



UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC



SUPERALLOY DEGASSED CHROMIUM FROM JAPAN

Prehearing Staff Report to the Commission on
Investigation No. 731-TA-1090 (Final)

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PREFACE

As required by section 207.22 of the U.S. International Trade Commission's Rules of Practice and Procedure (19 CFR § 207.22), this prehearing staff report contains information concerning investigation No. 731-TA-1090 (Final): *Superalloy Degassed Chromium from Japan*.

The Commission will hold a public hearing in connection with this investigation beginning at 9:30 a.m. on November 3, 2005, in the Hearing Room of the U.S. International Trade Commission Building, Washington, DC. Requests to appear at the hearing are due to be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p.m.) on October 24, 2005.¹ All persons desiring to appear at the hearing and make oral presentations may file prehearing statements and should attend a prehearing conference (if deemed necessary) at 9:30 a.m. on October 28, 2005, at the U.S. International Trade Commission Building. Prehearing statements must be in conformity with section 207.23 of the Commission's rules (19 CFR § 207.23), and should, to the extent possible, refer to the record and include information and arguments which the party believes relevant to the subject matter of the Commission's determinations under section 735(b) of the Tariff Act of 1930 (19 U.S.C. § 1673d(b)). Prehearing briefs must be filed on or before October 27, 2005. If prehearing briefs contain business proprietary information, a non-proprietary version is due October 28, 2005.

All oral presentations shall be in conformity with section 207.24 of the rules (19 CFR § 207.24) and each party shall limit its presentation to:

- (a) a summary of the information and arguments contained in its prehearing brief;
- (b) an analysis of the information and arguments contained in the prehearing briefs of other parties; and
- (c) information not available at the time its prehearing brief was filed.

¹ Notices of participation must include a list of witnesses and should indicate the amount of time requested for presentations.

Persons other than parties in this investigation appearing at the hearing shall limit their presentations to brief statements of their positions with respect to the subject matter of the investigation.

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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.

PART I: INTRODUCTION

BACKGROUND

This investigation results from a petition filed by Eramet Marietta Inc. (“Eramet”), Marietta, OH, and the Paper, Allied-Industrial, Chemical and Energy Workers International Union (“PACE”), Local 5-0639, Belpre, OH, on March 4, 2005, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value (“LTFV”) imports of superalloy degassed chromium (“SD chromium”) from Japan.¹ Information relating to the background of the investigation is provided below.²

¹ Commerce has defined the scope as follows: The product covered by this investigation is all forms, sizes, and grades of superalloy degassed chromium from Japan. Superalloy degassed chromium is a high-purity form of chrome metal that generally contains at least 99.5 percent, but less than 99.95 percent, chromium. Superalloy degassed chromium contains very low levels of certain gaseous elements and other impurities (typically no more than 0.005 percent nitrogen, 0.005 percent sulphur, 0.05 percent oxygen, 0.01 percent aluminum, 0.05 percent silicon, and 0.35 percent iron). Superalloy degassed chromium is generally sold in briquetted form, as “pellets” or “compacts,” which typically are 1½ inches × 1 inch × 1 inch or smaller in size and have a smooth surface. Superalloy degassed chromium is currently classifiable under subheading 8112.21.00 of the Harmonized Tariff Schedule of the United States (“HTS”). This investigation covers all chromium meeting the above specifications for superalloy degassed chromium regardless of tariff classification. Certain higher-purity and lower-purity chromium products are excluded from the scope of this investigation. Specifically, the investigation does not cover electronics-grade chromium, which contains a higher percentage of chromium (typically not less than 99.95 percent), a much lower level of iron (less than 0.05 percent), and lower levels of other impurities than superalloy degassed chromium. The investigation also does not cover “vacuum melt grade” (VMG) chromium, which normally contains at least 99.4 percent chromium and contains a higher level of one or more impurities (nitrogen, sulphur, oxygen, aluminum and/or silicon) than specified above for superalloy degassed chromium. Although the HTS subheading is provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

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

<i>Date</i>	<i>Action</i>
March 4, 2005	Petition filed with Commerce and the Commission; institution of Commission investigation (70 FR 12499, March 14, 2005)
March 30, 2005	Commerce's notice of initiation (70 FR 16220, March 30, 2005)
April 18, 2005	Commission's preliminary determination (70 FR 20771 April 21, 2005)
August 11, 2005	Commerce's preliminary determination (70 FR 48538, August 18, 2005)
September 7, 2005	Scheduling of final phase of Commission investigation (70 FR 53252, September 7, 2005)
October 25, 2005	Commerce's final determination
November 3, 2005	Commission's hearing ³
December 5, 2005	Scheduled date for the Commission's vote
December 15, 2005	Commission determination due to Commerce

SUMMARY DATA

A summary of data collected in the investigation is presented in appendix C, tables C-1 to C-3. U.S. industry data are based on the questionnaire response of one firm, Eramet, that accounted for 100 percent of U.S. production of SD chromium during 2004. U.S. imports from Japan are based on the questionnaire response of the only known importer of the subject product from Japan, Mitsui & Co. (U.S.A.), Inc. ("Mitsui"). *** other imports are from France, by Delachaux Metal, Inc. Three producers of alloys for investment casting (Howmet Castings (a division of Alcoa Inc.), Dover, NJ; Certified Alloy Products, Inc. (a division of Doncasters Group Ltd. of the United Kingdom), Long Beach, CA; and Precision Castparts Corp., Portland, OR) account for approximately 70 percent of the U.S. market for SD chromium.⁴

NATURE AND EXTENT OF SALES AT LTFV

In its August 18, 2005, preliminary determination, Commerce found a dumping margin of 129.32 percent *ad valorem* for the Japanese producer JFE Material Co., Ltd. ("JFE") and for all other producer/exporters in Japan.⁵ The preliminary dumping margin was based on "facts available" (the

³ App. B is reserved for the list of witnesses appearing at the Commission's hearing.

⁴ Petition, pp. 36 and 37.

⁵ Commerce's notice of preliminary determination of sales at LTFV, 70 FR 48538, August 18, 2005.

petition's adjusted alleged dumping margin) because JFE did not provide Commerce with a questionnaire response.

THE SUBJECT PRODUCT

Imports of SD chromium are classified under HTS subheading 8112.21.00 and are subject to a 3 percent general rate of duty, applicable to Japan. Table I-1 presents current tariff rates for SD chromium.

**Table I-1
SD chromium: U.S. import tariff rates, 2005**

		Column 1		Column 2 ³
		General ¹	Special ²	
HTS provision	Article description	Rates (percent <i>ad valorem</i>)		
8112	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium, and articles of these metals, including waste and scrap:			
8112.21.00	Chromium: Unwrought; powders kg	3%	Free (A, AU, CA, MX, CL, E, IL, J, JO, SG) ⁴	30%

¹ Normal trade relations ("NTR"), formerly known as the most-favored-nation duty rate, applicable to imports from Japan.
² General note 3(c)(i) lists the special tariff treatment programs indicated by these symbols. Goods must meet eligibility rules set forth in other general notes, and importers must properly claim such treatment.
³ Applies to imports from a small number of countries that do not enjoy NTR duty status.
⁴ Generalized System of Preferences, United States-Australia Free Trade Agreement, North America Free Trade Agreement for goods of Canada and Mexico, United States-Chile Free Trade Agreement, Caribbean Basin Recovery Agreement, United States-Israel Free Trade Agreement, Andean Trade Preferences Agreement, United States-Jordan Free Trade Agreement Implementation Act, United States-Singapore Free Trade Agreement.

Source: Harmonized Tariff Schedule of the United States (2005).

Physical Characteristics and Uses

Chromium is a metal often used in alloys to endow them with properties such as strength, hardness, permanence, hygiene, color, and resistance to temperature, wear, and corrosion. The subject product, SD chromium, is chromium metal that has been degassed by heating in a vacuum, thereby removing certain undesirable impurities, in particular, oxygen, nitrogen, and sulfur, in order to meet specifications required to produce superalloys suitable for use in cast components for jet aircraft turbines and gas-turbine power generators.⁶ Superalloys are a class of alloys with superior heat resistance for use at high temperatures where physical stresses and oxidation are present.

High-purity chromium (greater than 99 percent chromium) is produced with various levels of impurities. There are no industry-wide standard grades. The petition discussed three types of high-purity chromium: SD chromium, vacuum-melt grade (“VMG”) chromium, and “electronics” grade (“EG”) chromium. Specifications for the various types of high-purity chromium are presented in table I-2.

⁶ There are no substitutes for chromium in these applications. National Research Council (“NRC”), *High-Purity Chromium Metal: Supply Issues for Gas-Turbine Superalloys (“High-Purity Chromium Metal”)* (Washington, DC: National Academy Press, 1995), p. 22, and transcript of the Commission’s March 25, 2005 conference (conference transcript), p. 64 (Houser).

**Table I-2
High-purity chromium: Impurity levels (in percent) and typical uses, by type**

Chromium type	Cr	N	S	O	Fe	Form	Typical uses
	(Minimum)	(Maximum)					
Electrolytic	99.1	0.050	0.030	0.55	0.20	Flake, powder	High-temperature, corrosion resistant, electrical resistance, and aluminum alloys
Vacuum-melt grade (VMG)	99.5	0.01	0.01	0.15	0.30	Pellets	Wrought components for jet aircraft and power-generation gas turbine engines
Superalloy degassed regular grade (SD)	99.5	0.005	0.005	0.05	0.25	Pellets	Cast components for jet aircraft and power-generation gas turbine engines
Electronics grade (EG) ¹	99.95	0.003	0.005	0.01	0.008	Flake, powder	LCD displays

Note.—Cr - chromium, N - nitrogen, S - sulfur, O - oxygen, and Fe - iron.

¹ Impurity levels presented herein are for EG chromium flake; nitrogen, oxygen, and iron levels for EG chromium powder can be higher.

Source: Specifications and typical uses for electrolytic, vacuum-melt, and SD chromium compiled from Eramet's website at: <http://www.emspecialproducts.com/specs.php?grade=11>, <http://www.emspecialproducts.com/specs.php?grade=4>, and petition, p. 19; electronics-grade specifications compiled from International Specialty Alloys website at http://www.specialtyalloys.com/chromium_flake.htm, retrieved April 1, 2005, electronics-grade typical uses obtained from petition, p. 13.

