe is a derived demand that depends upon such factors as the extent of drilling activity, and oil and gas transmission. In turn, these factors depend on factors such as oil and gas prices, and the level of activity in the housing industry. Petitioners state that the global economic downturn has caused a dramatic decline in the prices of oil and natural gas.[2] Petitioners maintain that the declines in oil and natural gas prices, coupled with the worldwide credit crisis, are causing energy production companies to reduce their capital expenditure budgets for 2009, which will translate into significant declines in line pipe demand.[3]

Monthly U.S. prices for crude oil increased sharply from January 2005 through July 2008, but have since fallen sharply (figure II-1). Monthly U.S. natural gas wellhead prices spiked in 2005, then fluctuated without a clear trend through September 2007. Natural gas prices increased steadily between September 2007 and July 2008, but have since fallen (figure II-1).

Drilling activity, as measured by the number of active rigs, increased steadily during January 2005 through September 2008, then began to decline, particularly in December 2008 (figures II-2-II-4). Over the period, horizontal rigs increased at a greater rate than either directional or vertical rigs, although vertical rigs still accounted for the largest share of the total rig count (figure II-2). Land rigs accounted for the vast majority of the total number and increase in active rigs during January 2005-December 2008, while offshore rigs accounted for only a small share (figure II-3). In terms of use, gas transmission rigs accounted for a far greater share of the active rig count than oil transmission rigs, although both increased substantially during this period (figure II-4). Weekly averages of U.S. drilling permits fluctuated upward during January 2005-October 2008, but appear to have fallen sharply in November 2008 (figure II-5). U.S. housing starts increased to a high point in January 2006, then fell steadily through October 2008 (figure II-6).

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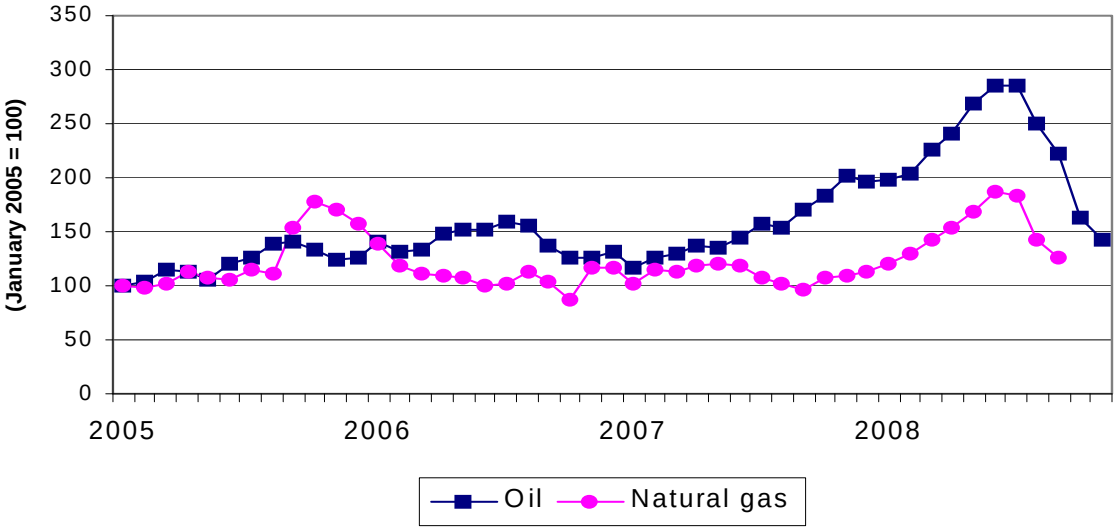
[2] Hearing transcript, p. 35.

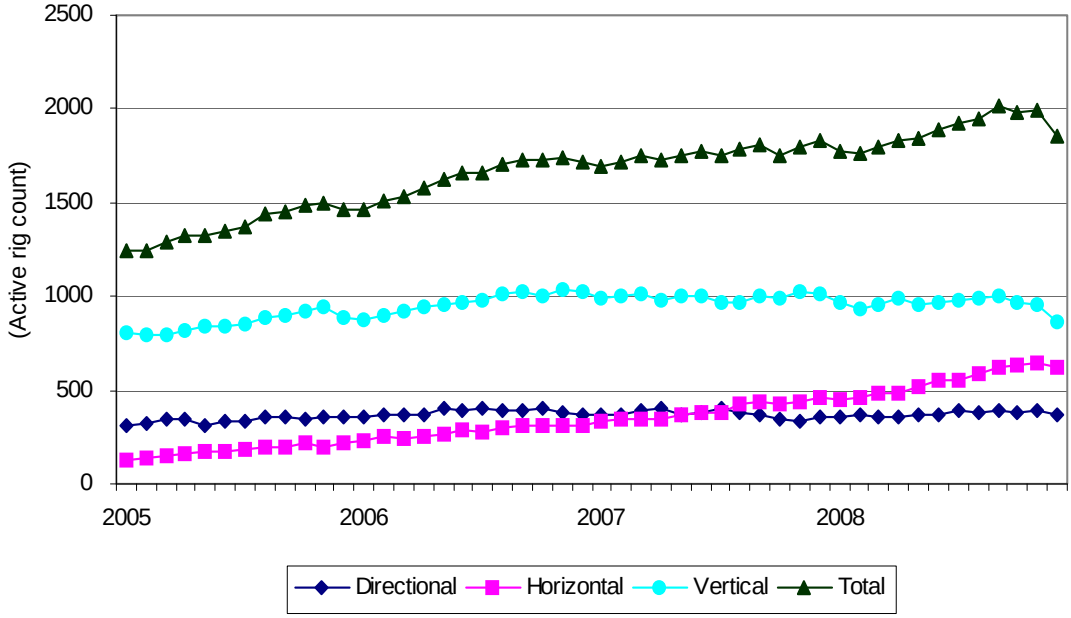
[3] Ibid.

Figure II-1
Indexed prices for West Texas intermediate crude oil and U.S. natural gas wellhead prices, by month, January 2005-November 2008



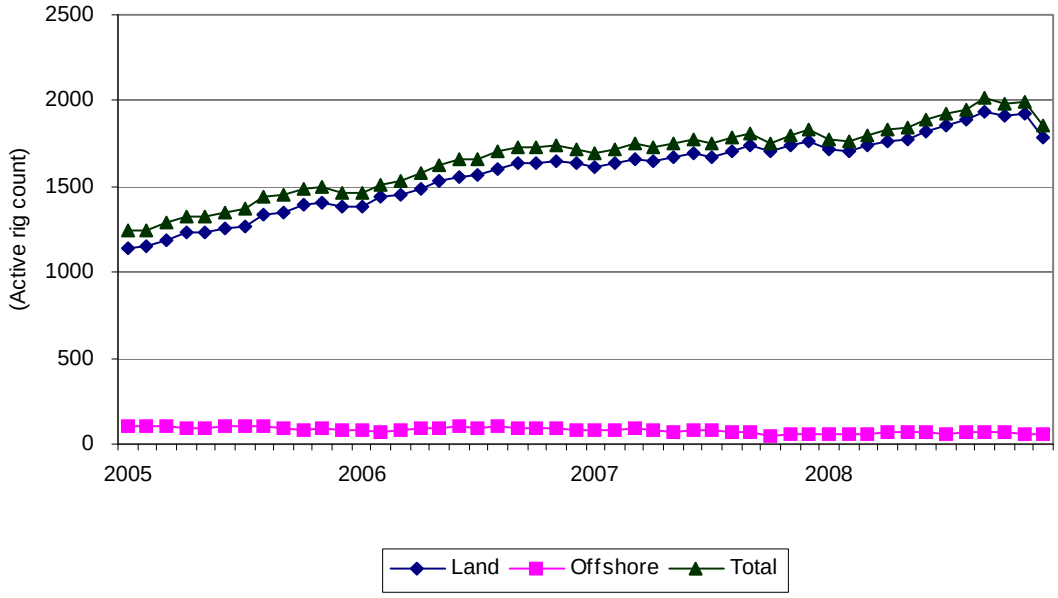
Source: Energy Information Administration.

Figure II-2
North American rotary rig count, by rig type, by month, January 2005-December 2008



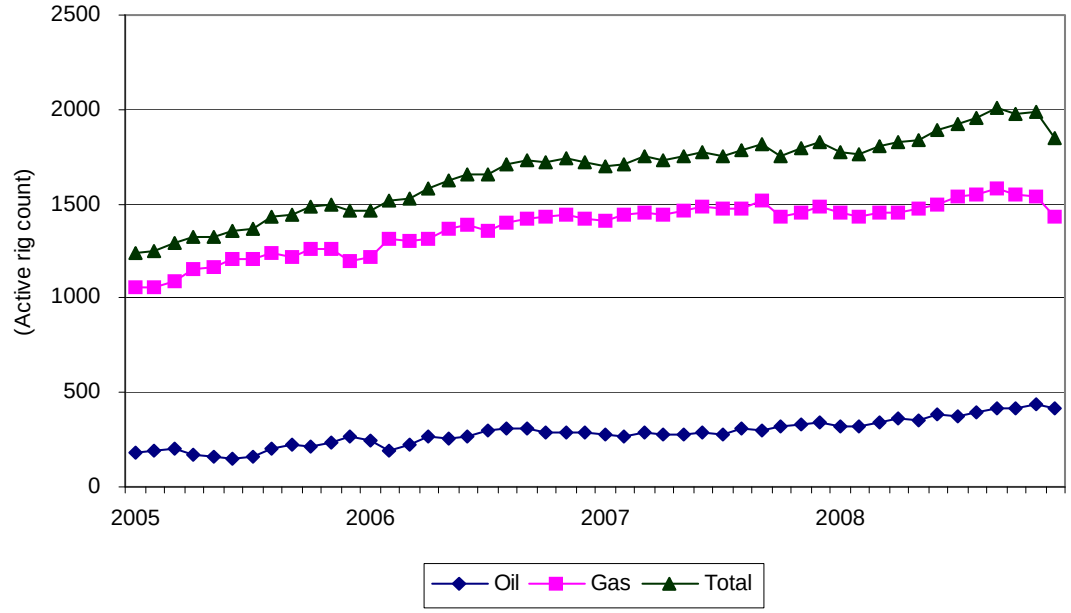
Source: Baker Hughes Rig Count.

Figure II-3
North American rotary rig count, land and offshore, by month, January 2005-December 2008



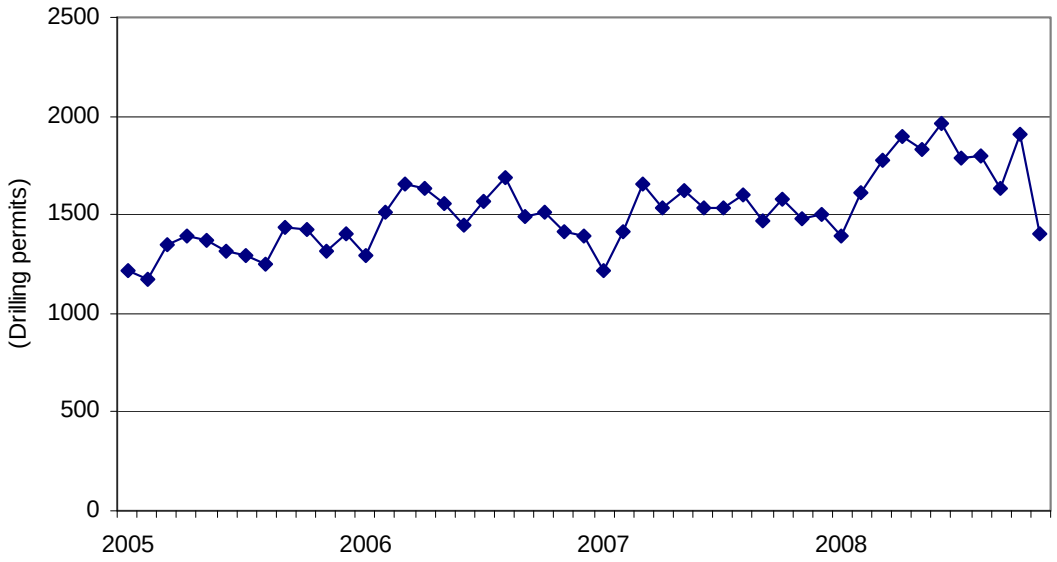
Source: Baker Hughes Rig Count.

Figure II-4
North American rotary rig count, oil and gas transmission, by month, January 2005-December 2008



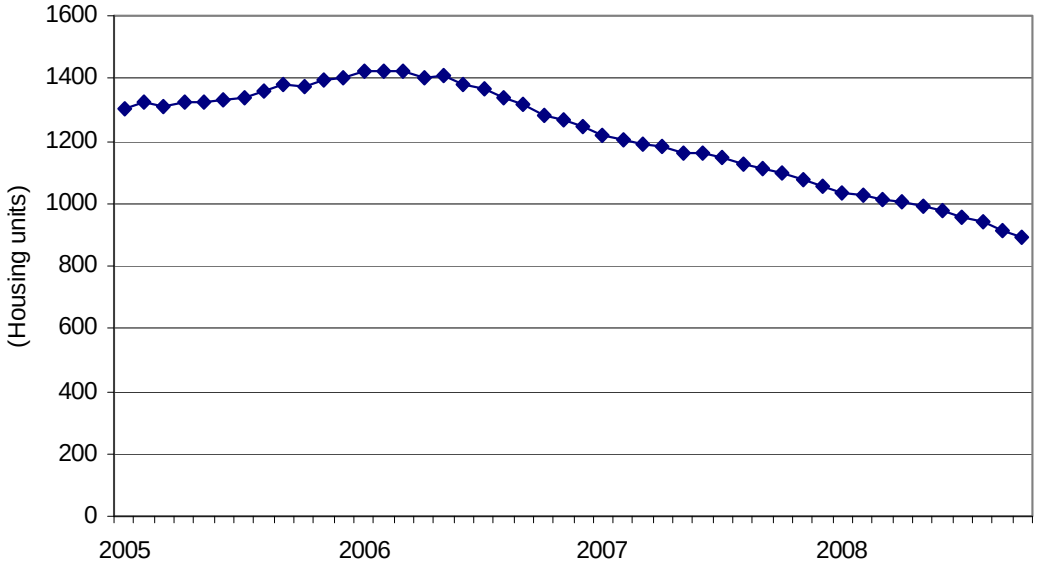
Source: Baker Hughes Rig Count.

Figure II-5
U.S. drilling permits, weekly averages, by month, January 2005-November 2008



Source: RigData.

Figure II-6
New privately-owned housing units under construction, seasonally adjusted, annual rate, by month, January 2005-October 2008



Source: U.S. Census Bureau, Manufacturing, Mining, and Construction Statistics.

According to Metal Bulletin Research (MBR), energy tubulars are feeling the pressure of falling oil and natural gas prices and their effect on drilling rates.[4] MBR reports that demand for energy tubulars is slowing due to a retraction in drilling activity, falling energy prices, and tightening credit markets.[5] MBR states that imports of energy tubulars continue to arrive at higher rates than a year ago, and that Chinese mills are looking to make inroads into the welded casing market as an outlet for welded line or standard pipe, since these products are now subject to duties.[6] MBR reports that U.S. apparent consumption of line pipe (16" outside diameter and under) fell by 9.1 percent from 86,641 tons in July 2008 to 78,792 tons in August 2008, largely due to a 20.9 percent decline in imports.[7]

Apparent U.S. consumption of line pipe increased by 60.8 percent from 872,471 short tons in 2005 to 1,403,335 short tons in 2006, then fell by 2.0 percent to 1,375,726 short tons in 2007. Apparent U.S. consumption was 1,092,875 short tons in January-September 2007 and 1,083,406 short tons in January-September 2008.

When asked how the demand for line pipe had changed since January 1, 2005, all nine U.S. producers and most importers reported that demand had increased. Among the responding importers, 19 reported that demand had increased, five reported that demand had fluctuated, and one reported that demand had decreased. Firms that reported an increase in demand often attributed the increase to high levels of activity in the oil and gas industries.

Questionnaire respondents were also asked how demand for line pipe outside the United States had changed since January 1, 2005. The four U.S. producers that responded to this question reported that demand had increased. Among importers that responded, 15 reported that demand had increased, five reported that it had fluctuated, and two reported that it was unchanged. Firms that reported an increase in demand outside the United States also attributed the increase to increased oil and gas activity.

Substitute Products

Most responding U.S. producers and importers reported that they were unaware of any substitutes for line pipe. One U.S. producer reported that, unless a pipe product is certified to API line pipe standards (or other specified standards), it cannot be used in a line pipe application.[8] Therefore, standard pipe cannot be used in line pipe applications. Products listed by producers and importers as potential substitutes for line pipe include seamless pipe, polyethylene pipe, fiberglass pipe, copper pipe and plastic pipe.

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[4] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, p. 1. MBR is a London-based market research firm specializing in steel tube and pipe industry.

[5] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, p. 5.

[6] Ibid.

[7] Ibid.

[8] ***'s producer questionnaire, p. 24.

Cost Share

U.S. producers' and importers' estimates of the share of total cost of end use products accounted for by line pipe varied widely, ranging from 20-100 percent. Respondents generally cited oil and gas transmission as end uses for line pipe, although water lines and structural applications were also cited.[9] It is possible that the wide variance in cost share estimates is due to differences in respondents' interpretations of the term "end use." *** reported that "From the distributors' perspective, the price that *** charges for line pipe may well be the largest part of their "total cost." For end users, however, it is likely that line pipe is a relatively small but still significant cost in the context of oil or gas operations."[10]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported line pipe depends upon such factors as quality (e.g., meeting or exceeding API specifications, defect rates, etc.), and conditions of sale (lead times between order and delivery dates, reliability of supply, availability, payment terms, product services, etc.). Based on available information, staff believes that, for line pipe made to the same API specifications, there is usually a high degree of substitution between domestic line pipe and subject imports**.**

Factors Affecting Purchasing Decisions

Line pipe purchasers were asked to identify factors affecting their purchasing decisions, including the three major factors considered in purchasing line pipe, factors determining quality, qualification requirements, the importance of 15 specified purchase factors, and the extent to which they purchase from specific countries or firms. Responses to these questions are summarized below.

Major Factors in Purchasing

Purchasers were asked to identify the three major factors considered by their firm in deciding from whom to purchase line pipe (table II-2). Quality was reported by the largest number of purchasers as the most important factor. Price was reported by the largest number of firms as the second and the third most important factor. Other factors reported by more than one purchaser were availability, traditional supplier/prearranged contracts, extension of credit, and delivery time.

Factors Determining Quality

Purchasers were asked to identify the factors that determine the quality of line pipe. Reported factors include line pipe meeting or exceeding specifications (e.g., API specifications); physical characteristics of the line pipe such as rust, straightness, end finish, weld quality, roundness, ends square

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[9] ***, an importer of line pipe from sources other than China, reported that its single-stenciled line pipe was used in structural applications. ***, an importer of line pipe from ***, reported that its multiple-stenciled line pipe was used for transport of oil and gas and mechanical applications. ***, an importer of line pipe from ***, reported that its multiple-stenciled line pipe was used for oil, gas line, and structural applications. ***, an importer of *** line pipe, reported that its multiple-stenciled line pipe was used for oil and gas distribution, and for industrial uses such as fittings and connections. ***, an importer of *** line pipe, reported that its single-stenciled line pipe was used for above ground liquid transport or structural uses.

[10] ***'s producer questionnaire, p. 31.

Table II-2
Line pipe: Most important factors in selecting a supplier, as reported by purchasers

Factor	First	Second	Third
Quality/quality meets industry standards	10	1	3
Price/cost	2	10	7
Availability	2	6	2
Traditional supplier/prearranged contracts	2	0	0
Extension of credit	1	1	1
Delivery time	0	1	4
Other[1]	2	0	1

[1] "Other" includes as first factor, reliability and meets specifications; and as third factor warranty.

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

to pipe body, hardness of material, hydrostatic testing, and review of mill test reports for accuracy to manufacture specifications; characteristics of the producer such as meeting audit requirements, quality exceeding industry standards, and reputation; overall appearance; and clarity of stencil.

Qualification

Purchasers were asked if they require prequalification of their suppliers. Ten of 19 responding purchasers reported that they required prequalification for all of their purchases; one purchaser reported requiring prequalification for 90 percent of their purchases; one purchaser reported requiring prequalification for 5 percent of their purchases; and the remaining seven did not require prequalification. Factors considered in the qualification of a supplier typically include third party review of the facility, leading to industry certifications such as API. Purchasers also may require an audit of the manufacturing facility to insure that practices meet the applicable codes and standards or a plant visit in connection with initial sourcing of product from a particular producer. Reported time required for qualifications ranged from 1 to 12 weeks.

Purchasers were asked if they purchased line pipe based on API specifications. Twelve of the 19 responding purchasers reported purchasing all line pipe to such standards, and three reported purchasing some of their line pipe to such standards. The remaining four purchasers reported that they did not purchase to these standards.

Purchasers were asked to describe the factors they considered when qualifying a new supplier. Factors considered include industry certifications, product meeting specifications, mill reliability, mill location/country, mill capacity, method of pipe production, price/price reliability, availability, timely shipments, distributor acceptances, raw material suppliers, and whether the supplier was visited and qualified by the trading company. The reported time required to qualify a new supplier ranged from 8 hours to 6 months.

Only two of the 19 responding purchasers reported that any firm had failed qualification. *** reported that *** failed qualification because of bad weld seams and not meeting API specification. *** also reported that *** did not meet mill assessment/audit requirements. *** reported that *** failed qualification because of declining quality.

Four of the 19 responding purchasers reported having approved manufacturers lists. Included on these lists were U.S. suppliers American Steel Pipe, California Steel, IPSCO, Northwest Pipe, Tenaris (Maverick), Tex-Tube, U.S. Steel (Camp-Hill), U.S. Steel (Lone Star Steel), and Wheatland Tube. Foreign producers included on approved manufacturers lists include Korean suppliers Husteel Co. Ltd

(Daebul Plant and Dangjin Plant), and Hyundai Pipe Co., Korea, and nonsubject firms Canadoil Pipe (Thailand), Hylsa Pipe (Mexico), LakeSide Steel (Canada), and Hyundai Hysco Ternium (Mexico).

Five purchasers reported unqualified producers. Cited producers include *** for production inconsistencies, scheduling interruptions; Chinese producers for potential for poor quality products (specifically *** were all unqualified for quality issues); and Ukrainian producers because the purchaser is aware of several claims from that area.

Importance of 15 Specified Purchase Factors

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table II-3). The factors listed as "very important" by all 19 responding purchasers were quality meets industry standards and price. Other factors that were reported as "very important" by half or more of the responding firms were availability (16 firms), delivery time (16 firms), product consistency (16 firms), reliability of supply (16 firms), and delivery terms (11 firms).

Table II-3
Line pipe: Importance of purchase factors, as reported by purchasers

Factor	Very important	Somewhat important	Not important
	Number of firms responding		
Availability	16	3	0
Delivery terms	11	8	0
Delivery time	16	3	0
Discounts offered	9	5	5
Extension of credit	5	6	8
Minimum quantity requirement	4	6	9
Packaging	5	8	5
Price	19	0	0
Product consistency	16	1	2
Product range	5	12	1
Quality meets industry standards	19	0	0
Quality exceeds industry standards	5	10	4
Reliability of supply	16	3	0
Technical support/service	8	8	2
U.S. transportation costs	6	7	6

Note.-- Not all firms responded for all questions. Three firms listed other factors; expediency of claims, product warranty, and meeting required specifications were all listed as very important.

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

Purchases from Specific Producers and Countries

Purchasers were asked how frequently they know the producer and country of origin and if their customers know the country of origin. The following tabulation summarizes the responses.

Purchaser/customer decision	Always	Usually	Sometimes	Never
Purchaser knows country of origin	14	1	1	2
Purchaser knows producer	13	4	1	0
Purchaser's customers know country of origin	6	5	5	1

Most of the responding purchasers reported that they know the country of origin (14 of 18) and producer (13 of 18) of their line pipe. Purchasers reported that their customers were almost equally divided between always (6), usually (5), and sometimes (5) knowing the country of origin.[11]

Purchasers were asked to report reasons why they purchased from a source other than the lowest priced source. Fifteen purchasers reported purchasing from higher-priced firms. Cited reasons include product quality; availability; delivery time; reliability of supply; logistics; some customers will not accept pipe from China; some purchasers deal with only a single source or limited number of trusted sources; and some purchasers use trading companies that finance, ship, and handle the product liability.

Comparisons of Domestic Products, Subject Imports, and Non-Subject Imports

Purchasers were asked to compare domestically produced line pipe and that produced in subject and nonsubject countries, with respect to 15 different factors. Comparisons between U.S., Chinese, and Korean line pipe are presented in table II-4.[12]

Twelve purchasers compared U.S. line pipe to Chinese line pipe. Most purchasers reported that U.S. and Chinese line pipe were comparable with respect to 8 of the 15 specified factors. Most purchasers reported that U.S. line pipe was superior in terms of product consistency, quality exceeds industry standards, and technical support, while Chinese line pipe was generally lower-priced. Purchasers also tended to favor U.S. line pipe with respect to availability, delivery time, and reliability of supply.

Fourteen purchasers compared U.S. line pipe to Korean line pipe. Most purchasers reported that U.S. and Korean line pipe were comparable with respect to 14 of the 15 specified factors, with a slight majority reporting that Korean line pipe was generally lower-priced.

Twelve purchasers compared Chinese line pipe to Korean line pipe. Most purchasers reported that Chinese and Korean line pipe were comparable with respect to 13 of the 15 specified factors, while most reported that Chinese line pipe was superior in terms of price (i.e., lower in price) and inferior in terms of product consistency. A substantial minority of purchasers reported that Chinese line pipe was inferior to Korean line pipe in terms of its quality exceeding industry standards.

[11] One firm reported that customers never knew the country of origin.

[12] ***.

Table II-4
Line pipe: Comparisons of imported and U.S. product, as reported by purchasers

Factor	U.S. vs. China			U.S. vs. Korea			China vs. Korea		
	S	C	I	S	C	I	S	C	I
Availability	5	5	2	3	7	4	0	9	3
Delivery terms	4	8	0	3	10	1	0	11	1
Delivery time	4	6	2	4	7	3	1	9	2
Discounts offered	3	7	1	1	10	2	2	8	0
Extension of credit	1	9	1	0	11	2	1	8	1
Minimum quantity requirement	1	7	3	0	10	3	1	9	1
Packaging	1	8	2	1	10	2	0	8	3
Price[1]	0	2	10	0	6	8	6	4	1
Product consistency	8	4	0	2	12	0	0	4	7
Product range	2	8	1	0	10	3	2	8	1
Quality exceeds industry standards	6	5	0	2	11	0	0	6	5
Quality meets industry standards	4	7	0	0	14	0	0	9	3
Reliability of supply	4	6	2	3	8	3	1	8	2
Technical support/service	6	5	0	2	11	0	1	6	3
U.S. transportation costs[2]	1	9	2	1	10	3	0	10	1

[1] A rating of superior means that the price or cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the price of the U.S. product was generally lower than the price of the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first listed country's product is inferior. Not all companies gave responses for all factors.

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

Producers, importers, and purchasers were also requested to provide information regarding the interchangeability of domestic, subject, and nonsubject line pipe and to discuss reasons why products were not interchangeable (table II-5). The majority of responding producers reported that line pipe from each of the country pairs was always interchangeable, and the majority of responding importers and purchasers reported that line pipe from each of the country pairs was always or frequently interchangeable. Reasons reported for why line pipe was not always interchangeable include buyers may be aware of differences in quality; firms in China and Taiwan may not be on approved manufacturer lists; mill processes should be evaluated and approved for specific uses; Chinese quality is not interchangeable; different quality assurance levels are required for line pipe grades; the reliability of the mills producing pipes must be considered; and differences between suppliers for smaller diameter, greater wall thickness, and higher grade line pipe.

Table II-5
Line pipe: Perceived interchangeability between line pipe produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of U.S. purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	7	0	1	0	5	4	5	1	5	2	2	1
U.S. vs. Brazil	7	0	1	0	7	1	5	0	7	2	1	0
U.S. vs. Japan	7	1	0	0	12	3	0	0	8	3	1	0
U.S. vs. Korea	7	0	1	0	10	4	0	0	11	4	1	0
U.S. vs. Mexico	7	0	1	0	6	2	5	0	8	2	2	0
U.S. vs. Taiwan	6	0	1	0	5	2	5	0	6	2	3	0
U.S. vs. Other	4	1	0	0	5	5	2	0	7	2	1	0
China vs. Brazil	5	0	0	0	7	1	3	0	7	1	0	0
China vs. Japan	5	0	0	0	7	1	5	0	7	1	1	0
China vs. Korea	5	0	0	0	6	4	3	1	7	3	1	0
China vs. Mexico	5	0	0	0	6	3	2	0	7	1	1	0
China vs. Taiwan	5	0	0	0	6	4	2	0	7	3	0	0
China vs. Other	4	0	0	0	3	3	2	1	7	2	0	0
Korea vs. Brazil	5	0	0	0	5	4	1	0	7	1	1	0
Korea vs. Japan	5	0	0	0	9	3	2	0	8	1	1	0
Korea vs. Mexico	5	0	0	0	5	4	3	0	8	1	2	0
Korea vs. Taiwan	5	0	0	0	3	5	3	0	6	3	0	0
Korea vs. Other	4	0	0	0	4	3	3	0	7	2	0	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Producers, importers, and purchasers were requested to provide information regarding the significance of differences other than price for domestic, Chinese, and other line pipe (table II-6). Most responding U.S. producers reported that there were never non-price differences for 16 of the 18 specified country comparisons. U.S. producers reported that there were either sometimes or never non-price differences when comparing U.S. and Brazilian line pipe and U.S. and Mexican line pipe.

Most responding importers reported that there were either sometimes or never important non-price differences for 10 of the 18 country comparisons. Most importers reported that there were either always or frequently non-price differences for five country comparisons, including U.S.-China, U.S.-other, China-Korea, China-Japan, and Korea-other.

Most purchasers reported that they were either always or frequently differences other than price for 10 country pairs. Most purchasers reported that there were only sometimes or never significant differences other than price for six pairs including U.S.-Korea, China-Korea, China-Brazil, China-Mexico, Korea-Mexico, and Korea-Taiwan.

Table II-6
Line pipe: Perceived importance of differences in factors other than price between line pipe produced in the United States and in other countries in purchases of line pipe in the U.S. market, by country pairs

	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of U.S. purchasers reporting			
Country pair	A	F	S	N	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	3	5	4	3	3	3	2	3	3	1
U.S. vs. Brazil	0	0	4	4	1	3	1	3	1	1	0	1
U.S. vs. Japan	0	0	2	5	1	0	3	6	2	2	0	1
U.S. vs. Korea	0	0	3	6	3	2	3	3	2	3	3	3
U.S. vs. Mexico	0	0	4	4	1	3	3	3	1	2	2	1
U.S. vs. Taiwan	0	0	3	4	1	3	1	3	2	2	1	1
U.S. vs. Other	0	0	1	3	2	4	1	1	1	2	0	1
China vs. Brazil	0	0	1	3	0	0	4	3	0	1	1	1
China vs. Japan	0	0	1	3	2	3	2	2	1	3	0	1
China vs. Korea	0	0	0	4	2	4	1	2	0	3	3	2
China vs. Mexico	0	0	1	3	0	1	5	3	0	1	3	1
China vs. Taiwan	0	0	1	3	1	0	3	4	0	3	1	2
China vs. Other	0	0	1	2	0	3	1	2	0	2	0	1
Korea vs. Brazil	0	0	1	3	0	2	2	2	0	2	0	1
Korea vs. Japan	0	0	1	3	1	0	5	2	0	3	1	1
Korea vs. Mexico	0	0	1	3	0	2	4	2	0	2	2	1
Korea vs. Taiwan	0	0	1	3	0	2	3	2	0	2	3	1
Korea vs. Other	0	0	1	2	1	2	1	1	0	2	0	1

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

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

Reported non-price differences include project businesses in the Gulf of Mexico are for sizes, wall thicknesses and quality not produced in the United States; Korean pipe is almost never competing for sub-sea pipelines; many customers still have doubts about the quality of Chinese line pipe and after sale service; Chinese lead times and quality varies per mill; differences in U.S. and Korean suppliers' lead times and transportation networks; shortages of U.S. high-grade API products for oil/gas pipeline projects, resulting in long delivery from U.S. domestic mills; and *** reputation for quality, product range, technical support, and quick response.

ELASTICITY ESTIMATES

This section discusses elasticity estimates. Parties were requested to provide comments on these estimates in their prehearing briefs. None of the parties commented on these elasticity estimates in either their prehearing or posthearing briefs.

U.S. Supply Elasticity

The domestic supply elasticity for line pipe measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price for line pipe. The elasticity of domestic supply depends on several factors, including the level of excess capacity, the level of inventories, the availability of alternate markets for U.S.-produced line pipe, and the flexibility of U.S. producers' production equipment. Relatively high levels of excess capacity, moderate inventory levels, and U.S. producers' ability to produce other products on the same equipment and machinery used in the production of line pipe suggest a relatively high U.S. supply elasticity. U.S. producers' supply response is limited somewhat by the relative lack of alternate markets for U.S.-produced line pipe. Overall, an estimate in the range of 3 to 5 is suggested.

U.S. Demand Elasticity

The U.S. demand elasticity for line pipe measures the sensitivity of the overall quantity demanded to a change in the U.S. market price for line pipe. This estimate depends on factors such as the existence, availability, and commercial viability of substitute products, as well as the component cost share of line pipe in the production of downstream products. As noted earlier, there are few, if any, substitutes for line pipe. In addition, the cost component of line pipe is likely a relatively small, though still important share of the total cost of an oil or gas transmission project. Based on available information, the aggregate demand for line pipe is likely to be inelastic. An estimate in the range of -0.25 to -0.50 is suggested.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products. Product differentiation, in turn, depends upon such factors as quality (e.g., meeting or exceeding API specifications, defect rates, etc.) and conditions of sale (lead times between order and delivery dates, reliability of supply, availability, payment terms, product services, etc.).

In general, purchasers reported that the quality of the line pipe was the most important factor considered, followed by price. Purchasers generally buy line pipe based on API specifications. Most purchasers require their supplier to be pre-qualified; however, only two of 19 responding purchasers reported that any firm had failed qualification. Most responding purchasers reported purchasing from a source other than the lowest price source. Reasons cited for purchasing from the higher priced source include product quality, availability, delivery time, reliability of supply, and some purchasers will not accept line pipe from China.

Purchasers generally rated U.S.-produced and imported Chinese pipe as comparable. However, most purchasers rated U.S.-produced line pipe superior to imported Chinese line pipe in terms of product

consistency, quality exceeds industry standards, and technical support. Most purchasers also reported that imported Chinese line pipe was generally lower-priced than U.S.-produced line pipe.[13]

U.S.-produced line pipe tends to be sold in larger size ranges than imported Chinese line pipe.[14] U.S. producers also sell a large share of their line pipe to end users, whereas all U.S. imports of Chinese product during January 2005-September 2008 were sold through distributors.[15]

Based on the available information discussed above, staff believes that, for line pipe made to the same API specifications, there is usually a high degree of substitution between domestic line pipe and subject imports. However, purchasers have reported some non-price differences between U.S.-produced and imported Chinese line pipe that would reduce the elasticity of substitution for these products. Furthermore, U.S.-produced line pipe tends to be sold in somewhat different ranges of sizes and grades, and through somewhat different channels of distribution than imported Chinese line pipe, which would also moderate the elasticity of substitution. Therefore, an elasticity of substitution estimate in the range of 2 to 4 is suggested for line pipe produced in the United States and line pipe imported from China.

[13] Only 4 of 17 responding purchasers reported that they reduced purchases of line pipe from China because of the antidumping or countervailing duty investigations. However, U.S. imports of Chinese line pipe were noticeably lower during the months following the filing of the petition (May-September 2008) than during May-September 2007. In comparison, U.S. imports of line pipe from nonsubject countries were substantially higher during May-September 2008 than they were during May-September 2007. Table IV-8.

[14] In 2007, 69.5 percent of U.S. producers' shipments of line pipe were in the larger size range of greater than 8.625 inches but less than or equal to 16 inches in outside diameter, compared to *** percent of shipments of imported Chinese line pipe. Table IV-9.

[15] U.S. producers sold 39.7 percent of their line pipe to end users in 2005, 43.1 percent in 2006, and 52.7 percent in 2007. Table II-1.

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

Except where noted, information presented in this section of the report is based on the questionnaire responses of nine firms. Staff estimates that these firms accounted for more than 95 percent of the U.S. production of line pipe during 2007.

U.S. PRODUCERS

The Commission sent producer questionnaires to all firms identified in the petition and in the preliminary phase of these investigations as domestic producers of line pipe. Nine firms provided responses to the Commission's producer questionnaire, while one known producer, Paragon Industries, did not.[1]

Presented in table III-1 is a list of current domestic line pipe producers, each company's position on the petition, production locations, related and/or affiliated firms, and their shares of 2007 reported domestic production of line pipe. Three firms, California Steel, Maverick, and U.S. Steel, together accounted for *** percent of reported 2007 domestic production of line pipe.

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Domestic producers' capacity, production, and capacity utilization data for line pipe are presented in table III-2. These data show an increase in the capacity to produce line pipe of 9.4 percent from 2005 to 2007. Capacity was 3.6 percent lower in January-September 2008 than during January-September 2007. *** accounted for the bulk of the aggregate increase in capacity from 2005 to 2007 and the majority of the decline in capacity from January-September 2007 to January-September 2008.[2] Other domestic producers that reported increases in capacity from 2005 to 2007 include ***[3] and ***; others

[1] Since 2005, the line pipe industry has experienced several mergers and acquisitions. In October 2006, Maverick was acquired by Tenaris S.A. (Luxembourg). In December 2006, IPSCO completed the purchase of the NS Group for $1.5 billion. In June 2007, Lone Star was acquired by U.S. Steel for $2.1 billion. In 2007, SSAB Svenskt Stal AB (Sweden) purchased IPSCO for over $7.7 billion and, in March 2008, tubular operations of IPSCO were sold by the Swedish parent, SSAB Svenskt Stal AB, to Evraz Group S.A. (Russia) for $4 billion. In a back-to-back agreement, Evraz sold IPSCO's U.S. pipe operations to another Russian producer, TMK, for $1.7 billion in 2008. Russian producer Novolipetsk Steel had planned to acquire John Maneely Co. (including domestic producer Wheatland) from The Carlyle Group for $3.53 billion by the end of 2008; however, Novolipetsk Steel failed to close the merger transaction by the deadline (October 15, 2008) and instead sought to renegotiate the terms of the merger to extract a lower purchase price because of changes in the conditions of the world financial market. DBO Holdings, an affiliate set up to manage the sale of John Maneely Co. for its owner, filed a lawsuit to compel Novolipetsk Steel to close the deal and indicated that it "intends to aggressively pursue all legal remedies at its disposal to enforce its rights under the merger agreement. . ." Maria Guzzo, "NLMK-Maneely Deal At Risk as Deadline Passes," October 17, 2008; Michael Roknick, "Wheatland Tube Idling 150 for 2 1/2 months," *Herald Business* (Sharon, PA), October 27, 2008; found at http://www.sharon-herald.com/local/local_story_301194707.html/resources_printstory, retrieved October 28, 2008; and Michael Marley, "NLMK's $3.53-Billion Acquisition of John Maneely Falls Apart," *AMM.com*, November 17, 2008, found at http://www.amm.com/2008-11-17__17-05-23.html, retrieved November 18, 2008.

[2] ***.

[3] ***.

Table III-1
Line pipe: U.S. producers, positions on the petition, U.S. production locations, related and/or affiliated firms, and shares of 2007 reported U.S. production of line pipe

Firm name	Position on petition	U.S. production location(s)	Related and/or affiliated firms	Share of 2007 production (*percent*)
American Steel Pipe Division	Support	Birmingham, AL	None	***
California Steel Industries Inc.	***	Fontana, CA	JFE (USA)[1] Rio Doce, Ltd. (USA)[1]	***
TMK IPSCO Inc.	Support	Camanche, IA Blytheville, AR Wilder, KY	TMK (Russia)[2] Evraz (Russia)[3]	***
Maverick Tube Corp.	Petitioner	Hickman, AR Blytheville, AR Counce, TN	Tenaris S.A. (Luxembourg)[4] Siderca SAIC (Argentina)[5] Tamsa S.A. (Mexico)[6] Hylsa (Mexico)[7] SIAT (Argentina)[7] Tubocaribe (Columbia)[7] Prudential (Canada)[7] Confab (Brazil)[7] Ternium (USA)[8]	***
Northwest Pipe Co.	Support	Atchison, KS	None	***
Paragon	([9])	Sapulpa, OK	([9])	([9])
Stupp Corp.	Support	Baton Rouge, LA	Stupp Brothers (USA)[10]	***
Tex-Tube Co.	Petitioner	Houston, TX	Visteel (USA)[11] Vi Capital (USA)[12] Tuberia Nacional (Mexico)[7]	***
U.S. Steel Corp.[13]	Petitioner	McKeesport, PA Lone Star, TX	U.S. Steel Tubular Products[14] Apolo Tubulars (Brazil)[15]	***
Wheatland Tube Co.	Support	Sharon, PA Wheatland, PA Warren, OH Chicago, IL Little Rock, AR	John Maneely Co.[16] DBO Holdings (USA)[10]	***

Footnotes continued on following page.

[1] ***.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.
[8] ***.
[9] ***.
[10] ***.
[11] ***.
[12] ***.
[13] ***.
[14] ***.
[15] ***.
[16] ***. Russian producer Novolipetsk Steel had planned to acquire John Maneely Co. (including domestic producer Wheatland) from The Carlyle Group for $3.53 billion at the end of 2008; however, Novolipetsk Steel backed out of the deal citing changed financial market conditions warranting a lower purchase price or a restructuring of the deal.

Source: Compiled from data submitted in response to Commission questionnaires and Michael Marley, "NLMK's $3.53-Billion Acquisition of John Maneely Falls Apart," *AMM.com*, November 17, 2008, found at http://www.amm.com/2008-11-17__17-05-23.html, retrieved November 18, 2008.

Table III-2
Line pipe: U.S. capacity, production, and capacity utilization, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
Capacity (*short tons*)[1]	946,890	947,312	1,035,515	835,464	805,361
Production (*short tons*)	570,076	749,202	769,607	621,294	601,226
Capacity utilization (*percent*)	60.2	79.1	74.3	74.4	74.7

[1] ***.

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

that reported declines between the partial-year periods include *** and ***. ***, Tex-Tube,[4] and ***[5] reported a decrease in capacity from 2005 to 2007 and *** reported higher amounts of capacity during January-September 2008 than in January-September 2007. *** reported capacity remained unchanged throughout the period examined in these investigations.

Production of line pipe increased by 31.4 percent from 2005 to 2006 and increased further in 2007 by 2.7 percent. Domestic production of line pipe was 3.2 percent lower in January-September 2008 than in January-September 2007. ***,[6] ***, and *** accounted for the majority of increased production of line pipe during 2005-07, whereas *** and *** accounted for the majority of the decline during the partial-year periods. Capacity utilization increased by 14.1 percentage points from 60.2 percent in 2005 to 74.3 percent in 2007, and was higher in January-September 2008 than in the comparable period in 2007. One firm reported capacity utilization at greater than or equal to 90 percent in 2005 (***), two firms in 2006 (***), one in 2007 (***), three in January-September 2007 (***), and one in January-September 2008 (***).

A few large projects that involve highly specialized line pipe built to unique specifications in larger diameters and lengths greater than the 40-42 feet standard occurred during 2005 to 2007. Domestic producers like American, Stupp, and CSI have focused their sales in this market.[7] It was announced in May 2006 that a 750-mile natural gas liquids pipeline known as the Overland Pass Pipeline was to be built from Opal, WY, to Conway, KS. Construction of this project began in the summer of 2007 and was completed during 2008. Line pipe production for the Overland Pass project continued through the second half of 2007.[8] In 2007, Oneok (a diversified energy company based in Tulsa, OK) purchased large amounts of specialized line pipe to build two pipelines for natural gas liquids such as propane and butane. Line pipe production for the Oneok project continued through early 2008.[9] A third project, the "Arbuckle" pipeline, will run from Oklahoma to the Texas Gulf Coast. Line pipe production for the Arbuckle project continued into the second half of 2008; construction of that pipeline is still underway.[10]

In the Commission's questionnaire, U.S. producers were asked if they had experienced any plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns because of strikes or equipment failure; curtailment of production because of shortages of materials; or any other change in the character of their operations or organization relating to the production of line pipe since January 1, 2005. Seven firms reported such changes; their responses to this question are presented in table III-3.[11]

---

[4] Tex-Tube shut down its production of line pipe from December 2006 until May 2007 in order to upgrade its facility. Conference transcript, p. 35 (Davila). The firm's reported annual capacity declined by *** percent and its production fell by *** percent from 2006 to 2007.