Manufacturing Process

The manufacturing process for SD chromium consists of two main steps. The first step is the production of chrome metal and the second step is degassing the chromium metal in a vacuum furnace. There are at least three different methods for producing chrome metal: electrolytic, aluminothermic, and silicothermic. Eramet uses an electrolytic process, whereas the Japanese producer, JFE, uses the silicothermic process and the French producer, Delachaux, uses the aluminothermic process. In 1995, the National Materials Advisory Board stated that both the electrolytic and the aluminothermic processes have improved so that requirements of high-purity applications can be met with chromium refined by either process.⁷ Questionnaire responses indicate a high degree of interchangeability of the SD chromium produced by Eramet, Delachaux, and JFE, and all three are currently qualified to sell SD

⁷ NRC, *High-Purity Chromium Metal*, p. 39.

chromium in the United States for use in making superalloys for aircraft engine and power generation turbine parts.⁸ All producers of SD chromium, both domestic and foreign, use a vacuum-degassing process in the second step.

Step One: Electrolytic Process⁹

The chromium source used by Eramet is high-carbon ferrochromium that contains approximately 67 percent chromium. The ferrochromium is milled to a powder that, along with anhydrous ammonia, is dissolved in sulfuric acid. Iron precipitates out of the solution as ferrous ammonium sulfate crystals and the chromium remains in solution. The solution is filtered three times to remove as much iron (as ferrous ammonium sulfate crystals) as possible. The filtrate is then sent to an “ager” system where it is held for several days, during which time the chromium precipitates as purple chromium ammonium sulfate crystals. The crystals are filtered out, washed, and dissolved in water. This solution is used as feedstock for the electrolytic cells.

The solution remains in the electrolytic cells for 3 to 4 days while the chromium plates out onto (i.e., adheres to) the cathodes. At the end of the plating cycle, the cathodes are removed and the thick chromium deposits are removed from the cathodes by hammering, which causes them to break off in pieces in the form of flakes or chips. The chromium flakes are approximately 99.1 percent chromium, by weight, and can be used in a variety of air melt applications (i.e., applications that do not require the chromium to undergo a degassing process in a vacuum furnace).¹⁰ After cooling, the flake chromium can

⁸ Petition, p. 37. Suppliers of SD chromium must be “qualified” through a process that includes submission of sample material, followed by trial orders and evaluation of the product and the quality assurance programs in place.

⁹ Information used in the description of the manufacturing process was obtained from the petition, pp. 7-8, and from *High-Purity Chromium Metal*, pp. 29-36.

¹⁰ Obtained from Eramet’s website at: <http://www.emspecialproducts.com/specs.php?grade=4>, retrieved March 29, 2005. Vacuum degassing (e.g., heating a substance in a vacuum furnace) purifies a substance by removing dissolved gasses and causing certain impurities to volatilize. Chromium alloys used in aircraft engine applications require a high level of purity and are normally vacuum-melted. Therefore, flake chromium would not be used in these applications. NRC, *High-Purity Chromium Metal*, p. 22.

be packaged and sold as is, or further processed into degassed chromium or any of several other downstream products.

Step Two: Vacuum Degassing Process

Vacuum degassing is the final refinement step for the production of SD chromium metal. Eramet's degassing process is described below; however, the process is similar to that used by all SD chromium producers.

The chromium flakes are first milled to a fine powder and then blended into a briquetting mixture with finely divided carbon, tin, and a polymeric binder. The quantities of these additives will depend on the composition of the feed chromium metal. This mixture is wetted and formed into small briquettes, which are allowed to dry and placed in separate lots on a long railcar. The railcar is placed in a long, cylindrical, vacuum furnace, which is closed and evacuated by a steam extractor. The furnace is heated at a sufficiently slow rate to accommodate offgassing without excessive increases in pressure. When the maximum temperature is reached, it is held for some time. The furnace is then allowed to cool while a stream of argon gas is admitted. Final purging is accomplished with helium. These inert gases are introduced into the furnace and circulated through heat exchangers to cool the briquettes. During the process, nitrogen and lead are volatilized (i.e., passed off as gases), and sulfur and oxygen are removed as tin sulfide and carbon dioxide, respectively.¹¹ The briquettes are then removed, analyzed, and packaged for shipment.

Production Processes of Foreign Producers

Worldwide, there are only three known producers of SD chromium: Eramet, Delachaux SA ("Delachaux") of France, and JFE.¹² Eramet, Delachaux, and JFE are currently qualified to sell SD

¹¹ Carbon added to the process combines with the oxygen in the briquettes to form carbon dioxide, and the tin added to the process combines with the sulfur in the briquettes to form tin sulfide.

¹² ***.

chromium in the United States for investment casting applications (for producing superalloys used in aircraft engine and gas power generation turbine parts).¹³ Eramet is the only SD chromium producer to use the electrolytic process in the first step of the production process. Delachaux uses the aluminothermic process and JFE uses a silicothermic process.

In the silicothermic process, chromic oxide, silicon metal, and calcium oxide are combined in an electric arc furnace. As materials are melted, the silicon combines with the oxygen in the chromic oxide, producing molten chromium and slag (unwanted elements). After the slag is removed, the chromium metal undergoes additional refining to remove or reduce other impurities such as silicon, sulfur, phosphorus, carbon, and oxygen. The molten chromium is then removed from the furnace and poured into molds. After cooling, the chromium is shot blasted to remove residual slag and is then crushed and sized. Magnetic separation is employed to further remove any remaining slag from the chromium. The same basic process is used by the French producer Delachaux with the exception that aluminum is used instead of silicon to remove oxygen from the chromic oxide.¹⁴

Domestic Like Product Issues¹⁵

The petitioner advocates one domestic like product coextensive with the scope of the investigation.¹⁶ In the preliminary phase of this investigation, the Commission found a single domestic like product, SD chromium, coextensive with the scope of the investigation.¹⁷

¹³ Petition, p. 37. Suppliers of SD chromium must be “qualified” through a process that includes submission of sample material, followed by trial orders and evaluation of the product and the quality assurance programs in place.

¹⁴ Petitioner’s postconference brief, p. 1 of attachment (responses to staff questions).

¹⁵ The Commission’s domestic like product determination is based on a number of factors, including (1) physical characteristics and uses, (2) common manufacturing facilities and production employees, (3) interchangeability, (4) customer and producer perceptions, (5) channels of distribution, and where appropriate, (6) price.

¹⁶ Petitioner’s postconference brief, p. 5.

¹⁷ *Superalloy Degassed Chromium from Japan, Investigation No. 731-TA-1090 (Preliminary)*, USITC Publication 3768, April 2005, pp. 6-12. The Commission noted, however, that in any final phase of the investigation, it would collect more information as to whether to define the domestic product to include VMG chromium. *Ibid.*, p. 12.

Physical Characteristics and Uses

VMG chromium contains substantially higher levels of critical impurities (such as oxygen, nitrogen, and sulfur) than SD chromium. Therefore, VMG chromium cannot be used in the high-end applications reserved for SD chromium, including the production of superalloys cast into the most critical components for jet aircraft and power-generation gas turbine engines. Petitioner indicates that VMG chromium is used to produce superalloys for aircraft and generation turbine engine components that are subject to lower temperatures and physical stresses and for which higher levels of impurities are acceptable. VMG chromium is also used to produce superalloys for other applications such as the production of corrosion-resistant metal piping.¹⁸

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¹⁸ Petitioner's postconference brief, p. 14.

¹⁹ *** questionnaire response, p.6.

²⁰ Ibid.

²¹ *** importer's questionnaire response, p. 5, and staff interview of ***, October 13, 2005.

²² Ibid.

²³ *** importer's questionnaire response, p. 5.

²⁴ *** purchasers' questionnaire response, p. 19.

²⁵ *** purchasers' questionnaire response, p. 19.

Interchangeability

Because VMG chromium contains higher levels of impurities than does SD chromium, it cannot be substituted directly for SD chromium for applications that require the purity of SD chromium. A minimal amount of substitution has occurred as purchasers have carefully evaluated their requirement to ensure that they are using the material form of chromium that enables them to meet their customers' requirements at the lowest possible cost. For example, *** indicates that despite "maximum efforts" to substitute lower-priced VMG chromium for SD chromium, only about 2 percent substitution has been possible.²⁶ Although SD chromium is fully substitutable for VMG chromium, this substitution of higher-priced material for the lower-priced VMG chromium is not economical.

²⁶ *** purchasers' questionnaire response, pp. 7-8.

Channels of Distribution

Although both VMG chromium and SD chromium are sold directly to superalloy producers, there are differences between the markets for these products. According to Eramet, three investment casters account for about 70 percent of the SD chromium consumed in the United States,²⁷ whereas the VMG chromium is consumed by larger number of customers with a wider variety of end uses.

Common Manufacturing Facilities, Production Processes, and Production Employees

The only U.S. producer of both SD chromium and VMG chromium, Eramet, is a minor producer of VMG chromium, and uses a VMG production process that differs from that used by the major producers, London & Scandinavian Metallurgical Co. Ltd. (“LSM”) of the United Kingdom and Delachaux. Eramet began producing VMG chromium for commercial sale in 2003. Eramet uses *** employees and manufacturing facilities to produce VMG chromium that it uses to produce SD chromium;²⁸ however the ***.²⁹ Eramet indicates that in 2004 about *** percent of its VMG was intentionally produced as VMG chromium in this manner.³⁰ *** formed into briquettes, and degassed).³¹

LSM’s British and Delachaux’s French VMG chromium are produced through a variation of the aluminothermic process, in which the exposure of molten chromium to air is limited as it cools. Although this process is much less costly than producing SD chromium in a vacuum-degassing furnace, it does not yield the same low nitrogen, oxygen, and sulfur levels.

²⁷ Petitioner’s postconference brief, pp. 17, 21.

²⁸ Eramet uses *** vacuum degassing furnaces to produce SD chromium. *** Ibid., responses to staff questions, p. 4.

²⁹ Eramet indicates that when chromium flakes are milled, ***. Petitioners’ postconference brief, responses to staff questions, pp. 3-4.

³⁰ Ibid., p. 3.

³¹ Ibid, p. 4, and ***.