[5] ***.

[6] ***.

[7] Conference transcript, p. 38 (Avera).

[8] U.S. Steel and Maverick's postconference brief, p. 15; *Email* from ***, November 7, 2008.

[9] Tex-Tube's postconference brief, p. 4; *Email* from ***, November 7, 2008.

[10] Conference transcript, p. 38 (Avera); *Email* from ***, November 7, 2008.

[11] In addition, Maverick testified that because of the sharp downturn in the market conditions and declines in line pipe orders booked for 2009, it has announced that it is cutting the second shift at its Counce facility. Hearing transcript, p. 41 (Balkende). Wheatland stated ***. Prehearing brief of Wheatland, p. 5. IPSCO testified that it was in the process of "ramping down production" and was announcing production cutbacks and layoffs at its facilities for November and December 2008. Hearing transcript, pp. 45-46 (Avril).

Table III-3
Line pipe: U.S. producers' comments concerning plant openings, relocations, expansions, acquisitions, consolidations, closures, or prolonged shutdowns

Firm	Changes in the character of operations
IPSCO	***.
Maverick	***.
Northwest	***.
Stupp	***.
Tex-Tube	***.[1]
U.S. Steel	***
Wheatland	***.[2]

[1] Tex-Tube undertook $5 million in production facility upgrades during 2007. American Metal Market, "Tex-Tube Tweaks Houston Pipe Mill Capabilities," found at *http://www.amm.com/2007-10-26__19-05-15.html*, retrieved October 12, 2008.
[2] ***.

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

*** U.S. producers of line pipe that responded to the Commission's questionnaire reported the production of other products on the same equipment and machinery and using the same production and related workers employed in the production of line pipe. Their responses are presented in table III-4. Capacity to produce all welded pipe grew, largely due to ***. In aggregate, the producers reported the following products that were produced using the same production and related workers employed to produce line pipe and those products' shares of total plant production in 2007: subject line pipe (24.8 percent); standard/structural pipe (16.9 percent); large diameter line pipe (*** percent); OCTG (36.6 percent); and other products (*** percent).

U.S. PRODUCERS' SHIPMENTS

Data on domestic producers' shipments of line pipe are presented in table III-5. U.S. shipments accounted for 97.8 percent of U.S. producers' total shipments of line pipe in 2007. There was no reported internal consumption or transfers to related firms. U.S. shipments increased by 39.1 percent from 2005 to 2007. Further, U.S. shipments were 2.0 percent higher during January-September 2008 than in January-September 2007. *** accounted for the majority of increased shipments of line pipe during 2005-07; whereas *** accounted for the majority of increased shipments between the partial-year periods. The unit value of U.S. shipments increased by 7.3 percent from 2005 to 2007 and was 28.1 percent higher during January-September 2008 than in January-September 2007. Exports of line pipe during the period examined in the final phase of these investigations were reported by ***. These exports fell by 73.1 percent from 2005 to 2007 but were *** percent higher during January-September 2008 than in the comparable period in 2007. The share of total shipments held by exports of line pipe fell from a high of 10.4 percent during 2005 to a low of 2.2 percent during 2007, before increasing to *** percent during the first nine months of 2008. ***. The export markets listed by domestic producers in their questionnaire responses include ***. *** reported a toll agreement with ***. *** reported production of line pipe in a Foreign Trade Zone.

Table III-4
Line pipe: U.S. producers' total plant capacity and production, by products, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
Total plant capacity[1]	4,315,397	4,182,976	4,685,986	3,545,740	3,584,409
Production:					
Subject line pipe	570,076	749,202	769,607	621,294	601,226
Standard/structural pipe[2]	556,015	542,938	522,516	393,591	441,166
Large diameter line pipe[3]	***	***	***	***	***
OCTG	1,138,211	1,150,337	1,133,849	840,300	995,968
Other[4]	***	***	***	***	***
Total production	2,766,524	2,988,974	3,098,001	2,363,562	2,467,152
Total plant capacity utilization (*percent*)	64.1	71.5	66.1	66.1	68.8

[1] ***.
[2] Welded standard/structural pipe 16 inches or less in outside diameter.
[3] Welded line pipe greater than 16 inches in outside diameter.
[4] Other products include casing used in special fabrication and heat treatment application; standard/structural pipe greater than 16 inches; large diameter; ASTM; slurry; AWWA; MCE; sprinkler pipe; drawn over mandrel special tubing; hot finished tubes; piling; mill rejects; coupling stock; and reamed and drifted pipe.

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

Table III-5
Line pipe: U.S. producers' shipments, by types, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
			Quantity (*short tons*)		
U.S. commercial shipments	522,831	694,012	727,185	589,909	601,492
Export shipments	60,968	50,293	16,401	13,435	***
Total shipments	583,799	744,305	743,586	603,344	***
			Value (*1,000 dollars*)		
U.S. commercial shipments	507,703	694,165	757,701	611,521	799,027
Export shipments	61,653	53,030	16,634	13,725	***
Total shipments	569,356	747,195	774,335	625,246	***
			Unit value (*per short ton*)		
U.S. commercial shipments	$971	$1,000	$1,042	$1,037	$1,328
Export shipments	1,011	1,054	1,014	1,022	***
Total shipments	975	1,004	1,041	1,036	***
			Share of quantity (*percent*)		
U.S. commercial shipments	89.6	93.2	97.8	97.8	***
Export shipments	10.4	6.8	2.2	2.2	***
Total shipments	100.0	100.0	100.0	100.0	100.0
			Share of value (*percent*)		
U.S. commercial shipments	89.2	92.9	97.9	97.8	***
Export shipments	10.8	7.1	2.1	2.2	***
Total shipments	100.0	100.0	100.0	100.0	100.0

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

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

U.S. PRODUCERS' ORDER BOOKS AND LEAD TIMES

U.S. producers were asked to report the quantities of line pipe that were entered into their company "order books" at the close of specified quarters and months during 2007 and 2008. Specifically, the data requested were for line pipe that had been purchased from their firm or had been arranged for purchase and which was on the firm's production schedule at a specified period of time. The producers were also asked to provide the lead times associated with the quantities of line pipe that were on their order books on the specified dates. The data provided by the domestic producers concerning their order book quantities and lead times for fulfillment of orders from order date/production starts are presented in table III-6. In the aggregate, U.S. line pipe producers reported that order book entries at the close of the first quarter of 2008 were only slightly lower than the entries at the close of the first quarter of 2007 but the entries at the close of the first half of 2008 were substantially higher than the entries recorded at the close of the first half of 2007. At the close of the third quarter of 2008, aggregate order book entries reported by domestic producers were still higher than those reported for the comparable period in 2007. However, the order book entries on October 31, 2008 were 14.7 percent lower than the previous month and the order book entries on November 30, 2008 were 27.9 percent lower than the previous month. Reported lead times ranged from 15 days to as much as 168 days. The weighted average lead times reported mirrored the trend in the quantity of order book entries. The lowest weighted average lead time and the smallest amount of recorded order book entries reported was on November 30, 2008. In fact, Wheatland reported that it has received ***.[12]

Table III-6
Line pipe: U.S. producers' order book entries and lead times[1]

Date	Quantity (*in short tons*)	Weighted average lead time (*in days*)[2]	Lead time range (*in days*)
2007:			
March 31	160,821	71	15-101
June 30	187,893	76	15-168
September 30	155,232	68	15-146
December 31	151,325	64	15-114
2008:			
March 31	159,536	70	15-90
June 30	215,364	79	15-133
September 30	193,204	70	15-121
October 31	164,815	67	15-113
November 30	118,791	56	15-90

[1] ***.
[2] Weighted by U.S. production data.

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

[12] Prehearing brief of Wheatland, p. 1.

U.S. PRODUCERS' INVENTORIES

Data collected in these investigations on domestic producers' end-of-period inventories of line pipe are presented in table III-7. Domestic producers' inventories increased by 78.3 percent from 2005 to 2007, but were lower during January-September 2008 than in January-September 2007. U.S. producers' inventories were equivalent to between 6.7 and 10.6 percent of U.S. producers' total shipments during the period examined in the final phase of these investigations. *** accounted for *** percent of the inventories held at the end of the third quarter of 2008.

Table III-7
Line pipe: U.S. producers' end-of-period inventories, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
Inventories (*short tons*)	44,254	49,637	78,920	70,542	57,688
Ratio of inventories to production (*percent*)	7.8	6.6	10.3	8.5	7.2
Ratio of inventories to U.S. shipments (*percent*)	8.5	7.2	10.9	9.0	7.2
Ratio of inventories to total shipments (*percent*)	7.6	6.7	10.6	8.8	***

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

U.S. PRODUCERS' IMPORTS AND PURCHASES

Two U.S. producers, U.S. Steel and Maverick, reported direct imports of line pipe during the period for which data were collected in these investigations. *** imported subject line pipe from China.

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The U.S. producers' aggregate employment data for line pipe are presented in table III-8. In the aggregate, U.S. line pipe producers reported an increase in the number of production and related workers employed in the manufacture of line pipe from 2005 to 2007, but the number of production and related workers employed was lower during the first nine months of 2008 than in the comparable period in 2007. *** accounted for the majority of the increase in number of employees during 2005-07, whereas *** accounted for most of the decline between the partial-year periods. Productivity rose in 2006, fell in 2007, and rose again from the first nine months of 2007 to the comparable period in 2008. Falling productivity, combined with a modest increase in wage rates, resulted in higher unit labor costs in 2007.[13] Due to higher aggregate hourly wages reported by domestic producers during January-September 2008,[14] unit labor costs were higher through the first nine months of 2008, despite an aggregate increase in productivity.

[13] In particular, ***.

[14] The largest average hourly wage increase reported from January-September 2007 to January-September 2008 was by domestic producer ***. ***.

Table III-8
Line pipe: U.S. producers' employment-related indicators, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
Production and related workers (PRWs)	770	919	1,028	1,050	960
Hours worked by PRWs (*1,000 hours*)	1,472	1,869	2,069	1,616	1,495
Wages paid to PRWs (*1,000 dollars*)	34,271	42,841	47,892	36,166	38,246
Hourly wages	$23.28	$22.92	$23.14	$22.38	$25.59
Productivity (*short tons produced per 1,000 hours*)	387.2	400.9	371.9	384.4	402.3
Unit labor costs (*per short ton*)	$60.12	$57.18	$62.23	$58.21	$63.61

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

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

U.S. IMPORTERS

In the final phase of these investigations, the Commission sent importer questionnaires to 60 firms believed to be importers of line pipe, as well as to all U.S. producers of line pipe.[1] Usable questionnaire responses were received from 31 companies that are believed to account for 64 percent of the quantity of subject U.S. line pipe imports from China and 54 percent of U.S. imports from nonsubject sources during the period for which data were collected. Throughout the period for which data were collected in these investigations, the largest importers of subject line pipe from China were *** and the largest importers of line pipe from other sources were ***. Presented in table IV-1 are the responding U.S. importers and 2007 coverage based on responses to Commission questionnaires.

U.S. IMPORTS

U.S. import data presented in this report are based on Commerce's official import statistics.[2] Presented in table IV-2 are data concerning U.S. imports of line pipe during 1996-2007 and January-Sepember 2008, by country.[3] These long-term U.S. import trends reveal that China began to emerge as a substantial supplier of line pipe in 1998 and suddenly grew to become the largest foreign supplier of line pipe to the United States in 2006. These data also show that until 2006, Korea and Mexico were consistently the two largest foreign suppliers of line pipe to the United States in every annual period throughout the last decade. They remained the second and third largest foreign suppliers in 2006 and 2007. Other substantial foreign suppliers in 1996 were Japan, Turkey, and South Africa. By 1997, Germany began to enter the U.S. line pipe market with substantial amounts and, by 1998 and 1999, Taiwan and Venezuela began to hold modest shares of U.S. imports of line pipe. By 2001, Brazil began to emerge as a source of line pipe imports in the U.S. market.

---

[1] Six firms reported that they had not imported the subject merchandise since January 1, 2005. Two domestic producers (i.e., ***) imported line pipe during the period for which data were collected in these investigations. ***. The remaining domestic producers responding to the Commission's questionnaires reported that they had not imported line pipe since January 1, 2005.

[2] Imports of line pipe are from official statistics under the HTS statistical reporting numbers 7306.19.1010 and 7306.19.1050 (prior to 2007, 7306.10.1010 and 7306.10.1050, 7306.10.1013, 7306.10.1014, 7306.10.1015, 7306.10.1019, 7306.10.1053, 7306.10.1054, 7306.10.1055, and 7306.10.1059). Questionnaire responses in these investigations indicate that the amount of subject line pipe imported under the statistical reporting numbers for alloy line pipe, 7306.19.5110 and 7306.19.5150 (prior to 2007, 7306.10.5010 and 7306.10.5050), is minimal.

[3] Unlike several subsequent import tables presented in this section of the report, table IV-2 does not present separately the nonsubject imports of certain multiple-stenciled pipe from China.

Table IV-1
Line pipe: U.S. importers, locations, related and/or affiliated firms, and shares of reported U.S. imports in 2007

Firm name	Location	Related and/or affiliated firms	Share of 2007 reported U.S. imports from--	
			Subject China (*percent*)	Nonsubject sources (*percent*)
Ameripipe[1]	Dallas, TX	None	([2])	([2])
Apolo Tubulars	Houston, TX	Apolo Tubulars SA (Brazil)[3]	***	***
Commercial Metals	Irving, TX	CMC (Croatia)[4]	***	***
Conestoga	Houston, TX	None	***	***
Corpac	Aventura, FL	None	***	***
Corus America	Schaumburg, IL	TATA Steel (India)[5] Corus International (USA)[6] Corus Tubes (UK)[7]	***	***
Corus International	Schaumburg, IL	Tata Steel (India)[5] Corus International (USA)[6] Corus Tubes (UK)[7]	***	***
Coutinho	Houston, TX	Man Ferrostaal (Germany)[8] Villacero (Mexico)[8] HPC (Germany)[8]	***	***
CPW	Houston, TX	Corinth Pipeworks (Greece)[3]	***	***
DSL	Houston, TX	None	***	***
Fortis Alliance	Houston, TX	J.D. Fields (USA)[9] Tex-Isle Supply (USA)[9] D.V. Kimball (USA)[10]	***	***
Fremak	New York, NY	None	***	***
Husteel	Anaheim, CA	Husteel (Korea)[3]	***	***
Hyundai HYSCO	Houston, TX	Hyundai HYSCO (Korea)[3]	***	***
Hyundai	Englewod Cliffs, NJ	Hyundai Corp. (Korea)[5] Hyundai (LA Branch)[6]	***	***
Hyundai (LA Branch)	Gardena, CA	Hyundai Corp. (Korea)[5] Hyundai[6]	***	***
Kurt Orban	Burlingame, CA	None	***	***
Macsteel	Newport Beach, CA	MacSteel (Netherlands)[5] MacSteel International (USA)[6]	***	***
Maurice Pincoffs[1]	Houston, TX	None	([2])	([2])
Maverick	Houston, TX	Tenaris S.A. (Luxembourg)[11] Siderca SAIC (Argentina)[12] Tamsa S.A. (Mexico)[13] Hylsa (Mexico)[14] SIAT (Argentina)[14] Tubocaribe (Columbia)[14] Prudential (Canada)[14] Confab (Brazil)[14] Ternium (USA)[15]	***	***
MC Tubular	Houston, TX	Metal One (USA)[5]	***	***
Nippon	Los Angeles, CA	Nippon (Japan)[5]	***	***

Table continued on following page.

Table IV-1--*Continued*
Line pipe: U.S. importers, locations, related and/or affiliated firms, and shares of reported U.S. imports in 2007

Firm name	Location	Related and/or affiliated firms	Share of 2007 reported U.S. imports from--	
			Subject China (*percent*)	Nonsubject sources (*percent*)
Norca Industrial	Great Neck, NY	None	***	***
North American Interpipe	Houston, TX	Interpipe Europe (Switzerland)[5]	***	***
Okaya	Houston, TX	Okaya (Japan)[5]	***	***
Oxbow	Pleasant Hill, CA	None	***	***
Pusan[1]	Santa Fe Springs, CA	SeAH (Korea)[16]	([1])	([1])
Salzgitter	Houston, TX	Salzgitter Mannesmann (Germany)[5] Salzgitter Mannesmann (Canada)[6] Salzgitter Mannesmann Line Pipe (Germany)[7]	***	***
SDB	Pasadena, TX	None	***	***
SNT	Houston, TX	None	***	***
Stemcor	New York, NY	Stemcor Holdings (UK)[5] Stemcor (China)[6]	***	***
Sumitomo	Houston, TX	Sumitomo (Japan)[5]	***	***
Ternium	Houston, TX	Ternium (Uruguay)[5] Hylsa (Mexico)[7] Tenaris Siat (Argentina)[7] Tenaris Confab (Brazil)[7] Tenaris Tubo Caribe (Colombia)[7] Prudential (Canada)[7] Maverick (USA)[7]	***	***
Toyota Tsusho America	Houston, TX	Toyota Tsusho (Japan)[5]	***	***
U.S. Steel[17]	Pittsburgh, PA	Apolo Tubulars (Brazil)[18]	***	***
		Total	100.0	100.0

[1] ***.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.
[7] ***.
[8] ***.
[9] ***.
[10] ***.
[11] ***.
[12] ***.
[13] ***.
[14] ***.
[15] ***.
[16] ***.
[17] ***.
[18] ***.

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

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

Table IV-2
Line pipe: U.S. imports, by sources, 1996-2007 and January-September 2008

Source	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Jan-Sept 2008
Quantity (*short tons*)													
Korea	45,209	76,672	157,997	133,886	42,823	12,445	56,989	106,019	114,063	87,923	186,285	178,177	164,251
Mexico	40,009	80,128	48,179	53,995	56,703	51,161	49,386	52,354	61,987	73,149	89,850	66,055	102,804
China	556	396	7,866	16,412	9,672	2,536	17,927	26,091	23,837	27,673	224,357	280,820	129,013
Japan	7,240	25,680	39,043	21,027	3,740	8,406	15,482	7,110	22,792	16,522	36,599	25,245	12,516
Taiwan	0	0	4,457	9,063	13,543	5,897	6,960	11,840	19,113	16,058	40,510	31,072	23,493
Brazil	0	0	0	44	0	8,877	541	2,595	29,183	43,788	21,694	18,641	0
Turkey	7,848	6,412	11,324	0	0	11,898	1,296	2,956	13,748	39,382	7,998	4,105	0
South Africa	9,419	5,768	6,685	10,712	4,181	2,255	8,943	3,704	1,109	19,784	22,600	7,857	8,200
Venezuela	0	0	0	1,588	4,483	3,888	16,047	6,910	11,180	4,444	17,585	20,771	1,536
Germany[1]	0	11,204	22,668	5,359	7,920	1	1,725	4,733	3,296	799	10,269	3,337	27
Subtotal	110,281	206,260	298,220	252,088	143,065	107,365	175,297	224,313	300,307	329,523	657,747	636,079	441,840
All other	12,650	14,065	21,504	14,575	22,132	47,157	49,469	32,915	38,564	20,117	51,577	12,463	41,749
Total	122,931	220,326	319,723	266,663	165,197	154,523	224,766	257,227	338,871	349,640	709,323	648,542	483,589
Value (*1,000 dollars*)													
Korea	21,063	33,833	65,595	43,755	17,056	4,668	19,809	41,890	58,633	67,417	126,705	132,660	132,234
Mexico	18,624	37,909	21,895	20,986	25,714	21,626	22,298	26,026	44,680	65,789	80,340	57,591	126,098
China	236	437	3,077	4,880	3,066	747	5,744	9,470	11,470	19,191	137,547	181,357	95,575
Japan	4,516	15,427	22,107	9,150	1,691	3,864	5,493	3,072	14,723	14,131	29,218	21,663	12,111
Taiwan	0	0	1,792	3,100	4,738	1,995	2,292	4,607	10,343	11,102	24,972	20,318	18,149
Brazil	0	0	0	52	0	6,761	202	1,072	15,759	33,515	15,442	13,805	0
Turkey	3,537	3,409	4,623	0	0	4,216	414	1,151	7,599	27,076	4,796	3,184	0
South Africa	3,979	2,333	2,548	3,602	1,734	919	3,076	1,499	751	14,938	14,584	5,933	5,746
Venezuela	0	0	0	518	1,870	1,558	5,321	2,752	5,680	3,204	13,279	16,275	1,305
Germany[1]	0	6,912	11,923	2,692	4,073	13	864	2,588	2,425	949	11,767	5,217	21
Subtotal	51,955	100,260	133,560	88,735	59,942	46,367	65,513	94,127	172,063	257,312	458,650	458,003	391,240
All other	7,551	6,352	9,205	5,945	9,577	20,854	21,358	14,302	22,825	15,159	59,488	11,289	39,798
Total	59,506	106,612	142,765	94,680	69,519	67,221	86,871	108,429	194,888	272,471	518,138	469,292	431,038

[1] U.S. imports of line pipe from Germany include high-frequency welded product.

Note.–Nonsubject imports of certain multiple-stenciled pipe from China are not presented separately in this table but are included in the China data presented.

Source: Compiled from official statistics of Commerce (HTS statistical reporting numbers 7306.10.1010, 7306.10.1050, 7306.19.1010, 7306.19.1050, 7306.10.1013, 7306.10.1014, 7306.10.1015, 7306.10.1019,7306.10.1053, 7306.10.1054, 7306.10.1055, and 7306.10.1059).

U.S. imports of subject and nonsubject line pipe are presented in table IV-3, by source.[4] Subject China (minus nonsubject multiple-stenciled pipe) was the largest foreign supplier of line pipe to the United States during 2007, accounting for 36.4 percent of the quantity of total line pipe imports in 2007, and 32.8 percent of the value. Korea and Mexico were the second and third largest foreign suppliers of line pipe to the United States during 2007, accounting for 27.5 and 10.2 percent of the quantity of total line pipe imports in 2007, respectively.[5]

Table IV-3
Line pipe: U.S. imports, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
			Quantity (*short tons*)		
Subject source: China (minus multiple-stenciled)	15,549	169,652	236,358	176,730	111,125
Nonsubject sources: China (multiple-stenciled)	12,124	54,705	44,462	39,580	7,006
Korea	87,923	186,285	178,177	136,778	160,669
Other nonsubject	234,044	298,681	189,544	149,877	203,114
Subtotal, nonsubject sources	334,091	539,671	412,183	326,235	370,789
Total, all sources	349,640	709,323	648,541	502,966	481,914
			Value (*1,000 dollars*)[1]		
Subject source: China (minus multiple-stenciled)	11,543	105,754	153,881	117,734	84,042
Nonsubject sources: China (multiple-stenciled)	7,648	31,793	27,477	24,456	5,034
Korea	67,417	126,705	132,660	101,010	132,885
Other nonsubject	185,863	253,886	155,275	121,595	226,723
Subtotal, nonsubject sources	260,929	412,384	315,411	247,061	364,642
Total, all sources	272,471	518,138	469,292	364,795	448,684
			Unit value (*dollars per short ton*)[1]		
Subject source: China (minus multiple-stenciled)	742	623	651	666	756
Nonsubject sources: China (multiple-stenciled)	631	581	618	618	719
Korea	767	680	745	738	827
Other nonsubject	794	850	819	811	1,116
Subtotal, nonsubject sources	781	764	765	757	983
Total, all sources	779	730	724	725	931

Table continued on following page.

[4] The data presented for subject imports of line pipe from China are based on official statistics that have been adjusted using importer questionnaire responses to subtract imports of certain multiple-stenciled pipe excluded from the scope by Commerce.

[5] A majority of the remainder comes from nonsubject producers in Brazil, Japan, and Taiwan.

Table IV-3--*Continued*
Line pipe: U.S. imports, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Share of quantity (*percent*)				
Subject source: China (minus multiple-stenciled)	4.4	23.9	36.4	35.1	23.1
Nonsubject sources: China (multiple-stenciled)	3.5	7.7	6.9	7.9	1.5
Korea	25.1	26.3	27.5	27.2	33.3
Other nonsubject	66.9	42.1	29.2	29.8	42.1
Subtotal, nonsubject sources	95.6	76.1	63.6	64.9	76.9
Total, all sources	100.0	100.0	100.0	100.0	100.0
	Share of value (*percent*)				
Subject source: China (minus multiple-stenciled)	4.2	20.4	32.8	32.3	18.7
Nonsubject sources: China (multiple-stenciled)	2.8	6.1	5.9	6.7	1.1
Korea	24.7	24.5	28.3	27.7	29.6
Other nonsubject	68.2	49.0	33.1	33.3	50.5
Subtotal, nonsubject sources	95.8	79.6	67.2	67.7	81.3
Total, all sources	100.0	100.0	100.0	100.0	100.0

[1] Landed, duty-paid.

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

Source: Compiled from official Commerce statistics, as adjusted using data submitted in response to Commission questionnaires. Data presented for subject imports from China are based on official statistics of the U.S. Department of Commerce less the figures reported by importers for multiple-stenciled pipe excluded from the scope. Data for sources other than China are from official Commerce statistics.

From 2005 to 2006, the quantity of subject line pipe imports from China increased by 991.1 percent from 15,549 short tons to 169,652 short tons. A further increase of 39.3 percent to 236,358 short tons was reported for 2007. The value of subject line pipe imports from China exhibited similar trends as the quantity for 2005-07. However, the quantity and value of imports of subject line pipe from China were lower during the first nine months of 2008 than in the comparable period in 2007.[6] The unit value of imports of subject line pipe from China fell by 16.0 percent from 2005 to 2006 but increased by 4.4 percent in 2007 and was higher during January-September 2008 than in January-September 2007. The quantity of nonsubject imports of line pipe increased by 61.5 percent from 2005 to 2006, but fell by 23.6 percent in 2007. Nonsubject imports during January-September 2008 were 13.7 percent higher than in the comparable period of 2007.

[6] The petitioners argue that the "sharp reduction" in U.S. imports of subject line pipe from China during 2008 was due to the filing of the petition. Prehearing brief of Tex-Tube, et al., November 17, 2008, pp. 1, 3, and 5; prehearing brief of U.S. Steel, pp. 17-19; prehearing brief of Maverick, pp. 3 and 28-31; and prehearing brief of Wheatland, p. 2.

Imports of line pipe from nonsubject sources are presented in table IV-4. Brazil, Japan, Korea, Mexico, and Taiwan consistently accounted for a substantial share of imports of line pipe from nonsubject sources since 2005, although reported U.S. imports of line pipe from Brazil dropped to zero during the first nine months of 2008.

Table IV-5 presents imports of line pipe from China by Customs districts,[7] while tables IV-6 and IV-7 present imports of line pipe from Korea and from countries other than China and Korea, by Customs districts for the period January 2005-September 2008. Houston-Galveston, TX, was the largest district of entry for imports from both China and Korea, whereas New Orleans, LA, was the second largest port for China and Los Angeles, CA, was the second largest port for Korea. Houston-Galveston, TX, and Laredo, TX, were the largest districts of entry for imports from countries other than China and Korea.

According to quarterly pricing data provided in the questionnaire responses of domestic producers and U.S. importers of line pipe, the domestic product and imports have been simultaneously present in the market in every quarter throughout the period from the first quarter of 2005 to the third quarter of 2008. Moreover, according to official Commerce import statistics, monthly import entries of line pipe into the United States also show that imports of line pipe produced in China have been simultaneously present in the U.S. market in almost every month throughout the period for which data were collected in the final phase of these investigations (table IV-8).[8]

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[9] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation.[10] Imports of line pipe from China accounted for 39.9 percent of total imports of line pipe by quantity during April 2007 to March 2008, the most recent 12-month period for which data are available that precedes the filing of the petition.[11]

[7] The data presented are based on official Commerce statistics that have not been adjusted to exclude certain nonsubject dual-stenciled pipe from China.

[8] The data presented are based on official Commerce statistics that have not been adjusted to exclude certain nonsubject dual-stenciled pipe from China.

[9] Section 733(a)(1) of the Act.

[10] Section 771(24) of the Act.

[11] These data have not been adjusted to exclude certain nonsubject multiple-stenciled pipe from China. According to information provided by U.S. importers in response to the Commission's questionnaire in these investigations, 84.2 percent of U.S. line pipe imports from China during 2007 were subject merchandise and 15.8 percent were of multiple-stenciled pipe excluded from the scope.

Table IV-4
Line pipe: U.S. imports from nonsubject sources, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
			Quantity (*short tons*)		
Brazil	43,788	21,694	18,641	18,641	0
Japan	16,523	36,598	25,244	20,572	15,155
Korea	87,923	186,285	178,177	136,778	160,669
Mexico	73,148	89,850	66,055	45,840	106,875
Taiwan	16,059	40,510	31,072	25,141	26,462
China (multiple-stenciled)	12,124	54,705	44,462	39,580	7,006
All other	84,526	110,029	48,532	39,683	54,622
Total	334,091	539,671	412,183	326,235	370,789
			Value (*1,000 dollars*)[1]		
Brazil	33,515	15,442	13,805	13,805	0
Japan	14,131	29,218	21,663	17,520	15,322
Korea	67,417	126,705	132,660	101,010	132,885
Mexico	65,789	80,340	57,591	39,953	138,649
Taiwan	11,102	24,972	20,318	16,286	22,012
China (multiple-stenciled)	7,648	31,793	27,477	24,456	5,034
All other	61,325	103,913	41,897	34,032	50,740
Total	260,929	412,384	315,411	247,061	364,642
			Unit value (*per short ton*)[1]		
Brazil	$765	$712	$741	$741	([2])
Japan	855	798	858	852	$1,011
Korea	767	680	745	738	827
Mexico	899	894	872	872	1,297
Taiwan	691	616	654	648	832
China (multiple-stenciled)	631	581	618	618	719
All other	726	944	863	858	929
Total	781	764	765	757	983

[1] Landed, duty-paid.
[2] Not applicable.

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

Source: Compiled from official Commerce statistics.

Table IV-5
Line pipe: U.S. imports from China, by Customs district, 2005-07 and January-September 2008

Customs district	Calendar year			January-September	Total
	2005	2006	2007	2008	
	Quantity (*short tons*)				
Baltimore, MD	0	6,222	8,952	0	15,174
Chicago, IL	0	3	4	455	462
Columbia-Snake, OR	741	3,007	5,477	1,133	10,358
Detroit, MI	0	3	1	0	4
Houston-Galveston, TX	18,263	112,978	150,743	80,493	362,478
Los Angeles, CA	4,537	26,384	37,824	8,052	76,797
Miami, FL	0	0	110	0	110
Mobile, AL	0	0	1,454	0	1,454
New Orleans, LA	0	59,954	44,572	16,404	120,930
New York, NY	408	388	1,134	670	2,600
Norfolk, VA	0	0	1,291	0	1,291
Pembina, ND	17	0	0	0	17
Philadelphia, PA	0	5,470	3,844	3,502	12,815
San Francisco, CA	1,618	1,694	5,368	3,211	11,891
Savannah, GA	0	3,111	4,375	485	7,970
Seattle, WA	881	1,422	823	1,230	4,356
St. Louis, MO	0	0	0	22	22
Tampa, FL	1,208	3,722	14,849	2,474	22,253
Total	27,673	224,357	280,820	118,153	650,981

Source: Compiled from official Commerce statistics.

Table IV-6
Line pipe: U.S. imports from Korea, by Customs district, 2005-07 and January-September 2008

Customs district	Calendar year			January-September	Total
	2005	2006	2007	2008	
	Quantity (*short tons*)				
Charlotte, NC	40	0	0	0	40
Columbia-Snake, OR	10,582	11,010	9,199	10,139	40,929
Great Falls, MT	0	0	30	24	53
Houston-Galveston, TX	38,258	120,561	120,595	81,666	361,080
Laredo, TX	0	7	0	0	7
Los Angeles, CA	24,058	26,214	19,296	30,189	99,757
Mobile, AL	392	1,232	127	1,845	3,596
New Orleans, LA	0	1,555	1,809	3,669	7,033
Pembina, ND	5	1	0	24	29
Philadelphia, PA	2,357	8,392	9,261	2,092	22,102
San Diego, CA	0	0	0	51	51
San Francisco, CA	2,184	5,045	4,519	14,183	25,931
San Juan, PR	436	80	754	0	1,270
Savannah, GA	99	44	2,491	5,283	7,917
Seattle, WA	762	1,947	1,459	825	4,994
Tampa, FL	8,748	10,199	8,638	10,680	38,265
Total	87,923	186,285	178,177	160,669	613,054

Source: Compiled from official Commerce statistics.

Table IV-7
Line pipe: U.S. imports from countries other than China and Korea, by Customs district, 2005-07 and January-September 2008

Customs district	Calendar year			January-September	Total
	2005	2006	2007	2008	
	Quantity (*short tons*)				
Anchorage, AK	0	3,929	0	0	3,929
Buffalo, NY	270	43	652	2,279	3,244
Charleston, SC	0	0	0	5	5
Cleveland, OH	0	0	490	0	490
Columbia-Snake, OR	3,069	5,092	5,363	6,983	20,507
Dallas-Fort Worth, TX	0	11	0	0	11
Detroit, MI	93	354	46	640	1,133
Great Falls, MT	328	551	498	1,383	2,760
Houston-Galveston, TX	126,178	151,750	93,413	71,052	442,393
Laredo, TX	71,923	89,303	65,340	105,719	332,285
Los Angeles, CA	11,457	23,727	15,233	8,823	59,240
Miami, FL	0	0	106	0	106
Minneapolis, MN	49	4	0	0	52
New Orleans, LA	17,167	16,537	1,257	2,832	37,793
New York, NY	0	166	677	330	1,173
Ogdensburg, NY	1	0	0	0	1
Pembina, ND	277	72	0	72	422
Philadelphia, PA	741	4,405	360	0	5,506
San Diego, CA	1,243	546	715	1,158	3,662
San Francisco, CA	42	1,768	1,770	1,404	4,984
Savannah, GA	0	0	1,034	416	1,450
Seattle, WA	216	69	2,317	19	2,621
Tampa, FL	990	354	272	0	1,616
Total	234,044	298,681	189,544[1]	203,114	735,839

[1] Not included in the total presented are 0.3 short tons entered through Chicago, IL, and 0.3 short tons entered through Mobile, AL.

Source: Compiled from official Commerce statistics.

Table IV-8
Line pipe: U.S. imports, monthly entries into the United States, by sources, 2005-07, and January-September 2008

Source	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Quantity (*short tons*)													
2005:													
China	0	1,856	44	409	3,245	393	863	7,394	4,941	2,780	77	5,671	27,673
Korea	9,429	7,194	2,326	14,161	7,682	9,938	4,404	6,462	7,862	4,858	7,528	6,079	87,923
All other	17,301	19,675	14,455	36,498	24,513	23,856	20,963	14,410	21,114	17,686	14,344	9,229	234,044
Total	26,730	28,725	16,825	51,068	35,440	34,187	26,231	28,266	33,917	25,325	21,948	20,978	349,640
2006:													
China	4,200	6,916	2,144	17,103	15,377	11,640	21,152	19,969	21,529	40,544	37,318	26,467	224,357
Korea	18,143	10,222	19,892	12,281	10,766	1,883	19,392	12,394	11,109	21,568	23,223	25,413	186,285
All other	22,919	17,865	17,465	12,430	33,062	22,295	29,845	43,433	16,893	32,535	31,056	18,882	298,681
Total	45,262	35,004	39,502	41,813	59,205	35,818	70,389	75,795	49,530	94,647	91,596	70,762	709,323
2007:													
China	24,216	18,069	35,857	13,324	26,631	27,304	23,849	20,037	27,023	17,287	35,775	11,449	280,820
Korea	12,271	10,867	16,070	17,706	12,209	20,872	21,381	8,832	16,570	17,605	9,900	13,894	178,177
All other	27,634	6,562	25,661	21,582	15,084	14,537	14,656	12,924	11,237	15,210	15,787	8,671	189,544
Total	64,121	35,498	77,588	52,612	53,924	62,713	59,886	41,793	54,830	50,101	61,461	34,014	648,541
2008:													
China	18,781	23,839	6,870	10,472	12,745	21,036	10,934	9,492	3,960	([1])	([1])	([1])	118,131
Korea	30,827	12,534	14,946	21,273	11,645	12,640	26,760	14,730	15,314	([1])	([1])	([1])	160,669
All other	19,147	12,129	21,609	20,506	13,916	26,475	28,390	26,257	34,685	([1])	([1])	([1])	203,114
Total	68,756	48,502	43,425	52,251	38,306	60,151	66,085	50,479	53,959	([1])	([1])	([1])	481,914

[1] Not available.

Source: Compiled from official statistics of Commerce.

PRODUCT COMPARISONS

Information concerning the size and grades of U.S.-produced and imported line pipe is presented in table IV-9. The majority of U.S.-produced line pipe falls within grades A to X56. Within those grades, the majority of U.S. producers' shipments consist of line pipe falling within the size range of greater than 2.0 inches in outside diameter and less than or equal to 8.625 inches in outside diameter. For grades X60 and above, most line pipe produced by domestic producers falls with the larger size range of more than 12.75 inches in outside diameter and less than or equal to 16.0 inches in outside diameter. For all grades, a relatively minor share of domestic producer shipments are for pipe 2.0 inches and less. While the majority of U.S. shipments of domestic line pipe fell within the lower grades A to X56, the volumes of such shipments grew modestly during 2005-07. On the other hand, U.S. producers generally reported more substantial growth in U.S. shipments of domestic line pipe in the higher grades and larger sizes. According to questionnaire responses, all subject imports of line pipe from China fall within grades A to X56. Within those grades, *** or more of the U.S. shipments of subject Chinese imports are of the smaller size ranges (i.e., less than or equal to 8.625 inches in outside diameter). Similarly, U.S. imports of line pipe from Korea and other nonsubject line pipe sources are for the most part grades A to X56, with *** or more of such shipments of the smaller size ranges (i.e., less than or equal to 8.625 inches in outside diameter).

Information concerning the lengths of U.S.-produced and imported line pipe is presented in table IV-10. The most commonly sold lengths of U.S.-produced line pipe are double random lengths, although a substantial amount of U.S.-produced line pipe sold is of the triple random lengths. Smaller amounts of U.S.-produced line pipe are of the single and quadruple random lengths. Likewise, the most commonly sold lengths of imported line pipe are double random lengths, with a substantial amount of imported line pipe sold as single random lengths.[12] Much smaller amounts of imported line pipe are of the triple random lengths and no imported line pipe is sold in quadruple random lengths.

Information concerning certification, end finish, and surface finish is presented in table IV-11. As shown, almost one-half of domestically produced line pipe is certified to both API and ASTM specifications, while almost *** of line pipe imported from Korea is certified to both specifications. Roughly one-half of line pipe imported from China and almost three-fourths of all line pipe imported from sources other than China and Korea are certified to meet only API specifications.
Almost all line pipe imported from China and Korea and a majority of line pipe imported from other sources have a laquered surface finish, whereas a majority of the domestically produced line pipe is sold bare. Almost all imported line pipe, regardless of import source, and more than three-quarters of the domestic line pipe have a beveled end finish. Much smaller amounts are sold as plain-end/square cut or threaded.

[12] Staff notes that to the extent that imports from China are dual-stenciled and single random lengths, such imports are not properly considered subject merchandise.

Table IV-9
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by size and grade, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. producers' U.S. shipments of domestically produced line pipe:					
Grades A to X56:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades A to X56	451,570	546,781	461,219	344,971	389,284
Grades X60 and above:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades X60 and above	***	***	***	***	***
Other grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, other grades	***	***	***	***	***
Total, all grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	173,727	230,822	243,520	213,512	221,648
>12.75 and <=16.0	109,604	164,958	267,845	215,538	189,839
Subtotal, all grades	553,039	706,678	736,100	597,274	613,815

Table continued on following page.

Table IV-9--*Continued*
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by size and grade, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. importers' U.S. shipments of line pipe imported from China:					
Grades A to X56:					
<=2	***	***	***	***	***
>2.0 and <=8.625	15,873	89,881	62,492	41,562	17,615
>8.625 and <=12.75	10,499	42,285	40,322	32,906	12,629
>12.75 and <=16.0	3,207	23,613	23,164	20,769	4,876
Subtotal, grades A to X56	***	***	***	***	***
Grades X60 and above:					
<=2	0	0	0	0	0
>2.0 and <=8.625	0	0	0	0	0
>8.625 and <=12.75	0	0	0	0	0
>12.75 and <=16.0	0	0	0	0	0
Subtotal, grades X60 and above	0	0	0	0	0
Other grades:					
<=2	0	0	0	0	0
>2.0 and <=8.625	0	0	0	0	0
>8.625 and <=12.75	0	0	0	0	0
>12.75 and <=16.0	0	0	0	0	0
Subtotal, other grades	0	0	0	0	0
Total, all grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	15,873	89,881	62,492	41,562	17,615
>8.625 and <=12.75	10,499	42,285	40,322	32,906	12,629
>12.75 and <=16.0	3,207	23,613	23,164	20,769	4,876
Subtotal, all grades	***	***	***	***	***

Table continued on following page.

Table IV-9--*Continued*
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by size and grade, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. importers' U.S. shipments of subject line pipe imported from Korea:					
Grades A to X56:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades A to X56	***	***	***	***	***
Grades X60 and above:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades X60 and above	***	***	***	***	***
Other grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, other grades	***	***	***	***	***
Total, all grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, all grades	***	***	***	***	***

Table continued on following page.

Table IV-9--*Continued*
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by size and grade, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. importers' U.S. shipments of line pipe imported from other countries:					
Grades A to X56:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades A to X56	***	***	***	***	***
Grades X60 and above:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, grades X60 and above	***	***	***	***	***
Other grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	***	***	***	***	***
>8.625 and <=12.75	***	***	***	***	***
>12.75 and <=16.0	***	***	***	***	***
Subtotal, other grades	***	***	***	***	***
Total, all grades:					
<=2	***	***	***	***	***
>2.0 and <=8.625	90,717	61,015	52,086	42,733	33,046
>8.625 and <=12.75	10,231	9,626	9,884	5,783	15,647
>12.75 and <=16.0	2,820	30,339	11,181	9,115	6,689
Subtotal, all grades	***	***	***	***	***

Note.–Domestic producers' total shipment quantities presented in this table do not reconcile with totals presented in table III-5.

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

Table IV-10
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by length, by sources, 2005-07, January-September 2007, and January-September 2008

Source	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. line pipe:					
Single random lengths	***	***	***	***	***
Double random lengths	431,526	545,631	531,708	403,753	466,730
Triple random lengths	71,387	84,489	99,966	110,252	58,593
Quadruple random lengths	***	***	***	***	***
Total	517,967	642,169	646,853	524,747	535,839
Imported line pipe from--					
China:					
Single random lengths	10,939	41,897	36,827	26,453	2,591
Double random lengths	20,211	118,871	98,618	74,031	34,067
Triple random lengths	***	***	***	***	***
Quadruple random lengths	***	***	***	***	***
Total	***	***	***	***	***
Korea:					
Single random lengths	***	***	***	***	***
Double random lengths	***	***	***	***	***
Triple random lengths	***	***	***	***	***
Quadruple random lengths	***	***	***	***	***
Total	***	***	***	***	***
Other countries:					
Single random lengths	***	***	***	***	***
Double random lengths	82,724	93,991	68,555	51,267	41,522
Triple random lengths	0	0	0	0	0
Quadruple random lengths	0	0	0	0	0
Total	***	***	***	***	***

Note.–Domestic producers' total shipment quantities presented in this table do not reconcile with totals presented in tables III-5 and IV-12.