Customer and Producer Perceptions

Customers are aware of the differences between SD chromium and VMG chromium, and use the grade that satisfies the requirements of any given end use. For example, *** purchases both SD chromium and VMG chromium, and indicates that certain applications require the use of SD chromium.³² *** provides specific examples of the products for which it uses SD chromium and those for which it uses VMG chromium.³³

Eramet, the sole domestic producer of both SD chromium and VMG chromium, perceives the two products as distinct and claims that its customers do not perceive the differences between SD chromium and VMG chromium to be minor or insignificant. It states that customers provide specifications for the type of chromium they need that clearly distinguish between SD chromium and VMG chromium in terms of chromium content and critical impurities, without using the terms “superalloy degassed chromium” or “VMG chromium.”³⁴

Price

Eramet has sold most of its SD chromium at prices ranging from \$*** to \$*** per pound. Delachaux has sold SD chromium *** in the United States. JFE’s U.S. importer Mitsui sells SD chromium at about \$*** to \$*** per pound in the United States. VMG is sold domestically at prices ranging from \$*** to \$*** per pound.³⁵

³² *** purchasers’ questionnaire response, p. 5.

³³ *** purchasers’ questionnaire response, p. 5.

³⁴ Petitioner’s postconference brief, p. 18.

³⁵ Petition, pp. 20-21; see also Part IV of this report.

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

U.S. MARKET SEGMENTS/CHANNELS OF DISTRIBUTION

The universe of customers for SD chromium in the United States is very small, consisting of less than 20 firms.¹ Most SD chromium sold in the U.S. market goes to customers that use it in making the superalloys that are used in critical components of jet aircraft turbines and gas-turbine power generators. To a very limited extent, SD chromium is also used in other high-end applications including metal coatings and some electronics applications. *** by producer Eramet and *** sales by importer Mitsui are to ***.²

Eramet and Mitsui both reported that they sell ***. However, *** by Mitsui in 2004 were to ***.

U.S. producers and importers were asked to report their U.S. inland shipping distances for SD chromium. Eramet reported that ***. None of Eramet's shipments are for ***. In contrast, *** shipments by Mitsui are ***.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

The sensitivity of the domestic supply of SD chromium to changes in price depends on such factors as the level of excess capacity, the availability of alternate markets for SD chromium, inventory levels, and the ability to shift manufacturing from the subject product to other products. The overall evidence indicates that Eramet has a high degree of flexibility in expanding output and U.S. shipments in response to an increase in price, due to the existence of some industry capacity, the existence of export markets, *** inventory levels, and the ability to shift from SD chromium production to other products.

¹ Conference transcript, p. 17 (Vorberger).

² Eramet sells *** SD chromium (less than *** percent of its shipments) to ***. See petition, p. 9.

Eramet's reported capacity utilization for SD chromium was *** percent in 2002, *** percent in 2003, *** percent in 2004, and *** percent in January-June 2005. This indicates that Eramet has typically had excess capacity that could be used to increase production in the event of a price change. Eramet's exports of SD chromium, as a percentage of total shipments, ranged between *** percent and *** percent annually between 2002 and 2004. During January-June 2005, they amounted to *** percent of its total shipments. Eramet's inventories, as a percentage of total shipments, ranged between *** percent and *** percent annually between 2002 and 2004. These data for exports and inventories indicate that Eramet has some ability to divert shipments to or from alternative markets in response to changes in the price of SD chromium. In addition, Eramet is able to use ***. Eramet reported that the chrome metal that it produces in the electrolytic stage of production can be sold as the base chrome metal and is used to produce a variety of value-added products (such as VMG and a chrome-carbide product).³

Subject Imports

The supply response of the single Japanese producer (JFE) to changes in price in the U.S. market is likely to depend upon such factors as capacity utilization rates in Japan, the availability of home markets, other export markets besides the United States, inventory levels, and the ability to shift from SD chromium production to other products.⁴ The evidence relating to capacity utilization rates, alternative markets, and inventory levels indicates that JFE has the flexibility to expand exports to the United States in response to a change in price. JFE reported a capacity utilization rate of *** percent in 2002, *** percent in 2003, and *** percent in 2004. JFE projected a capacity utilization rate of *** percent in 2005 and *** percent in 2006. JFE's combined shipments of SD chromium in its home market and to export markets other than the United States amounted to *** percent of its total shipments in 2002,

³ Conference transcript, pp. 72-73 (Kramer and Houser).

⁴ JFE did not submit a foreign producer questionnaire in the final phase of this investigation. This information is based upon its questionnaire from the preliminary phase of the investigation.

*** percent in 2003, and *** percent in 2004. JFE's inventories in relation to shipments amounted to *** percent in 2002, *** percent in 2003, and *** percent in 2004. It projected ratios of inventories to shipments of *** percent in 2005 and *** percent in 2006. JFE reported that it *** use the machinery and equipment used to make SD chromium to produce other products.

U.S. Demand

Demand Characteristics

As discussed earlier, the demand for SD chromium is a derived demand that depends upon the demand for jet engines; gas turbines used to generate electric power; and, to a very limited degree, metal coatings and other products including electronics applications not requiring the lower iron content of the electronics-grade chromium.⁵ The demand for SD chromium, as measured by apparent U.S. consumption, in quantity terms, decreased from *** million pounds in 2002 to *** million pounds in 2003 and then recovered to *** million pounds in 2004. During January-June 2005 apparent U.S. consumption was *** million pounds as compared to *** million pounds in January-June 2004.

Producers and importers were both asked how U.S. demand for SD chromium has changed since January 1, 2002, and they were also asked what factors affect changes in demand. Eramet stated that demand ***. According to Eramet, demand *** in this market segment in 2002, but *** in 2003. It said that demand *** in 2005. Eramet stated that in the power generation segment of the market, demand was *** during 2001-03, but beginning in 2004 customers have reported *** in demand for power generation. Mitsui indicated that ***. Another importer, Delachaux, stated that the market

⁵ Petition, pp. 34, 36.

had *** in 2003, but *** in 2004 although it was still *** than in 2003. Delachaux stated that the market has *** in 2005. It said that demand is created by ***.

Purchasers that are end users were asked to report whether the demand for their products using SD chromium had changed since January 1, 2002. Of the six end-use purchasers that responded to the question, five indicated that demand had increased during this period. One firm cited an increase in demand for jet engines, and another cited a recovery of aerospace generally.

Producers and importers were also asked to project future demand trends for SD chromium in (1) the aircraft industry and (2) the power generation sector, in 2005 and 2006. Eramet stated ***. Mitsui *** provide any forecasts of future demand. Delachaux stated that the demand trend is ***.

*** that both major U.S. aircraft manufacturers, Boeing and Lockheed-Martin, are expecting to build more aircraft in the future. *** two suppliers of mid-range aircraft, Bombardier and Embraer, are also expecting to produce more aircraft in the future. In addition, *** increased military spending by the Federal Government and a strong demand for replacement parts will lead to continued improved results in the aerospace superalloys market over the next two years and beyond.⁶

In the case of power generation equipment, Eramet reported that it expects that the long-term demand for *** will lead to increased demand for SD chromium. On the basis of information that it

⁶ There is no evidence that “Buy American” policies have an influence on purchases. When asked whether such policies limit purchases of SD chromium, all eight purchasers that completed questionnaires indicated that “Buy American” policies don’t apply to their purchases.

obtained from its superalloy customers, Eramet believes that the ***.

Substitute Products

Producers, importers, and purchasers were asked to list and describe any products that can be used as substitutes for SD chromium. Eramet stated ***. *** stated that there are no substitutes for SD chromium.

Of the six end-use purchasers that were asked to list substitutes for SD chromium, four reported that no substitutes exist. One purchaser listed VMG chromium⁷ and another listed aluminothermic chrome.

Cost Share

Producers, importers, and purchasers were all asked to estimate the cost share of chromium in end-use applications. The estimates varied widely. ***. Of the five end-use purchasers that responded to the question, the cost share ranged from less than 1 percent to 19 percent.

⁷ This purchaser, ***, reported that it has managed to substitute some VMG chromium in place of about 10 percent of the SD chromium that it previously used. Another firm, *** that does not consider VMG chromium to be a true substitute for SD chromium, has also used VMG chromium in place of its SDS chromium to a minor extent during 2005.

SUBSTITUTABILITY ISSUES

The extent of substitutability between U.S.-produced SD chromium and subject and nonsubject imports and between subject and nonsubject imports is examined in this section. The discussion is based upon the results of questionnaire responses from producers, importers, and purchasers.

Eight purchasers provided questionnaire responses.⁸ Among these purchasers, six are end users and two are distributors. All eight purchasers reported buying U.S.-produced SD chromium during the period January 2002 through June 2005. Two of the firms-including *** during this period.⁹ Of the other six firms that bought from ***, one also reported purchases of imports from Japan; two reported purchases of imports from both Japan and France; two reported purchases from France only; and one reported purchases of imports from ***.

Factors Affecting Purchasing Decisions

When asked to rank the three most important factors involved in purchasing decisions, purchasers listed quality and price as the most common, followed by delivery. Of the six purchasers that responded, all ranked quality and/or price among the top two factors, as shown in table II-1.

Table II-1
SD chromium: Ranking of factors used in purchasing decisions, as reported by U.S. purchasers

Factor	Number of firms reporting		
	Number one factor	Number two factor	Number three factor
Delivery	0	0	3
Price	1	3	1
Quality	4	1	0
Other ¹	1	2	2
¹ Other factors include availability, dependability, and ability to meet specifications. Source: Compiled from data submitted in response to Commission questionnaires.			

⁸ The staff is currently examining some of the information in the questionnaires.

⁹ *** questionnaire response indicates that it accounted for over ***.

In addition to these rankings, purchasers were also asked to report whether the factors shown in table II-2 are “very important”, “somewhat important,” or “not very important” in their purchasing decisions. The results indicate that product consistency, reliability of supply, availability, price, and quality are the most important considerations.

Table II-2
SD chromium: Importance of purchasing factors, as reported by U.S. purchasers

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

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

Comparisons of Domestic Products and Subject Imports

In order to determine whether U.S.-produced SD chromium can generally be used in the same applications as imports from Japan, producers, importers and purchasers were asked whether the product can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. Eramet stated that ***.

***. However, Eramet ***. Among purchasers, one firm reported that U.S.-produced SD chromium is always interchangeable with imports from Japan, and another reported that it is sometimes interchangeable. This firm reported that the product from Japan has a lower sulfur and nitrogen content than the U.S.-produced product.

In addition to questions concerning interchangeability, producers and importers also were asked to compare U.S.-produced products with imports from Japan in terms of product differences such as quality, availability, product range, and other factors that affect sales. Again, firms were asked whether these product differences are always, frequently, sometimes, or never significant. ***. In stating that differences are ***, Eramet again ***, noting this purchaser's sole use of domestic products.

Purchasers also were asked to compare U.S.-produced SD chromium with imported SD chromium from Japan in 15 selected characteristics, noting whether the domestic product was superior, comparable, or inferior to the imported product. The single purchaser that made the comparison reported that the U.S. product was inferior to the Japanese product in availability, price (i.e., the U.S. product was higher in price), product consistency, reliability of supply, quality exceeding industry standards, and technical support/service, and comparable to the Japanese product in delivery terms, delivery time, discounts offered, extension of credit, minimum quantity requirements, packaging, quality meeting industry standards, product range, and transportation costs.

Comparison of Domestic Products and Nonsubject Imports

In addition to comparing U.S.-produced SD chromium with imports from Japan, producers and importers were asked to compare the U.S. product with imports from nonsubject countries in terms of interchangeability and product differences, and purchasers were asked to compare them in terms of interchangeability. ***. ***. Among purchasers, two reported that the domestic product is always interchangeable with nonsubject imports, two reported that it is frequently interchangeable, and one reported that it is sometimes interchangeable. One firm reported that the product from France has a lower sulfur and nitrogen content than the U.S.-produced product.

Purchasers also were asked to compare U.S.-produced SD chromium with imported SD chromium from nonsubject countries in the 15 selected characteristics discussed earlier. Five purchasers compared the domestic product with imports from France. A majority of these purchasers ranked the U.S. product comparable in all of 15 categories, although in the case of availability, price, product consistency, product range, and reliability of supply, two of five purchasers ranked the U.S. product inferior (table II-3).

Table II-3
SD chromium: Comparisons between U.S.-produced and imported products from France as reported by U.S. purchasers

Factor	Number of firms reporting		
	U.S. superior	Comparable	U.S. inferior
Availability	0	3	2
Delivery terms	0	5	0
Delivery time	0	4	1
Discounts offered	0	4	1
Extension of credit	0	4	1
Lower price ¹	0	3	2
Minimum quantity requirements	0	5	0
Packaging	0	5	0
Product consistency	0	3	2
Quality meets industry standards	0	5	0
Quality exceeds industry standards	0	4	1
Product range	0	3	2
Reliability of supply	0	3	2
Technical support/service	0	5	0
Lower U.S. transportation costs	0	5	0

¹ A rating of superior means that the price is generally lower. For example, if a firm reports "U.S. superior," this means that it rates the U.S. product price generally lower than the French price.

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

Comparisons of Subject Imports and Nonsubject Imports

Producers and importers were also asked to compare the imported product from Japan with imports from nonsubject countries in terms of interchangeability and product differences, and purchasers were asked to compare them in terms of interchangeability. ***. Among purchasers, one firm reported that imports from Japan can always be used interchangeably with

nonsubject imports, one stated that they can frequently be used interchangeably, and one stated that they can sometimes be used interchangeably. This last firm reported that the product from Japan has a lower sulfur and nitrogen content than the product from France.

Purchasers were asked to compare imported SD chromium from Japan with imported product from nonsubject countries in the 15 selected characteristics discussed earlier. One purchaser reported that the product from Japan was superior to the product from France in availability, price, quality exceeding industry standards, reliability of supply, and technical service/support, and comparable in all of the other characteristics.

ELASTICITY ESTIMATES

This section discusses elasticity estimates for SD chromium. Parties are encouraged to comment on these estimates as an attachment to their prehearing briefs.

U.S. Supply Elasticity¹⁰

The domestic supply elasticity for SD chromium measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of SD chromium. This elasticity depends upon capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced SD chromium. Because of the considerations discussed earlier, it is likely that the supply elasticity is high. An estimate in the range of 5 to 10 appears to be reasonable.

U.S. Demand Elasticity

The U.S. demand elasticity for SD chromium measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of this product. This estimate depends on factors discussed earlier such as the existence, availability, and commercial viability of substitute products, as well as the component share of this product in end uses. Because of the lack of close substitutes and the

¹⁰ A supply function is not defined in the case of a non-competitive market.

low cost share of CD chromium in end-use applications, the aggregate demand for SD chromium is likely to be inelastic; a range of -0.1 to -0.5 is suggested.

Substitution Elasticity

The elasticity of substitution depends upon the extent of product differentiation between the domestic and imported products.¹¹ Product differentiation depends upon such factors as product quality and conditions of sale (availability, sales terms/discounts/promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced SD chromium and imported SD chromium is likely to be in the range of 3 to 5.

¹¹ The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margin of dumping was presented in Part I in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V.

U.S. PRODUCER

Producer questionnaires were sent to two firms, of which only Eramet is a U.S. producer of SD chromium.¹ Data on Eramet's production are provided in table III-1. Eramet's production capacity rose by *** percent between 2002 and 2003, and then was constant from 2003 through June 2005.² Production and capacity utilization fluctuated throughout the period of investigation; however, production rose *** percent in January-June 2005 as compared to the same period in 2004, *** the full year 2002 level.³

Data on U.S. producer shipments are provided in table III-2. Eramet's shipments, of which over *** percent were U.S. commercial shipments, declined between 2002 and 2004 by *** percent. However, Eramet's shipments *** in January-June 2005 as compared to the same period in 2004.⁴ Additionally, Eramet's unit value rose throughout the period of investigation,

¹ Eramet produces SD chromium, other special products (including aluminum hardeners, electrolytic chromium, vacuum products, and specialty metals), and manganese ferroalloys at its plant in Marietta, OH. Eramet is part of the Eramet Group, an international metals and minerals producer with a focus on nickel, manganese, and high-performance steels and alloys. The Eramet Group is headquartered in Paris, France and has manufacturing or mining facilities in China, France, Gabon, Norway, and the United States. The other U.S. firm that was sent a producers' questionnaire, International Specialty Alloys, Newcastle, PA, produces electronics-grade chromium, not SD chromium.

² Eramet's annual capacity was *** to annual apparent U.S. consumption of SD chromium in 2002-04, ***.

³ ***, demand for SD chromium was weak in 2002, particularly in the aerospace market following the September 11 terrorist attacks in 2001. ***.

⁴ One purchaser indicated an increase in purchases from Eramet in 2005 for supply and availability reasons. *** purchaser questionnaire response, II-4.

Table III-1

SD chromium: U.S. producer's capacity, production, and capacity utilization, 2002-04, January-June 2004, and January-June 2005

* * * * *

rising *** percent to \$*** per pound in the first half of 2005. The share of export shipments by quantity fluctuated from 2002 to June 2005, but never exceeded *** percent. Eramet ***. It *** neither imports nor purchases SD chromium or VMG chromium.

Table III-2
SD chromium: U.S. producer's shipments, 2002-04, January-June 2004, and January-June 2005

* * * * *

Data for the U.S. producer's end-of-period inventories are presented in table III-3. Inventories decreased by *** percent from 2002 to 2003, before rising by *** percent from 2003 to 2004 and by *** percent between interim 2004 and interim 2005. Inventories as a ratio to production fell from *** percent in 2002 to *** percent in 2004, and from *** percent in interim 2004 to *** percent in interim 2005.

Table III-3
SD chromium: U.S. producer's end-of-period inventories, 2002-04, January-June 2004, and January-June 2005

* * * * *

Data on Eramet's production and related workers ("PRWs") are provided in table III-4. While the number of PRWs decreased through the period of investigation, hourly wages rose by \$*** per hour. Productivity increased *** from *** pounds per hour in 2002 to *** pounds per hour in the first half of 2005. Unit labor costs also improved ***, decreasing by \$*** by January-June 2005.

Table III-4

SD chromium: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2002-04, January-June 2004, and January-June 2005

* * * * *

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

U.S. IMPORTERS

The Commission sent questionnaires to six possible importers of SD chromium identified in the petition and/or in information provided by U.S. Customs and Border Protection (“Customs”). Three firms¹ reported imports of SD chromium: (1) Mitsui² reported imports of SD chromium from Japan; (2) ***, Delachaux reported imports from its production facility in France; and (3) *** reported imports of SD chromium from ***.

U.S. IMPORTS

U.S. import data presented in this report are from the reporting importers of SD chromium (table IV-1). Official import statistics were not used because the HTS subheading under which SD chromium enters the United States includes chromium products other than SD chromium.

Total imports of SD chromium grew by *** percent between 2002 and 2004, and this increase was accounted for *** by an increase in imports from Japan. Japan’s share of total imports *** between 2002 and 2004 ***; the share declined *** during January-June 2005 to *** percent as compared to the share in the same period in 2004. The level of imports from Japan ***.³ Imports from France, the *** import source of SD chromium in the United States and accounting for *** of the imports from

¹ *** indicated that they do not import SD chromium.

² Mitsui USA is a wholly owned subsidiary of Mitsui & Co., Ltd., Japan, which is a diversified trading, investment, and service enterprise operating globally. Mitsui USA is engaged in such traditional businesses as importing, exporting, offshore trade, and domestic wholesale. Mitsui USA’s international trade activities include such commodity groups as iron and steel, chemicals, machinery, lumber & pulp, raw metals (including chromium), coal, petroleum, grain, sugar, fertilizers, foodstuffs, and consumer products. Mitsui USA’s core businesses are bolstered and facilitated by its wide-range service capabilities in information and research, financial arrangements, risk management, supply chain management, and logistics planning and execution, among others.

³ *** was the importer from ***. Staff telephone interview with ***, October 6, 2005. Purchaser questionnaires indicate that the Japanese have withdrawn from the U.S. market in 2005. ***.

nonsubject sources, declined throughout the period for which data were collected, particularly in ***
reportedly due to ***.⁴

Table IV-1
SD chromium: U.S. imports, by sources, 2002-04, January-June 2004, and January-June 2005

* * * * *

⁴ Delachaux's importer questionnaire response, section III-B-12.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data collected in this investigation concerning apparent U.S. consumption and market shares of SD chromium, as shown in table IV-2, are based on the U.S. producer's and importers' U.S. shipments of SD chromium provided in response to Commission questionnaires.

While apparent U.S. consumption decreased between 2002 and 2004, Eramet's share of U.S. apparent consumption declined and Japan's share grew by *** percentage points in terms of quantity and *** in terms of value. The share of consumption accounted for by other sources declined *** over the period. The quantity of apparent U.S. consumption in January-June 2005 was *** that of January-June 2004, reaching *** percent of the level for full year 2004; Eramet's share of the quantity of U.S. apparent consumption increased from *** percent in January-June 2004 to *** percent in January-June 2005.