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

Table IV-11
Line pipe: U.S. producers' and U.S. importers' reported U.S. shipments, by certification, end finish, and surface finish, by sources, 2007

Source	Share of U.S. shipments (*in percent*) of line pipe produced in:			
	United States	China	Korea	Other
By certification:				
Stenciled to meet only API specification	52.3	48.3	***	72.0
Stenciled to both ASTM & API specifications	47.0	36.6	***	28.0
Not stenciled to any specification	0.0	0.0	***	0.0
Other	0.7	15.1	***	0.0
Total	100.0	100.0	100.0	100.0
By end finish:				
Plain end/square cut	22.1	3.2	***	0.6
Beveled	76.2	93.6	***	98.0
Threaded	1.1	3.3	***	1.4
Other	0.5	0.0	***	0.0
Total	100.0	100.0	100.0	100.0
By surface finish:				
Bare	75.0	0.0	***	28.3
Laquered	5.3	99.6	***	71.7
Other	19.7	0.4	***	0.0
Total	100.0	100.0	100.0	100.0

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

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of line pipe presented in table IV-12 are based on U.S. producers' U.S. shipments of line pipe provided in response to Commission questionnaires and U.S. imports from official statistics, as adjusted using importer questionnaire responses and Customs data to exclude certain nonsubject merchandise. The demand for line pipe is derived from oil drilling activity and oil and natural gas transmission, which in turn is influenced by the price of oil and gas and the pace of housing construction.[13] With increases in U.S. crude oil prices and active rigs, demand for line pipe in the United States increased from 2005 to 2006,[14] as the quantity of apparent U.S. consumption increased by 60.8 percent. However, apparent U.S. consumption declined by 2.0 percent in 2007, and was somewhat lower during January-September 2008 than in the comparable period in 2007.[15] A substantial portion of the increase in demand from 2005 to 2006 reflected the need for gathering lines to support the expansion of natural gas drilling in the United States.[16] Three large pipeline projects occurred during the period for which data were collected in these investigations. It was announced in May 2006 that a 750-mile natural gas liquids pipeline known as the Overland Pass Pipeline was to be built from Opal, WY, to Conway, KS. Construction of this project began in the summer of 2007 and was completed during 2008. Line pipe production for the Overland Pass project continued through the second half of 2007.[17] In 2007, Oneok (a diversified energy company based in Tulsa, OK) purchased large amounts of specialized line pipe to build two pipelines for natural gas liquids such as propane and butane. Line pipe production for the Oneok project continued through early 2008.[18] A third project, the "Arbuckle" pipeline, will run from Oklahoma to the Texas Gulf Coast. Line pipe production for the Arbuckle project continued into the last half of 2008; construction of that pipeline is still underway.[19]

U.S. MARKET SHARES

U.S. market share data are presented in table IV-13. U.S. producers' market share (based on quantity) decreased by 7.1 percentage points from 2005 to 2007, but was 1.5 percentage points higher during January-September 2008 than during January-September 2007. In contrast, the share of subject imports from China increased from 1.8 percent in 2005 to 12.1 percent in 2006 and increased further to 17.2 percent in 2007. The share of subject imports from China on the basis of quantity was lower in the

[13] Prehearing brief of Tex-Tube, et al., p. 2, and prehearing brief of U.S. Steel, p. 11.

[14] Ibid.

[15] The petitioners report that apparent consumption is expected to fall further in light of the current economic crisis and forecasts for significant declines of 20 to 30 percent in the U.S. oil rig count for 2009, as oil and gas companies cut back on both exploration and production. Prehearing brief of U.S. Steel, pp. 3 and 11-15; prehearing brief of Tex-Tube, et al., November 17, 2008, p. 1; prehearing brief of Maverick, pp. 3-4, 10-20, and 56-60; and prehearing brief of Wheatland, pp. 1 and 3-4. In fact, Wheatland reported that it ***. Prehearing brief of Wheatland, p. 1.

[16] Conference transcript, p. 54 (Tinne).

[17] U.S. Steel and Maverick's postconference brief, p. 15; *Email* from ***, November 7, 2008.

[18] Tex-Tube's postconference brief, p. 4; *Email* from ***, November 7, 2008.

[19] Conference transcript, p. 38 (Avera); *Email* from ***, November 7, 2008.

Table IV-12
Line pipe: U.S. shipments of domestic product, U.S. imports, by sources, and apparent U.S. consumption, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
			Quantity (*short tons*)		
U.S. producers' shipments	522,831	694,012	727,185	589,909	601,492
Subject U.S. imports from:					
China (less multiple-stenciled)	15,549	169,652	236,358	176,730	111,125
Nonsubject U.S. imports from:					
China (multiple-stenciled)	12,124	54,705	44,462	39,580	7,006
Korea	87,923	186,285	178,177	136,778	160,669
All other sources	234,044	298,681	189,544	149,877	203,114
Nonsubject subtotal	334,091	539,671	412,183	326,235	370,789
Total imports	349,640	709,323	648,541	502,966	481,914
Apparent consumption	872,471	1,403,335	1,375,726	1,092,875	1,083,406
			Value (*1,000 dollars*)		
U.S. producers' shipments[1]	507,703	694,165	757,701	611,521	799,027
Subject U.S. imports from:[2]					
China (less multiple-stenciled)	11,543	105,754	153,881	117,734	84,042
Nonsubject U.S. imports from:[2]					
China (multiple-stenciled)	7,648	31,793	27,477	24,456	5,034
Korea	67,417	126,705	132,660	101,010	132,885
All other sources	185,863	253,886	155,275	121,595	226,723
Nonsubject subtotal	260,929	412,384	315,411	247,061	364,642
Total imports	272,471	518,138	469,292	364,795	448,684
Apparent consumption	780,174	1,212,303	1,226,993	976,316	1,247,711

[1] F.o.b. U.S. mill.
[2] Landed, duty-paid.

Note.–U.S. imports from China are based on official statistics of the U.S. Department of Commerce less the imports reported by importers for multiple-stenciled pipe (presented separately). Data for all other sources are official Commerce statistics.

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

Table IV-13
Line pipe: Apparent U.S. consumption and market shares, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
			Quantity (*short tons*)		
Apparent U.S. consumption	872,471	1,403,335	1,375,726	1,092,875	1,083,406
			Share of quantity (*percent*)		
U.S. producers' shipments	59.9	49.5	52.9	54.0	55.5
Subject U.S. imports from:					
China (less multiple-stenciled)	1.8	12.1	17.2	16.2	10.3
Nonsubject U.S. imports from:					
China (multiple-stenciled)	1.4	3.9	3.2	3.6	0.6
Korea	10.1	13.3	13.0	12.5	14.8
All other sources	26.8	21.3	13.8	13.7	18.7
Nonsubject subtotal	38.3	38.5	30.0	29.9	34.2
Total imports	40.1	50.5	47.1	46.0	44.5
			Value (*1,000 dollars*)		
Apparent U.S. consumption	780,174	1,212,303	1,226,993	976,316	1,247,711
			Share of value (*percent*)		
U.S. producers' shipments[1]	65.1	57.3	61.8	62.6	64.0
Subject U.S. imports from:[2]					
China (less multiple-stenciled)	1.5	8.7	12.5	12.1	6.7
Nonsubject U.S. imports from:[2]					
China (multiple-stenciled)	1.0	2.6	2.2	2.5	0.4
Korea	8.6	10.5	10.8	10.3	10.7
All other sources	23.8	20.9	12.7	12.5	18.2
Nonsubject subtotal	33.4	34.0	25.7	25.3	29.2
Total imports	34.9	42.7	38.2	37.4	36.0

[1] F.o.b. U.S. mill.
[2] Landed, duty-paid.

Note.–Market shares for China are based on official statistics of the U.S. Department of Commerce less the imports reported by importers for multiple-stenciled pipe (presented separately). Data for all other sources are official Commerce statistics.

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

partial-year period of 2008 compared with the same period in 2007.[20] Nonsubject imports' market share decreased overall from 38.3 percent in 2005 to 30.0 percent in 2007 but was higher in the partial year period of 2008 compared with the same period in 2007.

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of line pipe is presented in table IV-14. Subject imports of line pipe from China were equivalent to 2.7 percent of U.S. production during 2005, increased to 22.6 percent during 2006, and further increased to 30.7 percent in 2007, but was lower during January-September 2008 than in January-September 2007. Nonsubject imports were equivalent to 58.6 percent of U.S. production during 2005 and increased to 72.0 percent during 2006 but declined to 53.6 percent during 2007. The ratio was higher during January-September 2008 than in the comparable period in 2007.

Table IV-14
Line pipe: Ratio of U.S. imports to U.S. production, by sources, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
U.S. production	570,076	749,202	769,607	611,294	601,226
	Ratio of U.S. imports to production (*percent*)				
Subject U.S. imports from:					
China (less multiple-stenciled)	2.7	22.6	30.7	28.9	18.5
Nonsubject U.S. imports from:					
China (multiple-stenciled)	2.1	7.3	5.8	6.5	1.2
Korea	15.4	24.9	23.2	22.4	26.7
All other sources	41.1	39.9	24.6	24.5	33.8
Nonsubject subtotal	58.6	72.0	53.6	53.4	61.7
Total imports	61.3	94.7	84.3	82.3	80.2

Note.–U.S. imports from China are based on official statistics of the U.S. Department of Commerce less the imports reported by importers for multiple-stenciled pipe (presented separately). Data for all other sources are official Commerce statistics.

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

[20] The petitioners argue that the domestic line pipe industry recovered somewhat during 2008 as a result of "historically strong prices for crude oil and natural gas (a situation that has now reversed itself as the economic crisis drives energy prices downward)" and "due to the filing of the case in April and the resulting sharp reduction in Chinese imports,. . ." They add, however, that "most of the profit improvement got ***." The petitioners also argue that "the Commission should not accord this improvement any weight in its consideration of material injury or threat of material injury." Prehearing brief of U.S. Steel, pp. 16-20; prehearing brief of Tex-Tube, et al., November 17, 2008, pp. 1, 3, and 5-6; and prehearing brief of Maverick, p. 3.

PART V: PRICING AND RELATED INFORMATION

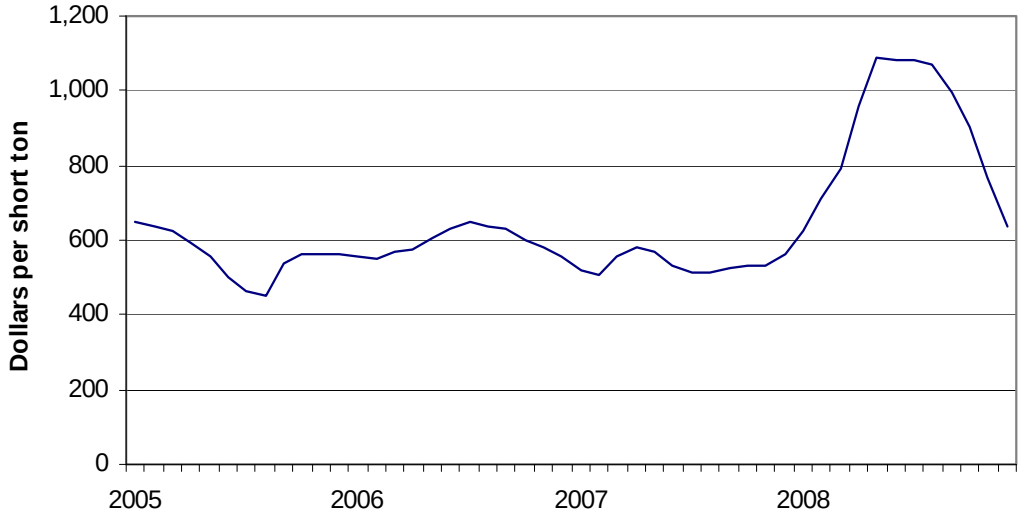
FACTORS AFFECTING PRICES

Raw Material Costs

U.S. producers' raw materials costs were generally stable relative to the overall cost of goods sold during 2005-07, but increased during the first three quarters of 2008. Raw material costs accounted for approximately three-quarters of the cost of goods sold during 2005-07, but accounted for a greater share in interim 2008 (81.4 percent) than in interim 2007 (72.4 percent).

Hot-rolled steel is the primary input used in the production of line pipe. As shown in figure V-1, monthly steel sheet prices fluctuated with no clear trend during 2005-07. However, steel sheet prices increased sharply to a peak of $1,089 per short ton in May 2008 and remained at this level through August 2008, before falling sharply through November 2008.[1]

Figure V-1
Hot-rolled sheet prices, Midwest price basis, by month, January 2005-November 2008



Source: American Metal Market.

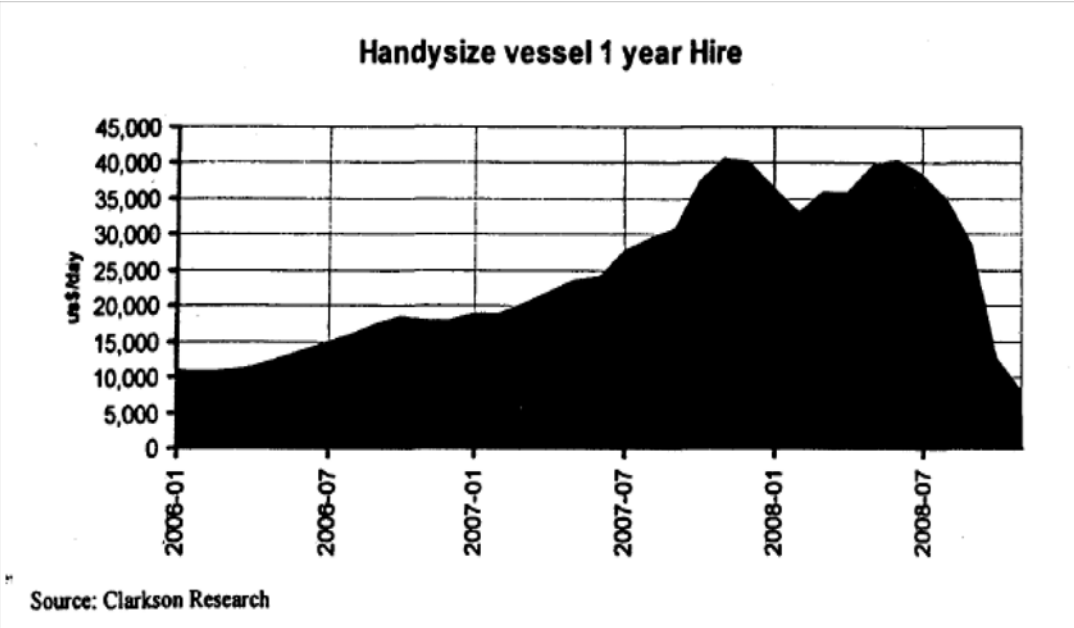
[1] American Metal Market, pricing archives, found at http://www.amm.com/pricing, retrieved on December 10, 2008.

Transportation Costs to the U.S. Market

Transportation costs of line pipe shipped to the United States from China averaged 10.3 percent of the customs value of these imports during 2007, as derived from official import data.[2]

Freight costs fell sharply during the fourth quarter of 2008. The daily hire costs (excluding fuel and port costs) of standard size maritime steel transport vessels fell by 80 percent from $40,000 per day in June 2008 to $8,000 per day in November 2008 (figure V-2).[3] Maritime fuel costs, a substantial share of maritime transportation costs, also fell sharply during the fourth quarter of 2008 (figure V-3).[4] The Baltic Dry Index showed similar declines in the fourth quarter of 2008 (figure V-4).[5]

Figure V-2
Daily hire costs (excluding fuel and port costs) of standard size maritime steel transport vessels, January 2006-November 2008



[2] The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2007 and then dividing by the customs value. Line pipe is classified under HTS subheading 7306.19, statistical reporting numbers 7306.19.1010, 7306.19.1050, 7306.19.5110, and 7306.19.5150.

[3] Maverick's posthearing brief, exhibit 15.

[4] Ibid.

[5] The Baltic Dry Index is a shipping and trade index created by the London-based Baltic exchange and is composed of three sub-indices that measure price levels for different sizes of merchant ships. Dry Ships Inc., *http://www.dryships.com/index.cfm?get=report*, retrieved on November 10, 2008.

Figure V-3
Maritime fuel costs, based on the Bunker Index, January 2006-November 2008

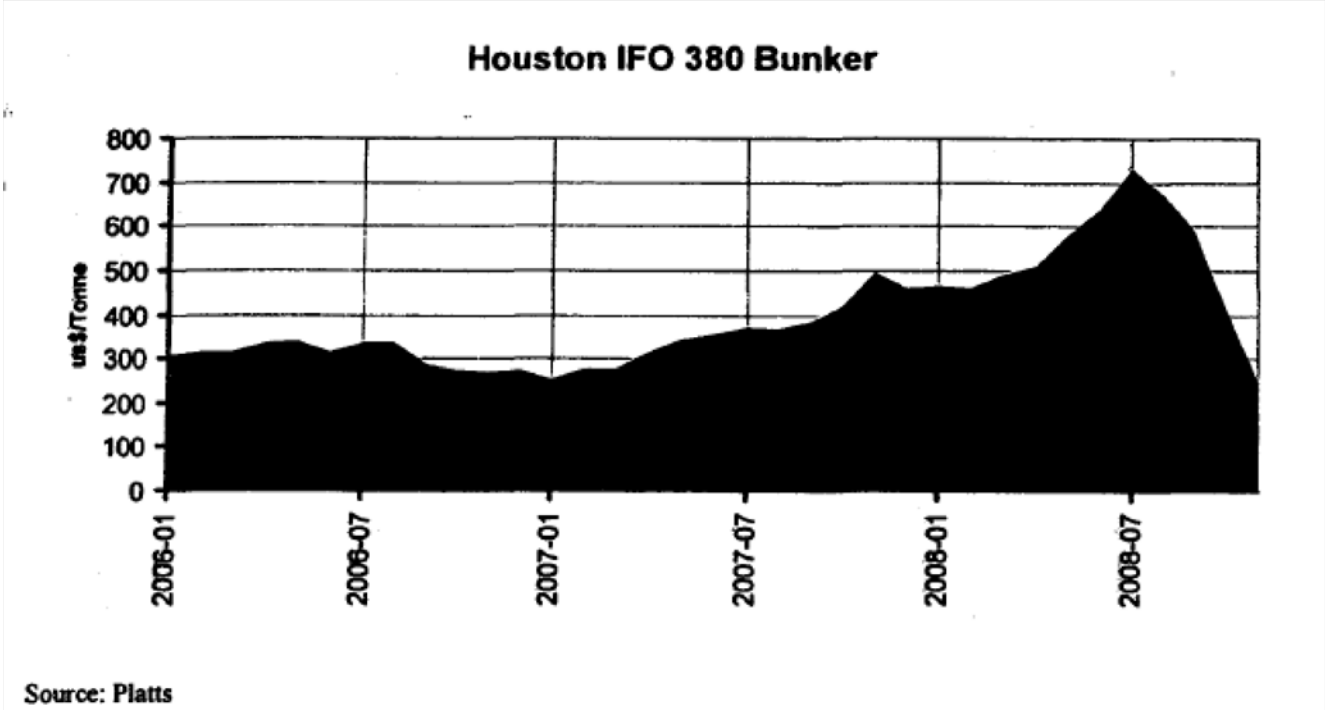


Figure V-4
Baltic Dry Index, January 2006-December 2008

Source: Dry Ships Inc.

U.S. Inland Transportation Costs

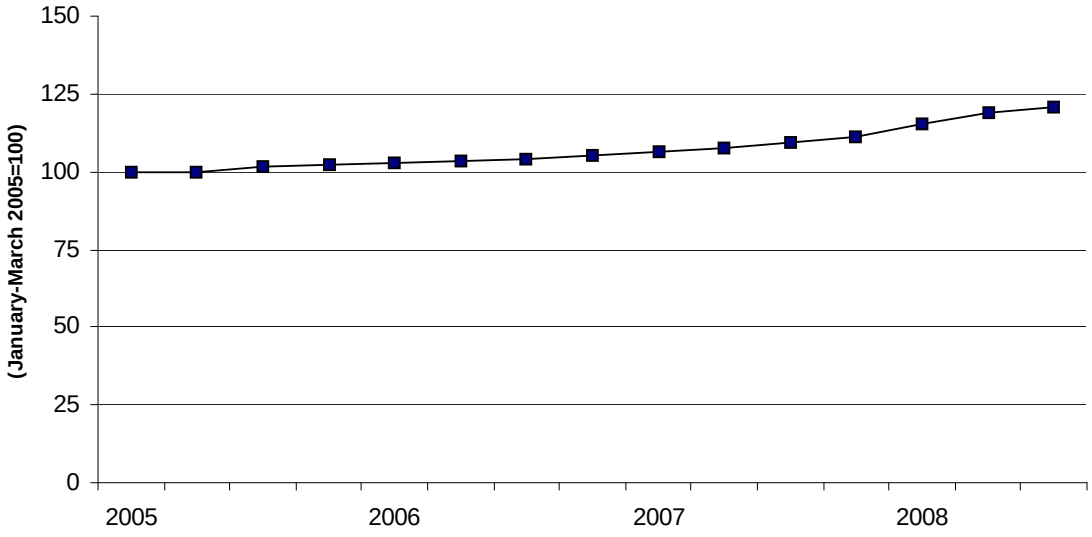
Transportation costs for U.S. inland shipments of line pipe generally account for a moderate share of the delivered price of these products. For the majority of U.S. producers, these costs ranged from 5 to 10 percent of the delivered price. Responding importers reported that transportation costs ranged from 1 to 10 percent of the delivered price.

In general, U.S. producers shipped line pipe greater distances within the United States than U.S. importers. On average, 22.0 percent of U.S. producers' sales occurred within 100 miles of their storage or production facility, 42.4 percent were shipped between 101 and 1,000 miles, and 35.5 percent were shipped over 1,000 miles. In comparison, 57.9 percent of U.S. importers' sales occurred within 100 miles of their storage facility, 14.8 percent were shipped between 101 and 1,000 miles, and 27.3 percent were shipped over 1,000 miles.

Exchange Rate

The nominal exchange rate for the Chinese yuan relative to the U.S. dollar for January 2005-September 2008 is shown in figure V-5. In nominal terms, the yuan appreciated by 19 percent relative to the U.S. dollar.[6] Real exchange rates could not be computed due to the lack of producer price indices for China.

Figure V-5
Exchange rates: Index of the nominal exchange rate of the Chinese yuan relative to the U.S. dollar, by quarters, January 2005-September 2008



Source: IMF International Financial Statistics, retrieved on December 4, 2008.

[6] For comparison purposes, the value of the Korean won fell by 4.2 percent in nominal terms, and by 16.4 percent in real terms, during the same period.

PRICING PRACTICES

Nearly all responding U.S. producers and importers reported that prices are determined by transaction-by-transaction negotiations. One U.S. producer (***) and two importers (***) also reported determining prices based on contracts. Five of nine responding U.S. producers reported typical sales terms of net 30 days, and four reported typical sales terms of 2/10 net 30 days. Nearly all importers reported typical sales terms of net 30 days. Six of nine responding U.S. producers reported that they do not have discount policies, other than early payment discounts. *** reported transaction-by-transaction discounts based on quantity, *** has a $20 per ton discount for distributors to ensure supply arrangements, and *** offers annual quantity discounts. Nearly all responding importers reported that they do not have discount policies. *** reported offering quantity discounts, and *** reported offering quantity discounts and discounts to customers that used irrevocable transferable letters of credit.

Most U.S. producers and importers quote prices on an f.o.b. basis. Four of nine responding U.S. producers quote on an f.o.b. mill basis, three quote f.o.b. from a particular city, and two others quote delivered prices. Among responding importers, 19 quote prices on an f.o.b. basis, and seven quote prices on a delivered basis. The importers' f.o.b quotes are from a port of entry, from a warehouse, or in some cases from a particular city. All nine of the responding U.S. producers reported that they arrange transportation for their customers, whereas 24 of 27 subject importers reported that the purchaser arranges transportation.

Producers and importers typically sell line pipe on either a spot or contract basis, although spot sales are more common. Three of seven responding U.S. producers sell exclusively on a spot basis, and two others sell principally on a spot basis, but also sell based on contracts. One U.S. producer (***) sells only on a short-term contract basis, and another (***) sells principally on both a short-term and long-term contract basis. Of the 25 responding importers, 18 sell exclusively on a spot basis, seven sell exclusively on a short-term contract basis, and one sells on both a spot and short-term contract basis.

Producers and importers that sell on a contract basis reported that contract durations usually ranged from two to six months. All responding U.S. producers and importers reported that both prices and quantities are fixed during the contract period. Three of four responding U.S. producers reported that contracts include meet-or-release provisions, whereas six of nine responding importers reported that contracts do not include meet or release provisions.

PRICE DATA

The Commission asked U.S. producers and importers of line pipe to provide quarterly data for the total quantity and f.o.b. value of line pipe shipped to unrelated purchasers in the U.S. market during January 2005-September 2008. The products for which pricing data were requested are as follows:

Product 1.–API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.

Product 2.–API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch.

Product 3.–API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8.625 inch outside diameter), plain end, with a wall thickness of 0.322 inch.

Product 4.–API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.

Eight U.S. producers, eight importers of line pipe from China, and 15 importers of line pipe from other countries reported varying amounts of price data for the four product categories. The data received accounted for 10.3 percent of U.S. producers' shipments, 19.7 percent of imports from China, and 13.3 percent of imports from nonsubject countries during January 2005-September 2008.

Price Trends

U.S. producer and importer prices are presented in tables V-1 through V-4 and figure V-6.[7] In general, prices for U.S.-produced products 1-4 fluctuated within a relatively narrow range during the first quarter of 2005 through the first quarter of 2008, before increasing substantially in the second and third quarters of 2008. Available prices for imported Chinese products 1-4 generally fluctuated within a relatively narrow range throughout the period, although imported Chinese product 2 declined significantly in the second quarter of 2008.[8] Price trends are summarized in table V-5.[9]

However, according to MBR, line pipe and OCTG prices in the United States have "finally started to reflect the existing market conditions in the steel markets." MBR reports that the energy tubular markets remain some of the strongest sectors in the steel industry, but the fundamentals point to falling prices in these markets as well.[10] MBR reports that line pipe prices are falling in all regions of the world, and are expected to decline through the first quarter of 2009.[11] MBR predicts that a price recovery is not expected until at least the second quarter of 2009.[12]

[7] Additional price data relating to imports from nonsubject countries, primarily Korea, Mexico, Taiwan, and Japan, are provided in appendix D ("other" includes South Africa and Venezuela).

[8] ***.

[9] Staff also calculated weighted-average prices for U.S. products 1-4 excluding price data from CSI, American, and Stupp (i.e., excluding most end user sales). Increases in the prices without those firms tended to be greater than increases in the prices calculated from the full data set. Adjusted prices for U.S. product 1 were *** percent higher from the first quarter to the last quarter of available data (the same increase as unadjusted prices), adjusted prices for U.S. product 2 were *** percent higher, adjusted prices for U.S. product 3 were *** percent higher, and adjusted prices for U.S. product 4 were *** percent higher.

[10] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, pp. 2 and 5.

[11] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, p. 1.

[12] Ibid.

Table V-1
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 1, and margins of underselling/(overselling), January 2005-September 2008

	United States		China			Other countries	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity
Period	*per short ton*	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:							
January-March	$1,033	1,592	$***	***	***	$916	743
April-June	1,010	2,479	***	***	***	908	1,348
July-September	***	***	***	***	***	753	1,122
October-December	959	2,481	***	***	***	740	3,551
2006:							
January-March	***	***	***	***	***	739	2,442
April-June	1,030	3,593	***	***	***	686	1,759
July-September	1,065	3,329	***	***	***	856	2,411
October-December	1,048	3,133	***	***	***	761	3,062
2007:							
January-March	979	5,960	***	***	***	815	3,582
April-June	968	4,656	***	***	***	795	5,777
July-September	963	3,213	***	***	***	744	1,925
October-December	980	1,533	***	***	***	770	3,153
2008:							
January-March	972	4,489	***	***	***	807	949
April-June	1,112	2,208	***	***	***	836	2,479
July-September	1,707	4,086	--	0	--	1,097	620

Product 1.-- API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-2
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 2, and margins of underselling/(overselling), January 2005-September 2008

Period	United States		China			Other countries	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:							
January-March	$1,003	3,995	$***	***	***	$804	620
April-June	988	3,948	***	***	***	851	1,762
July-September	982	6,173	***	***	***	776	1,008
October-December	982	3,044	***	***	***	711	2,145
2006:							
January-March	919	5,044	***	***	***	725	3,530
April-June	974	5,535	***	***	***	804	2,356
July-September	1,050	4,650	***	***	***	764	3,029
October-December	1,031	3,759	***	***	***	777	3,116
2007:							
January-March	982	6,375	***	***	***	793	3,043
April-June	1,017	4,459	***	***	***	776	4,900
July-September	1,008	8,552	***	***	***	731	1,216
October-December	936	4,691	***	***	***	752	2,431
2008:							
January-March	1,031	6,552	***	***	***	***	***
April-June	1,203	5,788	***	***	***	***	***
July-September	1,856	7,848	--	0	--	1,259	1,493

Product 2.-- API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-3
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 3, and margins of underselling/(overselling), January 2005-September 2008

	United States		China			Other countries	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity
Period	*per short ton*	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:							
January-March	$1,052	1,228	$***	***	***	$801	994
April-June	998	2,595	***	***	***	827	1,442
July-September	1,004	5,618	***	***	***	779	1,070
October-December	947	4,196	***	***	***	749	1,479
2006:							
January-March	926	4,177	***	***	***	708	1,661
April-June	974	4,657	***	***	***	676	976
July-September	1,069	4,634	***	***	***	670	1,026
October-December	1,050	3,395	***	***	***	747	3,442
2007:							
January-March	1,035	3,226	***	***	***	786	2,885
April-June	1,035	3,644	***	***	***	798	4,448
July-September	989	2,559	***	***	***	722	1,707
October-December	972	6,353	***	***	***	753	2,036
2008:							
January-March	980	6,332	***	***	***	808	1,569
April-June	1,221	8,938	--	0	--	906	3,533
July-September	1,893	5,338	--	0	--	1,226	1,180

Product 3.-- API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8.625 inch outside diameter), plain end, with a wall thickness of 0.322 inch.

Note.--Margins are calculated from unrounded data.

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

Table V-4
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 4, and margins of underselling/(overselling), January 2005-September 2008

	United States		China			Other countries	
	Price	Quantity	Price	Quantity	Margin	Price	Quantity
Period	*per short ton*	*short tons*	*per short ton*	*short tons*	*percent*	*per short ton*	*short tons*
2005:							
January-March	$***	***	$***	***	***	$806	631
April-June	1,098	1,613	***	***	***	840	1,499
July-September	***	***	***	***	***	845	1,125
October-December	940	1,273	***	***	***	***	***
2006:							
January-March	***	***	***	***	***	731	1,971
April-June	988	2,829	***	***	***	741	1,252
July-September	1,074	4,860	***	***	***	704	1,543
October-December	1,093	2,390	***	***	***	763	3,020
2007:							
January-March	1,023	4,828	***	***	***	792	2,962
April-June	995	3,535	***	***	***	767	3,236
July-September	978	4,982	***	***	***	760	2,333
October-December	***	***	***	***	***	771	3,104
2008:							
January-March	1,076	8,516	***	***	***	784	1,926
April-June	***	***	***	***	***	889	4,525
July-September	1,537	7,405	***	***	***	1,287	4,854

Product 4.-- API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.

Note.--Margins are calculated from unrounded data.

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

Figure V-6
Line pipe: Weighted-average f.o.b. prices of products 1-4, by quarters, January 2005 to September 2008

* * * * * * *

Table V-5
Line pipe: Summary of weighted-average f.o.b. prices for products 1-4, by country, January 2005-September 2008

Product/Country	Number of quarters	Lowest price (*per short ton*)	Highest price (*per short ton*)	Change in price[1] (*percent*)
Product 1				
U.S.	15	$***	$1,707	65.2
China	14	***	***	***
Product 2				
U.S.	15	919	1,856	85.1
China	14	***	***	***
Product 3				
U.S.	15	926	1,893	79.9
China	13	***	***	***
Product 4				
U.S.	15	940	***	***
China	15	***	***	***

[1] Percentage change from the first quarter in which price data were available to the last quarter in which price data were available, based on unrounded data.

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

Price Comparisons

As shown in table V-6, prices of imports from China were consistently lower than domestic prices in all quarters for all four products. Margins of underselling ranged from 15.8 to 56.7 percent.[13]

Table V-6
Line pipe: Instances of underselling and the range and average of margins for products 1-4, January 2005-September 2008

Country	Number of instances	Range (*percent*)	Average margin (*percent*)
China	56	15.8 to 56.7	30.4

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

[13] Weighted-average prices for U.S. products 1-4, excluding price data from CSI, American, and Stupp, tended to have slightly higher margins of underselling compared to margins calculated from the full data set. Adjusted prices for U.S. products 1-4 undersold imported Chinese products 1-4 in 56 instances by an average margin of *** percent.

LOST SALES AND LOST REVENUES

While the petitioners and other domestic firms reported in their producer questionnaires that they have lost sales and revenue to competition from imports from China, none of the firms provided detailed information and purchaser contacts needed to investigate the allegations directly. The petitioners reported that since most producer sales are made to distributors, they are not well positioned to identify specific instances of lost sales or lost revenues.[14]

[14] Petition, p. 31 and hearing transcript, pp. 106-107 (Barnes and Balkenende).

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

INTRODUCTION

All nine producers that provided trade data also provided usable financial data on their operations on line pipe.[1] These data are believed to account for the vast majority of U.S. production of line pipe in 2007. No firm reported internal consumption or transfers to related firms; however, ***. The line pipe industry underwent restructuring during the period for which data were collected, including Tenaris' purchase of Maverick in October 2006, IPSCO's purchase of NS Group in December 2006,[2] and U.S. Steel's purchase of Lone Star in June 2007.

OPERATIONS ON LINE PIPE

Aggregate income-and-loss data for U.S. producers on their operations producing line pipe are presented in tables VI-1 and VI-2, and selected company-specific financial data are presented in table VI-3. The overall financial performance of the reporting U.S. producers improved from 2005 to 2006, then declined sharply in 2007. It improved again in January-September 2008 and operating income was sharply higher in interim 2008 than in interim 2007. While reported aggregate net sales quantities and values increased from 2005 to 2007, the aggregate cost of goods sold ("COGS") and selling, general, and administrative ("SG&A") expenses combined increased by much more in the same time frame, with the increase in COGS driven by increases in raw material costs and factory overhead ("other factory costs"). Although unit sales revenues increased by $72 per short ton between 2005 and 2007, unit costs and expenses (COGS and SG&A expenses combined) increased by $139 per short ton, leading to the reduction in operating income. Between the interim periods, the increase in unit sales revenues was substantially greater than the increase in unit costs and expenses–$271 per short ton versus $104 per short ton–and operating income increased. Decreases in other factory costs (***) accounted for approximately one-third of the increase in operating profits. Net income and cash flows followed the changes in operating income.

Six of the nine firms reported lower operating profits in 2007 as compared to 2005, while five reported lower operating profits in 2007 as compared to 2006; on the other hand, ***. Operating income was higher in interim 2008 than in interim 2007 for seven of the nine producers. Raw material costs by value increased by 46.3 percent between 2005 and 2007 because of the higher quantity of sales as well as higher per unit costs during that period. The average unit value of raw materials increased from $585 in 2005 to $677 in 2007, an increase of 15.7 percent. Raw material costs are the single largest component of COGS, accounting for approximately 75 percent of total COGS, and had the greatest impact on the overall increase in COGS from 2005 to 2007.[3] Total COGS were higher in interim 2008 than in interim 2007 (by 18.1 percent), reflecting higher raw material costs. Raw material costs were higher by 32.8 percent in absolute value terms, attributable to a higher quantity sold and higher per-unit values in interim 2008 compared with interim 2007. Higher raw material costs were partially offset by other factory costs

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[1] The firms (and their fiscal year end if other than December 31) are: American, CSI, IPSCO, Maverick, Northwest, Stupp, Tex-Tube (September 30), U.S. Steel, and Wheatland (September 29). ***. All firms reported GAAP as their accounting basis.

[2] The ownership of the IPSCO pipe mills subsequently shifted first to SSAB, then to Evraz, and finally to TMK.

[3] The dollar value of total COGS increased by $216,286 or 47.2 percent from 2005 to 2007. Per short ton COGS actually declined by $6 from 2005 to 2006, but increased by $134 from 2006 to 2007 for a net change of $128 per short ton between 2005 and 2007. The increase in raw material costs was $92 per short ton during that time and the increase in other factory costs was $28 per short ton during that time.

Table VI-1
Line pipe: Results of operations of U.S. producers, fiscal years 2005-07, January-September 2007, and January-September 2008

Item	Fiscal year			January-September	
	2005	2006	2007	2007	2008
Quantity (*short tons*)					
Total net sales	586,170	745,701	741,853	582,055	617,520
Value (*$1,000*)					
Total net sales	574,930	749,831	780,944	611,348	815,734
Cost of goods sold	457,816	577,876	674,102	520,254	614,386
Gross profit	117,114	171,955	106,842	91,094	201,348
SG&A expense	23,599	34,702	37,561	28,861	32,421
Operating income	93,515	137,253	69,281	62,233	168,927
Net income	91,945	133,361	64,171	58,504	165,730
Depreciation	8,678	10,743	13,032	9,837	8,689
Cash flow	100,623	144,104	77,203	68,341	174,419
Ratio to net sales (*percent*)					
COGS	79.6	77.1	86.3	85.1	75.3
Gross profit	20.4	22.9	13.7	14.9	24.7
SG&A expenses	4.1	4.6	4.8	4.7	4.0
Operating income	16.3	18.3	8.9	10.2	20.7
Unit value *(per short ton)*					
Total net sales	$981	$1,006	$1,053	$1,050	$1,321
COGS	781	775	909	894	995
Gross profit	200	231	144	157	326
SG&A expenses	40	47	51	50	53
Operating income	160	184	93	107	274
Number of companies reporting					
Operating losses	1	2	3	1	0
Data	9	9	9	9	9

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

Table VI-2
Line pipe: Detailed COGS of U.S. producers, fiscal years 2005-07, January-September 2007, and January-September 2008

Item	Fiscal year			January-September	
	2005	2006	2007	2007	2008
			Value (*$1,000*)		
Raw materials	343,084	429,005	501,915	376,558	500,042
Direct labor	35,858	48,284	51,144	39,914	41,939
Other factory costs	78,874	100,587	121,043	103,782	72,405
Total COGS	457,816	577,876	674,102	520,254	614,386
			Ratio to total net sales (*percent*)		
Raw materials	59.7	57.2	64.3	61.6	61.3
Direct labor	6.2	6.4	6.5	6.5	5.1
Other factory costs	13.7	13.4	15.5	17.0	8.9
Average total COGS	79.6	77.1	86.3	85.1	75.3
			Average per-unit value (*per short ton*)		
Raw materials	$585	$575	$677	$647	$810
Direct labor	61	65	69	69	68
Other factory costs	135	135	163	178	117
Average total COGS	781	775	909	894	995

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

Table VI-3
Line pipe: Selected results of operations of U.S. producers, by firm, fiscal years 2005-07, January-September 2007, and January-September 2008

* * * * * * *

that were lower in interim 2008 than in interim 2007.[4] Per-unit raw material costs were $163 higher in interim 2008 relative to interim 2007, but per-unit other factory costs were $61 less.

Company-specific data indicate that the vast majority of the industry's reported decline in operating income from 2006 to 2007 is attributable to ***. On the other hand, the higher operating income in interim 2008 relative to interim 2007 was *** attributable to *** (see table VI-3). With respect to the impact of subject imports on the domestic industry, respondents argued that short-term operational costs and inefficiencies resulting from consolidations and investments in the line pipe industry are the primary factors behind the decline in profitability for ***, and that such acquisitions and upgrades will

[4] This largely reflects the experience of ***. *See* posthearing brief of ***.

ultimately make the industry more competitive and efficient.[5] Further, respondents asserted that ***.[6] Respondents also argued that ***.[7] Finally, respondents questioned whether ***.[8]

In contrast, petitioners responded to these arguments by noting that the decline in profitability during the full-year periods was experienced by non-petitioning firms as well as petitioning firms as domestic producers lost market share to imports from China. Petitioners also stated that poor market conditions forced Maverick ***,[9] and that IPSCO recently announced production cuts and layoffs.[10] Petitioners stated that the restructuring costs associated with the acquisitions of Lone Star and Maverick were not responsible for the declining performance of the domestic industry.[11] In order to examine the impact of such restructuring costs, the Commission's questionnaire requested U.S. producers to present financial data separately for establishments that they owned before January 1, 2005 and for those that they owned after January 1, 2005. These data are presented appendix E. Finally, petitioners stated that *** ***.[12] In addition, appendix E separately presents financial data for those producers that sell welded line pipe in *** quantities to end users in the project market.

A variance analysis for the operations of U.S. producers of line pipe is presented in table VI-4. The information for this variance analysis is derived from tables VI-1 and VI-2. The analysis shows that the decline in operating income from 2005 to 2007 was attributable to the unfavorable net cost/expense variance (higher unit costs) despite favorable price and volume variances (e.g., higher unit sales revenues and higher profitable volume). The increase in operating income between January-September 2007 and January-September 2008 was attributable to the favorable variances on price and volume that combined were much greater than the unfavorable net cost/expense variance.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures and research and development ("R&D") expenses are shown in table VI-5. All nine firms reported capital expenditures, and two firms reported R&D expenses. *** accounted for the majority of reported capital expenditures in each period. Tex-Tube reported that it made a major investment in upgrading its plant by installing new cut-off, hydrostatic testing, and ultrasonic testing equipment in 2007,[13] while *** reported that its capital expenditures reflect ***.[14] *** reported capital expenditures include ***.[15]

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[5] Respondents asserted that ***. In this regard, ***. ***. Respondents' postconference brief, pp. 9-10.

[6] Respondents' postconference brief, pp. 21-23.

[7] Respondents' postconference brief, pp. 23-24. ***.

[8] Respondents' postconference brief, pp. 18-21.

[9] Posthearing brief of Maverick, p. 6. Petitioners also stated that ***. U.S. Steel and Maverick's postconference brief, pp. 30-31.

[10] Hearing transcript, pp. 45-46 (Avrill).

[11] Posthearing brief of Maverick, exh. 1, pp. 1-3. With regard to ***. U.S. Steel and Maverick's postconference brief, exh. 1, pp. 6-9. U.S. Steel included ***. U.S. producers' questionnaire response of U.S. Steel, answer to question III-11. At the request of Commission staff, ***. *See* correspondence from counsel for U.S. Steel, May 9, 2008. These data are generally the same as those presented in app. E.

[12] U.S. Steel and Maverick's postconference brief, pp. 29-30, and exh. 1, pp. 1-5. Petitioners argue that ***. ***. *See also* CSI's Form 10-K, March 25, 2008, p. 1. It should be noted that CSI's unit raw material costs are *** than the rest of the industry. *See also* posthearing brief of Maverick, exh. 1, pp. 3-4.

[13] Conference transcript, pp. 34-35 (Davila).

[14] ***.

[15] ***.

Table VI-4
Line pipe: Variance analysis on the operations of U.S. producers, fiscal years 2005-07, and January-September 2007-08

Item	Between fiscal years			January-September
	2005-07	2005-06	2006-07	2007-08
	Value (*$1,000*)			
Total net sales:				
Price variance	53,316	18,429	34,982	167,136
Volume variance	152,698	156,472	(3,869)	37,250
Total net sales variance	206,014	174,901	31,113	204,386
Cost of sales:				
Cost variance	(94,693)	4,538	(99,208)	(62,433)
Volume variance	(121,593)	(124,598)	2,982	(31,699)
Total cost variance	(216,286)	(120,060)	(96,226)	(94,132)
Gross profit variance	(10,272)	54,841	(65,113)	110,254
SG&A expenses:				
Expense variance	(7,694)	(4,680)	(3,038)	(1,801)
Volume variance	(6,268)	(6,423)	179	(1,759)
Total SG&A variance	(13,962)	(11,103)	(2,859)	(3,560)
Operating income variance	(24,234)	43,738	(67,972)	106,694
Summarized as:				
Price variance	53,316	18,429	34,982	167,136
Net cost/expense variance	(102,387)	(142)	(102,246)	(64,234)
Net volume variance	24,837	25,451	(708)	3,792

Note.--Unfavorable variances are shown in parenthesis; all others are favorable.