Table IV-2
SD chromium: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption and market shares, 2002-04, January-June 2004, and January-June 2005

* * * * *

RATIO OF IMPORTS TO U.S. PRODUCTION

Information concerning the ratio of imports to U.S. production of SD chromium is presented in table IV-3. The ratio of imports from Japan to U.S. production increased *** from 2002 to 2004.

However, the ratio of imports to U.S. production declined *** in the first half of 2005.

Table IV-3

SD chromium: Ratio of U.S. imports to U.S. production, by sources, 2002-04, January-June 2004, and January-June 2005

* * * * *

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material Costs

Raw materials made up about *** percent of the cost of goods sold for Eramet's production of SD chromium in 2004. Eramet reported that high-carbon ferrochrome is the key raw material for the electrolytic process that it uses to produce SD chromium.¹ A published price for high-carbon ferrochrome from Metal Bulletin is shown on a monthly basis for the period January 2001 through September 2005 (figure V-1). The data show that the price of this input has increased irregularly throughout much of the period. However, since May of 2005, it has been decreasing.

Transportation Costs to the U.S. Market

Ocean transportation costs for SD chromium shipped from Japan to the United States (excluding U.S. inland costs) averaged approximately 1.8 percent of the customs value of these imports during 2004.² These estimates are derived from official import data and represent the transportation and other charges on imports.

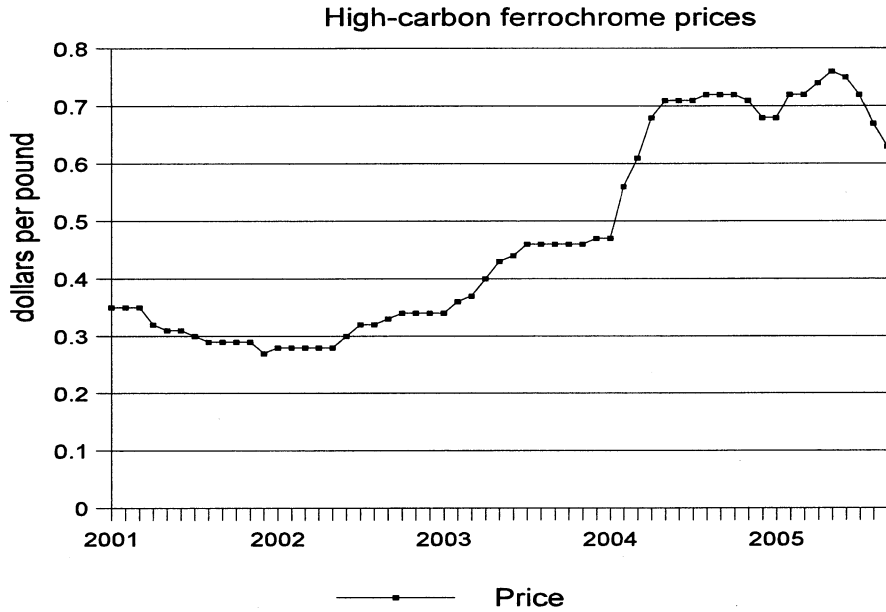
U.S. Inland Transportation Costs

U.S. inland transportation costs for SD chromium account for a small part of the total delivered cost of both the U.S.-produced and imported products. Eramet reported that U.S. inland transportation costs make up *** percent of the delivered cost of SD chromium on average, while the importer Mitsui reported that U.S. inland transportation costs make up *** percent of the delivered cost.

¹ Petition, pp. 7, 48.

² These estimates are based on import values under HTS subheading 8112.21.00 entered at the port of New York City. Petitioner indicates that virtually all of the entries identified as subject merchandise were unladed and entered at the port of New York City (petition, p. 27, fn. 45). The estimated cost was obtained by subtracting the customs value from the c.i.f. value of the imports for 2004 and then dividing by the customs value.

Figure V-1
High-carbon ferrochrome: Prices, by month, January 2001- September 2005



Source: Metal Bulletin, "Ferro-chrome 6-8% C basis 60-65% Cr max 2% Si, United States" reported periodically. Monthly price for a particular month is the first price reported for that month. Since there was no price reported in August 2003, the price reported for July 31, 2003 (which is also the only price reported for July 2003) was used.

Exchange Rates

Quarterly data reported by the International Monetary Fund indicate that the nominal value of the Japanese yen appreciated relative to the U.S. dollar during January 2002 through June 2005, while the real value of the yen remained relatively stable in relation to the dollar during this period (figure V-2).³

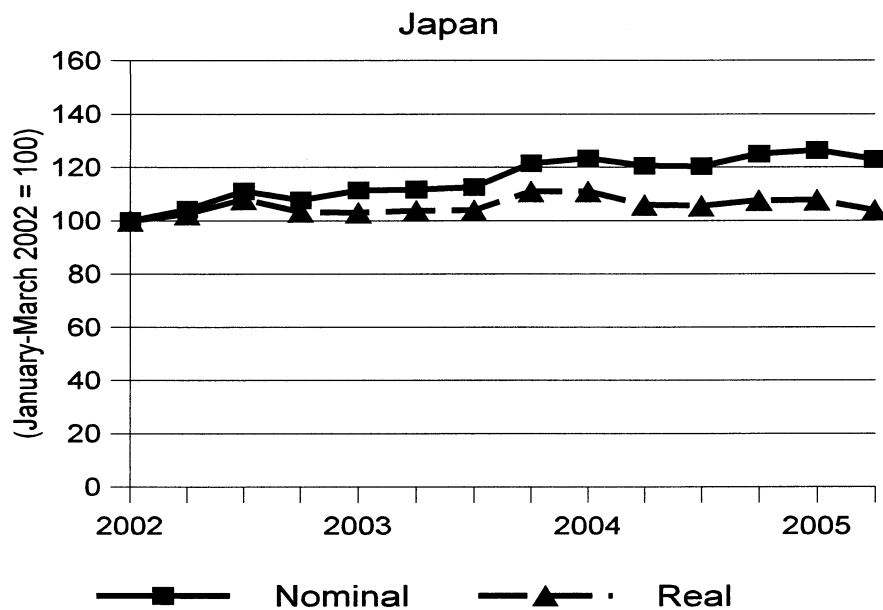
PRICING PRACTICES

Pricing Methods

*** sales of SD chromium by Eramet and *** sales by Mitsui are on a contract basis. Eramet reported that during 2004, ***

³ Real exchange rates are calculated by adjusting the nominal rates for movements in producer prices in the United States and Japan.

Figure V-2
Exchange rates: Indexes of the nominal and real exchange rates of the Japanese yen relative to the U.S. dollar, by quarters, January 2002-June 2005



Source: International Monetary Fund, *International Financial Statistics*, August 2005 and earlier periods.

***. In the case of Mitsui, ***.

Eramet and Mitsui reported *** methods for determining prices that they charge for SD chromium. Eramet stated that its prices are determined ***. Mitsui stated that ***.

Eramet and Mitsui ***. Both companies reported that ***.

Eramet and Mitsui *** sell on a consignment basis. Under this arrangement, the supplier maintains an inventory of the SD chromium at the end-use purchaser's production facility.⁴ The purchaser then periodically reports the amount of the product it used, typically monthly. The supplier bills the customer for that quantity at the contract price. Eramet reported that the limit on the consignment period ***. Terms of payment are net ***. Eramet stated that in 2004, its merchandise was held in consignment for *** days on average, with the period varying by customer. Mitsui reported that its maximum consignment period is *** days. It typically bills its customers after *** days. Mitsui also reported that in 2004, its merchandise was held in consignment for *** days on average for all customers; the figures were *** days on average for *** and *** days on average for ***.

Eramet reported that ***, while Mitsui reported that ***. Eramet reported that sales from inventory are delivered *** on average, while sales of products produced to order are delivered within *** to *** weeks. Mitsui reported ***.

PRICE DATA

The Commission asked U.S. producers and importers of SD chromium to provide quarterly data for the total quantity and value of SD chromium that was shipped to unrelated purchasers in the U.S. market on a delivered basis for the period January 2002 through June 2005. The products for which pricing data were requested are as follows:

Product 1.--Regular grade: For sales to superalloy producers - superalloy degassed chromium containing more than 0.002 percent nitrogen and more than 0.001 percent sulfur.

Product 2.--Low-nitrogen grade: For sales to superalloy producers - superalloy degassed chromium containing 0.002 percent or less nitrogen and more than 0.001 percent sulfur.

Product 3.--Low-sulfur grade: For sales to superalloy producers - superalloy degassed chromium containing 0.001 percent or less sulfur and more than 0.002 percent nitrogen.

⁴ Conference transcript, p. 18 (Vorberger).

Product 4.--Low-nitrogen and low-sulfur grade: For sales to superalloy producers - superalloy degassed chromium containing 0.002 percent or less nitrogen and 0.001 percent or less sulfur.

Eramet reported price data on sales of all four products during the specified period, while Mitsui reported price data only for product 3 and 4 since it does not sell SD chromium fitting the description of products 1 and 2.⁵ The price data accounted for ***.

Price Trends

Weighted-average prices for Eramet and Mitsui are presented on a quarterly basis for the period January-March 2002 through April-June 2005 in tables V-1 through V-3 and in figures V-3 through V-5. Eramet's prices for products 1, 2, and 3 were all relatively stable during 2002 through 2004, but showed an increase during the first half of 2005. Similarly, in the case of product 4 Eramet's price was higher in the second quarter of 2005 than in the earlier quarters where transactions were reported. Mitsui's price for product 3 was relatively stable throughout the period for which data were reported, while its price for product 4 increased during the first quarter of 2005.

Price Comparisons

In the 18 quarterly price comparisons between U.S.-produced and imported Japanese prices for products 3 and 4, the Japan prices were lower in all quarters. Margins of underselling ranged from a low of 27.5 percent to a high of 46.0 percent.

⁵ In the preliminary phase of this investigation, Mitsui ***.