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

Table VI-5
Line pipe: Capital expenditures and research and development expenses of U.S. producers, fiscal years 2005-07, January-September 2007, and January-September 2008

Item	Fiscal year			January-September	
	2005	2006	2007	2007	2008
	Value (*1,000 dollars*)				
Capital expenditures					
American	***	***	***	***	***
CSI	***	***	***	***	***
IPSCO	***	***	***	***	***
Maverick	***	***	***	***	***
Northwest	***	***	***	***	***
Stupp	***	***	***	***	***
Tex-Tube	***	***	***	***	***
U.S. Steel	***	***	***	***	***
Wheatland	***	***	***	***	***
Total	7,916	11,395	11,054	7,693	7,554
R&D expenses:					
***	***	***	***	***	***
***	***	***	***	***	***
***	***	***	***	***	***

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

In two of the three full-year periods for which data were requested, total reported capital expenditures were less than total reported depreciation expense, an indication that the replacement rate of productive assets (capital expenditures) was not keeping up with the accounting rate at which the assets were becoming obsolete (depreciation). Low levels of capital expenditures were attributed to the combination of unfairly traded imports and deterioration of financial returns.[16]

ASSETS AND RETURN ON INVESTMENT

Data on the U.S. producers' total assets and their return on investment ("ROI") are presented in table VI-6. For U.S. producers of line pipe, the total assets utilized in the production, warehousing, and sale of such products increased from $217.3 million in 2005 to $*** in 2007. The increase in current assets from 2005 to 2007 largely reflects the increases in the prices and costs for line pipe, while the *** increase in noncurrent assets in 2007 primarily reflects ***.[17] ROI increased slightly from 2005 to 2006, then fell by nearly *** percentage points from 2006 to 2007, consistent with the decrease in operating income and the increase in total assets.

[16] Hearing transcript, pp. 44-45 (Avril) and p. 28 (Alvarado).

[17] ***.

Table VI-6
Line pipe: U.S. producers' total assets and return on investment, fiscal years 2005-07

Item	Fiscal year		
	2005	2006	2007
Value of assets:	**Value (*$1,000*)**		
Total current assets	135,575	177,549	216,882
Property, plant and equipment:			
Original cost	177,044	179,238	190,025
Less: accumulated depreciation	105,014	82,993	63,780
Equals: book value	72,030	96,245	126,245
Other non-current assets	9,653	36,489	***
Total non-current assets	81,683	132,734	***
Total assets	217,258	310,283	***
Operating income or (loss)	93,515	137,253	69,281
	Ratio *(percent)*		
Return on investment	43.0	44.2	***

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

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of line pipe to describe any actual or potential negative effects of imports of line pipe from China and Korea on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Their responses are as follows:

Actual Negative Effects

American ***.

CSI ***.

IPSCO ***.

Maverick ***.

Northwest ***.

Stupp ***.

Tex-Tube ***.

U.S. Steel ***.

Wheatland ***.

Anticipated Negative Effects

American	***.
CSI[18]	***.
IPSCO	***.
Maverick	***.
Northwest Pipe	***.
Stupp	***.
Tex-Tube	***.
U.S. Steel	***.
Wheatland	***.

[18] CSI's responses to these questions appear to refer to standard/structural pipe and not line pipe.

PART VII: THREAT CONSIDERATIONS AND *BRATSK* INFORMATION

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that--

> In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]--
>
> (I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,
>
> (II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,
>
> (III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,
>
> (IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,
>
> (V) inventories of the subject merchandise,
>
> (VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

> (VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),
>
> (VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and
>
> (IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the subsidies and sales at less than fair value was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" and dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission in relation to *Bratsk* rulings.

THE INDUSTRY IN CHINA

Overview

Production Profile

The World Steel Association ("WSA")[3] indicates that China is currently the world's leading producer of all welded tubes, with total production of 22.1 million short tons in 2006, a 54-percent increase over the level recorded in 2004 (table VII-5).[4] The petitioners identified a total of *** line pipe producers in China–*** producers with a total welded tube capacity of *** short tons and an additional

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

[3] The WSA, formerly known as the International Iron and Steel Institute ("IISI"), is an international organization representing approximately 180 steel producers, national and regional steel industry associations, and steel research institutes. WSA members produce about 85 percent of the world's steel. WSA provides data for total welded tubular products, a much broader category than the subject products.

[4] *See* Table VII-10, "Welded steel pipe: Global production, by region, 2004-06" (the most recent years for which IISI/WSA data are available).

*** producers with *** capacity to produce welded tubes.[5] The petitioners argue that China's "tremendous" excess capacity to produce line pipe, much of which currently stands idle, "has been built up to exploit global growth in demand and to satisfy Chinese government export policies."[6] Industry observers believe that the rate of growth of Chinese line pipe production is likely to depend on shifting export tax policy,[7] increasing emphasis on OCTG production,[8] and current domestic and export market conditions.[9] [10]

In 2007, there were some concerns regarding the quality of Chinese tube and pipe exports to the United States.[11] However, many of these concerns focused on nonsubject construction pipe, and the American Institute of Steel Construction, Inc. ("AISC") did not find any conclusive evidence regarding the quality issue.[12] According to MBR, high quality line pipe has been made in China and has been used in the construction of the second Chinese west-to-east pipeline project.[13] Reportedly, in the United States, buyers of Chinese line pipe typically deal with preferred producers since Chinese line pipe quality varies substantially across producers.[14]

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[5] Prehearing brief of Tex-Tube, et al., exh. 5; posthearing brief of Tex-Tube, et al., pp. 6-7 and exh. 1. Staff notes that there are duplicate companies and data appearing in exhibit 5 of Tex-Tube's prehearing brief and exhibit 1 of Tex-Tube's posthearing brief.

[6] Prehearing brief of Tex-Tube, et al., pp. 2 and 9-10; prehearing brief of U.S. Steel, pp. 44-47; prehearing brief of Maverick, pp. 41-46; and prehearing brief of Wheatland, p. 6-8.

[7] As part of its general industrial policy, the Chinese government has taxed exports or has reduced export tax rebates to curtail the production of steel and steel products, including line pipe. *AMM*, "Boost in China Export Tax Rebate Said Doubtful," October 27, 2008, found at *http://www.amm.com/2008-10-27__16-45-19.html*, retrieved October 27, 2008. As discussed in the following section (Export profile), in a change of industrial policy, the Chinese government has recently decided to eliminate the export tax for line pipe.

[8] According to MBR, Chinese line pipe producers are shifting some of their production to OCTG to avoid duties on line pipe stemming from antidumping actions in Europe and in the United States. MBR, *Welded Steel Tube and Pipe Monthly*, August 2008, p. 8.

[9] Current global market weakness has reduced domestic and Chinese export orders and China's economic growth is expected to slow. Frederick Balfour, "China's Economy Sputters," *BusinessWeek*, October 2, 2008. Found at *http://www.businessweek.com*, retrieved October 7, 2008.

[10] Certain Chinese mills have already reduced production and several producers have filed for bankruptcy. AMM reported that several Chinese steel mills have declared bankruptcy in Changshu city, Jiangsu province. *See* "Five China Mills Go Bust Amid Crisis," *AMM*, October 10, 2008, found at *www.amm.com*, retrieved October 10, 2008.

[11] Preston Pipe & Tube Report, September 2007, p. 1. In addition, in an affidavit (dated December 17, 2007) of ***.

[12] Chicago-based AISC is a technical institute and trade association representing most U.S. structural steel fabricators.

[13] MBR, *Welded Steel Tube and Pipe Monthly*, September 2008, p. 8.

[14] Preston, April 2007, p. 1; MBR, *Welded Steel Tube and Pipe Monthly*, September 2007, p. 2; and MBR, *Welded Steel Tube and Pipe Monthly*, August 2008, p. 4.

Export Profile

According to Global Trade Atlas (table VII-6), in 2007, China and Korea were the leading exporters of line pipe.[15] In 2007, China and Korea each exported more than 340,000 short tons of line pipe, while no other country exported more than 130,000 short tons. China's share of the world's exports increased from approximately 7 percent in 2005 to almost 23 percent in 2007. China's exports of welded line pipe to the United States increased sharply since 2005 (table VII-1).[16] Year-to-date data for 2008 show that China's global line pipe exports were markedly higher and its export markets more diversified than Korea's. In the third quarter of 2008, the Chinese economy grew at its lowest level since 2003.[17] Reportedly, as part of an overall effort to stimulate the Chinese economy, effective December 1, 2008, the Chinese government eliminated the 15-percent export tax on welded steel tube and pipe exports.[18] In addition, on December 7, 2008, the Chinese government announced a 4 trillion yuan ($586 billion) economic stimulus package, which would include government investments in public sector projects for two years "in an attempt to sustain high rates of economic growth amid signs of an economic slowdown."[19] However, the impact of the stimulus package on the demand for steel products appears to remain unclear.[20]

In the U.S. market, China and Korea have been the leading suppliers of welded line pipe. China's exports of welded line pipe to the United States increased sharply between 2005 and 2007, while Chinese exports to other markets, including Australia, Chile, and Sudan, but most notably Canada, continued to increase (table VII-1). According to MBR, U.S. line pipe prices remain stable thanks to firm demand, despite increasing import pressure.[21]

Line Pipe Operations and Alternative Products

The petition in these investigations identified 65 producers and/or exporters of line pipe in China.[22] The Commission sent foreign producer questionnaires to 65 firms in China identified as producers of line pipe, including the following five Chinese producers identified as Chinese producers of line pipe in the Commission's recently completed investigation on *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)): Benxi Northern Steel Pipe Co., Ltd.; Liaoning Northern Steel Pipe Co., Ltd.; Shanghai Alison Steel Pipe Co., Ltd.; Tai Feng Qiao Metal Products Co. Ltd.; and Tianjin Lifengyuanda Steel Group Co., Ltd. The Commission also sent foreign producer questionnaires to counsel representing the following Chinese entities in the antidumping and countervailing duty proceedings concerning line pipe at the Department of Commerce:

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[15] As reported by Global Trade Atlas in HTS 7306.19 (prior to 2007, HTS 7306.10), which includes all line pipe products. The HTS system is consistent across countries at the 6-digit level and above.

[16] Gordon G. Chang, "Beijing Bust?" Forbes, October 24, 2008, found at *http://www.forbes.com/2008/10/23/china-economy-bust-oped-cx_gc_1024chang_print.html*, retrieved October 27, 2008. It should be also noted that China's reported exports of line pipe to the United States are substantially lower than U.S. imports of line pipe from China from official Commerce statistics.

[17] In the third quarter of 2008, the Chinese economy grew at an annualized rate of 9 percent, the lowest pace since 2003. *See* Keith Bradsher, "China Plans to Bolster Its Slowing Economy," *The New York Times*, October 21, 2008. MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, pp. 4 and 6.

[18] Ibid.

[19] "Impact of China's $586B Investment Remains Unclear," American Metal Market, November 10, 2008, found at http://www.amm.com/2008-11-10__18-09-13.html.

[20] Ibid.

[21] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, p. 3.

[22] Petition, exh. 6a.

Table VII-1
Line pipe: China's exports, by quantity and average unit value, 2005-07, January-September 2008

Destination	2005	2006	2007	Jan.-Sept. 2008	2005	2006	2007	Jan.-Sept. 2008
	Exports *(short tons)*[1]				Unit value *(U.S. $ per short ton)*			
United States[2]	9,142	53,561	149,405	110,852	653	576	524	683
Chile	0	4,889	29,631	26,365	-	869	758	721
Canada	6,842	5,311	28,674	74,466	690	872	559	719
Myanmar	11,032	24,035	25,924	17,875	579	624	526	602
Brazil	4,566	726	12,919	15,281	998	796	694	746
Spain	0	0	12,529	12,811	-	-	648	751
Sudan	12,785	9,285	9,267	25,130	739	822	747	864
Belgium	0	0	7,427	6,100	-	-	521	767
Pakistan	74	130	6,450	5,743	793	590	614	726
Nigeria	0	0	5,138	3,960	-	-	736	925
Gabon	0	231	4,686	0	-	1,133	672	-
Australia	830	0	4,445	17,702	504	-	640	771
United Arab Emirates	0	0	4,150	14,518	-	-	567	855
Philippines	809	0	3,504	18,130	522	-	549	739
Kazakhstan	60	151	3,472	2,573	1,436	692	666	984
All other[3]	34,573	35,787	36,188	190,386	612	610	594	776
Total	80,713	134,106	343,809	541,893	659	635	582	746

[1] The original data were published in kilograms, which were converted to short tons by multiplying by 0.0011023. Because of rounding, figures may not add to the totals shown.

[2] U.S. imports of line pipe from China, as reported in official Commerce Department statistics, in short tons, are: 27,684 (2005), 225,451 (2006), 282,269 (2007), and 118,130 (January to September, 2008).

[3] Major "all other" destinations include the following countries: Algeria, Columbia, Congo, Hong Kong, India, Indonesia, Italy, Singapore, and Thailand. Indonesia accounted for 27 percent of the increase in China's exports of line pipe to "all other" markets from 2007 to January-September 2008; India and Singapore each accounted for 12 percent of the increase.

Note.– The data presented in this table are for HTS 7306.19 (prior to 2007, HTS 7306.10), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

the Bureau of Fair Trade for Imports and Exports, Ministry of Commerce of People's Republic of China; Huludao Steel Pipe Industrial Co. Ltd.; Tianjin Lida Steel Tube Co. and its subsidiaries Tianjin Xingyuda Import and Export Co. and Tianjin Lifengyuanda Steel Group Co. Ltd.; Pangang Group Beihai Steel Pipe Corp.; Shanghai Metals & Minerals Import & Export Corp. d/b/a Shanghai Minmetals Materials & Products Corp.; and Northern Steel Pipe Co., Ltd. The Commission did not receive any completed questionnaires from producers of line pipe in China during the preliminary phase of these investigations and received only one completed questionnaire in the final phase of these investigations from Kunshan Pearl Machinery Industry Co. ("Kunshan Pearl"), a producer of line pipe in China.[23] No responses indicating that the firms in China do not produce the subject merchandise were received.[24]

Information on Kunshan Pearl's line pipe operations and the total operations of the five Chinese producers that participated in the Commission's recently completed investigation concerning *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)) are presented in table VII-2.

Kunshan Pearl, whose exports to the United States in 2006 and 2007 accounted for *** percent and *** percent of total subject Chinese imports, respectively, produced line pipe in China during ***. The company reported *** shipments of line pipe to the home market.[25] The firm indicated that the line pipe it produced, which accounted for *** of its total company sales in 2007, was categorized as *** and was of a *** size (i.e., ***). The firm also reported ***.

The five Chinese producers that participated in the Commission's recently completed investigation concerning *Certain Circular Welded Carbon Quality Steel Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)) reported that they produce circular welded pipe, large diameter line pipe, OCTG, and other pipe on the same equipment and machinery used to produce line pipe. Their total capacity remained unchanged during 2005-07, while total production and capacity utilization increased. Their largest product category was of circular welded pipe. These five producers' aggregate production of small to medium line pipe (i.e., welded line pipe 16 inches or less in outside diameter (excluding dual-stenciled pipe used in standard/structural applications) in China during 2007 relative to total subject imports of line pipe from China represented 47.8 percent.

U.S. IMPORTS SUBSEQUENT TO SEPTEMBER 30, 2008

The following two U.S. importers reported that they had placed orders for line pipe from China for delivery into the United States after September 30, 2008: ***. The following six U.S. importers reported that they had placed orders for line pipe from Korea for delivery into the United States after September 30, 2008: ***. The following six U.S. importers reported that they had placed orders for line pipe from countries other than China and Korea for delivery into the United States after September 30, 2008: ***. Aggregate data reported by these U.S. importers concerning their orders of line pipe are presented in table VII-3.

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[23] The petitioners argue that the Commission should draw an adverse inference with respect to China and should rely on facts available in making its determinations. They add that the Commission "should infer that Chinese producers have substantial excess capacity and inventories that will be used to increase exports to the United States far beyond current levels" and that "Chinese producers are building large volumes of *new* capacity that will soon lead to further shipments to {the U.S.} market." Prehearing brief of U.S. Steel, pp. 38-42; and prehearing brief of Maverick, pp. 1, 4-6, 38, and 60-61.

[24] U.S. importers identified the following Chinese producers as sources for their imports: ***.

[25] The petitioners report that China is "a minor oil and gas producer, with a land rig count of only 10 in October 2008, compared with 2,238 in the United States." They conclude that the Chinese producers of line pipe likely ship comparatively smaller amounts of line pipe to the home market. Prehearing brief of Tex-Tube, et al., p. 11.

Table VII-2
Line pipe: Chinese producers' reported production capacity, production, shipments, and inventories, 2005-07, January-September 2007, and January-September 2008

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
Data from Questionnaire Response of Kunshan Pearl[1]					
* * * * * * *					
Aggregate Data of Five Participating Chinese Producers from Questionnaire Responses in Recently Completed USITC Pipe Investigations					
	Quantity (*short tons*)				
Total plant capacity	1,208,000	1,208,000	1,208,000	(4)	(4)
Production:					
Small/medium line pipe[5]	***	76,976	131,076	(4)	(4)
Circular welded pipe	745,191	926,575	865,844	(4)	(4)
Large diameter line pipe[6]	***	***	***	(4)	(4)
OCTG	***	***	***	(4)	(4)
Other	***	***	***	(4)	(4)
Total, all products	862,617	1,118,234	1,139,810	(4)	(4)
Total plant capacity utilization (*percent*)	71.4	92.6	94.4	(4)	(4)

[1] ***.
[2] ***.
[3] Not applicable.
[4] Not available.
[5] Welded line pipe 16 inches or less in outside diameter (excluding dual-stenciled pipe used in standard/structural applications).
[6] Welded line pipe greater than 16 inches in outside diameter.

Source: Compiled from data submitted by Kunshan Pearl in response to Commission questionnaires in the subject investigations and from data submitted by five producers of line pipe in China in response to Commission questionnaires for *Certain Circular Welded Carbon Quality Steel Line Pipe from China* (Inv. Nos. 701-TA-447 and 731-TA-1116 (Final)).

Table VII-3
Line pipe: U.S. importers' orders after September 30, 2008

* * * * * * *

U.S. IMPORTERS' INVENTORIES

One U.S. importer (***) reported holding U.S. inventories of imported line pipe from China during the period for which data were collected, no firms reported holding inventories of imported line pipe from Korea, and four firms (***) reported holding inventories of imported line pipe produced in countries other than China and Korea. Data collected in these investigations on U.S. importers' end-of-period inventories of line pipe are presented in table VII-4. End-of-period inventories from China increased markedly from 2005 to 2006, then fell *** in 2007. ***, the only U.S. importer reporting U.S. inventories of Chinese line pipe, reported ***.

Table VII-4
Line pipe: U.S. importers' end-of-period inventories of imports, 2005-07, January-September 2007, and January-September 2008

* * * * * * *

ANTIDUMPING AND COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

Based on available information, no known antidumping or countervailing duties on subject line pipe produced in China exist in third-country markets. However, there have been unfair trade findings on standard pipe products. These findings are listed below:

- Commerce issued antidumping and countervailing duty orders on standard pipe from China on July 22, 2008, with antidumping duties ranging from 69.2 to 85.55 percent and countervailing duties ranging from 29.62 to 616.83 percent.[26]
- On August 20, 2008, the Canadian International Trade Tribunal found that Chinese standard pipe imports had injured the Canadian industry, triggering antidumping and countervailing duties amounting up to 179 percent and 113 percent, respectively.[27]
- On September 9, 2007, the EC initiated an antidumping investigation on standard pipe from China, Russia, Belarus, and Bosnia and Herzegovina. The EC's antidumping investigation is still ongoing.[28]
- On May 24, 2007, Australia imposed antidumping duties on welded standard pipe from China.[29]

The petitioners argue that these unfair trade cases involving welded standard pipe "will provide an enormous temptation to Chinese mills that produce both welded standard pipe and line pipe to shift their production to line pipe if given the opportunity to export that product to the United States unchecked." They add that the potential for product-shifting is "substantial" in that line pipe producers in

[26] 73 FR 42545 and 42547, July 22, 2008.

[27] Prehearing brief of Tex-Tube, et al, p. 12; prehearing brief of U.S. Steel, p. 51 (citing the Canadian Border Services Agency website at www.cbsa-asfc.gc.ca and Canadian International Trade Tribunal website at ftp://ftp.citt-tcee.gc.ca/doc/english/Dumping/inquiries/findings_reasons/nq2i001_e.pdf).

[28] Prehearing brief of Tex-Tube, et al, p. 12 (citing the *Official Journal of the European Union*, C 226/7, September 26, 2007); prehearing brief of U.S. Steel, p. 51 (citing European Council, *Antidumping: List of Cases and Statistics: Statistics covering the first eight months of 2008*, available at http://ec.europa.eu/trade/issues/respectrules/anti-dumping/stats.htm at Annex R).

[29] Prehearing brief of U.S. Steel, p. 51 (citing Australian Customs Dumping Notice No. 2007/22, May 24, 2007).

China have "several times the capacity needed to supply both the Chinese market and the entire U.S. market."[30]

INFORMATION ON NONSUBJECT SOURCES

"Bratsk" Considerations

As a result of the Court of Appeals for the Federal Circuit ("CAFC") decision in *Bratsk Aluminum Smelter v. United States* ("Bratsk"), the Commission is directed to:

> *undertake an "additional causation inquiry" whenever certain triggering factors are met: "whenever the antidumping investigation is centered on a commodity product, and price competitive non-subject imports are a significant factor in the market." The additional inquiry required by the Court, which we refer to as the Bratsk replacement / benefit test, is "whether non-subject imports would have replaced the subject imports without any beneficial effect on domestic producers."*[31]

Nonsubject Source Information

During the final phase of these investigations, the Commission sought pricing data from U.S. importers of line pipe from China, Korea, Brazil, Japan, Mexico, Taiwan, and all other countries combined. Those data are presented in appendix D of this report. With respect to foreign nonsubject sources of supply, the Commission sent detailed questionnaires to all known line pipe producers in Korea and abbreviated questionnaires to all known line pipe producers in other major nonsubject countries, sought publicly available information regarding international suppliers of line pipe since 2005 from national import and export statistics, obtained conference and hearing testimony, and conducted interviews with industry sources.

Overview

As discussed in Part IV of this report, the leading nonsubject sources of line pipe are Korea and Mexico; other major nonsubject source countries include Taiwan, Japan, and Brazil. Imports from all nonsubject sources combined accounted for 95.6 percent of total imports in 2005 but, by 2007, had decreased as a share of total imports to 63.6 percent. Figure VII-1 shows the volume of subject and leading nonsubject imports for the period for which data were collected, while figure VII-2 shows the respective average unit values of such imports during the same period.

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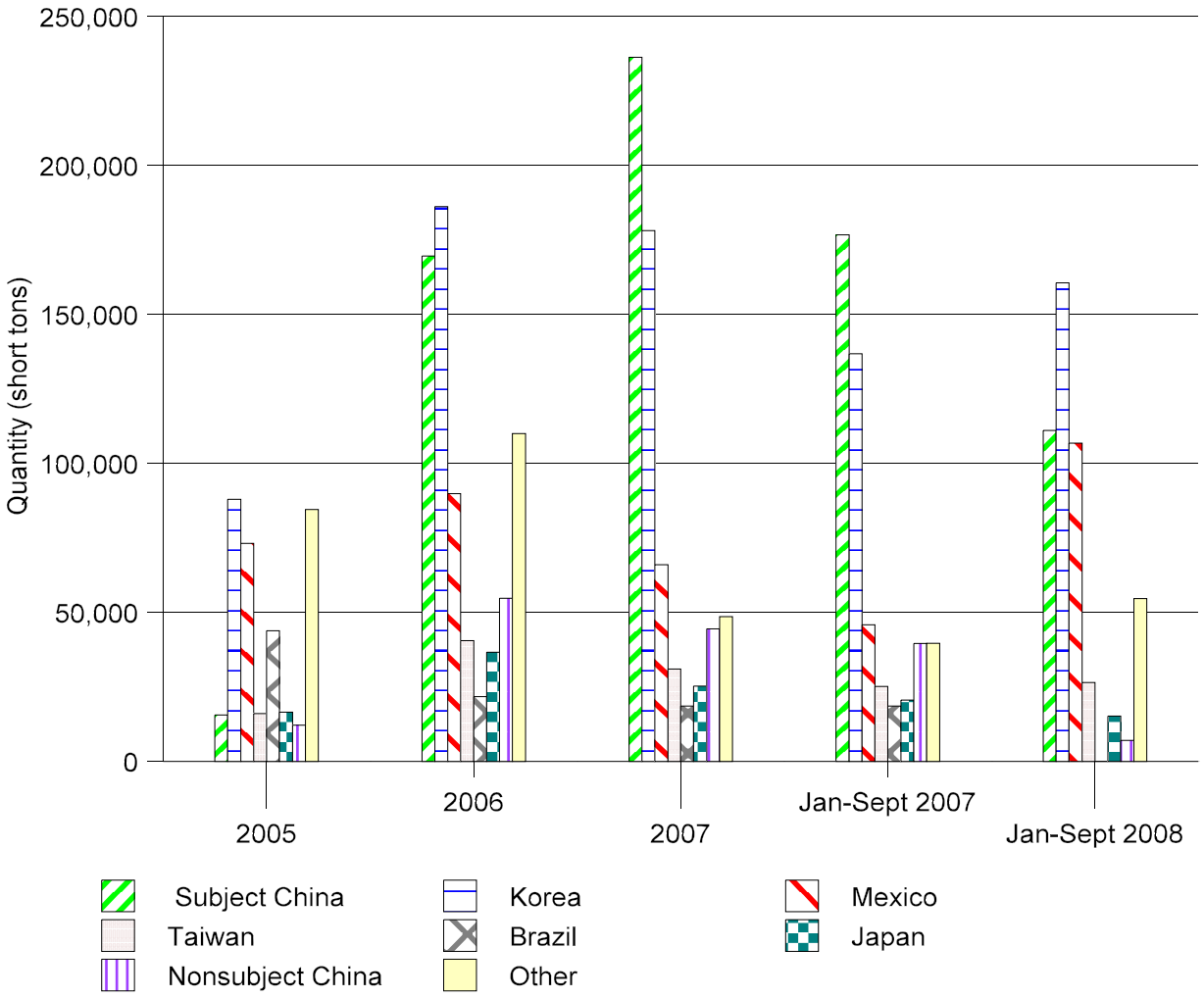
[30] The petitioners add that the Chinese government export policy has encouraged this product shifting by imposing a 15-percent export tax on hot-rolled strip and other welded pipe products, while providing a 13-percent tax rebate on line pipe. They note that China announced in October 2008 that it may further raise the export tax rebate on high value-added steel products. Prehearing brief of U.S. Steel, pp. 50-52; prehearing brief of Tex-Tube, pp. 2 and 11-13; and prehearing brief of Maverick, pp. 24-27 and 61-62.

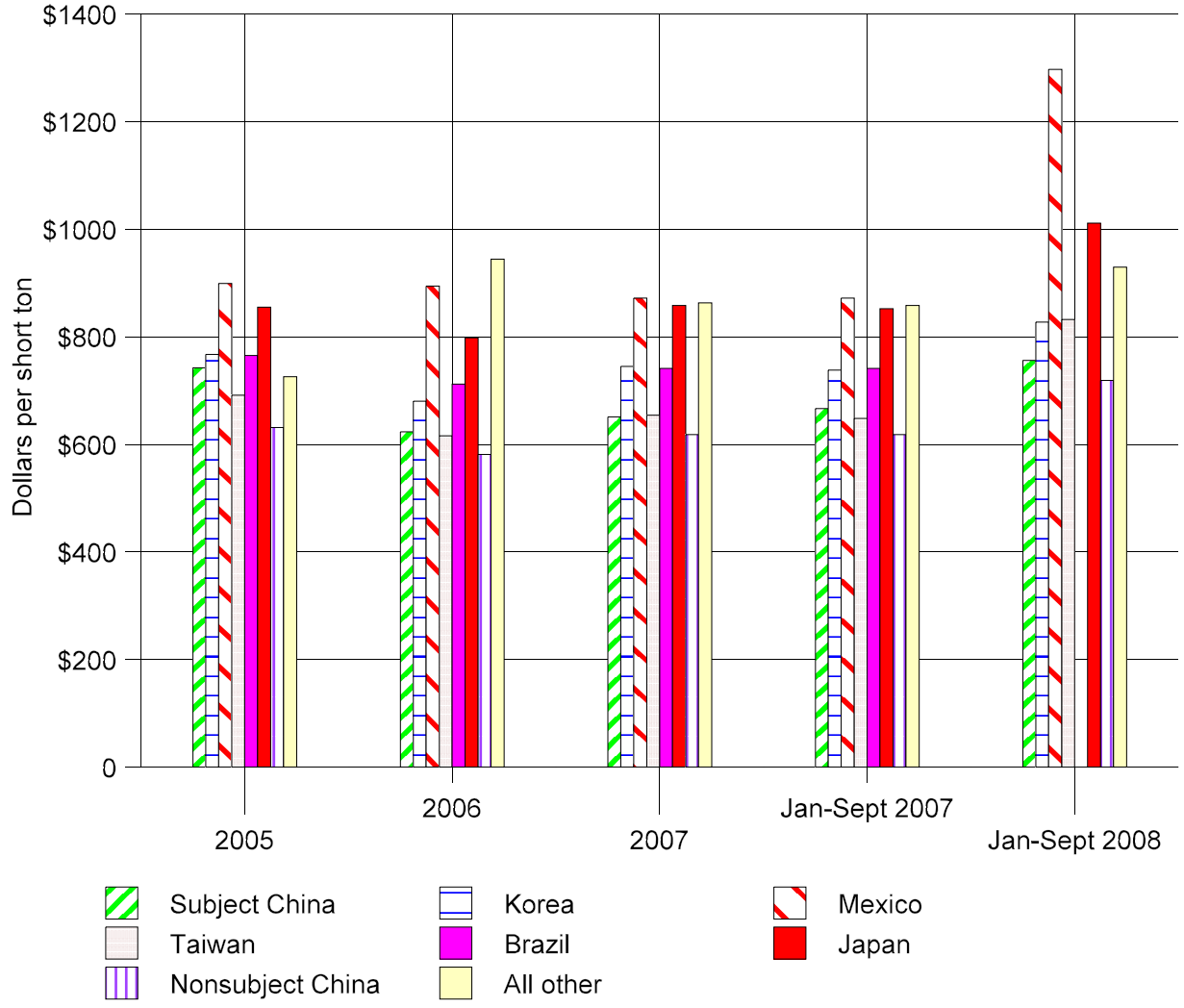
[31] *Silicon Metal from Russia, Inv. No. 731-TA-991 (Second Remand)*, USITC Publication 3910, March 2007, p. 2; citing *Bratsk Aluminum Smelter v. United States*, 444 F.3d at 1375.

Figure VII-1
Line pipe: Quantity of U.S. imports, by sources, 2005-07, January-September 2007, and January-September 2008



Source: Tables IV-3 and IV-4.

Figure VII-2
Line pipe: Average unit values of U.S. imports, by sources, 2005-07, January-September 2007, and January-September 2008



Source: Tables IV-3 and IV-4.

In general, most published data on welded steel pipes and tubes distinguish OCTG and line pipe from all other forms of welded pipe (including standard pipe and various forms of structural and mechanical pipe, pressure pipe, and piling). That is, in terms of demand factors, most analysis focuses on energy applications and structural applications, very broadly defined. In addition, published analyses of supply factors are often grouped at an even more aggregate level, combining all forms of welded pipe, reflecting in part a commonality among raw materials (i.e., hot-rolled sheet and strip and, for thicker pipe and tube, steel plate) and some overlap of production facilities and methods. Accordingly, for the purpose of this market review, information and data are provided based on their availability, and may include both subject and nonsubject welded line pipe.

Line pipe is produced in substantial quantities by welded pipe and tube producers throughout the world. Although figures specifically for global welded line pipe production are not generally available, the WSA publishes data on the global production of the larger product grouping of all welded pipe and tube.[32] As shown in table VII-5, welded pipe and tube production, especially in China, increased between 2004 and 2006.[33]

Table VII-5
Welded steel pipe: Global production, by region, 2004-06

Region	2004	2005	2006
	Quantity *(1,000 short tons)*[1]		
North America:			
United States	1,285	2,897	3,117
Canada	2,995	3,127	3,250
Mexico	612	639	651
Total, North America	4,892	6,662	7,019
Asia:			
China	14,344	19,255	22,144
Japan	7,435	7,081	7,924
Korea	4,701	4,467	4,527
Taiwan	1,204	1,096	1,230
Other Asia	1,860	2,002	2,236
Total, Asia	29,544	33,901	38,061
European Union (15)[2]	10,049	9,984	10,639
Other	2,085	146	1,566
Total	46,570	50,693	57,285

[1] The data presented in this table are for all welded pipe and tube, and so are substantially overstated with respect to the welded line pipe subject to these investigations. Data were not published for the Commonwealth of Independent States, India, South America, Thailand, and Turkey in 2004-06. The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.

[2] The EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Source: World Steel Association, *Steel Statistical Yearbook, 2007.*

[32] WSA, *Steel Statistical Yearbook 2007*. Global and regional production data as published by WSA refer to all welded pipe and tube (including, e.g., mechanical tubing, structural tubing, OCTG, and line pipe), and are therefore *substantially* broader than the subject merchandise. As such, global and regional production data represent general trends and are for illustrative purposes only.

[33] Data for 2007 are not yet available.

Leading Nonsubject Sources of Circular Welded Pipe

The following is an analysis of the world's leading nonsubject exporting countries of welded line pipe that are also important suppliers to the United States. Global trade data provide a measure of the trade flows in subject merchandise, although for international comparisons, only data at the 6-digit level of the Harmonized System ("HS") are available. Table VII-6 presents data for HS 7306.19 (7306.10 prior to 2007), which covers all welded carbon steel line pipe.[34] The data thus also include welded line pipe of an outside diameter larger than 16 inches, which are not subject products in these investigations.

With respect to individual nonsubject countries, table VII-7 provides available information regarding the production capabilities of the countries providing the largest volumes of U.S. imports of line pipe.

Brazil

Production Profile

Producers of welded line pipe and related tubular products in Brazil collectively offer a wide range of products to various international standards including API 5L, with a total reported capacity exceeding 1 million short tons per year (table VII-7). This capacity, however, is likely to be substantially overstated with respect to welded line pipe in the size ranges that are the subject of these investigations.[35] Most of Brazil's producers are equipped with processing facilities that include external and internal coating capabilities.

Tenaris Confab is the country's leading API-certified welded pipe producer with an annual capacity of over half a million short tons. It is an affiliate of Tenaris Group, a global steel and steel products producer headquartered in Luxembourg.[36] Apolo Pipe and Equipments, another leading Brazilian producer, is a joint venture formed in 2007 by U.S. Steel (Lone Star) and Grupo Peixoto de Castro Group, a Brazil conglomerate. The total capacity of the venture is approximately 180,000 short tons with each partner owning one half of the venture. Both the Tenaris Group and Apolo are related to U.S. producers (Maverick and U.S. Steel, respectively).

[34] HS 7306.10 and HS 7306.19 do not include stainless steel line pipe.

[35] A mill typically has several production lines that can manufacture different types of products to various specifications, allowing the company to shift production in response to market conditions. Thus, welded carbon steel line pipe is only one among several products that can be made on a production line.

[36] Tenaris Group is the world's largest tube producer in terms of annual production.

Table VII-6
Line pipe: Global exports, by country, 2005-07 and January-September 2008

Source	2005	2006	2007	Jan.-Sept. 2008	2005	2006	2007	Jan.-Sept. 2008
	Exports (*short tons*)[1]				Unit value *(U.S. $ per short ton)*			
Korea	227,989	309,842	384,615	279,789	691	630	718	873
China	80,713	134,106	343,809	541,893	659	635	582	746
India	112,397	106,959	125,981	-	665	672	985	-
Japan	84,846	86,807	91,056	99,813	1,179	1,013	1,412	1,595
EU27[2]	443,333	640,625	357,642	10,121	939	1,054	1,303	1,469
Turkey	138,222	215,482	83,675	-	852	746	895	
Mexico	94,269	117,946	77,660	70,016	885	890	868	1,196
Malaysia	2,127	928	70,056	-	576	1,251	457	-
United States	112,907	107,699	64,347	69,679	1,017	1,031	951	1,064
Taiwan	20,104	60,878	36,125	-	686	665	649	-
Brazil	49,340	39,577	24,373	8,250	696	908	989	1,488
Russia	63,614	19,030	24,266	-	622	680	809	-
Indonesia	16,696	8,699	24,105	-	793	658	861	-
Venezuela	4,270	7,357	22,148	-	749	708	733	-
Ukraine	62,441	62,398	17,687	-	591	675	713	-
All other	60,637	62,990	45,199	48,981	1,060	1,551	1,202	897
Total	1,573,906	1,981,324	1,792,743	1,128,543	842	875	893	918

[1] The original data were published in both kilograms and metric tons, which were converted to short tons by multiplying by 0.0011023 and 1.1023, respectively. Because of rounding, figures may not add to the totals shown.

[2] The EU27 includes Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Romania, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. The export data presented in the table for EU27 are for total exports for each country. The quantities of external exports for the aggregate EU27 countries are as follows: 109,882 short tons (2005), 268,845 short tons (2006), and 85,750 short tons (2007). The unit values of external exports for the aggregate EU27 countries are as follows: $1,051/short ton (2005), $1,085/short ton (2006), and $1,752/short ton (2007). External export data for EU27 for January-September 2008 are not available.

Note.– The data presented in this table are for HS 7306.19 and HS 7306.10 (prior to 2007), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

Table VII-7
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity[1] *(short tons)*	Product standard(s)	Parent company/related foreign producer
Brazil				
Apolo Pipe and Equipments	Mondesir	99,000	API 5L	A joint venture formed in 2007 between Grupo Peixoto de Castro Group (Brazil) and USS/Lone Star, each owns 50 percent
	Pavuna	84,000		
Apolo Tubulars	São Paulo	150,000[1]	API 5L	(2)
Empresa Brasileira de Solda Eletrica[3]	Rio de Janeiro	5,000	API 5L	(2)
M.F. Persisco Pizzamiglio	Guarulhos	265,000	API 5L	(2)
Metalurgica de Tubos de Precisao	Guarulhos	79,000	(2)	(2)
Tenaris Confab	Moreira Cesar	551,000[1]	API 5L	An affiliate of Tenaris Group (Luxembourg)
	Pinda			
	São Caetano do Sul			
Tubonal	Unidale de Belo Horizonte	(2)	API 5L	(2)
	Unidale de Volta Redonda			
Japan				
JFE Steel Corp.	Chita Works	(2)	API 5L	(2)
	East Japan Work (Chiba)			
	East Japan Works (Keilin)			
	West Japan Work (Fukuyama)			
Maruichi Steel Tube	Iachibana	(2)	API 5L	(2)
	Kashima pole	(2)		
	Kyushu	(2)		
	Nagoya	225,000		
	Osaka	198,000		
	Sakai	529,000		
	Shikoku	(2)		
	Takuma	397,000		
	Tokyo	132,000		
	Tokyo No 2	357,000		

Table continued on next page.

Table VII-7–*Continued*
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity [1] (*short tons)*	Product standards	Parent company/related foreign producer
Mory Industries	Kawachi-nagano Mitsukaido	55,000	API 5L Japanese standards	([2])
Nippon Steel	Hikari Kimitsu Nagoya Tokyo Yawata	4,300,000	API 5L	([2])
Nishimura Koki	Amagasaki Kizugawa (Osaka)	40,000	API 5L	([2])
Osaka Tokushu Kokan (OTK)	Osaka Shiga Tokushima	41,000	API 5L	([2])
Sumitomo Metals	Amagasaki Kainan Kashima Wakayama	3,307,000	API 5L	([2])
Sumitomo Pipe & Tube	Tokyo Kashima	([2])	API 5L	([2])
Toa Gaigyo	Toban	([2])	API 5L	([2])
Usui Kokusai Sangyo Kaisha	Shizuoka	([2])	Line pipe Japanese standards	([2])
Korea				
Husteel	Seoul	***	API 5L	No related foreign producers
Hyundai HYSCO	Seoul	***	API 5L	No related foreign producers
SeAH	Seoul	***	API 5L	No related foreign producers
Mexico				
Procarsa	Frontera	([2])	API 5L	([2])
Pytco S.A. de C.V.[4]	Coahuila	([2])	API 5L	([2])
Talleres Acero Rey S.A. de C.V.	Nuevo Leon	([2])	API 5L	([2])
Ternium Hylsa	Nuevo Leon	265,000	API 5L	([2])

Table continued on following page.

Table VII-7–*Continued*
Line pipe: Locations, capacity,[1] and parent companies of production facilities in nonsubject countries

Firm	Production location(s)	Capacity [1] (*short tons)*	Product standards	Parent company/related foreign producer
Mexico–*Continued*				
Tubacero	Apocada Monterey Villa de Garcia	386,000[1]	API 5L	([2])
Tuberia Laguna	Gomez Palacio	138,000[1]	API 5L	Tylsa Group
Tuberia Nacional Villacero	San Nicolas de los Garza	([2])	API 5L	Villacero Group
Swecomex S.A. de C.V.	Veracruz	([2])	API 5L	([2])
Taiwan				
Femco	Chiayi Tou - Chau	92,420[5] ([2])	API 5L	([2])
Kao Hsing Chang	Kaohsiung	100,000[6]	API 5L	([2])
Yieh Loong	Kaohsiung	110,000	API 5L	([2])

[1] Capacity may be overstated because line pipe is only one among the many products that may be manufactured by the companies' production lines. For example, Apolo Tubulars' total published plant capacity of 150,000 short tons is ***. Confab's total published plant capacity of 551,000 short tons is ***. Tubacero's total published plant capacity of 386,000 short tons is ***. Tuberia Laguna's total published plant capacity of 138,000 short tons is ***.
[2] Not available.
[3] Found at http://www.ebse.com.br/en/prod_tubos_indust.html, retrieved October 10, 2008.
[4] Found at http://www.pytco.com.mx/productos.html, retrieved October 10, 2008.
[5] Email to staff from ***, received August 27, 2008.
[6] Found at http://www.trade-taiwan.org/WebSiteTemp/en/e4.asp?page=3&v_id=75466009, retrieved May 9, 2008.

Sources: Companies' websites, *The Simdex Steel Tube Manufacturers Worldwide Guide, 2008*, and data submitted in response to Commission questionnaires .

Exports

According to Global Trade Atlas, the United States was Brazil's leading foreign market during 2005-07 and accounted for the majority of Brazil's exports in 2007. From 2005 through 2007, Brazil's total export volume steadily decreased by almost one-half to a total of 24,367 short tons in 2007, while its exports to the United States declined by two thirds to about 17,000 short tons (table VII-8).

Table VII-8
Line pipe: Brazil's exports, by quantity and average unit value, 2005-07 and January-September 2008

Source	2005	2006	2007	Jan.–Sept. 2008	2005	2006	2007	Jan.–Sept. 2008
	Exports (*short tons*)[1]				Unit value (*U.S. $ per short ton*)			
United States	47,255	29,886	16,711	-	689	694	714	-
Congo	-	9,134	4,840	-	-	1,567	1,809	-
Bolivia	-	-	962	-	-	-	1,362	-
Venezuela	258	378	861	-	695	690	852	-
Colombia	-	-	731	7,095	-	([2])	1,002	1,156
Angola	5	69	120	-	1,687	1,921	2,844	-
Norway	1,422	-	100	1,155	891	-	2,321	3,525
Belgium	-	-	48	-	([2])	-	1,474	-
Netherlands	-	-	([3])	-	-	-	810	-
Peru	-	-	-	-	-	-	([2])	-
All other	400	109	-	-	798	4,539	1,814	5,748
Total	49,340	39,577	24,373	8,250	696	908	989	1,488

[1] The original data were published in kilograms, which were converted to short tons by multiplying by .0011023. Because of rounding, figures may not add to the totals shown.
[2] Unit values for Belgium (2005), Colombia (2006), and Peru (2007) are $74,390, $19,077, and $47,779, respectively.
[3] Less than 0.5 short tons.

Note.– The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

Line Pipe Operations

Responses to abbreviated questionnaires sent by the Commission in these investigations to line pipe producers in Brazil were received from Apolo Tubulars S.A. ("Apolo") and Confab Industrial SA ("Confab"). Their responses concerning total welded pipe operations are presented in table VII-9 and their responses concerning line pipe of not more than 16 inches in outside diameter are presented in table VII-10. According to these responses, *** percent of the firms' total capacity for welded pipe was allocated to line pipe of not more than 16 inches in outside diameter during 2007. The firms reported *** amount of unused line pipe capacity during 2007, with a calculated aggregate capacity utilization rate at *** percent. Confab reported that during 2007, it shipped ***, while Apolo shipped ***. Their aggregate shipments to the home market accounted for *** percent of total shipments, with exports accounting for the remaining *** percent. Apolo's and Confab's aggregate line pipe inventories held at the end of 2007 were equivalent to *** percent of its line pipe production.