Table V-1
SD chromium: Weighted-average delivered prices and shipment quantities of U.S.-produced products 1 and 2 sold to purchasers, by quarters, January 2002-June 2005

* * * * *

Table V-2
SD chromium: Weighted-average delivered prices and shipment quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2002-June 2005

* * * * *

Table V-3
SD chromium: Weighted-average delivered prices and quantities of domestic and imported product 4 sold to purchasers and margins of underselling/(overselling), by quarters, January 2002-June 2005

* * * * *

Figure V-3

SD chromium: Weighted-average delivered prices of U.S.-produced products 1 and 2 sold to purchasers, by quarters, January 2002-June 2005

* * * * *

Figure V-4

SD chromium: Weighted-average delivered prices of domestic and imported product 3, by quarters, January 2002-June 2005

* * * * *

Figure V-5
SD chromium: Weighted-average delivered prices of domestic and imported product 4, by quarters, January 2002-June 2005

* * * * *

BID DATA

The Commission requested U.S. purchasers of SD chromium to provide data on the price negotiation process. Data were requested for the period January 2001-June 2005. Four end users provided varying amounts of usable bid data for sales of the requested products (see table V-4).^{6 7} Bid data were grouped by purchaser and year. Initial and awarded bids are provided when reported. A total of 15 bid contracts for SD chromium were reported for the period examined, involving *** pounds valued at \$*** (in winning bid values). Of these contracts, *** percent of the total quantity was awarded to the U.S. supplier and *** percent was awarded to the Japanese supplier.

⁶ ***.

⁷ Some firms don't use a bidding process of the type described in the questionnaire. For example, ***. Two other purchasers, ***, also reported that they do not keep detailed records of bids.

Of the 15 reported contracts for the SD chromium market, 13 contracts worth \$*** resulted from a competitive bid process. Of the 13 contracts involving competing bids, 7 were awarded entirely to the lowest bidder, 5 were split between multiple bidders (in all cases including the lowest bidder) and in one case where bids were equal, the contract was awarded to one company because of factors other than price. Five of the 13 competitive contracts involved competition between Eramet and Mitsui, the supplier of Japanese product.⁸ Japanese suppliers bid lower than the lowest U.S. bid in *** of these contracts.

⁸ ***

Table V-4

SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4
SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4
SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4

SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4
SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4
SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

Table V-4
SD chromium: Bid information and sales to purchasers, January 2001-June 2005

* * * * *

LOST SALES AND LOST REVENUES

In their petition, Eramet provided *** allegations of lost sales and *** allegations of lost revenues due to competition from imports from Japan. The *** lost sales allegations totaled \$*** for *** pounds during January 2002 to June 2005 and the *** usable lost revenue allegations totaled \$*** for *** pounds. Staff contacted all purchasers named in these allegations and received responses from *** purchasers; a summary of the information obtained is presented in tables V-5 and V-6.

Eramet alleged that in 2004 it lost revenue on ***. ***,⁹ ***.

⁹ ***.

Table V-5
SD chromium: U.S. producer's lost sales allegations

* * * * *

Table V-6
SD chromium: U.S. producer's lost revenue allegations

* * * * *

***.

Eramet alleged that in 2003 it lost revenue ***. ***.¹⁰ ***.

***.¹¹ ***.

¹⁰ ***.

¹¹ ***.

***. ***.¹²

***.

Eramet alleged that it lost ***. ***.¹³

¹² ***.

¹³ ***.

PART VI: FINANCIAL EXPERIENCE OF ERAMET

BACKGROUND

Eramet is the sole known U.S. producer of SD chromium, and it provided usable financial data on its operations.¹ Eramet produces a full line of manganese alloys in one part of its plant at Marietta, OH, and SD chromium (part of a group of “special products”) in another part of the plant.² Sales of SD chromium accounted for *** percent of Eramet’s total sales in 2004.³

Eramet prepares a GAAP-based fully absorbed product cost statement for each department on a monthly basis, and it provided with its postconference brief a copy of these statements for each of the four years of the period examined.⁴ The firm’s questionnaire data are consistent with its internal statements.⁵

OPERATIONS ON SD CHROMIUM

Income-and-loss data for Eramet’s operations on SD chromium are presented in table VI-1.

¹ Eramet has a fiscal year that ends on ***. The data reported in the trade, financial, and pricing sections of the Commission’s questionnaire reconciled. The Marietta, OH plant has been in operation since August 1951. Union Carbide, the plant’s first owner and operator, sold the site to Elkem (owned by the Norwegian firm of the same name) in 1981, and Elkem sold the site to Eramet SA, a French mining and metallurgical company, in 1999. Eramet’s web site found at <http://www.emspecialproducts.com/products.php>, retrieved on March 10, 2005. Commission staff verified the questionnaire response of Eramet on October 5-6, 2005, and ***.

² Eramet’s web site found at <http://www.emspecialproducts.com/products.php>, retrieved on March 10, 2005.

³ Eramet’s questionnaire response, p. 13. Sales of manganese alloys accounted for *** percent of total net sales in 2004, and sales of special products accounted for the balance. This latter group of products includes aluminum hardeners (*** percent of total net sales in 2004), electrolytic chromium metal (*** percent); low-carbon ferrochrome, nitrided chromium, and chromium carbide (together accounting for *** percent); and VMG chromium (VMG) (*** percent).

⁴ Eramet’s postconference brief, exh. 9. Eramet provided a copy of its January-June 2005 statement pursuant to a request by staff during verification. See verification report.

⁵ These statements show both the variable and fixed costs of production and distribution of each of Eramet’s products. While variable costs are direct costs of manufacture, fixed costs are assigned in a three-step allocation process—first to the facility, second to the production department, and third to the product. It should be noted that the allocation of fixed costs to the subject product (accounting for approximately ***) are very much affected by changes in the production and sales of Eramet’s other products, including nonsubject chromium and nonsubject manganese products. According to Eramet, the***. Fixed costs are ***. The allocations in Eramet’s questionnaire response reconciled to the firm’s internal statements for the product line that includes SD chromium.

Table VI-1
SD chromium: Results of Eramet's operations, 2002-04, January-June 2004, and January-June 2005

* * * * *

Table VI-1--Continued

SD chromium: Results of Eramet's operations, 2002-04, January-June 2004, and January-June 2005

* * * * *

The quantity and value of Eramet's sales fell by *** between 2001⁶ and 2002, and again decreased between each of the years 2002-04. Reportedly, the vast majority of the decline between 2001 and 2002 was attributable to the demand shocks of 9/11 and the bursting of the energy bubble, while a contributing factor to the decline during 2002 and 2003 was the substitution of lower-cost VMG chromium metal for SD chromium by some purchasers.⁷ The average unit value ("AUV") of sales increased between each of the yearly periods, but did not compensate for the decline in volume. The total cost of goods sold ("COGS") decreased between 2002 and 2003 (somewhat in line with the decline in quantity sold), before rising between 2003 and 2004 (despite a further decline in sales quantity). The combined AUV of raw materials and direct labor decreased in 2003 before increasing between 2003 and 2004, while the AUV of other factory costs remained the same in 2002 and 2003 and increased in 2004. The AUV of selling, general, and administrative ("SG&A") expenses increased

⁶ For data reported in 2001, *see* Commission staff report (memorandum INV-CC-047, April 11, 2005) in the preliminary phase of the investigation.

⁷ Eramet's postconference brief, responses to staff questions, p. 6 and exh. 7.

during each year between 2002 and 2004. Eramet's operating income fell between 2001 and 2002 ***.
*** decreased in 2003, and then increased in 2004. Eramet's operating experience between January-June
2004 and the same period in 2005 differed from its experience in earlier periods. Its quantity and value
of net sales *** between the interim periods and its operating *** increased to an operating ***.

According to internal accounting documents submitted by Eramet, the classifications of "other
factory costs" and "general and administrative expenses" include ***.⁸ Each of these items increased
during 2001-04 as a ratio of ***.

⁸ See ***.

The Commission's questionnaire requested Eramet to report its cost of producing SD chromium by process stage: the purchase cost of high carbon ferrochromium ore, the cost of processing that ore into electrolytic chromium metal ("EC metal"), and from EC metal into SD chromium. These data are shown in table VI-2.

Table VI-2
SD chromium: Production costs of Eramet, 2002-04, January-June 2004, and January-June 2005

* * * * *

Changes in the data depict the relative costs of production and show the added cost at each stage of the process. As noted in Eramet's questionnaire response, the production costs shown in table VI-2 differ from those reported in its income statement in table VI-1.⁹ Differences between the two schedules

⁹ Eramet's questionnaire response, addendum response to question III-11.

are largely due to differences in the methodology used to compile the data. The cost data in table VI-1 were ***. Eramet reconciled its cost of production (table VI-2) with its profit-and-loss statement (table VI-1).¹⁰

Changes in Eramet's operating income are further examined by the variance analysis that shows the effects of prices and volume on net sales, and of costs and volume on its total costs. This analysis is summarized at the bottom of table VI-3, and shows that the decrease in operating income between 2002 and 2004 was attributable to ***. Between January-June 2004 and January-June 2005 operating income rose *** due to favorable variances on price and net cost/expense. Eramet stated it had experienced ***.¹¹ Contributing to the increased costs are the categories of allocated costs that were noted earlier. Contributing to the increase in operating income between January-June 2004 and the same period in 2005 was the *** and the increase in ***.

¹⁰ E-mail from *** to staff on September 28, 2005.

¹¹ Eramet's postconference brief, pp. 43-44 and exh. 5.

Table VI-3
SD chromium: Variance analysis on the results of operations of Eramet, 2002-04 and January-June 2004-05

* * * * *

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Eramet's data on capital expenditures and its research and development ("R&D") expenses for the production of SD chromium are shown in table VI-4.

Table VI-4

SD chromium: Value of capital expenditures and R&D expenses of Eramet, 2002-04, January-June 2004, and January-June 2005

Item	Calendar year			January-June	
	2002	2003	2004	2004	2005
Value (\$1,000)					
Capital expenditures	***	***	***	***	***
R&D expenses	***	***	***	***	***

Source: Compiled from data submitted by Eramet in response to the Commission's questionnaire.

Eramet incurred its capital expenditures in connection with an investment in a new pilot degassing furnace employing a new patented technology. According to ***, and testimony at the staff conference, Eramet planned to continue to develop this technology and to *** based on this technology, *** in use at Marietta, OH.¹² Eramet estimated that using the *** would result in ***.¹³ Eramet stated that poor financial performance due to the alleged unfairly traded imports will have serious negative effects on its development and production efforts with respect to its advanced degassing furnace technology.¹⁴

ASSETS AND RETURN ON INVESTMENT

The Commission's questionnaire requested data on assets used in production, warehousing, and sales of SD chromium to compute return on investment ("ROI") for 2002 to 2004 (table VI-5). The data for total net sales and *** are from table VI-1. Operating income was divided by total net sales, resulting in the operating income ratio. Total net sales was divided by total assets, resulting in the asset turnover

¹² ***. Also, see staff notes of Karen Taylor, March 16, 2005.