Table VII-9
Welded pipe: Brazilian producers' reported capacity, production, and capacity utilization, 2007

* * * * * * *

Table VII-10
Line pipe: Brazilian producers' reported capacity, production, shipments to the home market, total exports, and end-of-year inventories, 2007

* * * * * * *

Japan

Production Profile

According to the WSA (table VII-5), Japan was the world's second largest producer of welded steel pipe and related tubular products, with a total production of over 7.9 million short tons in 2006, the most recent year for which data are available.[37] There are 10 identified producers of welded line pipe in Japan (table VII-7). The largest producers are Nippon Steel, with a total capacity for tube and pipe of 4.3 million short tons, and Sumitomo Metals with a capacity of over 3.3 million short tons.[38] These quantities, however, are likely to be substantially overstated with respect to welded line pipe in the size ranges that are the subject of these investigations.[39] Indeed, the major Japanese welded pipe producers reported overall capacity of approximately 2.2 million short tons in 2005 and 2006, with 99 percent capacity utilization in both years; welded line pipe with a diameter of 16 inches or less, however, accounted for at most 189,704 short tons in 2005 and 169,711 short tons in 2006.[40]

Export Profile

According to Global Trade Atlas, in 2007, five of the top ten markets for Japan's exports were in Asia. During 2006-07, Japan's line pipe exports to Malaysia quadrupled, causing Malaysia to surpass the United States as the leading market for Japan's welded line pipe exports. Malaysia accounted for approximately 60 percent of Japan's exports (table VII-11). In 2007, Japan also diversified its export markets to regions that are active in energy production and transportation including China, the EU, and the Middle East (table VII-11). As Chinese line pipe has been price-competitive globally, especially in addressing lower quality requirements, Japan reportedly has focused on high quality products, which

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[37] Japan was second only to China (table VII-5) in the production of welded steel pipe.

[38] These companies are also among the world's leading integrated steel producers.

[39] In 1998, four Japanese line pipe producers, accounting for 64 percent of welded line pipe production in Japan, reported an aggregate allocated capacity of 112,801 short tons. *Circular Welded Carbon Quality Line Pipe, Investigation No. TA-201–70,* USITC Publication 3261, December 1999, p. II-33. Staff believes that the largest portion of Japanese welded line pipe capacity remains directed to nonsubject tubular products such as large diameter line pipe.

[40] *Certain Welded Large Diameter Line Pipe from Japan and Mexico, Investigation Nos. 731-TA-919 and 920 (Review),* USITC Publication 3953, October 2007, table IV-21. These data included not only welded line pipe with a diameter of 16 inches or less, but also welded line pipe with a diameter of 64 inches or greater.

Table VII-11
Line pipe: Japan's exports, by quantity and average unit value, 2005-07 and January–September 2008

Destination	2005	2006	2007	Jan.–Sept. 2008	2005	2006	2007	Jan.–Sept. 2008
	Exports (*short tons*)[1]				Unit value (*U.S. $ per short ton*)			
Malaysia	17,748	10,050	51,596	25,763	1,838	1,096	1,516	1,536
United States	15,843	36,553	24,580	31,120	786	737	829	1,121
Norway	2,312	3,495	3,861	3,950	4,477	4,841	5,351	8,059
Vietnam	1,734	2,166	3,446	511	416	355	355	511
China	3,195	909	2,450	6,148	987	822	883	1,113
Nigeria	14,900	4,178	2,201	-	768	790	900	-
Saudi Arabia	-	61	992	([2])	-	1,908	1,128	([2])
Singapore	1,594	2,801	529	416	789	874	1,505	1,765
Indonesia	6,304	7,145	384	8,800	1,009	923	1,000	1,520
Belgium	-	-	306	129	-	-	914	1,714
All other	21,216	19,448	711	22,976	1,020	979	1,916	1,368
Total	84,846	86,807	91,056	99,813	1,179	1,013	1,412	1,595

[1] The original data were published in kilograms, which were converted to short tons by multiplying by 0.0011023. Because of rounding, figures may not add to the totals shown.
[2] Japan's exports to Saudi Arabia during January-September 2008 amounted to 0.13 short tons, with a unit value of $46,395/short ton.

Note.–The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

include some of the highest priced in the world (table VII-6).[41] Although concerns were recently expressed regarding testing irregularities at JFE Steel and Nippon Steel, these companies are well-regarded, and MBR believes that the effect on Japan's reputation and product sales will be minimal.[42]

[41] MBR, *Welded Steel Tube and Pipe Monthly*, September 2008, pp. 8-9; and MBR, *Welded Steel Tube and Pipe Monthly*, June 2008, p. 8. The quality of Chinese products reportedly is improving as China's industry is progressing into higher value-added products. MBR, *Welded Steel Tube and Pipe Monthly*, June 2008, p. 9.

[42] MBR, *Welded Steel Tube and Pipe Monthly*, June 2008, p. 8.

Korea

Production Profile

According to the WSA, Korean production of all welded tubes decreased from nearly 4.7 million short tons in 2004 to over 4.5 million short tons in 2006, when Korea was the third largest single-country producer of welded tube in the world, following China and Japan (see table VII-5).[43] Korea has several line pipe production facilities that manufacture a wide range of sizes and products, including APL 5L and OCTG.

Export Profile

Global Trade Atlas data indicate that Korea has been the world's leading exporter of welded line pipe during 2005-07. Chinese exports are reportedly very price-competitive with Korean products.[44] Korea has gradually increased line pipe exports to other markets, including the growing Middle East and Asia markets during the last three years (table VII-12). However, the United States remains the leading market for Korean welded line pipe, accounting for almost 63 percent of total Korean exports in 2007.

In the U.S. market, MBR reported that line pipe prices are holding up well thanks to firm demand despite falling oil prices and increasing import offers.[45] MBR contends that the rate of growth in Korean line pipe exports will be affected by demand weaknesses in important Korean trading regions including North America, India, Africa, and South Asia.[46]

According to testimony provided by one U.S. importer of line pipe from Korea, Korea's line pipe is well known for its quality, which is regarded as higher than that of Chinese products. Korea's market strategy in the United States is to establish a niche market based on Korean high quality brand names and to sell line pipe through a well-controlled system of distributors. The witness described the United States as a mature, well-established market for Korean products.[47]

The petition in these investigations identified four producers and/or exporters of line pipe in Korea.[48] The Commission sent foreign producer questionnaires to four firms in the preliminary phase of the investigations and received three completed questionnaires and one response indicating that the firm did not produce the subject product.[49] The firms that responded to the Commission's questionnaire in the preliminary phase of the investigations were Hyundai Steel Co., Ltd. ("Hyundai HYSCO"), SeAH Steel Corp. ("SeAH"), and HuSteel. In the final phase of these investigations, only Hyundai HYSCO and HuSteel provided responses to the Commission's request for information. Table VII-13 presents data on the shares of 2007 reported capacity and production in Korea of the Korean producers of line pipe and their estimated shares of total 2007 production of line pipe in Korea. As the data show, the largest of the Korean producers of line pipe is ***, accounting for *** percent of total Korean production of line pipe in 2007, and the largest Korean exporter of line pipe to the United States is ***, accounting for *** percent of total 2007 exports of Korean line pipe to the United States.

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[43] WTA, *Steel Statistical Yearbook 2007*, table 29, p. 70.

[44] MBR, *Welded Steel Tube and Pipe Monthly*, September 2008, p. 8.

[45] MBR, *Welded Steel Tube and Pipe Monthly*, November 2008, p. 3.

[46] MBR, *Welded Steel Tube and Pipe Monthly*, September 2008, pp. 6-7.

[47] Conference transcript, p. 7 (Byun).

[48] Petition, exh. 6b.

[49] The Commission received a response from *** reporting it did not produce line pipe.

Table VII-12
Line pipe: Korea's exports, by quantity and average unit value, 2005-07, and January-September 2008

Destination	2005	2006	2007	Jan.-Sept. 2008	2005	2006	2007	Jan.-Sept. 2008
	Exports (*short tons*)[1]				Unit value (*U.S. $ per short ton*)			
United States	118,883	195,189	240,531	181,579	683	636	688	872
United Arab Emirates	10,193	20,939	23,214	18,066	679	596	717	820
Singapore	19,523	20,738	21,449	9,476	639	580	650	870
Australia	15,171	8,294	17,161	14,136	722	619	716	914
Thailand	12,872	11,429	14,646	7,635	736	634	728	803
Saudi Arabia	824	851	11,129	6,019	564	638	945	1,027
Canada	4,944	8,537	8,566	5,093	696	588	675	1,039
Indonesia	8,428	2,743	6,848	12,343	695	550	679	747
Iran	19,222	14,419	5,964	25	747	560	956	797
South Africa	2,687	2,437	5,438	4,789	703	631	756	855
Turkey	-	429	5,266	-	-	1,203	810	-
Oman	2,165	7,118	4,173	2,483	767	743	1,063	1,011
Mexico	-	1,136	3,650	1,350	-	530	594	667
United Kingdom	(2)	-	2,452	1,399	(2)	-	735	660
Vietnam	13	174	2,101	1,350	(2)	893	842	894
All other	13,064	15,409	12,026	14,046	660	724	976	955
Total	227,989	309,842	384,615	279,789	691	630	718	873

[1] The original data were published in kilograms, which were converted to short tons by multiplying by 0.0011023. Because of rounding, figures may not add to the totals shown.
[2] The 2005 quantity for the United Kingdom is 0.12 short tons; the unit values for the United Kingdom and Vietnam are $4,486 and $21,227, respectively.

Note.– The data presented in this table are for HTS 7306.19 (prior to 2007, HTS 7306.10), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

Table VII-13
Line pipe: Korean producers' reported capacity, production, exports to the United States, and shares of reported capacity, production, and exports to the United States, 2007

* * * * * * *

Table VII-13 also presents data on the shares of 2007 reported exports to the United States for each of the Korean producers and their estimated shares of total exports to the United States of line pipe from Korea in 2007. Reported exports of line pipe from Korea in 2007 exceeded U.S. imports of line pipe from Korea in 2007 according to official statistics.

The estimated share of each firm's total sales represented by sales of line pipe varied widely by firm. *** and *** devoted minor amounts of their sales (i.e., *** percent and *** percent, respectively) to line pipe in 2007; whereas *** devoted *** percent.

Line Pipe Operations

Information on the Korean industry's line pipe operations is presented in table VII-14. Aggregate capacity, production, and capacity utilization of Korean producers increased overall from 2005 to 2007; such aggregate indicators for HuSteel and Hyundai HYSCO for January-September 2007 and January-September 2008 show that while capacity remained unchanged, production and capacity utilization fell.[50] Projections for 2008-09 by the Korean producers reflect stable capacity and declines in production and capacity utilization.[51] ***.

Internal consumption and home market sales combined were consistently less than *** percent of shipments during 2005 to 2007, and are projected to remain less than *** percent in 2008 and 2009. As a share of total shipments, exports to the United States increased steadily from 2005 to 2007, but are projected to decrease in 2008 and 2009. On the other hand, exports to all other markets decreased steadily as a share of total shipments during 2005 to 2007, but are projected to increase in 2008 and 2009. Husteel identified its other major export markets as ***. SeAH identified its other major export markets as ***. Hyundai HYSCO did not identify its other major export markets in its questionnaire response. Inventories held by Korean producers increased overall from December 2005 to December 2007, but are projected to decrease in 2008 and 2009. No firm reported maintaining inventories of line pipe in the United States. No firm reported plans to add, expand, curtail, or shut down production capacity and/or production of line pipe in Korea.[52] According to questionnaire responses, line pipe produced in Korea is not subject to antidumping findings or remedies in any WTO-member countries.

Alternative Products

In addition to line pipe, Korean producers produce standard/structural pipe, large diameter line pipe, OCTG, and other pipe on the same equipment and machinery used to produce line pipe. As presented in table VII-15, the largest product category during 2005-07 was "other" pipe.[53] The largest product category during January-September 2007 and the comparable period in 2008 was standard/structural pipe.

[50] Only HuSteel and Hyundai HYSCO reported data for January-September 2007 and January-September 2008.

[51] ***.

[52] ***.

[53] Korean producers reported other pipe includes ***.

Table VII-14
Line pipe: Korean producers' reported production capacity, production, shipments, and inventories, 2005-07, January-September 2007, January-September 2008, and projected 2008-09[1]

Item	Actual experience					Projections	
				Jan.-Sept.			
	2005	2006	2007	2007	2008	2008	2009
Quantity (*short tons*)							
Capacity	303,359	356,441	343,476	***	***	343,476	343,476
Production	215,125	315,768	335,063	***	***	310,476	309,476
End of period inventories	13,347	22,516	17,959	***	***	12,885	7,670
Shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
The United States	96,322	151,423	195,155	***	***	166,650	161,138
All other markets	102,714	125,201	119,941	***	***	129,082	134,604
Total exports	199,036	276,624	315,096	***	***	295,732	295,742
Total shipments	209,617	306,639	339,620	***	***	315,550	316,765
Ratios and shares (*percent*)							
Capacity utilization	70.9	88.6	97.6	***	***	90.4	90.1
Inventories to production	6.2	7.1	5.4	***	***	4.2	2.5
Inventories to total shipments	6.4	7.3	5.3	***	***	4.1	2.4
Share of total quantity of shipments:							
Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
The United States	46.0	49.4	57.5	***	***	52.8	50.9
All other markets	49.0	40.8	35.3	***	***	40.9	42.5
All export markets	95.0	90.2	92.8	***	***	93.7	93.4

[1] Calendar-year data presented are for Korean producers Husteel, Hyundai HYSCO, and SeAH. Data presented for January-September 2007 and January-September 2008 are for only Korean producers Husteel and Hyundai HYSCO.

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

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

Table VII-15
Line pipe: Korean producers' total plant capacity and production, by products, 2005-07, January-September 2007, and January-September 2008[1]

Item	Calendar year			January-September	
	2005	2006	2007	2007	2008
	Quantity (*short tons*)				
Total plant capacity[2]	2,431,537	2,448,725	2,471,656	***	***
Production:					
Subject line pipe	215,125	315,808	335,063	***	***
Standard/structural pipe	***	***	***	***	***
Large diameter line pipe[3]	***	***	***	***	***
OCTG	207,744	211,374	217,816	***	***
Other[4]	1,065,074	807,485	874,800	***	***
Total production	2,238,265	2,113,915	2,213,867	***	***
Total plant capacity utilization (*percent*)	92.1	86.3	89.6	***	***

[1] Calendar-year data presented are for Korean producers Husteel, Hyundai HYSCO, and SeAH. Data presented for January-September 2007 and January-September 2008 are for only Korean producers Husteel and Hyundai HYSCO.
[2] ***.
[3] Welded line pipe greater than 16 inches in outside diameter.
[4] Other products consist primarily of boiler tube, conduit, large diameter standard/structural pipe, electric pole, and mechanical pipe.

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

Mexico

Production Profile

According to the WSA, Mexico expanded its production of welded line pipe from 612,000 short tons in 2004 to 651,000 short tons in 2006, an increase of 6.5 percent (table VII-5).[54] Mexico's NAFTA membership and its proximity to the U.S. market attract global investment in its steel and steel products industry, especially in the energy-related line pipe business.[55] Most of Mexico's carbon steel products industry is concentrated in the states of Coahuila and Nuevo Leon (Monterrey), both located immediately south of the U.S. border, and in the state of Michoacan.[56]

Several manufacturers have invested both in Mexican and U.S. line pipe production and distribution operations. For example, Luxembourg-based Tenaris, a leading Mexican tube and pipe maker, purchased Houston-based Maverick in 2007, which provides Tenaris a welded line pipe presence in the Gulf region. Villacero, a second Mexican line pipe producer, is the parent company of Houston-

[54] 2006 is the most recent year for which data are available.

[55] Tenaris (Luxembourg) invests in tubular production and distribution facilities both many countries including the NAFTA region.

[56] Email to staff from ***, September 29, 2008.

based Tex-Tube.[57] Tubular Synergy Group ("TSG"), a Dallas-based distributor, has recently signed an agreement to market Tex-Tube's API products in the United States and Canada.[58] Mexican companies typically can produce a wide range of tubular products including line pipe and OCTG, providing the companies with product shifting flexibility.[59]

Table VII-7 identifies eight producers of welded line pipe in Mexico with a reported combined capacity of over 525,000 short tons in 2007. Tubacero is among the largest API-certified Mexican producers with capacity of approximately 386,000 short tons. These quantities, however, are likely to be overstated with respect to the scope of the subject line pipe.[60]

Export Profile

Global Trade Atlas indicates that, in 2007, Mexico was the world's sixth largest exporter of welded line pipe in terms of volume (table VII-6) but its export markets are not well-diversified. In that year, approximately 90 percent of Mexico's exports went to the United States, which has been the leading customer for Mexico's line pipe exports since at least 2005 (table VII-16). Mexico's imports into the United States were typically routed through Laredo, TX.[61] The rest of Mexico's exports are destined primarily for neighboring Carribean and Central American countries.

Line Pipe Operations

Responses to abbreviated questionnaires sent by the Commission in these investigations to line pipe producers in Mexico were received from Tubacero, S.A. de C.V. ("Tubacero") and Tuberia Laguna S.A. de C.V. (Tuberia Laguna"). Their responses concerning total welded pipe operations are presented in table VII-17 and their responses concerning line pipe of not more than 16 inches in outside diameter are presented in table VII-18. According to these responses, *** percent of the firms' total capacity for welded pipe was allocated to line pipe of not more than 16 inches in outside diameter during 2007. The firms reported *** amounts of unused line pipe capacity during 2007, with a calculated aggregate capacity utilization rate at *** percent. However, both Tubacero and Tuberia Laguna reported having shipped *** of their line pipe production to *** market during 2007. Although Tubacero reported *** line pipe inventories at the end of 2007, Tuberia Laguna's inventories accounted for *** of its line pipe production.

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[57] Villacero acquired Houston-based Tex-Tube in 1994.

[58] Maria Guzzo, "*Tex-Tube, Tubular Synergy Sign Marketing Agreement*," American Metal Market, February 20, 2008, found at http://amm.com/2008-02-20__17-46-29.html, retrieved May 8, 2008.

[59] Mexican companies can make line pipe up to API X70, a mid-level API specification in terms of quality.

[60] Although dated, data collected by the Commission indicated that, in 2003, six Mexican line pipe producers reported production of 150,246 short tons of line pipe. Based on an allocated capacity of 332,835 short tons, capacity utilization by these producers was 45.1 percent in 2003. *Certain Circular Welded Carbon Quality Line Pipe from China, Korea, and Mexico, Investigation Nos. 731-TA-1073-1075 (Preliminary)*, USITC Publication 3687, April 2004, table VII-7.

[61] *Certain Circular Welded Quality Line Pipe from China, Korea, and Mexico, Investigation Nos. 731-TA-1073-1075 (Preliminary)*, USITC Publication 3687, April 2004, p. IV-4.

Table VII-16
Line pipe: Mexico's exports, by quantity and average unit value, 2005-07 and January–September 2008

Destination	2005	2006	2007	Jan.–Sept. 2008	2005	2006	2007	Jan.–Sept. 2008
	Exports *(short tons)*[1]				Unit value *(U.S. $ per short ton)*			
United States	75,646	95,666	69,991	67,225	881	866	860	1,206
Venezuela	6,111	10,942	3,836	2,018	949	913	890	879
Colombia	5,750	976	2,463	420	809	890	987	1,072
Guatemala	2,046	700	393	211	866	1,164	964	1,282
Liechtenstein	-	-	364	-	-	-	808	-
Peru	-	-	319	-	-	-	1,368	-
Ecuador	-	-	169	-	-	-	833	-
Uruguay	239	-	99	50	1,091	-	892	952
Costa Rica	-	8,325	18	-	-	1,112	1,819	-
El Salvador	224	275	9	8	892	939	899	2,007
All other	4,254	1,061	-	82	959	895	-	748
Total	94,269	117,946	77,660	70,016	885	890	868	1,196

[1] The original data were published in kilograms, which were converted to short tons by multiplying by 0.0011023. Because of rounding, figures may not add to the totals shown.

Note.–The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

Table VII-17
Welded pipe: Mexican producers' reported capacity, production, and capacity utilization, 2007

* * * * * * *

Table VII-18
Line pipe: Mexican producers' reported capacity, production, shipments to the home market, total exports, and end-of-year inventories, 2007

* * * * * * *

Taiwan

Production Profile

WSA indicates that Taiwan's production level of welded tube and pipe surpassed 1.2 million short tons in 2006, the most recent year for which data are available. In Asia, Taiwan ranked behind China,

Japan, and Korea in total production of welded tube in 2006 (table VII-5).[62] Three welded line pipe producers in Taiwan reportedly have a collective capacity of approximately 300,000 short tons for all tubular products. Taiwan's leading producer is Yieh Loong with total tubular capacity of 110,000 short tons.

Export Profile

According to Global Trade Atlas (table VII-19), the United States accounted for almost 80 percent of Taiwan's total exports in 2007 and has been the primary destination for Taiwan's exports at least since 2005. Taiwan's exports to the United States peaked at 36,237 short tons in 2006 and subsequently fell by almost a quarter of the total in 2007. Taiwan's second largest market, Australia, accounted for 17 percent of the total in 2007. Other important export markets were mainly in Asia.

Table VII-19
Line pipe: Taiwan's exports, by quantity and average unit value, 2005-07 and January–September 2008

Destination	2005	2006	2007	Jan.–Sept. 2008	2005	2006	2007	Jan.–Sept. 2008
	Exports *(short tons)*[1]				Unit value (*U.S. $ per short ton*)			
United States	11,051	36,237	27,904	31,628	641	562	600	785
Australia	3,776	3,466	5,957	7,560	692	592	614	719
Thailand	2,374	992	858	86	683	733	696	3,426
Japan	303	685	720	455	1,904	1,989	2,003	2,478
New Zealand	67	23	290	317	912	587	618	644
Bangladesh	110	141	186	83	641	598	610	661
Singapore	1,539	94	62	99	677	549	669	694
United Arab Emirates	83	-	60	-	606	-	483	-
Hong Kong	33	44	41	21	2,580	2,186	2,273	2,906
China	82	54	39	-	919	1,324	([2])	-
All other	686	19,143	10	2,143	741	820	3,450	1,084
Total	20,104	60,878	36,125	42,392	686	665	649	812

[1] The original data were published in metric tons, which were converted to short tons by multiplying by 1.1023. Because of rounding, figures may not add to the totals shown.
[2] In 2007, the unit value for China is $13,203.

Note.– The data presented in this table are for HS 7306.19 and 7306.10 (prior to 2007), which cover all welded line pipe excluding stainless steel. The data thus include welded line pipe of an outside diameter larger than 16 inches, which is not subject to these investigations.

Source: Compiled from *Global Trade Atlas*.

[62] WSA, *Steel Statistical Yearbook-2007*, table 29, p. 70.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–455 (Final) and 731–TA–1149–1150 (Final)]

Circular Welded Carbon Quality Steel Line Pipe From China and Korea

AGENCY: United States International Trade Commission.

ACTION: Scheduling of the final phase of countervailing duty and antidumping investigations.

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of countervailing duty investigation No. 701–TA–455 (Final) under section 705(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)) (the Act) and the final phase of antidumping investigation Nos. 731–TA–1149–1150 (Final) under section 735(b) of the Act (19 U.S.C. 1673d(b)) 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 subsidized imports from China and less-than-fair-value imports from China and Korea of certain circular welded carbon quality steel line pipe, provided for in subheadings 7306.19.10 and 7306.19.51 [1] of the Harmonized Tariff Schedule of the United States.[2]

For further information concerning the conduct of this phase of the investigations, 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).

DATES: *Effective Date:* September 9, 2008.

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

SUPPLEMENTARY INFORMATION:

Background.—The final phase of these investigations is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that certain benefits which constitute subsidies within the meaning of section 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in China of certain circular welded carbon quality steel line pipe. The antidumping and countervailing duty investigations were requested in a petition filed on April 3, 2008, by Maverick Tube Corp. (Houston, TX), Tex-Tube Co. (Houston, TX), U.S. Steel Corp. (Pittsburgh, PA), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (Pittsburgh, PA).

The Department of Commerce has postponed its preliminary determinations as to whether imports of certain circular welded carbon quality steel line pipe from China and Korea are being, or are likely to be sold, in the United States at less than fair value.[3] For purposes of efficiency, the Commission is scheduling the final phase of the antidumping investigations concerning China and Korea so that they may proceed concurrently with the Commission's countervailing duty investigation concerning China.

Participation in the investigations 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 these investigations 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 investigations 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 investigations.

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 these investigations available to authorized applicants under the APO issued in the investigations, 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 investigations. A party granted access to BPI in the preliminary phase of the investigations 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 these investigations will be placed in the nonpublic record on November 10, 2008, 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 these investigations beginning at 9:30 a.m. on November 24, 2008, 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 November 17, 2008. 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 November 19, 2008, 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 business days prior to the date of the hearing.

[1] Prior to February 2, 2007, the subject merchandise was provided for in subheadings 7306.10.10 and 7306.10.50.

[2] For purposes of these investigations, the Department of Commerce has defined the subject merchandise as circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (line pipe), not more that 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States. For additional information concerning the scope of the subject merchandise from Korea, *see* 73 FR 23184, April 29, 2008. For additional information concerning the scope of the subject merchandise from China, *see* 73 FR 52297, September 9, 2008.

[3] Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigations, 73 FR 50941, August 29, 2008. Commerce is scheduled to make its preliminary determinations by October 30, 2008.

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 November 17, 2008. 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 December 2, 2008; 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 investigations may submit a written statement of information pertinent to the subject of the investigations, including statements of support or opposition to the petition, on or before December 2, 2008. On December 15, 2008, 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 December 17, 2008, 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). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II(C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

Additional written submissions to the Commission, including requests pursuant to section 201.12 of the Commission's rules, shall not be accepted unless good cause is shown for accepting such submissions, or unless the submission is pursuant to a specific request by a Commissioner or Commission staff.

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

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

By order of the Commission.

Issued: September 17, 2008.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–22086 Filed 9–19–08; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731–TA–1014, 1016, and 1017 (Review)]

Polyvinyl Alcohol from China, Japan, and Korea

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping duty orders on polyvinyl alcohol from China, Japan, and Korea.

SUMMARY: The Commission hereby gives notice of the scheduling of full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. § 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders on polyvinyl alcohol from China, Japan, and Korea would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. For further information concerning the conduct of these reviews 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, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* September 11, 2008.

FOR FURTHER INFORMATION CONTACT: Angela Wissler (202–708–5409), Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background.—On September 5, 2008, the Commission determined that responses to its notice of institution of the subject five-year reviews were such that full reviews pursuant to section 751(c)(5) of the Act should proceed (73 F.R. 53444, September 16, 2008). A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements are available from the Office of the Secretary and at the Commission's Web site.

Participation in the reviews 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 these reviews 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, by 45 days after publication of this notice. A party that filed a notice of appearance following publication of the Commission's notice of institution of the reviews need not file an additional notice of appearance. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the reviews.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these reviews available to authorized applicants under the APO issued in the reviews, provided that the application is made by 45 days after publication of this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the reviews. A party granted access to BPI following publication of the Commission's notice of institution of the reviews 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 reviews will be placed in the nonpublic record on January 7, 2009, and a public version will be issued thereafter, pursuant to section 207.64 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the

Scope of the Review

Imports covered by the order are shipments of SSB. SSB means articles of stainless steel in straight lengths that have been either hot-rolled, forged, turned, cold-drawn, cold-rolled or otherwise cold-finished, or ground, having a uniform solid cross section along their whole length in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, hexagons, octagons, or other convex polygons. SSB includes cold-finished SSBs that are turned or ground in straight lengths, whether produced from hot-rolled bar or from straightened and cut rod or wire, and reinforcing bars that have indentations, ribs, grooves, or other deformations produced during the rolling process.

Except as specified above, the term does not include stainless steel semi-finished products, cut-to-length flat-rolled products (*i.e.*, cut-to-length rolled products which if less than 4.75 mm in thickness have a width measuring at least 10 times the thickness, or if 4.75 mm or more in thickness having a width which exceeds 150 mm and measures at least twice the thickness), wire (*i.e.*, cold-formed products in coils, of any uniform solid cross section along their whole length, which do not conform to the definition of flat-rolled products), and angles, shapes, and sections.

The SSB subject to these reviews is currently classifiable under subheadings 7222.11.00.05, 7222.11.00.50, 7222.19.00.05, 7222.19.00.50, 7222.20.00.05, 7222.20.00.45, 7222.20.00.75, and 7222.30.00.00 of the *Harmonized Tariff Schedule of the United States* (''HTSUS''). Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of the order is dispositive.

On May 23, 2005, the Department issued a final scope ruling that SSB manufactured in the United Arab Emirates out of stainless steel wire rod from India is not subject to the scope of this order. *See* Memorandum from Team to Barbara E. Tillman, ''Antidumping Duty Orders on Stainless Steel Bar from India and Stainless Steel Wire Rod from India: Final Scope Ruling,'' dated May 23, 2005, which is on file in the Central Records Unit in room 1117 of the main Department building. *See also Notice of Scope Rulings,* 70 FR 55110 (September 20, 2005).

Final Results of Changed Circumstances Review

For the reasons stated in the preliminary results, and because the Department did not receive any comments following the preliminary results of this review, the Department continues to find that India Steel is the successor-in-interest to Isibars for antidumping duty cash deposit purposes.

Instructions to U.S. Customs and Border Protection

The Department will instruct CBP to suspend liquidation of all shipments of the subject merchandise produced and exported by India Steel entered, or withdrawn from warehouse, for consumption on or after the publication date of this notice at 2.01 percent (*i.e.*, Isibars's cash deposit rate). This deposit rate shall remain in effect until publication of the final results of the next administrative review in which India Steel participates.

This notice also serves as a reminder to parties subject to administrative protective orders (''APO'') of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.306. Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a sanctionable violation.

This notice in accordance with sections 751(b) and 777(i)(1) of the Act, and sections 351.216(e) and 351.221(c)(3)(i) of the Department's regulations.

Dated: October 30, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E8–26393 Filed 11–5–08; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

(A–570–935)

Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination

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

EFFECTIVE DATE: November 6, 2008.

SUMMARY: The Department of Commerce (''Department'') preliminarily determines that certain circular welded carbon quality steel welded line pipe (''welded line pipe'') from the People's Republic of China (''PRC'') is being, or is likely to be, sold in the United States at less than fair value (''LTFV''), as provided in section 733 of the Tariff Act of 1930, as amended (''the Act''). The estimated dumping margins are shown in the ''Preliminary Determination'' section of this notice.

FOR FURTHER INFORMATION CONTACT: Jeff Pedersen or Rebecca Pandolph, AD/CVD Operations, Office 4, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC, 20230; telephone: (202) 482–2769 or 482–3627, respectively.

SUPPLEMENTARY INFORMATION:

Background

On April 3, 2008, the Department received a petition concerning imports of welded line pipe from the PRC and the Republic of Korea (''Korea'') filed in proper form by United States Steel Corporation (''U.S. Steel''), Maverick Tube Corporation (''Maverick''), Tex–Tube Company (''Tex–Tube''), and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, and AFL–CIO-CLC (''United Steelworkers'') (collectively, ''Petitioners''). *See* Imposition of Antidumping and Countervailing Duties: Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea, dated April 3, 2008 (in four volumes) (''Petition''). On April 23, 2008, the Department initiated antidumping duty investigations of welded line pipe from the above–mentioned countries. *See Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188 (April 29, 2008) (''*Initiation Notice*'').

Also, on April 23, 2008, the Department issued a quantity and value (''Q&V'') questionnaire to each of the 65 companies identified by the Petitioners as potential exporters or producers of welded line pipe from the PRC. *See* supplement to the petition at Exhibit II–Supp I, dated April 14, 2008. The Department received timely responses to its Q&V questionnaire from the following nine companies: Benxi Northern Steel Pipes Co., Ltd. (''Benxi''); Huludao Steel Pipe Industrial Co., Ltd.(''Huludao Pipe''); Pangang Group Behai Pipe Corporation (''Pangang''); Shanghai Metals & Minerals Import & Export Corp. d/b/a Shanghai Minmetals Materials & Products Corp. (''Shanghai

Metals''); Tianjin Xingyuda Import and Export Company (''Tianjin''); Nanjing HuaDong Steel Pipes Manufacturing Co., Ltd. (''Nanjing''); Shashi Steel Pipe Works, SINOPEC (''Shashi''); Xuzhou Guanghuan Steel Tube Co., Ltd. (''Xuzhou''); and Jiangsu Yulong Steel Pipe Co., Ltd. (''Jiangsu Yulong''). On May 20, 2008, the Department rejected the Q&V responses submitted by Nanjing, Shashi, Xuzhou, and Jiangsu Yulong because they were improperly filed. The Department requested that Nanjing, Shashi, Xuzhou, and Jiangsu Yulong correct certain filing deficiencies. *See* Letters to Nanjing, Shashi, Xuzhou, and Jiangsu Yulong, dated May 20, 2008. The Department received information indicating that Nanjing, Shashi, and Xuzhou had received the Department's May 20, 2008, letter, but Nanjing, Shashi, and Xuzhou did not refile their submissions. The Department did not have any information to whether Jiangsu Yulong had received the May 20, 2008, letter and on July 15, 2008, the Department sent a letter to Jiangsu Yulong requesting that it explain why it had failed to respond to the Department's May 20, 2008, letter, in which the Department requested that the company properly refile its Q&V response. *See* Letter to Ms. Tang Wei–jun regarding, Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China, dated July 15, 2008. On July 28, 2008, Jiangsu Yulong resubmitted its Q&V response and explained that it had not responded to the Department's May 20, 2008, letter concerning its improperly filed Q&V response because it had not received the letter. *See* Letter to the Department from Jiangsu Yulong, dated July 28, 2008.

On May 13, 2008, the Department received product matching comments from one of the Petitioners, Maverick, and scope comments from Wheatland Tube Company (''Wheatland''), a domestic producer. *See* the ''Scope Comments'' section of this notice for further details. On May 27, 2008, the Department received comments from Maverick on the record of this investigation rebutting model matching comments submitted in the Korean investigation of welded line pipe.

On May 16, 2008, the International Trade Commission (''ITC'') preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of welded line pipe from the PRC and Korea. *See Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Investigation Nos. 701–TA–455 and 731–TA–1149–1150 (Preliminary)*, 73 FR 31712 (June 3, 2008).

On May 27, 2008, the Department received comments from Maverick regarding respondent selection. No other party submitted comments regarding respondent selection.

The Department received separate rate applications from Huludao Pipe on June 23, 2008, and from Benxi, Pangang, Shanghai Metals, Tianjin, and Jiangsu Yulong on June 30, 2008.

On June 3, 2008, and July 9, 2008, the Department selected Huludao Pipe and Shanghai Metals, respectively, as mandatory respondents. *See* Memoranda to File: ''Respondent Selection in the Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe (welded line pipe) from the People's Republic of China (PRC),'' from Rebecca Pandolph through Howard Smith and Abdelali Elouradia, dated June 3, 2008, and ''Amendment to Respondent Selection in the Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China,'' from Jeffrey Pedersen and Rebecca Pandolph through Howard Smith and Abdelali Elouradia, dated July 9, 2008.

The Department issued its antidumping questionnaire to Huludao Pipe and Shanghai Metals on June 4, 2008, and July 9, 2008, respectively. The Department issued supplemental questionnaires to, and received responses from, the mandatory and separate rate respondents from July 2008 through October 2008. The Petitioners submitted comments to the Department regarding the questionnaire and supplemental questionnaire responses of the mandatory and separate rate respondents from July 2008 through September 2008.

On July 29, 2008, the Department released to interested parties a memorandum which listed potential surrogate countries and invited interested parties to comment on surrogate country and factor value selection. See Letter to All Interested Parties from Howard Smith, Program Manager, Office 4, concerning ''Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China,'' dated July 29, 2008.

On August 8, 2008, Maverick and U.S. Steel, two of the petitioning firms, submitted comments on surrogate country selection in which they both recommended selecting India as the surrogate country in this investigation. *See* Letter from Maverick, regarding Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Comments on the Proper Surrogate Country, dated August 8, 2008, and Letter from U.S. Steel, regarding Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Surrogate Country Selection, dated August 8, 2008.

On August 12, 2008, Maverick and U.S. Steel requested postponement of the preliminary determination. On August 21, 2008, the Department extended this preliminary determination by fifty days. *See Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigation*, 73 FR 50941 (August 29, 2008).

On October 3, 2008, Shanghai Metals requested that the Department extend the final determination in this case. *See* the ''Postponement of Final Determination and Extension of Provisional Measures'' section of this notice below.

On September 2 and September 9, 2008, the Petitioners and Huludao Pipe submitted comments on, and calculations for, the surrogate values. On September 15, 2008, Petitioners and Huludao Pipe submitted rebuttal comments regarding surrogate values. The submitted surrogate value data are from India.

On September 30, 2008, the Petitioners and Huludao Pipe submitted comments to be considered in the Department's preliminary determination.

Period of Investigation

The period of investigation (''POI'') is October 1, 2007, through March 31, 2008. This period comprises the two most recently completed fiscal quarters as of the month preceding the month in which the petition was filed (*i.e.*, April 2008). *See* 19 CFR 351.204(b)(1).

Scope of the Investigation

The merchandise covered by this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (welded line pipe), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (''HTSUS''). Specifically, the term

''carbon quality'' includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:
(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (''API'') (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non–graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple–stenciled pipe with an API welded line pipe stencil is covered by the scope of this investigation.

Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple–stenciled to a standard and/or structural specification and have one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term ''painted'' does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

The welded line pipe products that are the subject of these investigations are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

Scope Comments

In the *Initiation Notice*, the Department stated that the scope of the welded line pipe investigations may cover certain merchandise potentially subject to the on–going antidumping duty and countervailing duty investigations of circular welded pipe (''CWP'') from the PRC. The Department went on to note in the *Initiation Notice* that once certain scope issues in the CWP investigations have been resolved, it intended to reexamine the welded line pipe scope language to ensure that there was no overlap between the scope of the CWP and welded line pipe investigations. *See Initiation Notice*, 73 FR 23188, 23189. Moreover, in accordance with the preamble to the Department's regulations, the Department stated in the *Initiation Notice* that it would set aside a period of time for parties to raise issues regarding product coverage, and encouraged all parties to submit comments within 20 calendar days of publication of that notice. *See Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323, (May 19, 1997) and *Initiation Notice*. The Department received scope comments from Wheatland, a domestic producer, requesting that the Department modify the welded line pipe scope to take into account the scope definition ultimately set out in the CWP investigations. *See* Letter from Wheatland, regarding Comments on Scope of Investigations, dated May 13, 2008.

Given that the scope issue in the CWP investigation has been resolved, we have modified the scope of the welded line pipe investigations to eliminate the overlap that existed between the CWP and welded line pipe investigations. Specifically, we added the following language to the scope description:[1]

> Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple–stenciled to a standard and/or structural specification and have one or more of the following characteristics:[2] is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term ''painted'' does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

Non–Market Economy Treatment

The Department considers the PRC to be a non–market economy (''NME'') country. In accordance with section 771(18)(C)(i) of the Act, any determination that a country is an NME country shall remain in effect until revoked by the administering authority. *See Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of 2001–2002 Administrative Review and Partial Rescission of Review*, 68 FR 7500 (February 14, 2003), unchanged in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China: Final Results of 2001–2002 Administrative Review and Partial Rescission of Review*, 68 FR 70488 (December 18, 2003). The Department has not revoked the PRC's status as an NME country. Therefore, in this preliminary determination, we continued to treat the PRC as an NME country and apply our current NME methodology.

Selection of a Surrogate Country

In an investigation involving imports from NME countries, section 773(c)(1) of the Act directs the Department to generally base normal value (''NV'') on the value of the NME producer's factors of production. In accordance with section 773(c)(4) of the Act, in valuing the factors of production, the Department shall utilize, to the extent possible, the prices or costs of factors of production in one or more market economy countries that are at a level of economic development comparable to that of the NME country and are significant producers of merchandise comparable to the subject merchandise.

The Department has determined that Colombia, India, Indonesia, the Philippines, and Thailand are countries that are at a level of economic development comparable to that of the PRC. *See* Memorandum regarding ''Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Request for a List of Surrogate Countries,'' dated May 27, 2008 (''Policy Memorandum''). From among these economically comparable countries, the Department has preliminarily selected India as the surrogate country for this investigation because it determined that: (1) India is a significant producer of merchandise comparable to the subject merchandise and (2) reliable Indian data for valuing the factors of production are

[1] *See* Memorandum to Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director, Office 4 Operations, regarding ''Antidumping and Countervailing Duty Investigations of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Scope Modification,'' dated August 29, 2008 (''Scope Modification Memorandum'').

[2] This sentence differs from the language contained in the Scope Modification Memorandum''. The language in the Scope Modification Memorandum is as follows: ''Excluded from this scope are pipes that are multiple-stenciled to a standard and/or structural specification and to any other specification, such as the API-5L specification, when it also has one or more of the following characteristics.''

readily available. *See* Memorandum to Abdelali Elouaradia, Office Director, through Howard Smith, Program Manager, from Jeffrey Pedersen and Rebecca Pandolph, International Trade Compliance Specialists, concerning ''Antidumping Duty Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Selection of a Surrogate Country,'' dated September 22, 2008.

Separate Rates

In the *Initiation Notice*, the Department notified parties of the recent application process by which exporters and producers may obtain separate–rate status in NME investigations. *See Initiation Notice*, 73 FR 23188, 23193. The process requires exporters and producers to submit a separate–rate status application. *See also Policy Bulletin 05.1: Separate–Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non–Market Economy Countries*, (April 5, 2005), available at http://ia.ita.doc.gov (*Policy Bulletin 05.1*).[3] However, the standard for eligibility for a separate rate, which is whether a firm can demonstrate an absence of both *de jure* and *de facto* governmental control over its export activities, has not changed.

In proceedings involving NME countries, the Department has a rebuttable presumption that all companies within the country are subject to government control and thus should be assessed a single antidumping duty rate. It is the Department's policy to assign all exporters of merchandise subject to investigation in an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate. Exporters can demonstrate this independence through the absence of both *de jure* and *de facto* governmental control over export activities. The Department analyzes each entity exporting the subject merchandise under a test arising from the *Notice of Final Determination of Sales at Less Than Fair Value: Sparklers from the People's Republic of China*, 56 FR 20588 (May 6, 1991) (''Sparklers''), as further developed in *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide from the People's Republic of China*, 59 FR 22585 (May 2, 1994) (''*Silicon Carbide*''). However, if the Department determines that a company is wholly foreign–owned or located in a market economy, then a separate rate analysis is not necessary to determine whether it is independent from government control.

A. Separate Rate Applicants

Joint Ventures Between Chinese and Foreign Companies or Wholly Chinese-Owned Companies

All of the separate rate applicants in this investigation, including the mandatory respondents Huludao Pipe and Shanghai Metals, stated that they are either joint ventures between Chinese and foreign companies or are wholly Chinese–owned companies (collectively, ''PRC SR Applicants''). Therefore, the Department must analyze whether these respondents can demonstrate the absence of both de jure and de facto governmental control over export activities.

a. Absence of De Jure Control

The Department considers the following de jure criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated with an individual exporter's business and export licenses; (2) any legislative enactments decentralizing control of companies; and (3) other formal measures by the government decentralizing control of companies. *See Sparklers*, 56 FR at 20589 at Comment 1.

The evidence provided by Benxi, Huludao Pipe, Pangang, Shanghai Metals, Tianjin, and Jiangsu Yulong supports a preliminary finding of *de jure* absence of governmental control based on the following: (1) an absence of restrictive stipulations associated with the individual exporters' business and export licenses; (2) there are applicable legislative enactments decentralizing control of the companies; and (3) and there are formal measures by the government decentralizing control of companies. *See e.g.* Huludao's June 23, 2008 Separate Rate Application (''Huludao SRA'') and Benxi's June 23, 2008 Separate Rate Application (''Benxi SRA'').

b. Absence of De Facto Control

Typically the Department considers four factors in evaluating whether each respondent is subject to *de facto* governmental control of its export functions: (1) whether the export prices are set by or are subject to the approval of a governmental agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding disposition of profits or financing of losses. See Silicon Carbide, 59 FR at 22586–87; *see also Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995). The Department has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of governmental control which would preclude the Department from assigning separate rates.

The Petitioners argue that Shanghai Metals, Benxi, and Pangang are directly or indirectly controlled by the PRC government and should, therefore, not be granted separate rates. For example, the Petitioners maintain that Shanghai Metals was a state–owned enterprise during the POI and that two of its employees were former employees of the PRC government. *See* Letter from U.S. Steel regarding ''Certain Circular Welded Carbon Quality Line Pipe From the People's Republic of China,'' dated August 15, 2008. Accordingly, the Petitioners argue that these three entities are ineligible for a separate rate. *See* Letters from Maverick and U.S. Steel, dated July 15, 2008, regarding Shanghai Metal's, Benxi's, and Pangang's separate rate applications. However, the Department has previously granted separate rate status to both wholly state–owned producers and producers whose stock was partially owned by a government state assets management company when evidence of actual government control was not present. *See Lightweight Thermal Paper From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 57329 (October 2, 2008) and the accompanying Issues and Decisions Memorandum at Comment 7. Absent evidence of de facto control over export

[3] *Policy Bulletin 05.1* states: ''while continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applied both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of ''combination rates'' because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.'' *See Policy Bulletin 05.1* at 6.

activities, government ownership alone does not warrant denying a company a separate rate.[4] The Petitioners have not provided any evidence of government participation in the export decisions of the directors and or managers of Shanghai Metals, Benxi, or Pangang.

We preliminarily determine that the evidence placed on the record of this investigation by all of the PRC SR Applicants demonstrates an absence of *de facto* government control of exports of the merchandise under investigation, in accordance with the criteria identified in *Sparklers* and *Silicon Carbide*. Shanghai Metals, Benxi, and Pangang all certified that their export prices are not set by, subject to the approval of, or in any way controlled by a government entity at any level and that they have independent authority to negotiate and sign export contracts, providing price negotiation documents for their first U.S. sale. *See, e.g.*, Shanghai Metals' June 30, 2008, Separate Rate Application (''Shanghai Metals SRA''), Benxi SRA, dated June 30, 2008, and Pangang's July 1, 2008, Separate Rate Application (''Pangang SRA''). Shanghai Metals also reported that according to its articles of association, the general assembly of employee representatives has the right to select the general manager and to decide how profits will be distributed. *See* Shanghai Metals SRA, dated June 30, 2008, at 14–16. Benxi reported that according to its articles of association, its board of directors has the right to appoint the general manager and to decide how profits will be distributed. See Benxi SRA, dated June 30, 2008, at 13–15. Pangang submitted a board resolution and an internal notice of a new appointment which demonstrates its independent selection of management. See Pangang SRA, dated July 1, 2008, at Exhibit 10. Moreover, Shanghai Metals reported that neither of the two employees named by the Petitioners worked for the PRC government and it provided the employment history for the two employees. *See* Letter from Shanghai Metals regarding ''Circular Welded Carbon Quality Line Pipe from China–Response to Petitioners' Allegations,'' dated August 25, 2008. Additionally, the other PRC SR applicants all submitted evidence that supports a preliminary finding of *de facto* absence of governmental control. *See, e.g.*, Huludao Pipe SRA, dated June 23, 2008, Jiangsu Yulong's June 30, 2008, Separate Rate Application and Tianjin's June 30, 2008 Separate Rate Application. Thus, we preliminarily determine that there is an absence of both *de jure* and *de facto* government control with respect to each of the PRC SR Applicants.

Therefore, the Department has preliminarily granted separate rate status to the following companies: Benxi, Huludao Pipe, Pangang, Shanghai Metals, Tianjin, and Jiangsu Yulong. The Department has calculated company–specific dumping margins for the two mandatory respondents, Huludao Pipe and Shanghai Metals, and assigned the other companies that have been granted a separate rate a dumping margin equal to a simple average of the dumping margins calculated for the two mandatory respondents.

B. Companies Not Receiving a Separate Rate

The Department has determined that all parties applying for a separate rate in this segment of the proceeding have demonstrated an absence of government control both in law and in fact (see discussion above), and is, therefore, granting separate rate status to all applicants.

The PRC–Wide Entity

Although PRC exporters of subject merchandise to the United States were given an opportunity to provide Q&V information to the Department, not all exporters responded to the Department's request for Q&V information.[5] Based upon our knowledge of the volume of imports of subject merchandise from the PRC, we have concluded that the companies that responded to the Q&V questionnaire do not account for all U.S. imports of subject merchandise from the PRC made during the POI. We have treated the non–responsive PRC producers/exporters as part of the PRC–wide entity because they did not qualify for a separate rate.

Section 776(a)(2) of the Act provides that the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination if an interested party: (A) withholds information that has been requested by the Department; (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act; (C) significantly impedes a proceeding under the antidumping statute; or (D) provides such information but the information cannot be verified.

As noted above, the PRC–wide entity withheld information requested by the Department. As a result, pursuant to section 776(a)(2)(A) of the Act, we find it appropriate to base the PRC–wide dumping margin on facts available. *See Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets From the Socialist Republic of Vietnam*, 68 FR 4986 (January 31, 2003), unchanged in *Notice of Final Antidumping Duty Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 37116 (June 23, 2003).

Section 776(b) of the Act provides that, in selecting from among the facts otherwise available, the Department may employ an adverse inference if an interested party fails to cooperate by not acting to the best of its ability to comply with requests for information. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Cold–Rolled Flat–Rolled Carbon–Quality Steel Products From the Russian Federation*, 65 FR 5510, 5518 (February 4, 2000); *see also Statement of Administrative Action*, accompanying the Uruguay Round Agreements Act , H.R. Rep. No. 103–316, Vol. I at 843 (1994) (''*SAA*''), reprinted in 1994 U.S.C.C.A.N. 4040 at 870. Because the PRC–wide entity did not respond to the Department's request for information, the Department has concluded that the PRC–wide entity has failed to cooperate to the best of its ability. Therefore, the Department preliminarily finds that, in selecting from among the facts available, an adverse inference is appropriate.

Section 776(b) of the Act authorizes the Department to use, as adverse facts available (''AFA''): (1) information derived from the petition; (2) the final determination from the LTFV

[4] *See Notice of Preliminary Determination of Sales at Less than Fair Value and Postponement of Final Determination : Structural Steel Beams from the People's Republic of China*, 66 FR 67197 (December 28, 2008) (unchanged in *Notice of Final Determination of Sales at Less than Fair Value : Structural Steel Beams from the People's Republic of China*, 67 FR 35479 (May 20, 2002)), stating ''The petitioners in this case argue that, because Maanshan is 63 percent owned by a holding company which is, in turn, wholly owned by the Anhui provincial government, and because certain managers of the holding company also serve on the board of directors of Maanshan, the respondent is ineligible for a separate rate due to potential government control. However, the petitioners have not submitted any specific evidence indicating that the conditions for de facto control exist. As stated in the *Silicon Carbide*, 59 FR at 22587, ownership of the company by a state-owned enterprise does not require the application of a single rate. Therefore, based on the information provided, we preliminarily determine that there is an absence of *de facto* governmental control of Maanshan's export functions. Consequently, we preliminarily determine that the respondent has met the criteria for the application of a separate rate.''

[5] The Department received only 9 timely responses to the requests for Q&V information that it sent to 65 potential exporters identified in the petition.

investigation; (3) a previous administrative review; or (4) any other information placed on the record. In selecting a rate for AFA, the Department selects one that is sufficiently adverse ''as to effectuate the purpose of the facts available rule to induce respondents to provide the Department with complete and accurate information in a timely manner.'' *See Notice of Final Determination of Sales at Less Than Fair Value: Static Random Access Memory Semiconductors From Taiwan*, 63 FR 8909 (February 23, 1998). It is the Department's practice to select, as AFA, the higher of: (a) the highest margin alleged in the petition, or (b) the highest calculated rate for any respondent in the investigation. *See Final Determination of Sales at Less Than Fair Value: Certain Cold–Rolled Flat–Rolled Carbon Quality Steel Products From the People's Republic of China*, 65 FR 34660 (May 31, 2000) and accompanying Issues and Decisions Memorandum at Facts Available. Here, we assigned the PRC–wide entity the dumping margin calculated for Shanghai Metals, which exceeds the highest margin alleged in the petition and is the highest rate calculated in this investigation. Pursuant to section 776(c) of the Act, we do not need to corroborate this rate because it is based on information obtained during the course of this investigation rather than secondary information. *See also SAA* at 870. The PRC–wide dumping margin applies to all entries of the merchandise under investigation except for entries of subject merchandise from Benxi, Huludao Pipe, Pangang, Shanghai Metals, Tianjin, and Jiangsu Yulong.

Fair Value Comparisons

To determine whether Huludao Pipe or Shanghai Metals sold welded line pipe to the United States at LTFV, we compared the weighted–average export price (''EP'') of the welded line pipe to the NV of welded line pipe, as described in the ''U.S. Price'' and ''Normal Value'' sections of this notice.

U.S. Price

In accordance with section 772(a) of the Act, for both Huludao Pipe and Shanghai Metals, we based the U.S. price of sales on EP because the first sale to unaffiliated purchasers was made prior to importation and the use of constructed export price was not otherwise warranted. In accordance with section 772(c) of the Act, we calculated EP for Huludao Pipe by deducting the following expenses from the starting price (gross unit price) charged to the first unaffiliated customer in the United States: foreign movement expenses, international freight, foreign warehousing, and foreign brokerage and handling expenses. For Shanghai Metals, we calculated EP by deducting foreign movement expenses and foreign brokerage and handling expenses from the starting price charged to the first unaffiliated customer in the United States.

We based these movement expenses on surrogate values where the service was purchased from a PRC company. For details regarding our EP calculation, *see* Analysis Memoranda for Huludao Pipe and Shanghai Metals, dated October 30, 2008.

Normal Value

In accordance with section 773(c) of the Act, we constructed NV from the factors of production employed by the respondents to manufacture subject merchandise during the POI. Specifically, we calculated NV by adding together the value of the factors of production, general expenses, profit, and packing costs. We valued the factors of production using prices and financial statements from the surrogate country, India. In selecting surrogate values, we followed, to the extent practicable, the Department's practice of choosing values which are non–export average values, contemporaneous with, or closest in time to, the POI, product–specific, and tax–exclusive. *See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp from the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004). We also considered the quality of the source of surrogate information in selecting surrogate values.

We valued material inputs and packing by multiplying the amount of the factor consumed in producing subject merchandise by the average unit value of the factor. We derived the average unit value of the factor from Indian import statistics. In addition, we added freight costs to the surrogate costs that we calculated for material inputs. We calculated freight costs by multiplying surrogate freight rates by the shorter of the reported distance from the domestic supplier to the factory that produced the subject merchandise or the distance from the nearest seaport to the factory that produced the subject merchandise, as appropriate. This adjustment is in accordance with the Court of Appeals for the Federal Circuit's decision in *Sigma Corp. v. United States*, 117 F. 3d 1401, 1407–08 (Fed. Cir. 1997). Where we could only obtain surrogate values that were not contemporaneous with the POI, we inflated (or deflated) the surrogate values using the Indian Wholesale Price Index (''WPI'') as published in the International Financial Statistics of the International Monetary Fund.

Further, in calculating surrogate values from Indian imports, we disregarded imports from Indonesia, South Korea, and Thailand because in other proceedings the Department found that these countries maintain broadly available, non–industry-specific export subsidies. Therefore, it is reasonable to infer that all exports to all markets from these countries may be subsidized. *See, e.g., Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Color Television Receivers From the People's Republic of China*, 69 FR 20594 (April 16, 2004) and accompanying Issues and Decision Memorandum at Comment 7.[6] Thus, we have not used prices from these countries in calculating the Indian import–based surrogate values.

We valued raw materials, scrap, and packing materials using Indian import statistics. *See* the memoranda to the File regarding ''Investigation of Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Surrogate Values Memorandum'' for Huludao Pipe and Shanghai Metals, dated concurrently with this notice (''Surrogate Values Memorandum''). Although the Petitioners requested that the Department value the steel input using data from the India Joint Plant Committee (''JPC'')[7] the Department has not used these data. The footnotes to the JPC price sheets that were provided by the petitioners state that ''{a}ll prices are inclusive of Excise Duty & Sales/Vat Tax.''[8] As noted above, the Department prefers to value factors of production using tax–exclusive prices. While Petitioners have provided tax rates used by the Department in other antidumping cases to adjust JPC prices for wire rod,

[6] In addition, we note that legislative history explains that the Department is not required to conduct a formal investigation to ensure that such prices are not subsidized. *See* H.R. Rep. 100-576 at 590 (1988). As such, it is the Department's practice to base its decision on information that is available to it at the time it makes its determination.

[7] The JPC is a joint industry/government board that monitors Indian steel prices.

[8] *See* the submission from U.S. Steel and Maverick regarding surrogate values, dated September 2, 2008, at Exhibit 1.

they have not provided information demonstrating that these rates apply to the steel products for which they submitted JPC prices. Moreover, the JPC data are not as detailed as the World Trade Atlas (''WTA'') data. The WTA data include steel prices for several width ranges that cover all of the widths of steel used by both respondents.[9] On the other hand, there is no information in the JPC data regarding steel width. Thus, it is not clear whether the JPC prices cover all of the widths of steel used by the respondents. Also, the WTA data include steel prices for various thickness ranges that cover all of the steel thicknesses used by the respondents. JPC data, however, include prices for only a limited number of thicknesses of steel which do not include all of thicknesses of steel used by the respondents.[10] Furthermore, the WTA data include separate prices for different types and forms of steel (*e.g.*, stainless, clad, pickled, in coils, not in coils), whereas it is not clear whether the hot–rolled steel coil and steel plate categories listed in JPC data exclude the types and forms of steel not used by the respondents. The additional details in the WTA data allow the Department to select surrogate values more specific to the steel input used by the respondents. Therefore, we valued the steel input using WTA data. For further detail, *see* Surrogate Values Memorandum.

We valued electricity using price data for small, medium, and large industries, as published by the Central Electricity Authority of the Government of India in its publication titled *Electricity Tariff & Duty and Average Rates of Electricity Supply in India*, dated July 2006. These electricity rates represent actual country–wide, publicly–available information on tax–exclusive electricity rates charged to industries in India. Since the rates are not contemporaneous with the POI, we inflated the values using the WPI. *See* Surrogate Values Memorandum at Attachment IV.

We valued water using data from the Maharashtra Industrial Development Corporation (www.midcindia.org) because it includes a wide range of industrial water tariffs. This source provides 386 industrial water rates within the Maharashtra province from June 2003, 193 for the ''inside industrial areas'' usage category, and 193 for the ''outside industrial areas'' usage category. We averaged the 386 industrial water rates and because this averaged rate was not contemporaneous with the POI, we inflated the averaged rate using the WPI. *See* Surrogate Values Memorandum.

Consistent with 19 CFR 351.408(c)(3), we valued direct, indirect, and packing labor, using the most recently calculated regression–based wage rate, which relies on 2005 data. This wage rate can be found on the Department's website on Import Administration's home page. *See* Expected Wages of Selected NME Countries (revised May 2008) (available at http://ia.ita.doc.gov/wages/index.html). The source of these wage rate data is the International Labour Organization, Geneva, Labour Statistics Database Chapter 5B: Wages in Manufacturing. Since this regression–based wage rate does not separate the labor rates into different skill levels or types of labor, we have applied the same wage rate to all skill levels and types of labor reported by Huludao and Shanghai Metals. *See* Surrogate Values Memorandum.

We valued truck freight expenses using a per–unit average rate calculated from data on the following web site: http://www.infobanc.com/logistics/logtruck.htm. The logistics section of this website contains inland freight truck rates between many large Indian cities. Since this value is not contemporaneous with the POI, we deflated the rate using the WPI. *See* Surrogate Values Memorandum at Attachment VI.

We valued brokerage and handling using a simple average of the brokerage and handling costs that were reported in public submissions that were filed in three antidumping duty cases. Specifically, we averaged the public brokerage and handling expenses reported by: (1) Agro Dutch Industries Ltd. in the antidumping duty administrative review of certain preserved mushrooms from India, (2) Kejirwal Paper Ltd. in the less than fair value investigation of certain lined paper products from India, and (3) Essar Steel in the antidumping duty administrative review of hot–rolled carbon steel flat products from India. *See Certain Preserved Mushrooms From India: Final Results of Antidumping Duty Administrative Review*, 71 FR 10646 (March 2, 2006); *see also, Notice of Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Affirmative Preliminary Determination of Critical Circumstances in Part: Certain Lined Paper Products From India*, 71 FR 19706 (April 17, 2006), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value, and Negative Determination of Critical Circumstances: Certain Lined Paper Products from India*, 71 FR 45012 (August 8, 2006), and *Certain Hot–Rolled Carbon Steel Flat Products From India: Preliminary Results of Antidumping Duty Administrative Review*, 71 FR 2018, 2021 (January 12, 2006) (unchanged in *Certain Hot–Rolled Carbon Steel Flat Products From India: Final Results of Antidumping Administrative Review*, 71 FR 40694 (July 18, 2006). We inflated the brokerage and handling rate using the appropriate WPI inflator. *See* Surrogate Values Memorandum.

We valued warehousing using rates obtained from the Board of Jawaharlal Nehru Port Trust's website (http://www.jnport.gov.in/CMSPage.aspx?PageID=27), which is a source used in the antidumping duty investigation of pneumatic off–the-road tires from the PRC. *See Certain New Pneumatic Off–the-Road Tires From the People's Republic of China: Notice of Amended Final Affirmative Determination of Sales at Less Than Fair Value and Antidumping Duty Order*, 73 FR 51624 (Sept. 4, 2008) and accompanying issues and decision memorandum at Comment 26. *See also* Surrogate Values Memorandum.

We valued international freight using rate quotes from Maersk Sealand (''Maersk''), a market–economy shipper. *See* Surrogate Values Memorandum.

We valued factory overhead, selling, general, and administrative (''SG&A'') expenses, and profit, using the financial statements of Jindal Saw Ltd. (''Jindal SAW'') and Bihar Tubes Limited (''Bihar''). *See* Surrogate Values Memorandum. Huludao Pipe submitted the 2006–2007 financial statements of Zenith Birla (India) Limited (''Zenith'') and Bihar while the Petitioners submitted the 2006–2007 financial statements of Jindal SAW and the 2007–2008 financial statements TATA Steel Limited (''TATA'').

The Department did not rely upon the financial statements for Zenith because the 2006–2007 statements identify receipt of subsidies under the Duty Entitlement Pass Book scheme, which has been found by the Department to provide a countervailable subsidy. *See, e.g., Certain Iron–Metal Castings From India: Preliminary Results and Partial Rescission of Countervailing Duty Administrative Review*, 64 FR 61592 (November 12, 1999) (unchanged in final results).

In *Crawfish from the PRC*, the Department discussed its practice with

[9] *See* Shanghai Metal's September 8, 2008, response at 12 and 33 and Huludao Pipe's August 27, 2008, response at 14 for the range of widths of the steel purchased. The WTA provides prices for steel of a width of 600mm or more and under 600 mm.

[10] *See* Shanghai Metal's October 27, 2008, response at 6 and Huludao Pipe's October 27, 2008, response at 5 for a list of the thicknesses of the steel used by the respondents.

respect to financial statements that contain evidence of subsidization:

> {T}he statute directs Commerce to base the valuation of the factors of production on ''the best available information regarding the values of such factors in a market economy country or countries considered to be appropriate . . . .'' Section 773(c)(1) of the Act. Moreover, in valuing such factors, Congress further directed Commerce to ''avoid using any prices which it has reason to believe or suspect may be dumped or subsidized prices.'' Omnibus Trade and Competitiveness Act of 1988, H.R. Rep. No. 576, 100 nth Cong., 2 nd Sess., at 590–91 (1988). The Department calculates the financial ratios based on financial statements of companies producing comparable merchandise from the surrogate country, some of which may contain evidence of subsidization. However, where the Department has a reason to believe or suspect that the company may have received subsidies, the Department may consider that the financial ratios derived from that company's financial statements are less representative of the financial experience of that company or the relevant industry than the ratios derived from financial statements that do not contain evidence of subsidization. Consequently, {those statements that appear to reflect subsidies} do not constitute the best available information to value the surrogate financial ratios.[11]

Moreover, the Department did not rely upon the financial statements of TATA because TATA uses a production process different from those employed by the respondents. It is the Department's practice not to use financial statements of a company using a production process different from that employed by a respondent, when other financial statements are available for companies employing a production process similar to that employed by a respondent. *See Fresh Garlic from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 70 FR 34082 (June 13, 2005) at Comment 5.

Given the record information regarding Zenith's receipt of subsidies, and TATA's product process, as well as the fact that we have other acceptable financial statements to use as surrogates,[12] we have not considered the financial data from these two companies in our financial ratio calculations. Moreover, given both the fact that we have not found either Bihar's or Jindal SAW's financial statements to be clearly preferable in this case, and the Department's preference to use multiple financial statements when they are not distortive or otherwise unreliable, we have determined that these financial statements represent the best information on the record with which to value financial ratios.[13]

In accordance with 19 CFR 351.301(c)(3)(i), for the final determination in an antidumping duty investigation, interested parties may submit publicly available information with which to value factors of production within 40 days after the date of publication of the preliminary determination.

Currency Conversion

We made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

Verification

As provided in section 782(i)(1) of the Act, we intend to verify the information upon which we will rely in making our final determination.

Combination Rates

In the *Initiation Notice*, the Department stated that it would calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. *See Initiation Notice*. This change in practice is described in *Policy Bulletin 05.1*:

> {w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non–investigated firms receiving the weighted–average of the individually calculated rates. This practice is referred to as the application of ''combination rates'' because such rates apply to specific combinations of exporters and one or more producers. The cash–deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.*See Policy Bulletin 05.1*, ''Separate Rates Practice and Application of Combination Rates in Antidumping Investigations Involving Non–Market Economy Countries,'' available at http://ia.ita.doc.gov/.

Preliminary Determination

The weighted–average dumping margins are as follows:

Exporter & Producer	Weighted–Average Margin
Huludao Steel Pipe Industrial Co., Ltd./. Huludao City Steel Pipe Industrial Co., Ltd.	67.83%
Produced by: Huludao Steel Pipe Industrial Co., Ltd./ Huludao City Steel Pipe Industrial Co., Ltd..	
Shanghai Metals & Minerals Import & Export Corp. d/b/a Shanghai Minmetals Materials & Products Corp.	81.52%
Produced by: Huludao Steel Pipe Industrial Co. Ltd.; Benxi Northern Pipes Co. Ltd..	
Benxi Northern Pipes Co., Ltd.	74.68%
Produced by: Benxi Northern Pipes Co., Ltd.; Tianjin Lianzhong Steel Pipe Co., Ltd..	
Pangang Group Beihai Steel Pipe Corporation	74.68%

[11] *See Freshwater Crawfish Tail Meat from the People's Republic of China: Notice of Final Results and Rescission, In Part, of 2004/2005 Antidumping Duty Administrative and New Shipper Reviews*, 72 FR 19174 (April 17, 2007) and the accompanying Issues and Decision Memorandum at Comment 1.

[12] Although Jindal SAW Ltd.'s financial statement listed ''export benefits/government grants receivable,'' the Department has insufficient information to determine whether these items relate to programs that have been countervailed.

[13] See, e.g., *Folding Metal Tables and Chairs from the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 72 FR 71355 (December 17, 2007) and accompanying Issues and Decision Memorandum at Comment 1c and *Final Results of New Shipper Review: Certain Preserved Mushrooms From the People's Republic of China*, 66 FR 45006 (August 27, 2001), and accompanying Issues and Decision Memorandum at Comment 1.

Exporter & Producer	Weighted–Average Margin
Produced by: Pangang Group Beihai Steel Pipe Corporation.	
Jiangsu Yulong Steel Pipe Co., Ltd.	74.68%
Produced by: Jiangsu Yulong Steel Pipe Co., Ltd..	
Tianjin Xingyuda Import and Export Co., Ltd.	74.68%
Produced by: Tianjin Lifengyuanda Steel Pipe Group Co., Ltd..	
PRC–Wide Rate	81.52%

Disclosure

We will disclose the calculations performed within five days of the date of publication of this notice to parties in this proceeding in accordance with 19 CFR 351.224(b).

Suspension of Liquidation

In accordance with section 733(d) of the Act, we will instruct U.S. Customs and Border protection (''CBP'') to suspend liquidation of all entries of welded line pipe from the PRC as described in the ''Scope of Investigation'' section, entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct CBP to require a cash deposit or the posting of a bond equal to the weighted–average amount by which the normal value exceeds U.S. price, as follows: (1) the rate for the exporter/producer combinations listed in the chart above will be the rate we have determined in this preliminary determination; (2) for all PRC exporters of subject merchandise which have not received their own rate, the cash–deposit rate will be the PRC–wide rate; and (3) for all non–PRC exporters of subject merchandise which have not received their own rate, the cash–deposit rate will be the rate applicable to the PRC exporter/producer combination that supplied that non–PRC exporter. These suspension–of-liquidation instructions will remain in effect until further notice.

International Trade Commission Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our preliminary affirmative determination of sales at LTFV. Section 735(b)(2) of the Act requires the ITC to make its final determination as to whether the domestic industry in the United States is materially injured, or threatened with material injury, by reason of imports of welded line pipe, or sales (or the likelihood of sales) for importation, of the subject merchandise within 45 days of our final determination.

Public Comment

Case briefs or other written comments may be submitted to the Assistant Secretary for Import Administration no later than seven days after the date the final verification report is issued in this proceeding and rebuttal briefs, limited to issues raised in case briefs, no later than five days after the deadline for submitting case briefs. *See* 19 CFR 351.309(c)(1)(i) and 19 CFR 351.309(d)(1). A list of authorities used and an executive summary of issues should accompany any briefs submitted to the Department. This summary should be limited to five pages total, including footnotes.

In accordance with section 774 of the Act, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs. If a request for a hearing is made, we intend to hold the hearing three days after the deadline of submission of rebuttal briefs at the U.S. Department of Commerce, 14th Street and Constitution Ave, NW, Washington, DC 20230, at a time and location to be determined. Parties should confirm by telephone the date, time, and location of the hearing two days before the scheduled date.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days after the date of publication of this notice. *See* 19 CFR 351.310(c). Requests should contain the party's name, address, and telephone number, the number of participants, and a list of the issues to be discussed. At the hearing, each party may make an affirmative presentation only on issues raised in that party's case brief and may make rebuttal presentations only on arguments included in that party's rebuttal brief.

Postponement of Final Determination and Extension of Provisional Measures

Pursuant to section 735(a)(2) of the Act, on October 3, 2008, Shanghai Metals requested that in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination by 60 days. At the same time, Shanghai Metals agreed that the Department may extend the application of the provisional measures prescribed under 19 CFR 351.210(e)(2) from a 4-month period to a 6-month period. In accordance with section 733(d) of the Act and 19 CFR 351.210(b), we are granting the request and are postponing the final determination until no later than 135 days after the publication of this notice in the **Federal Register** because: (1) our preliminary determination is affirmative, (2) the requesting exporters account for a significant proportion of exports of the subject merchandise, and (3) no compelling reasons for denial exist. Suspension of liquidation will be extended accordingly.

This determination is issued and published in accordance with sections 733(f) and 777(i)(1) of the Act.

Dated: October 30, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E8–26503 Filed 11–5–08; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

(A–580–861)

Preliminary Determination of Sales at Less Than Fair Value and Postponement of the Final Determination: Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea

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

EFFECTIVE DATE: November 6, 2008.

SUMMARY: The U.S. Department of Commerce (the Department) preliminarily determines that certain circular welded carbon quality steel line pipe (welded line pipe) from the Republic of Korea (Korea) is being, or is likely to be, sold in the United States at less than fair value (LTFV), as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act). The estimated margins of sales at LTFV are listed in the ''Suspension of Liquidation'' section of this notice. Interested parties are invited to comment on this preliminary determination in accordance with the

time frame explained in the ''Public Comment'' section of this notice.

FOR FURTHER INFORMATION CONTACT: Patrick Edwards (Hyundai HYSCO) or Dena Crossland (SeAH Steel Corporation), AD/CVD Operations, Office 7, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–8029 or (202) 482–3362, respectively.

SUPPLEMENTARY INFORMATION:

Background

On April 23, 2008, the Department initiated the antidumping duty investigation of welded line pipe from Korea. *See Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188 (April 29, 2008) (*Initiation Notice*). The petitioners in this investigation are United States Steel Corporation (U.S. Steel), Maverick Tube Corporation (Maverick), Tex–Tube Company, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, and AFL–CIO-CLC (collectively, petitioners).

The Department set aside a period of time for parties to raise issues regarding product coverage and encouraged all parties to submit comments withinendar days from the date of signature of the *Initiation Notice* (*i.e.*, May 13, 2008). *See Initiation Notice*, 73 FR at 23189. On May 13, 2008, Wheatland Tube Company, a domestic interested party, submitted comments on the scope.

On June 3, 2008, the United States International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that imports of welded line pipe from Korea and the People's Republic of China are materially injuring or threatening with material injury the U.S. industry and the ITC notified the Department of its findings. *See Certain Circular Welded Carbon Quality Steel Line Pipe From China and Korea: 701 TA 455 and 731 TA 1149 1150 (Preliminary)*, 73 FR 31712 (June 3, 2008).

Section 777A(c)(1) of the Act directs the Department to calculate individual dumping margins for each known exporter and producer of the subject merchandise. In their petition, petitioners identified four potential Korean respondents. *See* Petitions for the Imposition of Antidumping and Countervailing Duties: Certain Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China and the Republic of Korea, dated April 3, 2008, Vol. I (Petition), at Exhibit 6b. In the *Initiation Notice*, the Department stated that it expected to determine respondents based on U.S. Customs and Border Protection (CBP) data of U.S. imports of welded line pipe from Korea. On April 30, 2008, we invited interested parties to provide comments on a respondent–selection methodology. As an attachment to the April 30, 2008, letter, the Department released an electronic version of the relevant CBP data to eligible parties under administrative protective order (APO). On May 9, 2008, the Department received comments from Maverick and U.S. Steel. Additionally, we received comments from Korean producers/exporters, Hyundai HYSCO (HYSCO), Husteel Co., Ltd. (Husteel), and SeAH Steel Corporation (SeAH).

The Department determined that it was not practicable to examine each known exporter/producer of the subject merchandise, as provided in section 777A(c)(1) of the Act. Based on CBP data and interested parties' comments, the Department selected two companies, HYSCO and SeAH, as mandatory respondents pursuant to section 777A(c)(2)(1)(B) of the Act, because these two companies accounted for the largest volume of sales of subject merchandise. *See* Memorandum to Deputy Assistant Secretary Stephen J. Claeys, titled ''Antidumping Duty Investigation on Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea (A–580–861): Respondent Selection,'' dated May 29, 2008 (Respondent Selection Memorandum). We issued antidumping duty questionnaires to HYSCO and SeAH on May 29, 2008.

HYSCO

The Department received the section A questionnaire response (Section A Response), and the section B and C questionnaire responses (Section B and C Responses), from HYSCO on July 3, 2008, and July 17, 2008, respectively. Petitioners filed comments on HYSCO's section A through C questionnaire responses on August 5, 2008, and the Department subsequently issued a supplemental questionnaire regarding HYSCO's section A through C questionnaire responses on August 6, 2008.

On August 26, 2008, based on an allegation timely filed by petitioners, the Department initiated a sales–below-cost investigation for HYSCO, finding reasonable grounds to believe that HYSCO made comparison market sales of welded line pipe at prices below its cost of production (COP). *See* ''Cost of Production Analysis'' section below for further information. Consequently, the Department requested in a letter dated August 27, 2008, that HYSCO respond to section D of the Department's antidumping duty questionnaire.

HYSCO submitted its response to the Department's supplemental questionnaire on September 3, 2008 (Supplemental Response). On September 11, 2008, the Department issued a second supplemental questionnaire to HYSCO regarding its section A through C supplemental questionnaire responses. HYSCO filed its response to the second supplemental questionnaire on September 24, 2008 (Second Supplemental Response), concurrent with its section D questionnaire response (Section D Response).

On October 1, 2008, the Department issued a third supplemental questionnaire to HYSCO concerning its sections A through C sales responses. On October 6, 2008, the Department issued a supplemental COP questionnaire to HYSCO concerning its Section D Response. HYSCO filed its third supplemental questionnaire response on October 7, 2008 (Third Supplemental Response). On October 14, 2008, petitioners submitted comments for the Department's consideration prior to the preliminary determination. *See* Letter from United States Steel Corporation, dated October 14, 2008. On October 17, 2008, HYSCO submitted revised sales and cost data due to errors it discovered while preparing its response to the Department's supplemental COP questionnaire. On October 20, 2008, the Department granted a partial request for extension for HYSCO to respond to certain aspects of the Department's supplemental cost questionnaire. *See* HYSCO's Extension Request for Supplemental D Questionnaire, dated October 16, 2008. On October 20, 2008, the Department received HYSCO's initial response to the Department's supplemental cost questionnaire. On October 22, 2008, the Department received comments from HYSCO responding to petitioners October 14, 2008, comments for the preliminary determination. HYSCO filed the remainder of its response to the Department's supplemental cost questionnaire on October 27, 2008.

SEAH

The Department received SeAH's section A questionnaire response, and the section B and C questionnaire responses, from SeAH on July 3, 2008, and July 18, 2008, respectively (Section

A Response; Section B and C Responses). Petitioners filed comments on SeAH's Section A Response, and its Section B and C Responses on July 22, 2008, and July 29, 2008, respectively. The Department subsequently issued a supplemental questionnaire regarding SeAH's section A through C questionnaire responses on August 5, 2008. On August 26, 2008, based on an allegation timely filed by petitioners, the Department initiated a sales–below-cost investigation for SeAH, finding reasonable grounds to believe that SeAH made comparison market sales of welded line pipe at prices below its COP. *See* ''Cost of Production Analysis'' section below for further information. Consequently, the Department requested in a letter dated August 27, 2008, that SeAH respond to section D of the Department's antidumping duty questionnaire.

SeAH replied to the Department's supplemental questionnaire on August 27, 2008 (Supplemental Response). Petitioners filed comments on SeAH's section A through C supplemental questionnaire responses on September 9, 2008, and the Department issued a second supplemental questionnaire to SeAH regarding its section A through C questionnaire supplemental responses on September 12, 2008. SeAH filed its response to the second supplemental questionnaire on September 23, 2008 (Second Supplemental Response). On September 24, 2008, SeAH filed its response to the Department's section D questionnaire (Section D Response). On October 6, 2008, the Department issued a supplemental cost questionnaire to SeAH concerning its section D Response. On October 14, 2008, the Department received SeAH's response to the Department's supplemental cost questionnaire (Supplemental Cost Response). On October 17, 2008, the Department issued a second supplemental cost questionnaire to SeAH concerning its Supplemental Cost Response. On October 21, 2008, the Department received SeAH's response to the Department's second supplemental cost questionnaire (Second Supplemental Cost Response).

Targeted Dumping Allegations

On September 30, 2008, petitioners (*i.e.*, U.S. Steel and Maverick) timely filed with the Department separate allegations of targeted dumping for both HYSCO and SeAH. Upon review of petitioners' allegations, the Department determined that further information was needed in order to adequately analyze the targeted dumping allegations for HYSCO and SeAH. The Department issued supplemental questionnaires to petitioners on October 14, 2008, and October 21, 2008, regarding HYSCO and SeAH, respectively, requesting they address deficiencies identified by the Department. *See* Letters from Angelica L. Mendoza, Program Manager, to U.S. Steel and Maverick, dated October 14, 2008, and October 21, 2008, respectively. Because there was a need for substantative supplemental information regarding the allegation for HYSCO, we do not have a sufficient basis for making a finding of targeted dumping with respect to HYSCO prior to the October 30, 2008, deadline for issuance of the preliminary determination. We intend to address the allegation for HYSCO in full upon receipt of a satisfactory response by petitioner U.S. Steel to our request for additional information. However, after reviewing petitioner Maverick's supplemental questionnaire response, we have accepted Maverick's targeted dumping allegation with respect to SeAH. *See* ''Analysis of Targeted Dumping Allegation for SeAH'' section below for further description.

Postponement of Preliminary Determination

On August 12, 2008, petitioners requested that the Department postpone the preliminary determination by 50 days. The Department published an extension notice on August 29, 2008, which set the new deadline for the preliminary determination at October 30, 2008. *See Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea and the People's Republic of China: Postponement of Preliminary Determination of Antidumping Duty Investigations*, 73 FR 50941 (August 29, 2008).

Analysis of Targeted Dumping Allegation for SeAH

As noted above, petitioner Maverick, submitted an allegation of targeted dumping with respect to SeAH on October 3, 2008. *See* section 777A(d)(1)(B) of the Act. In its allegation, Maverick asserts that there are patterns of constructed export prices (CEPs) for comparable merchandise that differ significantly among purchasers and regions. We note that all of SeAH's U.S. sales are CEP sales. The Department requested additional information and clarification from Maverick with respect to its targeted dumping allegation. *See* Letter from Angelica Mendoza to Maverick, dated October 21, 2008. On October 27, 2008, Maverick provided its response in which it relied on the Department's targeted dumping test utilized in *Tires from the PRC. See Certain New Pneumatic Off–The-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 40485 (July 15, 2008) and accompanying Issues and Decision Memorandum (*Tires from the PRC*) dated July 7, 2008, at Comment 23.B and 23.G.

New Targeted Dumping Test

The statute allows the Department to employ the average–to-transaction methodology if: 1) there is a pattern of export prices that differ significantly among purchasers, regions, or periods of time, and 2) the Department explains why such differences cannot be taken into account using the average–to-average or transaction–to-transaction methodology.[1]

In the recent final determination memorandum in the antidumping investigation of sodium metal from France, the Department applied a new targeted dumping standard and methodology for analyzing targeted dumping allegations.[2]

We conducted customer- and region–targeted dumping analyses for SeAH using the methodology described in the Sodium Metal Final Analysis Memorandum, which was based on the final determinations of the recent *Steel Nails*, *Tires from the PRC*,[3] and *LWTP*[4] targeted dumping test for purposes of the final determination. This is also the test put forward in the Department's *Proposed Methodology for Identifying and Analyzing Targeted Dumping in Antidumping Investigations; Request for Comment*, 73 FR 26371 (May 9, 2008). The Department is currently analyzing

[1] Section 777A(d)(1)(B) of the Act.

[2] *See Sodium Metal from France: Notice of Final Determination of Sales at Less Than Fair Value and Negative Critical Circumstances*, 73 FR 62252, (October 20, 2008) and accompanying Issues and Decision Memorandum at Comments 2 and 3 and the Memorandum to James Terpstra, Program Manager for the Office of AD/CVD Operations, from Dennis McClure and Joy Zhang, Analysts for the Office of AD/CVD Operations, RE: Antidumping Duty Investigation of Sodium Metal from France, Subject: Final Analysis Memorandum for Sales MSSA, dated October 10, 2008 (Sodium Metal Final Analysis Memorandum).

[3] *See Certain Steel Nails from the United Arab Emirates: Notice of Final Determination of Sales at Not Less Than Fair Value*, 73 FR 33985 (June 16, 2008) and accompanying Issues and Decision Memorandum dated June 6, 2008, at Comment 5; *see also*; *Certain Steel Nails from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 33977 (June 16, 2008) and accompanying Issues and Decision Memorandum, dated June 6, 2008, at Comments 3, 5, and 9 (collectively, *Steel Nails*).

[4] *See Lightweight Thermal Paper from Germany: Notice of Final Determination of Sales at Less Than Fair Value*, 73 FR 57326 (October 2, 2008) (*LWTP*).

comments received by interested parties. *See* http://ia.ita.doc.gov/ia–highlights-and–news.html.

The methodology we employed involves a two–stage test: the first stage addresses the pattern requirement, and the second stage addresses the significant difference requirement. All price comparisons have been done on the basis of identical merchandise (*i.e.*, by control number or CONNUM). The test procedures are the same for customer, region, and time period targeted dumping allegations,[5] even though the example given in the general description below applies to customer targeting.

In the first stage of the test, referred to as the ''standard deviation test,'' the Department determined, on an exporter–specific basis, the share of the alleged targeted customer's purchases of subject merchandise (by sales volume) that are at prices more than one standard deviation below the weighted–average price to all customers of that exporter, targeted and non–targeted. We calculated the standard deviation on a product–specific basis (*i.e.*, CONNUM by CONNUM) using the period of investigation–wide average prices (weighted by sales volume) for each alleged targeted customer and each distinct non–targeted customer. If that share did not exceed 33 percent of the total volume of the exporter's sales of subject merchandise to the alleged targeted customer, then the pattern requirement is not met and the Department did not conduct the second stage of the test.

However, if that share exceeded 33 percent of the total volume of the exporter's sales of subject merchandise to the alleged targeted customer, then the pattern requirement is met and the Department proceeded to the second stage of the test. Specifically, the Department examined in the second stage all of the sales of identical merchandise (*i.e.*, by CONNUM) by that exporter to the alleged targeted customer that meet the standard deviation requirement. From those sales, we determined the total volume of sales for which the difference between (i) the sales–weighted-average price to the alleged targeted customer and (ii) the next higher sales–weighted-average price to a non–targeted customer exceeded the average price gap (weighted by sales volume) for the non–targeted group.[6] Each of the price gaps in the non–targeted group was weighted by the combined sales volume associated with the pair of prices to non–targeted customers that make up the price gap. In doing this analysis, the alleged targeted customers were not included in the non–targeted group; each alleged targeted customer's average price was compared to only the average prices to non–targeted customers. If the share of the sales that met this test exceeded five percent of the total sales volume of subject merchandise to the alleged targeted customer,[7] the significant difference requirement was met and the Department determined that customer targeting occurred.

If the Department determined that, for sales to the customer, there was a pattern of prices that differ significantly, we applied the transaction–to-average methodology to any targeted sales and applied the average–to-average methodology to the remaining non–targeted sales.[8] When calculating the weighted–average margin, we combine the margin calculated for the targeted sales with the margin calculated for the non–targeted sales, without offsetting any margins found among the targeted sales.

We based all of our targeted dumping calculations on the U.S. net price determined in our margin program in our Preliminary Calculation Memorandum. *See* Memorandum to the File titled ''Analysis of Data Submitted by SeAH Steel Corporation (SeAH) in the Preliminary Determination of the Antidumping Duty Investigation of Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea,'' dated October 30, 2008 (SeAH Analysis Memo) on file in the Central Records Unit, Room 1117 of the main Department building.

Results of the Application of the New Targeted Dumping Test

For purposes of this preliminary determination on targeted dumping, we have applied the above–described test to the U.S. sales data reported by SeAH. Our observations and results are discussed in more detail in a separate memorandum placed on the record of this investigation.

We preliminarily determine that there is a pattern of CEPs for comparable merchandise that differ significantly among customers and regions for SeAH. Therefore, we applied the average–to-transaction methodology to the targeted sales by SeAH under 19 CFR 351.414(f)(1)(i). For all other U.S. sales by SeAH (*i.e.*, non–targeted), we have applied the average–to-average methodology for purposes of determining SeAH's overall weighted–average dumping margin.

Comments by Interested Parties

Parties may comment on the Department's overall preliminary determination application of the new targeted dumping test in this proceeding. Consistent with 19 CFR 351.309(c)(2), all comments should be filed in the context of the case and rebuttal briefs. *See* the ''Public Comment'' section below for details regarding the briefing schedule for this investigation.

Period of Investigation

The period of investigation (POI) is April 1, 2007, to March 31, 2008.

Scope of Investigation

The merchandise that is the subject of this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (welded line pipe), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (HTSUS). Specifically, the term ''carbon quality'' includes products in which (1) iron predominates by weight over each of the

[5] Petitioners also made a targeted dumping allegation based on region for SeAH in this investigation.

[6] The next higher price is the sales-weighted-average price to the non-targeted group that is above the sales-weighted-average price to the alleged targeted group. For example, if the sales-weighted-average price to the alleged targeted group is $7.95 and the sales-weighted-average prices to the non-targeted group are $8.30, $8.25, and $7.50, we would calculate the difference between $7.95 and $8.25 because this is the next higher price in the non-targeted group above $7.95 (the average price to the targeted group).

[7] For example: If non-targeted A's weighted-average price is $1.00 with a total sales volume of 100 metric tons (MT) and non-targeted B's weighted-average price is $0.95 with a total sales volume of 120 MT, then the difference of $0.05 ($1.00- $0.95) would be weighted by 220 MT (100 MT + 120 MT).