¹³ Eramet's postconference brief, response to staff questions, p. 2.

¹⁴ Conference transcript, pp. 29-30 (Button). Also, see Eramet's postconference brief, pp. 22 and 26-27.

ratio. The operating income ratio was then multiplied by the asset turnover ratio, resulting in ROI. The expanded form of this equation shows how the profit margin and total assets turnover ratio interact to determine the return on investment.

Table VI-5
SD chromium: Eramet's value of assets used in production, warehousing, and sale, and its return on investment, 2002-04

* * * * *

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or potential negative effects of imports of SD chromium from Japan on their firms' return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments. Eramet's responses are:

***.

***.

APPENDIX A
FEDERAL REGISTER NOTICES

DEPARTMENT OF COMMERCE
International Trade Administration
[A-588-866]
Notice of Preliminary Determination of Sales at Less Than Fair Value: Superalloy Degassed Chromium from Japan
AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: August 18, 2005.

SUMMARY: We preliminarily determine that imports of superalloy degassed chromium from Japan are being, or are likely to be, sold in the United States at less than fair value, as provided in section 733 of the Tariff Act of 1930, as amended. Interested parties are invited to comment on this preliminary determination. We will make our final determination within 75 days after the date of this preliminary determination.

FOR FURTHER INFORMATION CONTACT: Janis Kalnins or Minoo Hatten, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-1392 or (202) 482-1690, respectively.

SUPPLEMENTARY INFORMATION:
Background

On March 24, 2005, the Department of Commerce (the Department) initiated the antidumping investigation of superalloy degassed chromium from Japan. See *Initiation of Antidumping Duty Investigation: Superalloy Degassed Chromium from Japan*, 70 FR 16220 (March 30, 2005) (*Initiation Notice*). The Department set aside a period for all interested parties to raise issues regarding product coverage. See *Initiation Notice*. We received comments regarding product coverage from interested parties. For a detailed discussion of the comments regarding the scope of the merchandise under investigation, please see the "Scope Comments" section below.

On March 31, 2005, the Department issued quantity and value (Q&V) questionnaires to nine potential respondents. On April 19, 2005, we issued a memorandum to the file including the responses of eight of the nine companies from which we requested Q&V information. See Memorandum from Susan Lehman to the File entitled "Superalloy Degassed Chromium from Japan Mini Quantity and Value Questionnaire Responses." On April 28, 2005, we concluded that the only potential respondent was JFE Material Co., Ltd. (JFE Material). See the Memorandum from Thomas Schauer to the File entitled "Antidumping Duty Investigation of Superalloy Degassed Chromium from Japan Respondent Selection" (Respondent Selection Memo). On May 3, 2005, we issued a memorandum to the file including the response of the ninth company (Sojitz Corporation) from which we requested Q&V information. The response we received from Sojitz Corporation to our Q&V questionnaire did not alter our conclusion that JFE Material was the only potential respondent. See Memorandum from Susan Lehman to the File entitled "Antidumping Duty Investigation of Superalloy Degassed Chromium from Japan Sojitz Corporation."

On April 21, 2005, the International Trade Commission (ITC) issued its affirmative preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Japan of superalloy degassed chromium. See *Superalloy Degassed Chromium from Japan*, 70 FR 20771 (April 21, 2005).

On April 29, 2005, we issued Sections A, B, C, D, and E¹ of the antidumping questionnaire to JFE Material. We did not receive a response from JFE Material by the close of business on June 6, 2005, the established deadline. On June 8, 2005, we issued a letter to JFE Material extending the deadline for submission of the antidumping questionnaire response to June 15, 2005, thereby

¹ Section A of the antidumping duty questionnaire requests general information concerning a company's corporate structure and business practices, the merchandise under investigation, and the manner in which it sells that merchandise in all of its markets. Section B requests a complete listing of all of the company's home-market sales of the foreign like product or, if the home market is not viable, of sales of the foreign like product in the most appropriate third-country market. Section C requests a complete listing of the company's U.S. sales of subject merchandise. Section D requests information of the cost of production of the foreign like product and the constructed value of the merchandise under investigation. Section E requests information on further-manufacturing activities.

affording it additional time to respond. We received no response from JFE Material to our questionnaire nor any other communication from JFE Material since we issued the questionnaire.

Period of Investigation

The period of investigation is January 1, 2004, through December 31, 2004.

Scope of Investigation

The product covered by this investigation is all forms, sizes, and grades of superalloy degassed chromium from Japan. Superalloy degassed chromium is a high-purity form of chrome metal that generally contains at least 99.5 percent, but less than 99.95 percent, chromium. Superalloy degassed chromium contains very low levels of certain gaseous elements and other impurities (typically no more than 0.005 percent nitrogen, 0.005 percent sulphur, 0.05 percent oxygen, 0.01 percent aluminum, 0.05 percent silicon, and 0.35 percent iron). Superalloy degassed chromium is generally sold in briquetted form, as "pellets" or "compacts," which typically are 1½ inches x 1 inch x 1 inch or smaller in size and have a smooth surface. Superalloy degassed chromium is currently classifiable under subheading 8112.21.00 of the Harmonized Tariff Schedule of the United States (HTSUS). This investigation covers all chromium meeting the above specifications for superalloy degassed chromium regardless of tariff classification.

Certain higher-purity and lower-purity chromium products are excluded from the scope of this investigation. Specifically, the investigation does not cover electronics-grade chromium, which contains a higher percentage of chromium (typically not less than 99.95 percent), a much lower level of iron (less than 0.05 percent), and lower levels of other impurities than superalloy degassed chromium. The investigation also does not cover "vacuum melt grade" (VMG) chromium, which normally contains at least 99.4 percent chromium and contains a higher level of one or more impurities (nitrogen, sulphur, oxygen, aluminum and/or silicon) than specified above for superalloy degassed chromium.

Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the scope of this investigation is dispositive.

Scope Comments

In accordance with the preamble to our regulations (see *Antidumping Duties; Countervailing Duties*, 62 FR 27296 (May 19, 1997)), in our *Initiation Notice* we 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 the *Initiation Notice*. We granted extensions to the time limit for submitting scope comments on May 3, 2005, and May 17, 2005.

On May 24, 2005, Mitsui & Co. (U.S.A.), Inc. (Mitsui), submitted timely scope comments in which it argued that the Department should revise the language of the scope to clarify that chromium metal with a chromium content either below 99.5 percent or equal to or above 99.95 percent is excluded from the scope. On June 3, 2005, Eramet Marietta Inc. and Paper, Allied-Industrial, Chemical and Energy Workers International Union (the petitioners) submitted rebuttal comments to Mitsui's scope comments. The petitioners argue that Mitsui's "proposed changes are contrary to the intent of the petition and would permit wholesale circumvention." On June 10, 2005, Mitsui submitted rebuttal comments arguing that, contrary to the petitioners' assertions, creating a more finite scope definition is necessary to counteract circumvention. On June 24, 2005, the petitioners submitted rebuttal comments to Mitsui's June 10, 2005, submission, arguing against Mitsui's proposed changes to the scope of this investigation.

On May 24, 2005, Tosoh Corporation and Tosoh Specialty Material Corporation (collectively, Tosoh) submitted scope comments in which it argued that the following products produced and/or exported by Tosoh are outside the scope of the proceeding on superalloy degassed chromium: certain chromium sputtering targets and spent sputtering targets without a metal backing plate; certain chromium sputtering targets with a metal backing plate; certain chromium ingots; non-degassed chromium metal flakes. Tosoh claimed that the petitioners agreed with their assertion. In their June 1, 2005, submission, the petitioners agreed with Tosoh that it would be appropriate for the Department to determine that the above-mentioned products are outside the scope of the investigation. On August 4, 2005, the petitioners provided additional clarification with respect to their position on Tosoh's scope-clarification request.

We do not have the technical information at this time to determine whether clear chromium-content parameters exist which define superalloy degassed chromium. As such, we have not made a decision with respect to Mitsui's scope comments. Further, we continue to evaluate the

scope comments with respect to Tosoh's scope-clarification request and the petitioners' August 4, 2005, suggested scope language.

The Department invites all interested parties to submit comments with respect to the scope by September 1, 2005, and rebuttal comments by September 7, 2005. Comments should be addressed to Import Administration's Central Records Unit at Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230. The period of scope consideration is intended to provide the Department with ample opportunity to consider all comments and consult with parties prior to the issuance of the final determination.

Use of Facts Otherwise Available

For the reasons discussed below, we determine that the use of adverse facts available (AFA) is appropriate for the preliminary determination with respect to JFE Material.

A. Use of Facts Available

Section 776(a)(2) of the Tariff Act of 1930, as amended (the Act), provides that, if an interested party withholds information requested by the administering authority, fails to provide such information by the deadlines for submission of the information and in the form or manner requested, subject to subsections (c)(1) and (e) of section 782, significantly impedes a proceeding under this title, or provides such information but the information cannot be verified as provided in 782(i), the administering authority shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination. Section 782(d) of the Act provides that, if the administering authority determines that a response to a request for information does not comply with the request, the administering authority shall promptly inform the responding party and provide an opportunity to remedy the deficient submission. Section 782(e) of the Act further states that the Department shall not decline to consider submitted information if all of the following requirements are met: (1) The information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a reliable basis for reaching the applicable determination; (4) the interested party has demonstrated that it acted to the best of its ability; and (5) the information can be used without undue difficulties.

In this case, JFE Material did not provide pertinent information we

requested that is necessary to calculate an antidumping margin for the preliminary determination. Specifically, JFE Material did not respond to the Department's questionnaire, which is necessary for the Department to complete its calculations. Thus, in reaching our preliminary determination, pursuant to sections 776(a)(2)(A), (B), and (C) of the Act, we have based JFE Material's dumping margin on facts otherwise available.

B. Application of Adverse Inferences for Facts Available

In applying the facts otherwise available, section 776(b) of the Act provides that, if the administering authority finds that an interested party has failed to cooperate by not acting to the best of its ability to comply with a request for information from the administering authority, in reaching the applicable determination under this title, the administering authority may use an inference adverse to the interests of that party in selecting from among the facts otherwise available. *See, e.g., Notice of Preliminary Determination of Sales at Less Than Fair Value, and Postponement of Final Determination: Certain Circular Welded Carbon-Quality Line Pipe From Mexico*, 69 FR 59892 (October 6, 2004).