[8] Consistent with 19 CFR 351.414(f)(2), we have limited our application of the average-to-transaction methodology to the targeted sales under 19 CFR 351.414(f)(1)(i). As specified in the preamble to the regulations, the Department will apply the average-to-transaction methodology solely to address the practice of targeting. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27375 (May 19, 1997). In the preamble, the Department indicated that where the targeting is so widespread that it is administratively impractical to segregate targeted sales prices from the normal pricing behavior of the company, it may be necessary to apply the average-to-transaction methodology to all sales of a particular respondent. In this case, however, we are able to segregate the targeted sales prices, by customer or region, where appropriate, from the normal pricing behavior of the company and, therefore, have limited our application of the average-to-transaction methodology to the sales to the targeted group.

other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:

(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (API) (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non–graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple–stenciled pipe with an API line pipe stencil is covered by the scope of this investigation.

The line pipe products that are the subject of this investigation are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Model Match

In accordance with section 771(16) of the Act, all products produced by the respondents covered by the description in the ''Scope of Investigation'' section above, and sold in Korea during the POI, are considered to be foreign like products for purposes of determining appropriate product comparisons to U.S. sales.

On April 29, 2008, the Department asked all parties in this investigation and, in the concurrent antidumping duty investigation of welded line pipe from the People's Republic of China, for comments on the appropriate product characteristics for defining individual products. *See Initiation Notice*, 73 FR at 23190. The Department received comments on the model matching methodology from petitioners on May 13, 2008, and rebuttal comments from Korean producer/exporter Husteel and respondent SeAH on May 20, 2008. Petitioners responded to Husteel's and SeAH's rebuttal comments on May 27, 2008. We adjusted our model match criteria based on certain comments from the parties.

We have relied on six criteria to match U.S. sales of subject merchandise to comparison market sales of the foreign like product: epoxy finish, grade, outside diameter, wall thickness, end finish, and surface finish. Where there were no sales of identical merchandise in the comparison market made in the ordinary course of trade to compare to U.S. sales, we compared U.S. sales to the next most similar foreign like product on the basis of the characteristics listed above.

Date of Sale

19 CFR 351.401(i) states that the Department normally will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. The regulations further provide that the Department may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established. *See* 19 CFR 351.401(i).

HYSCO

HYSCO reported the shipment date as the date of sale for all sales in the comparison market, as invoicing occurs subsequent to shipment in HYSCO's ordinary course of trade. *See* HYSCO's Section B Response at B–12. For its U.S. sales, HYSCO reported the earlier of invoice date or shipment date, when applicable. *See* HYSCO's Section C Response at C–10. HYSCO reported in its questionnaire responses that HYSCO invoices its comparison market customers on a monthly basis for all sales made during a given month. As such and as reported by HYSCO, the shipment precedes issuance of the commercial or tax invoice in the comparison market. *Id.*; *see also*, HYSCO's Supplemental Response at S–8 through S–10. Normally, the Department employs invoice date as the date of sale in accordance with 19 CFR 351.401(i). However, it is the Department's practice to use shipment date as the date of sale when shipment date precedes invoice date. *See Certain Cold–Rolled and Corrosion–Resistant Carbon Steel Flat Products From Korea: Final Results of Antidumping Duty Administrative Reviews*, 63 FR 13170, 13172–73 (March 18, 1998) (*Corrosion Resistant Steel from Korea*). We therefore find that HYSCO's reporting methodology is in accordance with our practice, as its comparison market sales are invoiced after the date of shipment. *See Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review*, 71 FR 18074, 18079–80 (April 10, 2006), unchanged in *Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Final Results and Rescission of Antidumping Duty Administrative Review in Part*, 72 FR 4486 (January 31, 2007) and the accompanying Issues and Decision Memorandum at Comments 4 and 5 (*SSSS from Korea*); *Tires from the PRC*, and the accompanying Issues and Decision Memorandum at Comment 81. We have, therefore, preliminarily determined that shipment date is the appropriate date to use as the date of sale for HYSCO's comparison market sales as all of its sales in Korea were invoiced subsequent to the date of shipment.

The circumstances regarding the date of sale of HYSCO's sales to the United States are similar to those of its comparison market sales. HYSCO reported both export price (EP) and CEP sales to the United States. For its EP sales, which HYSCO ships through an unaffiliated trading company located in Korea, HYSCO has reported the earlier of either shipment date or the date of invoice (where the invoice date is the date of issuance of HYSCO's invoice to the Korean trading company). *See* HYSCO's Section C Response at C–10. For its CEP sales, made through its U.S. affiliate, Hyundai HYSCO USA, Inc. (HHU), HYSCO has also reported the earlier of shipment date or the date of invoice as the appropriate date of sale, where applicable, and where the date of invoice is the date on which the U.S. affiliate issues the invoice to the unaffiliated customer. *Id.* HYSCO reported in its questionnaire responses that certain material terms of its U.S. sales may continue to be negotiated up until the issuance of the commercial invoice. Our review of HYSCO's sales data indicates that, in some cases, the reported shipment date precedes the reported invoice date. In such circumstances, the Department normally uses the earlier of invoice date or shipment date as the date of sale. *Id. See also*, HYSCO Supplemental Response at S–8 through S–10. We find that HYSCO's reporting methodology is consistent with our practice. *See*, *e.g.*, *Corrosion Resistant Steel from Korea*, *SSSS from Korea* and *Tires from the PRC*.

Therefore, and similar to the circumstances of HYSCO's comparison market sales, we have preliminarily determined that in instances where the

sales invoice was issued after the date of shipment for HYSCO's U.S. sales, we will use the shipment date as the appropriate date of sale, as the Department's practice is to not use a date of sale after the date of shipment. *See*, *e.g.*, *Corrosion Resistant Steel from Korea*, *SSSS from Korea* and *Tires from the PRC*. In instances where the invoice was issued (where the terms of sale are finalized) prior to the date of shipment, we will use the invoice date as the correct date of sale. For a further discussion of this issue, *see* Memorandum to the File titled ''Analysis of Data Submitted by Hyundai HYSCO (HYSCO) in the Preliminary Determination of the Antidumping Duty Investigation of Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea,'' dated October 30, 2008 (HYSCO Analysis Memo).

SEAH

As stated above, 19 CFR 351.401(i) stipulates that the Department normally will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. However, if shipment date precedes invoice date, the Department's practice has been to use the shipment date as the date of sale. *See*, *e.g.*, *Corrosion Resistant Steel from Korea*, *SSSS from Korea* and *Tires from the PRC*.

SeAH reported the date of the shipping invoice, which is issued on the date of shipment, as the date of sale for its comparison market sales. *See* SeAH's Section B and C questionnaire responses at B–12, and SeAH's Supplemental Response at 4 and 5. According to SeAH, the shipping invoice is the first document that is generated for each comparison market sale, once the merchandise has been produced and the actual quantity has been finalized, and the date of the shipping invoice is the date of sale that is recorded in SeAH's financial accounting records. *See* SeAH's Supplemental Response at 4. SeAH stated that the quantity often changes between the time of the order and the time of shipment, when the shipping invoice is issued, and provided a comparison table and sample sales documents to demonstrate the quantity changes that transpired during the POI. *See* SeAH's Supplemental Response at Exhibit A–37.

For its U.S. sales, SeAH sold through two affiliated companies in the United States, Pusan Pipe America (PPA) and State Pipe and Supply (State Pipe), and reported that for State Pipe, the subject merchandise was inventoried in the United States prior to sale to the unaffiliated U.S. customer. For sales through PPA (*i.e.*, back–to-back transactions), SeAH reported the shipment date, as listed in the bill of lading, as the date of sale, as it preceded the date of PPA's invoice to the unaffiliated U.S. customer for all transactions. *See* SeAH's Section A Response at 11, and SeAH's Section B and C Responses at C–11 and C–12. For sales through State Pipe, SeAH reported the date of State Pipe's invoice to the unaffiliated U.S. customer, which is the same date as the shipment date from State Pipe to the unaffiliated U.S. customer, because the subject merchandise was inventoried in the United States prior to sale to the customer. *Id.* SeAH provided a comparison table and sample documents to demonstrate that there were changes between the ordered quantity and the shipped quantity during the POI that were outside the normal tolerance level. *See* SeAH's Supplemental Response at Exhibit A–37.

Based on SeAH's responses, and having no record evidence that would indicate otherwise, we preliminarily determine that for SeAH's comparison market sales, the shipping invoice date, which is the same as the date of shipment, is the appropriate date to use as the date of sale because this is the date that is recorded in SeAH's records and it is the date when the material terms of sale (*i.e.*, price and quantity) are finalized. For SeAH's U.S. sales through State Pipe, we have preliminarily determined that the date of State Pipe's invoice to the unaffiliated U.S. customer is the appropriate date to use as the date of sale because this is the date when the material terms of sale are finalized pursuant to 19 CFR 351.401(i). For SeAH's U.S. sales through PPA, we have preliminarily determined that the date of shipment from SeAH is the appropriate date of sale, in accordance with the Department's practice in *Corrosion Resistant Steel from Korea*, *SSSS from Korea* and *Tires from the PRC*, because the material terms of sale were set prior to the date of PPA's invoice to the unaffiliated U.S. customer. For further discussion of this issue, *see* SeAH Analysis Memo.

Fair Value Comparisons

To determine whether sales of welded line pipe from Korea were made in the United States at less than normal value (NV), we compared the EP or CEP to the NV, as described in the ''Export Price and Constructed Export Price'' and ''Normal Value'' sections below. In accordance with section 777A(d)(1) of the Act, we calculated the weighted–average prices for NV and compared these to the weighted–average EP (and CEP), when appropriate.

Export Price and Constructed Export Price

For the price to the United States, we used, as appropriate, EP or CEP, in accordance with sections 772(a) and (b) of the Act. Pursuant to section 772(a) of the Act, we used the EP methodology when the merchandise was sold by the producer or exporter outside the United States directly to the first unaffiliated purchaser in the United States prior to importation and when CEP was not otherwise warranted based on the facts on the record. In accordance with section 772(b) of the Act, CEP is the price at which the subject merchandise is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).

We based EP and CEP on the packed prices charged to the first unaffiliated customer in the United States and the applicable terms of sale.

HYSCO

HYSCO classified two types of sales to the United States: 1) direct sales to end–user customers (*i.e.*, EP sales) via an unaffiliated trading company based in Korea; and 2) sales via its U.S. affiliate, HHU, to unaffiliated distributors (*i.e.*, CEP sales). *See* HYSCO's Section A Response at A–6 through A–12. For purposes of this preliminary determination, we have accepted HYSCO's classifications.

For HYSCO's reported EP sales, we based the date of sale on the earlier of either the sales invoice date or the shipment date. We calculated EP based on the packed prices to an unaffiliated trading company located in Korea, through which HYSCO sold merchandise to the United States and had knowledge of the final destination. We made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act, which included foreign inland freight, foreign brokerage and handling, international freight, marine insurance, U.S. brokerage and handling, and U.S. customs duties. We made further adjustments for direct expenses (credit expenses) in accordance with section 772(c)(2)(A) of the Act.

We calculated CEP based on prices charged to the first unaffiliated U.S. customer after importation. We used the

earlier of either the sales invoice date or the shipment date as the date of sale. We based CEP on the gross unit price from HHU to its unaffiliated U.S. customers. Where applicable and pursuant to sections 772(c)(2)(A) and (d)(1) of the Act, the Department made deductions for movement expenses, which included foreign inland freight, foreign brokerage and handling, brokerage and handling in the United States, international freight, marine insurance and U.S. Customs duties. In accordance with section 772(d)(1) of the Act, we also deducted, where applicable, U.S. direct selling expenses, including credit expenses, U.S. indirect selling expenses, and inventory carrying costs incurred in Korea associated with economic activities in the United States. We also deducted CEP profit in accordance with section 772(d)(3) of the Act. For further discussion, *see* HYSCO Analysis Memo.

SEAH

SeAH's U.S. sales were made by its U.S. affiliates, PPA and State Pipe. We, therefore, based all of SeAH's prices to the United States on CEP. We used shipment date as the date of sale because it preceded the invoice date for SeAH's sales through PPA to the United States. For sales by State Pipe, we relied on the date of State Pipe's invoice to the unaffiliated U.S. customer. When appropriate, we adjusted prices to reflect deductions and/or increases for early payment and other discounts and warranty expenses. In accordance with section 772(c)(2) of the Act, we made deductions, where appropriate, for movement expenses including inland freight, brokerage and handling in the country of manufacture, international freight, marine insurance, U.S. brokerage and handling, U.S. customs duties, U.S. inland freight to the U.S. warehouse, warehousing in the United States, and U.S. inland freight from the U.S. warehouse to the unaffiliated customer in the United States.

For CEP, in accordance with section 772(d)(1) of the Act, when appropriate, we deducted from the starting price those selling expenses that were incurred in selling the subject merchandise in the United States, including direct selling expenses (*e.g.*, warranty expenses and other direct selling expenses), imputed credit expenses, U.S. indirect selling expenses, and inventory carrying costs incurred in Korea associated with economic activities in the United States. We also deducted from CEP an amount for profit in accordance with sections 772(d)(3) and (f) of the Act. *See* SeAH Analysis Memo.

Normal Value

A. Home Market Viability and Comparison Market Selection

To determine whether there was a sufficient volume of sales in the home market (*i.e.*, Korea) to serve as a viable basis for calculating NV, we compared the respondents' volume of home market sales of the foreign like product to the volume of its U.S. sales of the subject merchandise. Pursuant to section 773(a)(1)(B)(I) of the Act, because each respondent had an aggregate volume of home market sales of the foreign like product that was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the respondents' sales of welded line pipe in Korea were sufficient to find the home market as viable for comparison purposes. Accordingly, we calculated NV for HYSCO and SeAH based on sales prices to Korean customers. However, the Department has concerns regarding merchandise HYSCO has reported as the foreign like product in this investigation, which may affect the viability of HYSCO's home market. Specifically, HYSCO has explained in its questionnaire responses that it made sales of secondary merchandise which did not meet the required specification or were defective in nature. HYSCO has reported these sales as sales of the foreign like product subject to this investigation for purposes of establishing normal value. *See* HYSCO's Section B Response at page B–6; HYSCO's Second Supplemental Response at page S–13; and HYSCO's Third Supplemental Response. The Department intends to thoroughly analyze this issue at verification.

B. Arm's–Length Test

HYSCO and SeAH reported sales of the foreign like product to affiliated and unaffiliated customers in the comparison market. The Department calculates NV based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the producer or exporter, *i.e.*, sales at ''arm's–length.'' *See* 19 CFR 351.403(c). To test whether these sales were made at arm's–length, we compared the starting prices of sales to affiliated and unaffiliated customers net of all movement charges, direct selling expenses, discounts and packing. In accordance with the Department's current practice, if the prices charged to an affiliated party were, on average, between 98 and 102 percent of the prices charged to unaffiliated parties for merchandise identical or most similar to that sold to the affiliated party, we considered the sales to be at arm's–length prices and included such sales in the calculation of NV. *See* 19 CFR 351.403(c). Conversely, where sales to the affiliated party did not pass the arm's–length test, all sales to that affiliated party were excluded from the NV calculation. *See Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186 (November 15, 2002); *see also*, HYSCO Analysis Memo and SeAH Analysis Memo.

C. Cost of Production Analysis

Based on our analysis of petitioners' allegations, we found that there were reasonable grounds to believe or suspect that HYSCO's and SeAH's sales of welded line pipe in the comparison market were made at prices below their COP. Accordingly, pursuant to section 773(b) of the Act, we initiated sales–below-cost investigations to determine whether these companies had sales that were made at prices below their respective COPs. *See* Memorandum to Richard O. Weible, Director, Office 7, titled ''Petitioner's Allegation of Sales Below the Cost of Production for Hyundai HYSCO (HYSCO),'' dated August 26, 2008; *see also*, Memorandum to Richard O. Weible, Director, Office 7, titled ''Petitioner's Allegation of Sales Below the Cost of Production for SeAH Steel Corporation (SeAH),'' dated August 26, 2008.

1. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated the respondents' COP based on the sum of their costs of materials and conversion for the foreign like product, plus an amount for home market selling expenses, general and administrative expenses (SG&A), interest expenses and packing costs. *See* the ''Test of Comparison Market Sales Prices'' section below for the treatment of comparison market selling expenses.

The Department relied on the COP data submitted by HYSCO and SeAH, in their respective section D questionnaire and supplemental responses for the COP calculation, except for the following instances:

SEAH

During the POI, SeAH purchased carbon steel hot–rolled coil inputs from a home market affiliate. The transfer price paid to the home market affiliate was less than the market price paid to SeAH's unaffiliated supplier. Therefore, for this preliminary determination, we have adjusted SeAH's reported total cost

of manufacturing to reflect the higher market price.

For a complete discussion of the changes made to the cost information submitted by SeAH, *see* Memorandum to Neal M. Halper, Director, Office of Accounting, titled ''Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination SeAH Steel Corporation,'' dated October 30, 2008.

2. Test of Comparison Market Sales Prices

On a product–specific basis, we compared the adjusted weighted–average COP to the comparison market sales of the foreign like product, as required under section 773(b) of the Act, in order to determine whether the sale prices were below the COP. For purposes of this comparison, we used the COP exclusive of selling and packing expenses. The prices were exclusive of any applicable movement charges, direct and indirect selling expenses, and packing expenses.

3. Results of the COP Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of a respondent's sales of a given product were at prices less than the COP, we did not disregard any below–cost sales of that product because we determined that the below–cost sales were not made in ''substantial quantities.'' Where 20 percent or more of a respondent's sales of a given product during the POI were at prices less than COP, we determined that such sales have been made in ''substantial quantities.'' *See* section 773(b)(2)(C) of the Act. Further, the sales were made within an extended period of time, in accordance with section 773(b)(2)(B) of the Act, because we examined below–cost sales occurring during the entire POI. In such cases, because we compared prices to POI–average costs, we also determined that such sales were not made at prices which would permit recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

We found that, for specific products, more than 20 percent of HYSCO's and SeAH's sales were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We, therefore, excluded these sales and used the remaining sales as the basis for determining NV, in accordance with section 773(b)(1) of the Act.

D. Calculation of Normal Value Based on Comparison Market Prices

HYSCO

We calculated NV based on packed prices to unaffiliated customers in Korea and matched U.S. sales to NV. We used the date of shipment as the appropriate date of sale for HYSCO's comparison market sales. We increased the comparison market starting price, where appropriate, to account for reported interest revenue pursuant to section 773(a)(6)(A) of the Act. We made deductions, where appropriate, for movement expenses, and packing pursuant to section 773(a)(6)(B) of the Act. In addition, we made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise, pursuant to section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411, as well as for differences in circumstances of sale as appropriate (*i.e.*, credit expenses), in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. We also made an adjustment, where appropriate, for the CEP offset in accordance with section 773(a)(7)(B) of the Act. *See* ''Level of Trade'' section below. Additionally, we deducted home market packing costs and added U.S. packing costs in accordance with sections 773(a)(6)(A) and (B) of the Act.

SEAH

We based comparison market prices on packed prices to unaffiliated customers in Korea. We adjusted the starting price for movement expenses and packing, pursuant to section 773(a)(6)(B) of the Act. In addition, as SeAH's sales were all CEP sales, for comparisons made to those CEP sales, we only deducted Korean credit expenses from comparison market prices, because U.S. credit expenses were deducted from U.S. price, as noted above and in accordance with section 772(c)(2) of the Act.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we also made adjustments for physical differences in the merchandise in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. We based this adjustment on the difference in the variable cost of manufacturing for the foreign like product and subject merchandise. *See* 19 CFR 351.411(b).

E. Level of Trade/Constructed Export Price Offset

In accordance with section 773(a)(1)(B) of the Act, to the extent practicable, we determine NV based on sales in the comparison market at the same level of trade (LOT) as the EP or CEP transaction. The LOT in the comparison market is the LOT of the starting–price sales in the comparison market or, when NV is based on CV, the LOT of the sales from which we derive SG&A expenses and profit. With respect to U.S. price for EP transactions, the LOT is also that of the starting–price sale, which is usually from the exporter to the importer. *See* 19 CFR 351.412(c)(i). For CEP, the LOT is that of the constructed sale from the exporter to the affiliated importer. *See* 19 CFR 351.412(c)(ii). *See also Micron Technology, Inc. v. United States*, 243 F.3d 1301, 1314 (Fed. Cir. 2001).

To determine whether comparison market sales are at a different LOT from U.S. sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer. *See*, *e.g.*, *Notice of Preliminary Determination of Sales at Not Less Than Fair Value: Polyethylene Terephthalate Film, Sheet, and Strip from Thailand*, 73 FR 24565 (May 5, 2008) (*PET Film from Thailand*); and *Notice of Preliminary Determination of Sales at Less Than Fair Value: Light–Walled Rectangular Pipe and Tube From Mexico,* 73 FR 5515 (January 30, 2008) (*LWR Pipe from Mexico*). If the comparison market sales are at different LOTs, and the difference affects price comparability, as manifested in a pattern of consistent price differences between the sales on which NV is based and comparison market sales at the LOT of the export transaction, the Department makes an LOT adjustment in accordance with section 773(a)(7)(A) of the Act. *See also LWR Pipe from Mexico* at 5522. For CEP sales, we examine stages in the marketing process and selling functions along the chain of distribution between the producer and the customer. See *PET Film from Thailand* at 24570. We analyze whether different selling activities are performed, and whether any price differences (other than those for which other allowances are made under the Act) are shown to be wholly or partly due to a difference in LOT between the CEP and NV. Under section 773(a)(7)(A) of the Act, we make an upward or downward adjustment to NV for LOT if the difference in LOT involves the performance of different selling activities and is demonstrated to affect price comparability, based on a pattern of consistent price differences between sales at different LOTs in the country in which NV is determined. Id. Finally, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP,

but the data available do not provide an appropriate basis to determine a LOT adjustment, we reduce NV by the amount of indirect selling expenses incurred in the foreign comparison market on sales of the foreign like product, but by no more than the amount of the indirect selling expenses incurred for CEP sales. *See* section 773(a)(7)(B) of the Act (the CEP offset provision) and *LWR Pipe from Mexico* at 5522.

In analyzing differences in selling functions, we determine whether the LOTs identified by the respondent are meaningful. *See Antidumping Duties; Countervailing Duties, Final Rule*, 62 FR at 27371. If the claimed LOTs are the same, we expect that the functions and activities of the seller should be similar. Conversely, if a party claims that LOTs are different for different groups of sales, the functions and activities of the seller should be dissimilar. *See Porcelain–on-Steel Cookware from Mexico: Final Results of Administrative Review*, 65 FR 30068 (May 10, 2000) and accompanying Issues and Decision Memorandum at Comment 6.

HYSCO

HYSCO reported one channel of distribution in the comparison market (*i.e.*, Korea), distinguished by two separate classes of customer: 1) direct sales to unaffiliated distributors and, 2) direct sales to affiliated and unaffiliated end–users. *See* HYSCO's Section A Response at A–11. HYSCO reported its selling functions to both distributors and end–users in the home market as: sales forecasting, strategic/economic planning, personnel training, advertising, sales promotion, packing, order input/processing, direct sales personnel, sales and marketing support, market research, technical assistance, providing warranty services, and arranging freight and delivery. *Id.* at A–12 and Exhibit 6. Specifically, HYSCO reported that it sold directly to its comparison market customers at a single LOT. *Id.* at A–11 through A–12. We examined the selling activities reported for HYSCO's channel of distribution to its customers. Based on record evidence and HYSCO's questionnaire responses, we found that HYSCO's level of selling functions and stages of marketing reported for its comparison market channel of distribution customers did not vary significantly by class of customer (*i.e.*, distributor vs. end–user). Therefore, we preliminarily conclude that the selling functions for the reported channel of distribution and classes of customer in that channel constitute one LOT in the comparison market.

With regard to its sales to the United States, HYSCO reported one EP LOT and one CEP LOT, with a single channel of distribution for each. *See* HYSCO's Section A Response at A–11 through A–13. HYSCO's EP sales to the United States were made through an unaffiliated trading company located in Korea, which sold subject merchandise to unaffiliated distributors in the United States. HYSCO also made CEP sales through its wholly–owned U.S. subsidiary, HHU, to unaffiliated distributors. We preliminarily find that HYSCO has two channels of distribution for its sales of subject merchandise to the United States: EP sales to unaffiliated distributors, and CEP sales to unaffiliated distributors. *Id. See also*, HYSCO's Section A Response at Exhibit A–8.

For EP sales, we examined the selling activities related to each of the selling functions between HYSCO and its unaffiliated trading company in Korea. HYSCO reported its selling functions to the trading company as: sales forecasting, strategic/economic planning, personnel training, advertising, sales promotion, packing, order input/processing, direct sales personnel, sales and marketing support, market research, technical assistance, and providing freight and delivery arrangement to the United States. *See* HYSCO's Section A Response at Exhibit A–6. *See also*, HYSCO's Supplemental Response at S–7.

For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and CEP profit under section 772(d) of the Act. *See Micron Technology Inc. v. United States*, 243 F.3d at 1314–1315. We reviewed the selling functions and services performed by HYSCO on CEP sales to its U.S. affiliate, HHU, as described in its questionnaire responses, after these deductions. We found that HYSCO provides almost no selling functions to its U.S. affiliate in support of the CEP LOT. HYSCO reported that the only services it provided for the CEP sales were logistics for freight and delivery, order input and processing, and direct sales personnel. *See* HYSCO's Section A Response at Exhibit A–6. We then examined the selling functions performed by HYSCO on its EP sales in comparison with the selling functions performed on CEP sales (after the appropriate CEP deductions). We found that HYSCO performs an additional layer of selling functions at a greater frequency on its EP sales which are not performed on its sales to its affiliate. *Id. See also*, HYSCO's Section A Response at A–15 through A–17. Because these additional selling functions are significant, we find that HYSCO's EP sales are at a different LOT than its CEP sales.

We then compared the selling functions HYSCO provided in the comparison market LOT with the selling functions provided to the U.S. EP LOT. On this basis, we determined that the comparison market LOT is almost identical to HYSCO's U.S. EP LOT in the selling functions and stages of marketing that are provided to each market. *See* HYSCO's Section A Response at Exhibit A–6; *see also*, HYSCO's Section A Response at A–15 through A–17. Moreover, we find that the degree to which HYSCO provides these identical selling functions for its customers in both markets to be similar (*i.e.*, the exception being the provision of warranty services in HYSCO's comparison market LOT). *Id.*, *see also*, HYSCO Analysis Memo. It was, therefore, unnecessary to make an LOT adjustment for comparison of HYSCO's comparison market and EP prices.

HYSCO reported that it provided minimal selling functions and services for the CEP LOT and that, therefore, the comparison market LOT is more advanced than the CEP LOT. *See* HYSCO's Section A Response at A–15. Based on our analysis of the channels of distribution and selling functions performed by HYSCO for sales in the comparison market and CEP sales in the U.S. market, we found that the functions provided by HYSCO to its U.S. affiliate are limited to order processing and the arrangement of freight and delivery. *See* HYSCO's Section A Response at Exhibit A–6. Therefore, we preliminarily find that the comparison market LOT is at a more advanced stage of distribution when compared to CEP sales because HYSCO provides many selling functions to its comparison market customers, which are not otherwise provided in HYSCO's CEP LOT. *Id.*; *see also*, HYSCO's Section A Response at A–15.

Because the data available do not provide an appropriate basis for making a LOT adjustment and the LOT of HYSCO's comparison market sales is at a more advanced stage than the LOT of HYSCO's CEP sales, we preliminarily determine that a CEP offset is appropriate in accordance with section 773(a)(7)(B) of the Act, as claimed by HYSCO. We based the amount of the CEP offset on comparison market indirect selling expenses, and limited the deduction for comparison market indirect selling expense to the amount of the indirect selling expenses deducted from CEP in accordance with section 772(d)(1)(D) of the Act. We applied the CEP offset to the NV–CEP

comparisons. For a detailed discussion, *see* HSYCO Analysis Memo.

SEAH

SeAH reported two channels of distribution in the comparison market (*i.e.*, Korea) distinguished by two separate classes of customer: 1) direct sales to distributors and end–users, and 2) sales via an affiliated reseller, HD Steel Corporation, to unaffiliated distributors and end–users in the comparison market. *See* SeAH's B and C questionnaire responses at B–2. SeAH stated that there was no difference in the LOTs for its sales in the comparison market. *See* SeAH's B and C questionnaire responses at B–19. In the U.S. market, SeAH reported one LOT corresponding to two channels of distribution for the CEP sales made through its affiliated U.S. companies, PPA and State Pipe. *See* SeAH's B and C questionnaire responses at C–20. SeAH stated that it was not claiming a LOT adjustment, because it had no comparison market sales that were at the same LOT as the U.S. CEP sales, but stated that a CEP offset is warranted for its U.S. sales. *See* SeAH's A questionnaire response at 23. Furthermore, SeAH stated that its U.S. LOT is less advanced than its comparison market LOT. *Id.*

In our analysis, we determined that SeAH's level of selling functions to its comparison market customers for each of the four selling function categories (*i.e.*, sales process and marketing support, freight and delivery, inventory maintenance and warehousing, and warranty and technical services) did not vary significantly by channel of distribution. *See* SeAH's Supplemental Response at Exhibit A–46. We examined the level of selling functions for SeAH's U.S. customers and found that they did not vary significantly by channel of distribution. *Id.* Therefore, we preliminary determine that SeAH's comparison market and U.S. market sales constitute a single LOT.

We then compared the selling functions performed by SeAH for its CEP sales to the selling functions provided in the comparison market. We found that SeAH provides significant selling activities in the comparison market related to the sales process and marketing support selling functions, as well as warranty selling functions, which it does not provide for the unaffiliated U.S. market customer. *See* SeAH Analysis Memo and SeAH's Supplemental Response at Exhibit A–46, for business proprietary information on SeAH's selling functions. The differences in selling functions performed for comparison market and CEP transactions indicate that SeAH's comparison market sales involved a more advanced stage of distribution than its CEP sales. In the comparison market, SeAH provides marketing further down the chain of distribution by promoting certain downstream selling functions that are normally performed by the affiliated reseller in the U.S. market. *See* SeAH Analysis Memo and Supplemental Response at Exhibit A–46. On this basis, we determined that the comparison market LOT is at a more advanced stage of distribution when compared to CEP sales because SeAH provides more selling functions in the comparison market at higher levels of service as compared to selling functions performed for its CEP sales. Thus, we find that SeAH's comparison market sales are at a more advanced LOT than its CEP sales.

Based upon our analysis, we preliminarily determine that CEP and the starting price of comparison market sales represent different stages in the marketing process, and are thus at different LOTs. Therefore, when we compared CEP sales to the comparison market sales, we examined whether an LOT adjustment may be appropriate. In this case, because SeAH sold at one LOT in the comparison market, there is no basis upon which to determine whether there is a pattern of consistent price differences between LOTs. Further, we do not have the information which would allow us to examine the price patterns of SeAH's sales of other similar products, and there is no other record evidence upon which a LOT adjustment could be based. Therefore, no LOT adjustment was made.

Because the data available do not provide an appropriate basis for making a LOT adjustment and the LOT of SeAH's comparison market sales is at a more advanced stage than the LOT of SeAH's CEP sales, we preliminarily determine that a CEP offset is appropriate in accordance with section 773(a)(7)(B) of the Act, as claimed by SeAH. We based the amount of the CEP offset on comparison market indirect selling expenses, and limited the deduction for comparison market indirect selling expense to the amount of the indirect selling expenses deducted from CEP in accordance with section 772(d)(1)(D) of the Act. We applied the CEP offset to the NV–CEP comparisons. For a detailed discussion, *see* SeAH Analysis Memo.

Currency Conversion

We made currency conversions pursuant to 19 CFR 351.415 based on the exchange rates in effect on the date of the U.S. sale, as certified by the Federal Reserve Bank. *See* Import Administration website at: http://ia.ita.doc.gov/exchange/index.html.

Verification

As provided in section 782(i) of the Act, we intend to verify all information upon which we will rely in making our final determination.

Postponement of Final Determination and Extension of Provisional Measures

Section 735(a)(2) of the Act provides that a final determination may be postponed until not later than 135 days after the date of the publication of the preliminary determination if, in the event of an affirmative preliminary determination, a request for such postponement is made by exporters who account for a significant proportion of exports of the subject merchandise, or in the event of a negative preliminary determination, a request for such postponement is made by the petitioners. 19 CFR 351.210(e)(2) requires that requests by respondents for postponement of a final determination be accompanied by a request for an extension of the provisional measures from a four–month period to not more than six months. On October 10, 2008, SeAH requested that, in the event of an affirmative preliminary determination in this investigation, the Department postpone its final determination and that, concurrently, the Department extend the provisional measures to not more than six months. On October 15, 2008, HYSCO also submitted a request to postpone the final determination and extend the provisional measures from a four–month period to not more than six–months.

In accordance with section 733(d) of the Act and 19 CFR 351.210(b)(2)(i) and (ii), because we have made an affirmative preliminary determination in this investigation, and because we have received requests from both respondents, who account for a significant proportion of exports of the subject merchandise, we are postponing the final determination until not later than 135 days after the date of the publication of the preliminary determination.

Preliminary Determination

The weighted–average dumping margins are as follows:

Producer/Exporter	Weighted–Average Margin (Percentage)
Hyundai HYSCO	2.34
SeAH Steel Corporation	0.00 *de minimis*

Producer/Exporter	Weighted–Average Margin (Percentage)
All Others	2.34

Suspension of Liquidation

In accordance with section 733(d)(2) of the Act, we are directing CBP to suspend liquidation of all entries of welded line pipe from Korea, with the exception of those produced and exported by SeAH, that are entered, or withdrawn from warehouse, for consumption on or after the date of publication of this notice in the **Federal Register**. We will instruct CBP to require a cash deposit or the posting of a bond equal to the weighted–average dumping margin, as indicated in the chart above, as follows: (1) the rate for the firms listed above (except for SeAH, see below) will be the rate we have determined in this preliminary determination; (2) if the exporter is not a firm identified in this investigation, but the producer is, the rate will be the rate established for the producer of the subject merchandise; (3) the rate for all other producers or exporters will be 2.34 percent. These suspension–of-liquidation instructions will remain in effect until further notice.

In accordance with 19 CFR 351.204(e)(2), because the weighted–average margin for SeAH is *de minimis*, we will not instruct CBP to suspend liquidation of merchandise produced and exported by SeAH.

ITC Notification

In accordance with section 733(f) of the Act, we have notified the ITC of the Department's preliminary affirmative determination. If the Department's final determination is affirmative, the ITC will determine before the later of 120 days after the date of this preliminary determination or 45 days after our final determination whether imports of welded line pipe from Korea are materially injuring, or threaten material injury to, the U.S. industry. We will disclose the calculations used in our analysis to parties in this proceeding in accordance with 19 CFR 351.224(b).

Public Comment

Interested parties are invited to comment on the preliminary determination. Interested parties may submit case briefs to the Department no later than seven days after the date of the issuance of the final verification report in this proceeding. *See* 19 CFR 351.309(c)(1)(i). Rebuttal briefs, the content of which is limited to the issues raised in the case briefs, must be filed within five days from the deadline date for the submission of case briefs. *See* 19 CFR 351.309(d)(1) and (2). A list of authorities used, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes. Further, we request that parties submitting briefs and rebuttal briefs provide the Department with a copy of the public version of such briefs on diskette. In accordance with section 774 of the Act, the Department will hold a public hearing, if requested, to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by an interested party. If a request for a hearing is made in this investigation, the hearing will tentatively be held two days after the rebuttal brief deadline date at the U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230, at a time and in a room to be determined. Parties should confirm by telephone, the date, time, and location of the hearing 48 hours before the scheduled date. Interested parties who wish to request a hearing, or to participate in a hearing if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, APO/Dockets Unit, Room 1870, within 30 days of the publication of this notice. Requests should contain: (1) the party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. *See* 19 CFR 351.310(c). At the hearing, oral presentations will be limited to issues raised in the case briefs and rebuttal briefs.

This determination is issued and published pursuant to sections 733(f) and 777(I)(1) of the Act.

Dated: October 30, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E8–26504 Filed 11–5–08; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

Proposed Information Collection; Comment Request; Vessel Monitoring System for Atlantic Highly Migratory Species

AGENCY: National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice.

SUMMARY: The Department of Commerce, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995.

DATES: Written comments must be submitted on or before January 5, 2009.

ADDRESSES: Direct all written comments to Diana Hynek, Departmental Paperwork Clearance Officer, Department of Commerce, Room 6625, 14th and Constitution Avenue, NW., Washington, DC 20230 (or via the Internet at *dHynek@doc.gov*).

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the information collection instrument and instructions should be directed to Peter Cooper, Highly Migratory Species Management Division (F/SF1), Office of Sustainable Fisheries, National Marine Fisheries Service, 1315 East-West Highway, Silver Spring, MD 20910 (phone 301–713–2347).

SUPPLEMENTARY INFORMATION:

I. Abstract

According to regulations under 50 CFR 635.69, the installation of a National Marine Fisheries Service (NMFS)-approved vessel monitoring systems (VMS) is required on: (1) All vessels issued Atlantic Highly Migratory Species (HMS) limited access permits (LAP) with pelagic longline gear on board; (2) all commercial vessels issued a directed shark LAP with bottom longline gear on board that are located between 33°00′ and 36°30′ N latitudes between January 1 and July 31; and (3) all commercial vessels issued a directed shark LAP with gillnet gear on board during the right whale calving season (November 15–March 31), regardless of location. NMFS published the list of approved VMS units for bottom longline or gillnet vessels on April 15, 2004 (69 FR 19979). This list updated the types of available units for pelagic longline vessels.

VMS is required in these fisheries to aid in enforcement and protection of closed areas. The areas were closed to reduce bycatch in HMS fisheries, to aid in rebuilding overfished stocks, and to protect protected species such as North Atlantic right whales. Automatic position reports are required to be submitted on an hourly basis whenever the vessel is at-sea. The placement of VMS units on fishing vessels allows NMFS to determine vessel locations and

Dated: November 19, 2008.

Stephen J. Claeys,

Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations.

[FR Doc. E8–27977 Filed 11–21–08; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

Applications for Duty-Free Entry of Scientific Instruments

Pursuant to Section 6(c) of the Educational, Scientific and Cultural Materials Importation Act of 1966 (Pub. L. 89–651, as amended by Public Law 106–36; 80 Stat. 897; 15 CFR part 301), we invite comments on the question of whether instruments of equivalent scientific value, for the purposes for which the instruments shown below are intended to be used, are being manufactured in the United States.

Comments must comply with 15 CFR 301.5(a)(3) and (4) of the regulations and be postmarked on or before December 15, 2008. Address written comments to Statutory Import Programs Staff, Room 2104, U.S. Department of Commerce, Washington, DC 20230. Applications may be examined between 8:30 a.m.and 5:30 p.m. at the U.S. Department of Commerce in Room 2104.

Docket Number: 08–057. *Applicant:* Louisiana State University, Department of Chemistry, 232 Choppin Hall, Baton Rouge, LA 70803. *Instrument:* Electron Microscope, Model FEI Quanta 3D FEG DualBeam. *Manufacturer:* FEI Company, the Netherlands. *Intended Use:* The instrument is intended to be used for large area cross-sectioning and analytical work, automated 3D tomography, nanolithography, and TEM specimen preparation. This type of work necessitates a high performance Dualbeam system with Environmental SEM capabilities. Application accepted by *Commissioner of Customs:* October 21, 2008.

Docket Number: 08–058. *Applicant:* University of New Mexico, Center for Micro-Engineered Materials, MSC01 1120 Farris Eng. CTR 203, 1 University of New Mexico, Albuquerque, NM 87131. *Instrument:* Electron Microscope, Model FEI Quanta 3D FEG Focused Ion Beam. *Manufacturer:* FEI Company, the Netherlands. *Intended Use:* The instrument is intended to be used to study nanoscale materials. Specifically, it will be used for the study of heterogeneous catalysts, heteraoepitaxial semiconductors, quantum dots, lasers, microfluidic devices, ion channels, free-standing thin films, biosensors and for the study of interplanetary materials and meteorites. *Application accepted by Commissioner of Customs:* October 21, 2008.

Dated: November 18, 2008.

Christopher Cassel,

Acting Director, Subsidies Enforcement Office, Import Administration.

[FR Doc. E8–27888 Filed 11–21–08; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

University of Puerto Rico, et al.; Notice of Consolidated Decision on Applications for Duty-Free Entry of Electron Microscopes

This is a decision consolidated pursuant to section 6(c) of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (Pub. L. 89–651, as amended by Pub. L. 106–36; 80 Stat. 897; 15 CFR part 301). Related records can be viewed between 8:30 a.m. and 5 p.m. in Room 2104, U.S. Department of Commerce, 14th and Constitution Avenue, NW., Washington, DC.

Docket Number: 08–048. *Applicant:* University of Puerto Rico, San Juan, PR 00931–3334. *Instrument:* Electron Microscope, Model JEM 2100–F. *Manufacturer:* JEOL Ltd., Japan. *Intended Use:* See notice at 73 FR 63434, October 24, 2008.

Docket Number: 08–049. *Applicant:* University of Puerto Rico, San Juan, PR 00931–3334. *Instrument:* Electron Microscope, Model JEM 2200–FS. *Manufacturer:* JEOL, Ltd., Japan. *Intended Use:* See notice at 73 FR 63434, October 24, 2008.

Docket Number: 08–053. *Applicant:* Purdue University, West Lafayette, IN 47907. *Instrument:* Electron Microscope, Model Tecnai G2 F20 TEM. *Manufacturer:* FEI Company, Czech Republic. *Intended Use:* See notice at 73 FR 63434, October 24, 2008.

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

Dated: November 18, 2008.

Christopher Cassel,

Acting Director, Subsidies Enforcement Office, Import Administration.

[FR Doc. E8–27887 Filed 11–21–08; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–570–936]

Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Final Affirmative Countervailing Duty Determination

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

SUMMARY: The Department of Commerce (the Department) determines that countervailable subsidies are being provided to producers and exporters of circular welded carbon quality steel line pipe (line pipe) from the People's Republic of China (the PRC). For information on the estimated subsidy rates, see the ''Suspension of Liquidation'' section of this notice.

DATES: *Effective Date:* November 24, 2008.

FOR FURTHER INFORMATION CONTACT: Kristen Johnson or John Conniff, AD/CVD Operations, Office 3, Operations, Import Administration, U.S. Department of Commerce, Room 4014, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482–4793 and (202) 482–1009, respectively.

SUPPLEMENTARY INFORMATION:

Background

This investigation covers 30 programs and the following producers/exporters: Huludao Seven-Star Steel Pipe Group Co., Ltd. (Huludao Seven Star Group), Huludao Steel Pipe Industrial Co. Ltd. (Huludao Steel Pipe), and Huludao Bohai Oil Pipe Industrial Co. Ltd. (Huludao Bohai Oil Pipe) (collectively, the Huludao Companies), and Liaoning Northern Steel Pipe Co., Ltd. (Northern Steel).

The petitioners in this investigation are United States Steel Corporation, Maverick Tube Corporation, Tex-Tube Company, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC (collectively, the petitioners).

Period of Investigation

The period of investigation (the POI) for which we are measuring subsidies is

January 1, 2007, through December 31, 2007, which corresponds to the PRC's most recently completed fiscal year. *See* 19 CFR 351.204(b)(2).

Case History

The following events have occurred since the Department announced the preliminary determination on September 3, 2008. *See Circular Welded Carbon Quality Steel Line Pipe from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination*, 73 FR 52297 (September 9, 2008) (*Line Pipe Preliminary Determination*).

On September 17, 2008, we issued a supplemental questionnaire to the Government of the People's Republic of China (GOC) and the Huludao Companies. On September 24, 2008, the GOC and the Huludao Companies submitted responses to the Department supplemental questionnaire. No supplemental questionnaire was issued to Northern Steel.

On September 23, 2008, the Department determined not to investigate petitioners' uncreditworthy allegations as well as certain subsidy allegations involving Northern Steel. Memorandum to Melissa G. Skinner, Director, Office 3, Operations, from Eric B. Greynolds, Program Manager, Office 3, Operations, ''Status of New Subsidy and Uncreditworthy Allegations Filed By Petitioners,'' the Department determined that it did not have the resources or time to examine petitioners' uncreditworthy allegations.

Also, in September 2008, petitioners and the GOC made several new factual submissions consistent within the deadline for the submission of factual information established by 19 CFR 351.301(b)(1).

From October 7 through October 14, 2008, we conducted verification of the questionnaire responses submitted by the GOC, Huludao Seven Star Group, Huludao Steel Pipe, and Huludao Bohai Oil Pipe and Northern Steel (collectively, respondents). We issued the verification reports on October 23, 24, 27, and 28, 2008.[1]

On November 3, 2008, we received case briefs from petitioners, the GOC, and the Huludao Companies. Rebuttal briefs were submitted on November 10, 2008. On November 12, 2008, we held separate *ex parte* meetings with representatives of petitioners and the GOC. *See* the Department's November 12, 2008, memoranda to the file, which are public documents on file in room 1117 of the main Commerce building.

Scope of Investigation

The merchandise covered by this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (welded line pipe), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for non alloy steels imposed in the Harmonized Tariff Schedule of the United States (HTSUS). Specifically, the term ''carbon quality'' includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:

(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (API) (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple-stenciled pipe with an API welded line pipe stencil is covered by the scope of this investigation.

Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: Is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanized and/or painted surface finish; or has a threaded and/or coupled end finish. (The term ''painted'' does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

The welded line pipe products that are the subject of these investigations are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

Injury Test

Because the PRC is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Tariff Act of 1930, as amended (the Act), the International Trade Commission (the ITC) is required to determine whether imports of the subject merchandise from the PRC materially injure, or threaten material injury, to a U.S. industry. On June 3, 2008, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports from the PRC of the subject merchandise. *See Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea*, Investigation Nos. 701–TA–455 and 731–TA–1149–1150 (Preliminary), 73 FR 31712 (June 3, 2008).

Analysis of Comments Received

All issues raised in the case and rebuttal briefs by parties to this investigation are addressed in the Decision Memorandum. Attached to this notice as an Appendix is a list of the issues that parties raised and to which we have responded in the Decision Memorandum. 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 the Department's Central Records Unit. In addition, a complete version of the Decision Memorandum can be accessed directly on the Internet at *http://ia.ita.doc.gov/frn/*. The paper copy and electronic version of the Decision Memorandum are identical in content.

Suspension of Liquidation

In accordance with section 705(c)(1)(B)(i)(I) of the Act, we have calculated an individual rate for the companies under investigation: the Huludao Companies and Northern Steel. Sections 703(d) and 705(c)(5)(A) of the Act state that for companies not investigated, we will determine an all-others rate by weighting the individual company subsidy rate of each of the companies investigated by each company's exports of the subject

[1] The public version of the verification reports and all public reports are on file in the Central Records Unit, room 1117 in the main building of the Commerce Department.

merchandise to the United States. The all-others rate may not include zero and *de minimis* net subsidy rates, or any rates based solely on the facts available.

Notwithstanding the language of section 705(c)(1)(B)(i)(I) of the Act, we have not calculated the all-others rate by weight averaging the rates of the Huludao Companies and Northern Steel because doing so risks disclosure of proprietary information. Therefore, for the all-others rate, we have calculated a simple average of the two responding firms' rates.

Producer/exporter	Subsidy rate (percent ad valorem)
Liaoning Northern Steel Pipe Co., Ltd.	40.05
Huludao Seven-Star Steel Pipe Group Co., Ltd. (Huludao Seven Star Group), Huludao Steel Pipe Industrial Co. Ltd. (Huludao Steel Pipe), and Huludao Bohai Oil Pipe Industrial Co. Ltd. (Huludao Bohai Oil Pipe) (collectively, the Huludao Companies)	35.63
All Others	37.84

As a result of the *Line Pipe Preliminary Determination* and pursuant to section 703(d) of the Act, we instructed the U.S. Customs and Border Protection (CBP) to suspend liquidation of all entries of line pipe from the PRC which were entered or withdrawn from warehouse, for consumption on or after September 9, 2008, the date of the publication of the *Line Pipe Preliminary Determination* in the **Federal Register**.

We will issue a CVD order under section 706(a) of the Act if the ITC issues a final affirmative injury determination, and will require a cash deposit of estimated countervailing duties for such entries of merchandise in the amounts indicated above. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled.

ITC Notification

In accordance with section 705(d) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an APO, without the written consent of the Assistant Secretary for Import Administration.

Return or Destruction of Proprietary Information

In the event that the ITC issues a final negative injury determination, this notice will serve as the only reminder to parties subject to an administrative protective order (APO) of their responsibility concerning the destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

This determination is published pursuant to sections 705(d) and 777(i) of the Act.

Dated: November 17, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

Appendix—Issues and Decision Memorandum

List of Comments and Issues in the Decision Memorandum

Comment 1: Whether the Department Should Reject the Ownership Data Supplied by the GOC for Use in the Provision of Hot-Rolled Steel (HRS) for Less Than Adequate Remuneration (LTAR) Program and Resort to the Use of Adverse Facts Available (AFA).

Comment 2: Whether the Huludao Companies Submitted Sufficient Information to Establish the Identity and Ownership of Producers that Sold HRS to the Huludao Companies through Trading Companies.

Comment 3: Whether the Five Factor Test Should Be Used To Asses Which Producers of HRS Are State-Owned.

Comment 4: Whether the Sale of HRS from Privately-Held Trading Companies Constitutes a Financial Contribution Under the Act.

Comment 5: Whether the Use of an In-Country Benchmark is Permissible When Calculating Benefits Under the Provision of HRS for LTAR Program.

Comment 6: Whether the Department's *De Facto* Specificity Analysis Under the Provision of HRS for LTAR Program was Flawed.

Comment 7: Whether to Adjust the Benchmark Used in the Provision of HRS for LTAR Program for International Freight.

Comment 8: Whether the Department Erred When Adding Import Duties and VAT to the Benchmark Price Used in the Provision of HRS for LTAR Program.

Comment 9: Whether the Department Should Add VAT of 17 Percent to the Purchase Price of HRS the Huludao Companies Acquired During the POI When Examining the Provision of HRS for LTAR.

Comment 10: Whether the Department Erred in Using an Inflation-Adjusted Interest Rate to Calculate the Short-Term Benchmark.

Comment 11: Whether the Department Should Revise Its Short-Term Benchmark Methodology by Either Basing the Short-Term Benchmark On a Simple Average of Applicable Short-Term Rates or Adding an Additional ''Governance Factor'' to the Regression Analysis.

Comment 12: Whether the IMF Rates Used in the Department's Short-Term Regression-Based Benchmark Methodology are, In Fact, Long-Term Rates and Therefore Flawed.

Comment 13: Whether the Regression-Based Analysis Used to Derive the Short-Term Benchmark Interest Rate is Invalid.

Comment 14: Whether the Department Should Revise the Manner in Which It Incorporated a Risk Premium to the RMB Denominated Long-Term Benchmark.

Comment 15: Whether the Department's Regulations Authorize the Use of Out-Of-Country Interest Rate Benchmarks.

Comment 16: Whether the Department Has the Legal Authority to Apply the CVD Law to the PRC While Simultaneously Treating the PRC as an NME in Parallel Antidumping Investigations.

Comment 17: Whether the Application of the CVD Law to the PRC Results in Double Counting of Duties.

Comment 18: Whether the Department Should Use a ''Cut-Off'' Date That Is More Recent Than December 11, 2001.

Comment 19: Whether Certain Interest-Free Loans the Huludao Companies Received Constituted Financial Contributions Received After December 11, 2001, the Date of the PRC's Accession to the World Trade Organization (WTO).

Comment 20: Whether the Department Erred in Refusing to Investigate the Creditworthiness of the Huludao Companies for Years 2004 Through 2007.

Comment 21: Whether the GOC Established an Industrial Policy to Encourage Preferential Lending to the Producers of Subject Merchandise.

Comment 22: Whether the Department Should Countervail the Provision of Land at LTAR.

Comment 23: Whether the Department Should Add an Additional Land-Use Right Acquisition by the Huludao Companies to its Subsidy Analysis Under the Provision of Land for LTAR Program.

Comment 24: Whether Northern Steel Acquired Land-Use Rights from a Government Authority.

Comment 25: Whether Certain Loans Issued to the Huludao Companies from State-Owned Banks Were Contingent Upon Exports.

Comment 26: Whether There Is Sufficient Information to Determine that a Program-Wide Change Occurred With Respect to the Domestic Income Tax Credit for Domestically-Produced Equipment Program.

[FR Doc. E8–27889 Filed 11–21–08; 8:45 am]

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review of entries covered by an order, finding, or suspended investigation listed in this notice and for the period identified above, the Department will instruct the U.S. Customs and Border Protection to assess antidumping or countervailing duties on those entries at a rate equal to the cash deposit of (or bond for) estimated antidumping or countervailing duties required on those entries at the time of entry, or withdrawal from warehouse, for consumption and to continue to collect the cash deposit previously ordered.

This notice is not required by statute but is published as a service to the international trading community.

Dated: November 25, 2008.

Stephen J. Claeys,

Deputy Assistant Secretary for AD/CVD Duty Operations.

[FR Doc. E8–28479 Filed 11–28–08; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

(A–580–861)

Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea: Termination of Antidumping Duty Investigation

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

EFFECTIVE DATE: December 1, 2008.

FOR FURTHER INFORMATION CONTACT: Patrick Edwards or Dena Crossland, Office 7, AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–8029 or (202) 482–3362, respectively.

SUPPLEMENTARY INFORMATION:

Background

On April 3, 2008, the Department of Commerce (Department) received antidumping duty petitions filed in proper form by the petitioners for the imposition of antidumping duties on certain circular welded carbon quality steel line pipe (line pipe) from the Republic of Korea (Korea) and the People's Republic of China (PRC), alleging that line pipe from these countries were being sold, or were likely to be sold, in the United States at less than fair value. The petitioners are United States Steel Corporation, Maverick Tube Corporation, Tex–Tube Company, and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, and AFL–CIO-CLC (collectively, Petitioners). On April 23, 2008, the Department initiated antidumping duty investigations of line pipe from Korea and the PRC. *See Certain Circular Welded Carbon Quality Steel Line Pipe From the Republic of Korea and the People's Republic of China: Initiation of Antidumping Duty Investigations*, 73 FR 23188 (April 29, 2008) (*Initiation Notice*).

On June 3, 2008, the International Trade Commission preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of line pipe from Korea and the PRC. *See Certain Circular Welded Carbon Quality Steel Line Pipe from China and Korea*, 73 FR 31712 (June 3, 2008).

On November 6, 2008, we published in the **Federal Register** the preliminary determination in the Korean investigation, concurrently postponing the final determination until no later than March 21, 2009. *See Preliminary Determination of Sales at Less Than Fair Value and Postponement of the Final Determination: Certain Circular Welded Carbon Quality Steel Line Pipe from the Republic of Korea*, 73 FR 66020 (November 6, 2008).

Scope of Investigation

The merchandise that is the subject of this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (welded line pipe), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling.

The term ''carbon quality steel'' includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for nonalloy steels imposed in the Harmonized Tariff Schedule of the United States (HTSUS). Specifically, the term ''carbon quality'' includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated:

(i) 2.00 percent of manganese,
(ii) 2.25 percent of silicon,
(iii) 1.00 percent of copper,
(iv) 0.50 percent of aluminum,
(v) 1.25 percent of chromium,
(vi) 0.30 percent of cobalt,
(vii) 0.40 percent of lead,
(viii) 1.25 percent of nickel,
(ix) 0.30 percent of tungsten,
(x) 0.012 percent of boron,
(xi) 0.50 percent of molybdenum,
(xii) 0.15 percent of niobium,
(xiii) 0.41 percent of titanium,
(xiv) 0.15 percent of vanadium, or
(xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the American Petroleum Institute (API) (or comparable foreign specifications) including API A–25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non–graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple–stenciled pipe with an API line pipe stencil is covered by the scope of this investigation.

The line pipe products that are the subject of this investigation are currently classifiable in the HTSUS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10, and 7306.19.51.50. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Termination of Antidumping Duty Investigation

On November 17, 2008, the Department received a letter from Petitioners notifying the Department that they are no longer interested in seeking relief and are withdrawing their petition on line pipe from Korea. Under section 734(a)(1)(A) of the Tariff Act of 1930, as amended (the Act), upon withdrawal of a petition, the administering authority may terminate an investigation after giving notice to all parties to the investigation. Further, 19 CFR 351.207(b)(1) states that the Department may terminate an investigation upon withdrawal of a petition, provided it concludes that termination is in the public interest. On November 18, 2008, we notified all interested parties to the investigation of our intent to terminate this investigation, and provided them an opportunity to comment on the proposed termination. See Memorandum to the File from Dena Crossland, Case Analyst, through Angelica L. Mendoza, Program Manager, Office 7, dated November 21, 2008. We received no comments from any party to this investigation.

As no party objects to this termination and the Department is not aware of any evidence to the contrary, the Department finds that termination of this investigation is in the public interest. As such, we are terminating this antidumping duty investigation and

will issue instructions directly to U.S. Customs and Border Protection (CBP) to terminate the suspension of liquidation of subject merchandise and release all bonds and any cash deposits that have been posted, where applicable.

Notification Regarding Administrative Protective Orders

This notice serves as a reminder to parties subject to administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return or destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a sanctionable violation.

This determination and notice are published in accordance with section 734(a) of the Act and 19 CFR 351.207(b).

Dated: November 21, 2008.

David M. Spooner,

Assistant Secretary for Import Administration.

[FR Doc. E8–28469 Filed 11–28–08; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

A–570–882

Refined Brown Aluminum Oxide from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review

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

SUMMARY: In response to a request from an interested party, the Department of Commerce (the Department) is conducting the 2006–2007 administrative review of the antidumping duty order on refined brown aluminum oxide (RBAO) from the People's Republic of China (PRC). The review covers one exporter, Qingdao Shunxingli Abrasives Co. Ltd. (Qingdao Shunxingli). The period of review (POR) is November 1, 2006, to October 31, 2007.

We have preliminarily determined that sales have been made at prices below normal value by Qingdao Shunxingli. If these preliminary results are adopted in our final results of administrative review, we will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties on all appropriate entries.

We invite interested parties to comment on these preliminary results. Parties who submit comments in this review are requested to submit with each argument (1) a statement of the issue and (2) a brief summary of the argument.

EFFECTIVE DATE: December 1, 2008.

FOR FURTHER INFORMATION CONTACT: David Goldberger or Kate Johnson, AD/CVD Operations, Office 2, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–4136 or (202) 482–4929, respectively.

SUPPLEMENTARY INFORMATION:

Background

On November 1, 2007, the Department published a notice of opportunity to request an administrative review of the antidumping duty order on, inter alia, RBAO from the PRC. *See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 72 FR 61859 (November 1, 2007). In response, Fujimi Corporation (Fujimi), an importer of the subject merchandise, timely requested an administrative review of the antidumping duty order on RBAO from the PRC for entries of the subject merchandise during the POR from two PRC producers/exporters: Henan Yilong High and New Materials Co., Ltd. (Henan Yilong), and Qingdao Shunxingli.

On December 27, 2007, the Department initiated a review on Henan Yilong and Qingdao Shunxingli. *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 72 FR 73315 (December 27, 2007).

The Department issued antidumping duty questionnaires to Henan Yilong and Qingdao Shunxingli on January 7, 2008. We received responses to these questionnaires in March 2008. We issued a supplemental questionnaire to Henan Yilong in April 2008 and received a response later that month. We issued supplemental questionnaires to Qingdao Shunxingli in March, May, and July 2008. We received responses to these supplemental questionnaires in April, May, and July 2008, respectively.

On May 23, 2008, Fujimi withdrew its request for review of Henan Yilong and requested that the Department rescind the review with respect to this company. In accordance with 19 CFR 351.213(d)(1), we granted Fujimi's request and rescinded this administrative review with respect to Henan Yilong. In addition, we extended the due date for completion of these preliminary results until not later than December 1, 2008. *See Refined Brown Aluminum Oxide from the People's Republic of China: Notice of Partial Rescission of Antidumping Duty Administrative Review and Extension of Time Limit for Preliminary Results*, 73 FR 38173 (July 3, 2008).

Scope of the Order

The merchandise covered by this order is ground, pulverized or refined artificial corundum, also known as brown aluminum oxide or brown fused alumina, in grit size of 3/8 inch or less. Excluded from the scope of the order is crude artificial corundum in which particles with a diameter greater than 3/8 inch constitute at least 50 percent of the total weight of the entire batch. The scope includes brown artificial corundum in which particles with a diameter greater than 3/8 inch constitute less than 50 percent of the total weight of the batch. The merchandise under investigation is currently classifiable under subheadings 2818.10.20.00 and 2818.10.20.90 of the *Harmonized Tariff Schedule of the United States* (HTSUS). Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise covered by the order is dispositive.

NME Country Status

In every case conducted by the Department involving the PRC, the PRC has been treated as a non–market–economy (NME) country. In accordance with section 771(18)(C)(i) of the Tariff Act of 1930, as amended (the Act), any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. *See Brake Rotors From the People's Republic of China: Preliminary Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of of Intent to Rescind the 2004/2005 New Shipper Review*, 71 FR 26736, (May 8, 2006); unchanged in *Brake Rotors From the People's Republic of China: Final Results and Partial Rescission of the 2004/2005 Administrative Review and Notice of Rescission of 2004/2005 New Shipper Review*, 71 FR 66304 (November 14, 2006). None of the parties to this proceeding has contested such treatment. Accordingly, we have calculated normal value in accordance with section 773(c) of the Act, which applies to NME countries.

already been granted such treatment during the proceedings. All such requests should be directed to the Secretary of the Commission and must include a full statement of the reasons why the Commission should grant such treatment. *See* 19 CFR 201.6. Documents for which confidential treatment by the Commission is sought will be treated accordingly. All nonconfidential written submissions will be available for public inspection at the Office of the Secretary.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in section 210.42 of the Commission's Rules of Practice and Procedure (19 CFR 210.42).

By order of the Commission.

Issued: December 8, 2008.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–29454 Filed 12–11–08; 8:45 am]

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INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1150 (Final)]

Circular Welded Carbon Quality Steel Line Pipe From Korea

AGENCY: United States International Trade Commission.

ACTION: Termination of investigation.

SUMMARY: On November 25, 2008, the Commission received a letter from the Department of Commerce stating that, having received a letter from petitioners in the subject investigation (Maverick Tube Corp., United States Steel Corp., Tex-Tube Corp., and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL–CIO–CLC) withdrawing its petition, Commerce was terminating its antidumping investigation on circular welded carbon quality steel line pipe from Korea. Accordingly, pursuant to section 207.40(a) of the Commission's Rules of Practice and Procedure (19 CFR 207.40(a)), the subject investigation is terminated.

DATES: *Effective Date:* November 25, 2008.

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

Authority: This investigation is being terminated under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.40 of the Commission's rules (19 CFR 207.40).

By order of the Commission.

Issued: December 8, 2008.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–29452 Filed 12–11–08; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–455 and 731–TA–1149 (Final)]

Circular Welded Carbon Quality Steel Line Pipe From China

AGENCY: United States International Trade Commission.

ACTION: Additional scheduling date for the subject investigations.

DATES: *Effective Date:* December 5, 2008.

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

SUPPLEMENTARY INFORMATION: Effective September 9, 2008, the Commission established a schedule for the conduct of the final phase of the subject investigations (73 FR 54618, September 22, 2008). Although the Department of Commerce (''Commerce'') had not yet made its preliminary less than fair value (''LTFV'') determination, the Commission, for purposes of efficiency, included the antidumping duty investigation in the schedule for the countervailing duty investigation. On November 6, 2008, Commerce issued its preliminary antidumping duty determination and postponed its final antidumping duty determination (73 FR 66012). Accordingly, the Commission is issuing the additional scheduling date with respect to the antidumping duty investigation as follows: A supplemental brief addressing only Commerce's final antidumping duty determination is due on March 31, 2009. The brief may not exceed five (5) pages in length.

For further information concerning these investigations see the Commission's notice cited above and 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).

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

By order of the Commission.

Issued: December 8, 2008.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–29453 Filed 12–11–08; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–288]

Ethyl Alcohol for Fuel Use: Determination of the Base Quantity of Imports

AGENCY: United States International Trade Commission.

ACTION: Notice of determination.

SUMMARY: Section 423(c) of the Tax Reform Act of 1986, as amended (19 U.S.C. 2703 note), requires the United States International Trade Commission to determine annually the amount (expressed in gallons) that is equal to 7 percent of the U.S. domestic market for fuel ethyl alcohol during the 12-month period ending on the preceding September 30. This determination is to be used to establish the ''base quantity'' of imports of fuel ethyl alcohol with a zero percent local feedstock requirement that can be imported from U.S. insular possessions or CBERA-beneficiary countries. The base quantity to be used by U.S. Customs and Border Protection

APPENDIX B

HEARING CALENDAR

CALENDAR OF PUBLIC HEARING

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

Subject: Circular Welded Carbon Quality Steel Line Pipe from China and Korea

Inv. Nos.: 701-TA-455 and 731-TA-1149-1150 (Final)

Date and Time: November 24, 2008 - 9:30 a.m.

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

CONGRESSIONAL APPEARANCE:

The Honorable Peter J. Visclosky, U.S. Congressman, U.S. House of Representatives, 1st District, State of Indiana

OPENING REMARKS:

Petitioners (**Roger B. Schagrin**, Schagrin Associates)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Schagrin Associates
Washington, D.C.
on behalf of

Tex-Tube Co.
ACIPCO
TMK-IPSCO Tubulars
Northwest Pipe Co.
Stupp Corp.

Raymond Davila, Vice President, Tex-Tube Co.

Vicki Avril, President and Chief Executive Officer, IPSCO Tubulars and NS Group

Scott Barnes, Vice President and Chief Commercial Officer, IPSCO Tubulars and NS Group

In Support of the Imposition of the Antidumping and Countervailing Duty Orders (continued):

Robert Mahoney, President, Northwest Pipe Co. Tubular Division

Rusty Fisher, Vice President of Line Pipe Sales, Tubular Synergy Group

Roger B. Schagrin)
) – OF COUNSEL
John Bohn)

Skadden, Arps, Slate, Meagher & Flom LLP
Washington, D.C.
on behalf of

United States Steel Corp. ("U.S. Steel")

Joseph Alvarado, President, U.S. Steel Tubular Products, Inc.

George H. Thompson, General Manager, Commercial, Tubular Products, U.S. Steel Tubular Products, Inc.

Scott M. Dorn, General Manager, Market Development, U.S. Steel Tubular Products, Inc.

Mark M. Tinne, Regional Sales Manager, Gulf Coast, U.S. Steel Tubular Products, Inc.

Thomas M. Conway, International Vice President (Administration), United Steel, Paper and Forestry, Rubber, Manufacturing Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC

James C. Hecht)
) – OF COUNSEL
Stephen P. Vaughn)

In Support of the Imposition of the Antidumping and Countervailing Duty Orders (continued):

Wiley Rein LLP
Washington, D.C.
on behalf of

Maverick Tube Corp.

German Cura, President and Chief Executive Officer, Maverick Tube Corp.

Roland Balkenende, President and General Manager, Tenaris Global Services (USA) Corp. (TGS)

Alan H. Price)
Daniel B. Pickard) – OF COUNSEL
Robert E. DeFrancesco, III)

King & Spalding LLP
Washington, D.C.
on behalf of

Wheatland Tube Co.

Bonnie B. Byers, Senior International Trade Consultant

Brian E. McGill) – OF COUNSEL

CLOSING REMARKS:

Petitioners (**Alan H. Price**, Wiley Rein LLP)

APPENDIX C

SUMMARY DATA

Table C-1

Circular welded steel line pipe: Summary data concerning the U.S. market, 2005-07, January-September 2007, and January-September 2008

(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-September					Jan.-Sept.
Item	2005	2006	2007	2007	2008	2005-07	2005-06	2006-07	2007-08
U.S. consumption quantity:									
Amount	872,471	1,403,335	1,375,726	1,092,875	1,083,406	57.7	60.8	-2.0	-0.9
Producers' share (1)	59.9	49.5	52.9	54.0	55.5	-7.1	-10.5	3.4	1.5
Importers' share (1):									
Subject U.S. imports from--									
China	1.8	12.1	17.2	16.2	10.3	15.4	10.3	5.1	-5.9
Nonsubject U.S. imports from--									
China (multiple-stenciled)	1.4	3.9	3.2	3.6	0.6	1.8	2.5	-0.7	-3.0
Korea	10.1	13.3	13.0	12.5	14.8	2.9	3.2	-0.3	2.3
All other sources	26.8	21.3	13.8	13.7	18.7	-13.0	-5.5	-7.5	5.0
Nonsubject subtotal	38.3	38.5	30.0	29.9	34.2	-8.3	0.2	-8.5	4.4
Total imports	40.1	50.5	47.1	46.0	44.5	7.1	10.5	-3.4	-1.5
U.S. consumption value:									
Amount	780,174	1,212,303	1,226,993	976,316	1,247,711	57.3	55.4	1.2	27.8
Producers' share (1)	65.1	57.3	61.8	62.6	64.0	-3.3	-7.8	4.5	1.4
Importers' share (1):									
Subject U.S. imports from--									
China	1.5	8.7	12.5	12.1	6.7	11.1	7.2	3.8	-5.3
Nonsubject U.S. imports from--									
China (multiple-stenciled)	1.0	2.6	2.2	2.5	0.4	1.3	1.6	-0.4	-2.1
Korea	8.6	10.5	10.8	10.3	10.7	2.2	1.8	0.4	0.3
All other sources	23.8	20.9	12.7	12.5	18.2	-11.2	-2.9	-8.3	5.7
Nonsubject subtotal	33.4	34.0	25.7	25.3	29.2	-7.7	0.6	-8.3	3.9
Total imports	34.9	42.7	38.2	37.4	36.0	3.3	7.8	-4.5	-1.4
Subject U.S. imports from:									
China (minus multiple stenciled):									
Quantity	15,549	169,652	236,358	176,730	111,125	1420.1	991.1	39.3	-37.1
Value	11,543	105,754	153,881	117,734	84,042	1233.1	816.2	45.5	-28.6
Unit value	$742	$623	$651	$666	$756	-12.3	-16.0	4.4	13.5
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject U.S. imports from:									
China (multiple-stenciled).									
Quantity	12,124	54,705	44,462	39,580	7,006	266.7	351.2	-18.7	-82.3
Value	7,648	31,793	27,477	24,456	5,034	259.3	315.7	-13.6	-79.4
Unit value	$631	$581	$618	$618	$719	-2.0	-7.9	6.3	16.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	87,923	186,285	178,177	136,778	160,669	102.7	111.9	-4.4	17.5
Value	67,417	126,705	132,660	101,010	132,885	96.8	87.9	4.7	31.6
Unit value	$767	$680	$745	$738	$827	-2.9	-11.3	9.5	12.0
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	234,044	298,681	189,544	149,877	203,114	-19.0	27.6	-36.5	35.5
Value	185,863	253,886	155,275	121,595	226,723	-16.5	36.6	-38.8	86.5
Unit value	$794	$850	$819	$811	$1,116	3.2	7.0	-3.6	37.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject imports:									
Quantity	334,091	539,671	412,183	326,235	370,789	23.4	61.5	-23.6	13.7
Value	260,929	412,384	315,411	247,061	364,642	20.9	58.0	-23.5	47.6
Unit value	$781	$764	$765	$757	$983	-2.0	-2.2	0.1	29.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All sources:									
Quantity	349,640	709,323	648,541	502,966	481,914	85.5	102.9	-8.6	-4.2
Value	272,471	518,138	469,292	364,795	448,684	72.2	90.2	-9.4	23.0
Unit value	$779	$730	$724	$725	$931	-7.1	-6.3	-0.9	28.4
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page.

Table C-1--Continued

Circular welded steel line pipe: Summary data concerning the U.S. market, 2005-07, January-September 2007, and January-September 2008

(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-September					Jan.-Sept.
Item	2005	2006	2007	2007	2008	2005-07	2005-06	2006-07	2007-08
U.S. producers':									
Average capacity quantity	946,891	947,312	1,035,515	835,464	805,361	9.4	0.0	9.3	-3.6
Production quantity	570,076	749,202	769,607	621,294	601,226	35.0	31.4	2.7	-3.2
Capacity utilization (1)	60.2	79.1	74.3	74.4	74.7	14.1	18.9	-4.8	0.3
U.S. shipments:									
Quantity	522,831	694,012	727,185	589,909	601,492	39.1	32.7	4.8	2.0
Value	507,703	694,165	757,701	611,521	799,027	49.2	36.7	9.2	30.7
Unit value	$971	$1,000	$1,042	$1,037	$1,328	7.3	3.0	4.2	28.1
Export shipments:									
Quantity	60,968	50,293	16,401	13,435	***	-73.1	-17.5	-67.4	***
Value	61,653	53,030	16,634	13,725	***	-73.0	-14.0	-68.6	***
Unit value	$1,011	$1,054	$1,014	$1,022	***	0.3	4.3	-3.8	***
Ending inventory quantity	44,254	49,637	78,920	70,542	57,688	78.3	12.2	59.0	-18.2
Inventories/total shipments (1)	7.6	6.7	10.6	8.8	***	3.0	-0.9	3.9	***
Production workers	770	919	1,028	1,050	960	33.5	19.4	11.9	-8.6
Hours worked (1,000s)	1,472	1,869	2,069	1,616	1,495	40.5	26.9	10.7	-7.5
Wages paid ($1,000s)	34,271	42,841	47,892	36,166	38,246	39.7	25.0	11.8	5.7
Hourly wages	$23.28	$22.92	$23.14	$22.38	$25.59	-0.6	-1.5	1.0	14.3
Productivity (tons/1,000 hours)	387.2	400.9	371.9	384.4	402.3	-3.9	3.5	-7.2	4.6
Unit labor costs	$60.12	$57.18	$62.23	$58.21	$63.61	3.5	-4.9	8.8	9.3
Net sales:									
Quantity	586,170	745,701	741,853	582,055	617,520	26.6	27.2	-0.5	6.1
Value	574,930	749,831	780,944	611,348	815,734	35.8	30.4	4.1	33.4
Unit value	$981	$1,006	$1,053	$1,050	$1,321	7.3	2.5	4.7	25.8
Cost of goods sold (COGS)	457,816	577,876	674,102	520,254	614,386	47.2	26.2	16.7	18.1
Gross profit or (loss)	117,114	171,955	106,842	91,094	201,348	-8.8	46.8	-37.9	121.0
SG&A expenses	23,599	34,702	37,561	28,861	32,421	59.2	47.0	8.2	12.3
Operating income or (loss)	93,515	137,253	69,281	62,233	168,927	-25.9	46.8	-49.5	171.4
Capital expenditures	7,916	11,395	11,054	7,693	7,554	39.6	43.9	-3.0	-1.8
Unit COGS	$781	$775	$909	$894	$995	16.3	-0.8	17.3	11.3
Unit SG&A expenses	$40	$47	$51	$50	$53	25.8	15.6	8.8	5.9
Unit operating income or (loss)	$160	$184	$93	$107	$274	-41.5	15.4	-49.3	155.9
COGS/sales (1)	79.6	77.1	86.3	85.1	75.3	6.7	-2.6	9.3	-9.8
Operating income or (loss)/ sales (1)	16.3	18.3	8.9	10.2	20.7	-7.4	2.0	-9.4	10.5

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

Note.--Figures for China (subject) are based on official statistics of the U.S. Department of Commerce less the figures reported by importers for excluded multiple-stenciled pipe.

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 official statistics of the U.S. Department of Commerce and data submitted in response to Commission questionnaires.

APPENDIX D

PRICE DATA FOR NONSUBJECT IMPORTS

Table D-1
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 1, January 2005-September 2008

Period	United States		China (subject)		Brazil		Korea	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:								
January-March	$1,033	1,592	$***	***	--	0	***	***
April-June	1,010	2,479	***	***	--	0	***	***
July-September	***	***	***	***	***	***	***	***
October-December	959	2,481	***	***	***	***	***	***
2006:								
January-March	***	***	***	***	***	***	***	***
April-June	1,030	3,593	***	***	***	***	***	***
July-September	1,065	3,329	***	***	***	***	***	***
October-December	1,048	3,133	***	***	--	0	***	***
2007:								
January-March	979	5,960	***	***	***	***	***	***
April-June	968	4,656	***	***	***	***	***	***
July-September	963	3,213	***	***	--	0	***	***
October-December	980	1,533	***	***	--	0	***	***
2008:								
January-March	972	4,489	***	***	--	0	***	***
April-June	1,112	2,208	***	***	--	0	***	***
July-September	1,707	4,086	--	0	--	0	***	***

Continued on next page.

Table D-1--*Continued*
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 1, January 2005-September 2008

Period	Mexico		Taiwan		Others	
	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:						
January-March	***	***	***	***	--	0
April-June	***	***	***	***	--	0
July-September	--	0	***	***	--	0
October-December	***	***	***	***	--	0
2006:						
January-March	***	***	***	***	--	0
April-June	***	***	***	***	--	0
July-September	***	***	***	***	--	0
October-December	***	***	***	***	--	0
2007:						
January-March	***	***	***	***	***	***
April-June	--	0	***	***	***	***
July-September	--	0	***	***	***	***
October-December	***	***	***	***	***	***
2008:						
January-March	***	***	--	0	***	***
April-June	***	***	--	0	***	***
July-September	--	0	***	***	***	***

Product 1.-- API 5L Grades B/X-42 welded pipe, 4-inch nominal size (4.5 inch outside diameter), plain end, with a wall thickness of 0.237 inch.

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

Table D-2
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 2, January 2005-September 2008

Period	United States		China (subject)		Brazil		Korea	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:								
January-March	$1,003	3,995	***	***	--	0	***	***
April-June	988	3,948	***	***	--	0	***	***
July-September	982	6,173	***	***	***	***	***	***
October-December	982	3,044	***	***	***	***	***	***
2006:								
January-March	919	5,044	***	***	***	***	***	***
April-June	974	5,535	***	***	***	***	***	***
July-September	1,050	4,650	***	***	***	***	***	***
October-December	1,031	3,759	***	***	--	0	***	***
2007:								
January-March	982	6,375	***	***	***	***	***	***
April-June	1,017	4,459	***	***	***	***	***	***
July-September	1,008	8,552	***	***	--	0	***	***
October-December	936	4,691	***	***	--	0	***	***
2008:								
January-March	1,031	6,552	***	***	--	0	***	***
April-June	1,203	5,788	***	***	--	0	***	***
July-September	1,856	7,848	--	0	--	0	***	***

Continued on next page.

Table D-2--*Continued*
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 2, January 2005-September 2008

Period	Mexico		Taiwan		Others	
	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:						
January-March	--	0	***	***	--	0
April-June	***	***	***	***	--	0
July-September	***	***	***	***	--	0
October-December	***	***	***	***	--	0
2006:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***
2007:						
January-March	--	0	***	***	***	***
April-June	***	***	***	***	***	***
July-September	--	0	***	***	--	0
October-December	--	0	***	***	***	***
2008:						
January-March	--	0	--	0	--	0
April-June	--	0	***	***	***	***
July-September	--	0	***	***	***	***

Product 2.-- API 5L Grades B/X-42 welded pipe, 6-inch nominal size (6.625 inch outside diameter), plain end, with a wall thickness of 0.280 inch.

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

Table D-3
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 3, January 2005-September 2008

Period	United States		China (subject)		Brazil		Japan	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:								
January-March	$1,052	1,228	***	***	***	***	--	0
April-June	998	2,595	***	***	***	***	***	***
July-September	1,004	5,618	***	***	***	***	***	***
October-December	947	4,196	***	***	***	***	--	0
2006:								
January-March	926	4,177	***	***	--	0	--	0
April-June	974	4,657	***	***	--	0	***	***
July-September	1,069	4,634	***	***	--	0	--	0
October-December	1,050	3,395	***	***	--	0	***	***
2007:								
January-March	1,035	3,226	***	***	***	***	--	0
April-June	1,035	3,644	***	***	***	***	--	0
July-September	989	2,559	***	***	--	0	--	0
October-December	972	6,353	***	***	--	0	--	0
2008:								
January-March	980	6,332	***	***	--	0	--	0
April-June	1,221	8,938	--	0	--	0	***	***
July-September	1,893	5,338	--	0	--	0	--	0

Continued on next page.

Table D-3--*Continued*
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 3, January 2005-September 2008

Period	Korea		Taiwan		Others	
	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:						
January-March	***	***	***	***	--	0
April-June	***	***	***	***	--	0
July-September	***	***	***	***	--	0
October-December	***	***	***	***	--	0
2006:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	--	0
July-September	***	***	***	***	--	0
October-December	***	***	***	***	***	***
2007:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	0	0
October-December	***	***	***	***	***	***
2008:						
January-March	***	***	--	0	***	***
April-June	***	***	***	***	***	***
July-September	***	***	--	0	***	***

Product 3.-- API 5L Grades B/X-42 welded pipe, 8-inch nominal size (8 5/8 inch outside diameter), plain end, with a wall thickness of 0.322 inch.

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

Table D-4
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 4, January 2005-September 2008

Period	United States		China (subject)		Japan	
	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:						
January-March	***	***	***	***	***	***
April-June	1,098	1,613	***	***	***	***
July-September	***	***	***	***	***	***
October-December	940	1,273	***	***	--	0
2006:						
January-March	***	***	***	***	--	0
April-June	988	2,829	***	***	***	***
July-September	1,074	4,860	***	***	***	***
October-December	1,093	2,390	***	***	***	***
2007:						
January-March	1,023	4,828	***	***	***	***
April-June	995	3,535	***	***	***	***
July-September	978	4,982	***	***	--	0
October-December	***	***	***	***	***	***
2008:						
January-March	1,076	8,516	***	***	--	0
April-June	***	***	***	***	***	***
July-September	1,537	7,405	***	***	--	0

Continued on next page.

Table D-4--*Continued*
Line pipe: Weighted-average f.o.b. selling prices and quantities for product 4, January 2005-September 2008

Period	Korea		Taiwan		Others	
	Price	Quantity	Price	Quantity	Price	Quantity
	per short ton	*short tons*	*per short ton*	*short tons*	*per short ton*	*short tons*
2005:						
January-March	***	***	***	***	--	0
April-June	***	***	***	***	--	0
July-September	***	***	***	***	--	0
October-December	***	***	***	***	--	0
2006:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	***	***
2007:						
January-March	***	***	***	***	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***
October-December	***	***	***	***	--	0
2008:						
January-March	***	***	--	0	***	***
April-June	***	***	***	***	***	***
July-September	***	***	***	***	***	***

Product 4.-- API 5L Grades B/X-42 welded pipe, 12-inch nominal size (12.75 inch outside diameter), plain end, with a wall thickness of 0.375 inch.

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

APPENDIX E

SUPPLEMENTAL FINANCIAL DATA

This appendix presents certain financial data for the U.S. industry and supplements the data and discussion presented in part VI of the staff report. In the preliminary phase of these investigations there was considerable discussion concerning the drivers of the industry's financial performance. Specifically, these arguments concerned certain restructuring and acquisition expenses of the industry and how those expenses affected the financial performance of the industry. The parties also argued about the relative performance of certain firms that had a relatively large proportion of sales of line pipe to end users in the project market compared with those firms that sold most or all of their production to distributors.

The parties disagreed regarding the impact of certain production, operational, and sales/marketing decisions by U.S. producers on the financial results of the industry. In sum, respondents argued that short-term operational costs and inefficiencies resulting from consolidations and investments in the line pipe industry are the primary factors behind the decline in full-year profitability for ***, and that such acquisitions and upgrades will ultimately make the industry more competitive and efficient.[1] They also argued that the consolidated data for U.S. Steel and Lone Star reflect transitional costs associated with the acquisition of Lone Star. Petitioners countered these arguments as summarized in Part VI. In these final phase investigations, U.S. firms were requested to report financial data separately for the establishments that they owned prior to January 1, 2005 from those that they acquired after that date. The reported income-and-loss data are shown in tables E-1 and E-2; the asset data and ROI calculations are provided in table E-3;[2] and summary variance analyses are shown in table E-4.

Table E-1
Line pipe: Results of operations of U.S. producers for their establishments owned on or prior to January 1, 2005, fiscal years 2005-07, January-September 2007, and January-September 2008

* * * * * * *

Table E-2
Line pipe: Results of operations of U.S. producers for their establishments owned or acquired after January 1, 2005, fiscal years 2005-07, January-September 2007, and January-September 2008

* * * * * * *

Table E-3
Line pipe: U.S. producers' assets and return on investment for their establishments owned on or before January 1, 2005, and for their establishments owned or acquired after January 1, 2005, fiscal years 2005-07

* * * * * * *

Table E-4
Line pipe: Summary variance analysis on the operations of U.S. producers for their establishments owned on or before January 1, 2005 and for their establishments acquired after January 1, 2005, fiscal years 2005-07, and January-September 2007-08

* * * * * * *

[1] Respondents' postconference brief, pp. 9-10.

[2] Further information regarding industry restructuring may be found in Parts I and III of this report.

For that part of the industry operating establishments owned on or before January 1, 2005 (table E-1), sales increased by quantity and value from 2005 to 2007, and were higher in January-September 2008 than in the same period in 2007, reflecting moderate increases in sales unit values between the full year periods and a larger increase between the interim periods. Operating income was relatively stable between the full year periods, although it declined irregularly as a ratio to sales from *** percent to *** percent. Operating income was ***, reflecting a favorable price variance that was much greater than the unfavorable cost/expense variance. ROI declined between 2005 and 2007, reflecting the increase in total assets recorded by this part of the industry (table E-3).

For that part of the industry operating establishments acquired after January 1, 2005 (table E-2), sales and operating income were more volatile, due in part to an additional firm (***), which is included in the data for full year 2007 and both interim periods but not in 2005 or 2006. Sales quantity and value increased irregularly from 2005 to 2007. Sales quantity was higher in January-September 2007 compared to the same period in 2008 but sales value was higher in interim 2008 than in interim 2007 because of a *** increase in the unit value of sales. Operating income for this part of the industry fell from 2005 to *** in 2007, but increased to an operating profit in January-September 2008 equivalent to ***, accounted for mainly by the increases in operating income reported by ***. Again, a favorable variance on price was much greater than the unfavorable cost/expense variance between interim 2007 and interim 2008.

Line pipe, particularly in the lower API grades, is primarily sold through distributors. Sales for large projects are made directly to end users, and such end users may solicit bids directly from a manufacturer for the contract. As noted in the preliminary-phase staff report, much of the increase in domestic sales to end users during 2007 resulted from domestic shipments by producers supplying a few large pipeline projects.[3] Petitioners argued that ***,[4] for example.

Data are presented in table E-5 for three U.S. firms, American ***; CSI ***; and Stupp ***. Several other U.S. producers also reported sales to end users, but these three have been described as focusing their sales to project-related end users. Other firms that reported sales to end users, including Maverick ***; Tex-Tube ***; and U.S. Steel ***, are included in the group reporting sales to distributors in table E-6. Generally, the percentage of total shipments accounted for by shipments to end users rose during the full three year period and was greatest in 2007 for both groups. Finally, a summary variance analysis is presented in table E-7 for the two groups of firms. The data compiled in tables E-5, E-6, and E-7 are as reported by the firms for their entire operations and do not represent any allocation of financial data based on channels of distribution.

Table E-5
Line pipe: Results of operations of U.S. producers reporting substantial sales to end users, fiscal years 2005-07, January-September 2007, and January-September 2008

* * * * * * *

[3] *Circular Welded Carbon Quality Steel Line Pipe from China and Korea, Investigations Nos. 701-TA-455 and 731-TA-1149-1150 (Preliminary),* USITC Publication 4003, May 2008, table II-1 (note 1), pp. III-1 and III-3 (noting three large projects and domestic producers that focus on such sales), and conference transcript, p. 38 (Avera).

[4] U.S. Steel and Maverick's postconference brief, pp. 29-30, and exh. 1, pp. 1-5, and correspondence from CSI, referenced in Part VI of this report.

Table E-6
Line pipe: Results of operations of U.S. producers reporting sales predominantly to distributors, fiscal years 2005-07, January-September 2007, and January-September 2008

* * * * * * *

Table E-7
Line pipe: Summary variance analysis on the operations of U.S. producers selling substantially to end users and U.S. producers selling predominantly to distributors, fiscal years 2005-07, and January-September 2007-08

* * * * * * *

Between the full year periods, sales by producers shipping to end users increased *** than sales of the group shipping to distributors. Between January-September 2007 and the same period in 2008, the quantity of sales to end users increased slightly more than sales to distributors; the value of sales to distributors increased *** more than the value of sales to end users in that same time frame due to ***. Operating income for producers selling to end users increased during the full year periods, in contrast to the operating income of producers selling to distributors during that same time frame. This was attributable to operating costs and expenses increasing to a much smaller extent or declining compared with the group selling to distributors. Between the two interim periods, the operating income of producers selling to distributors increased by a *** amount than did the operating income of the group selling to end users, attributable to a *** increase in its sales unit value.