Adverse inferences are appropriate "to ensure that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully." *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H. Doc. No. 103-316, at 870 (1994) (SAA). Further, "affirmative evidence of bad faith, or willfulness, on the part of a respondent is not required before the Department may make an adverse inference." *See Antidumping Duties; Countervailing Duties*, 62 FR 27355 (May 19, 1997). Although the Department provided the respondent with notice of the consequences of failure to respond adequately to the questionnaire in this case, JFE Material did not respond to the questionnaire. This constitutes a failure on the part of JFE Material to cooperate to the best of its ability to comply with a request for information by the Department within the meaning of section 776 of the Act. Therefore, the Department has preliminarily determined that, in selecting from among the facts otherwise available, an adverse inference is warranted. *See, e.g., Notice of Final Determination of Sales at Less than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan*, 65 FR 42985 (July 12, 2000) (the Department applied total AFA where the respondent failed to

respond to the antidumping questionnaire).

C. Selection and Corroboration of Information Used as Facts Available

Where the Department applies AFA because a respondent failed to cooperate by not acting to the best of its ability to comply with a request for information, section 776(b) of the Act authorizes the Department to rely on information derived from the petition, a final determination, a previous administrative review, or other information placed on the record. See also 19 CFR 351.308(c) and SAA at 829–831. In this case, because we are unable to calculate a margin based on JFE Material's own data and because an adverse inference is warranted, we have assigned to JFE Material the margin alleged in the petition and which we included in the notice of initiation of this investigation. See *Initiation Notice*, 70 FR at 16222.

When using facts otherwise available, section 776(c) of the Act provides that, when the Department relies on secondary information (such as the petition), it must, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.

The SAA clarifies that "corroborate" means the Department will satisfy itself that the secondary information to be used has probative value. See SAA at 870. The Department's regulations state that independent sources used to corroborate such evidence may include, for example, published price lists, official import statistics and customs data, and information obtained from interested parties during the particular investigation. See 19 CFR 351.308(d) and SAA at 870.

For the purposes of this investigation, to the extent appropriate information was available, we reviewed the adequacy and accuracy of the information in the petition during our pre-initiation analysis. See the March 24, 2005, Office of AD/CVD Operations Initiation Checklist (*Initiation Checklist*) on file in Import Administration's Central Records Unit, Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230.

For this preliminary determination, we examined evidence supporting the calculations in the petition to determine the probative value of the margins in the petition. In accordance with section 776(c) of the Act, to the extent practicable, we examined the key elements of the export-price and normal-value calculations on which the margins in the petition were based. We

find that the estimated margin we set forth in the *Initiation Notice* has probative value. See Memorandum to the File from Dmitry Vladimirov entitled "Preliminary Determination in the Antidumping Duty Investigation of Superalloy Degassed Chromium from Japan: Corroboration of Total Adverse Facts Available Rate," dated August 11, 2005. Therefore, in selecting AFA with respect to JFE Material, we have applied the margin rate of 129.32 percent, the highest estimated dumping margin set forth in the notice of initiation. See *Initiation Notice*.

All Others Rate

Section 735(c)(5)(B) of the Act provides that, where the estimated weighted-average dumping margins established for all exporters and producers individually investigated are zero or *de minimis* or are determined entirely under section 776 of the Act, the Department may use any reasonable method to establish the estimated "all others" rate for exporters and producers not individually investigated. This provision contemplates that the Department may weight-average margins other than the zero, *de minimis*, or facts-available margins to establish the all others rate. When the data does not permit weight-averaging such other margins, the SAA provides that the Department may use any other reasonable methods. See SAA at 873.

Because the petition contained only one estimated dumping margin and the sole respondent did not provide a questionnaire response, there are no additional estimated margins available with which to create the all others rate. See *Notice of Final Determination of Sales at Less Than Fair Value: Ferrovanadium from the Republic of South Africa*, 67 FR 71136 (November 29, 2002). Therefore, we are using the initiation margin of 129.32 percent as the all others rate.

Suspension of Liquidation

In accordance with section 733(d) of the Act, we are directing U.S. Customs and Border Protection (CBP) to suspend liquidation of all entries of superalloy degassed chromium from Japan 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 margin, as indicated in the chart below. These suspension-of-liquidation instructions will remain in effect until further notice. The weighted-average dumping margins are as follows:

Manufacturer or Exporter	Weighted-Average Margin (percent)
JFE Material Co., Ltd. ..	129.32
All Others	129.32

International Trade Commission Notification

In accordance with section 733(f) of the Act, we have notified the ITC of our preliminary determination of sales at less than fair value. If our final antidumping determination is affirmative, the ITC will determine whether the imports covered by that determination are materially injuring, or threatening material injury to, the U.S. industry. The deadline for the Commission's determination would be the later of 120 days after the date of this preliminary determination or 45 days after the date of our final determination.

Public Comment

Case briefs for this investigation must be submitted no later than 30 days after the publication of this notice. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. 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.

Section 774 of the Act provides that the Department will hold a hearing 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 an investigation, the hearing normally will be held two days after the deadline for submission of the rebuttal briefs at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request within 30 days of the publication of this notice. Requests should specify the number of participants and provide a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs. We will make our final determination within 75 days after the date of this preliminary determination.

This determination is issued and published pursuant to sections 733(f) and 777(i)(1) of the Act.

Dated: August 11, 2005.

Barbara E. Tillman,
*Acting Assistant Secretary for Import
Administration.*

[FR Doc. E5-4515 Filed 8-17-05; 8:45 am]

BILLING CODE 3510-DS-S

Harmonized Tariff Schedule of the United States.¹

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

DATES: *Effective date:* August 18, 2005.

FOR FURTHER INFORMATION CONTACT: Megan Spellacy (202) 205-3190, Office of Investigations, U.S. International Trade Commission, 500 E Street, SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on (202) 205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at (202) 205-2000. General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—The final phase of this investigation is being scheduled as a result of an affirmative preliminary determination by the Department of Commerce that imports of superalloy

¹ For purposes of this investigation, the Department of Commerce has defined the subject merchandise as "all forms, sizes, and grades of superalloy degassed chromium from Japan. Superalloy degassed chromium is a high-purity form of chrome metal that contains at least 99.5 percent, but less than 99.95 percent, chromium. Superalloy degassed chromium contains very low levels of certain gaseous elements and other impurities (typically no more than 0.005 percent nitrogen, 0.005 percent sulphur, 0.05 percent oxygen, 0.01 percent aluminum, 0.05 percent silicon, and 0.35 percent iron). Superalloy degassed chromium is generally sold in briquetted form, as "pellets" or "compacts," which typically are 1½ inches x 1 inch x 1 inch or smaller in size and have a smooth surface. Superalloy degassed chromium currently is classifiable under subheading 8112.21.00 of the Harmonized Tariff Schedule of the United States ("HTSUS"). This investigation covers all chromium meeting the above specifications regardless of tariff classification.

Certain higher-purity and lower-purity chromium products are excluded from the scope of this investigation. Specifically, the scope of the investigation does not cover electronics-grade chromium, which contains a higher percentage of chromium (typically not less than 99.95 percent), a much lower level of iron (less than 0.05 percent), and lower levels of other impurities than superalloy degassed chromium. The investigation also does not cover "vacuum melt grade" ("VMG") chromium, which normally contains at least 99.4 percent chromium and contains a higher level of one or more impurities (nitrogen, sulphur, oxygen, aluminum and/or silicon) than specified above for superalloy degassed chromium."

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731-TA-1090 (Final)]

Superalloy Degassed Chromium From Japan

AGENCY: International Trade Commission.

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

SUMMARY: The Commission hereby gives notice of the scheduling of the final phase of antidumping investigation No. 731-TA-1090 (Final) under section 735(b) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)) (the Act) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of less-than-fair-value imports from Japan of superalloy degassed chromium ("SD chromium"), provided for in subheading 8112.21.00 of the

degassed chromium from Japan are being sold in the United States at less than fair value within the meaning of section 733 of the Act (19 U.S.C. 1673b). The investigation was requested in a petition filed on March 4, 2005, by Eramet Marietta Inc., Marietta, OH, and the Paper, Allied-Industrial, Chemical and Energy Workers International Union, Local 5-0639, Belpre, OH.

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

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

Staff report.—The prehearing staff report in the final phase of this investigation will be placed in the nonpublic record on October 20, 2005, and a public version will be issued thereafter, pursuant to section 207.22 of the Commission's rules.

Hearing.—The Commission will hold a hearing in connection with the final phase of this investigation beginning at 9:30 a.m. on November 3, 2005, at the U.S. International Trade Commission Building. Requests to appear at the hearing should be filed in writing with the Secretary to the Commission on or

before October 24, 2005. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the hearing. All parties and nonparties desiring to appear at the hearing and make oral presentations should attend a prehearing conference to be held at 9:30 a.m. on October 28, 2005, at the U.S. International Trade Commission Building. Oral testimony and written materials to be submitted at the public hearing are governed by sections 201.6(b)(2), 201.13(f), and 207.24 of the Commission's rules. Parties must submit any request to present a portion of their hearing testimony *in camera* no later than 7 days prior to the date of the hearing.

Written submissions.—Each party who is an interested party shall submit a prehearing brief to the Commission. Prehearing briefs must conform with the provisions of section 207.23 of the Commission's rules; the deadline for filing is October 27, 2005. 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 November 10, 2005; witness testimony must be filed no later than three days before the hearing. In addition, any person who has not entered an appearance as a party to the investigation may submit a written statement of information pertinent to the subject of the investigation, including statements of support or opposition to the petition, on or before November 10, 2005. On November 28, 2005, the Commission will make available to parties all information on which they have not had an opportunity to comment. Parties may submit final comments on this information on or before November 30, 2005, 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 investigation must be served on all other parties to the investigation (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

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

By order of the Commission.

Issued: August 31, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-17658 Filed 9-6-05; 8:45 am]

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APPENDIX B
HEARING WITNESSES

(The list of final hearing witnesses will appear in the final staff report.)

APPENDIX C
SUMMARY DATA

Table C-1
SD chromium: Summary data concerning the U.S. market, 2002-04, January-June 2004, and
January-June 2005

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Table C-2
VMG chromium: Summary data concerning the U.S. market, 2002-04, January-June 2004, and
January-June 2005

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Table C-3

SD chromium plus VMG chromium: Summary data concerning the U.S. market, 2002-04, January-June 2004, and January-June 2005

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