

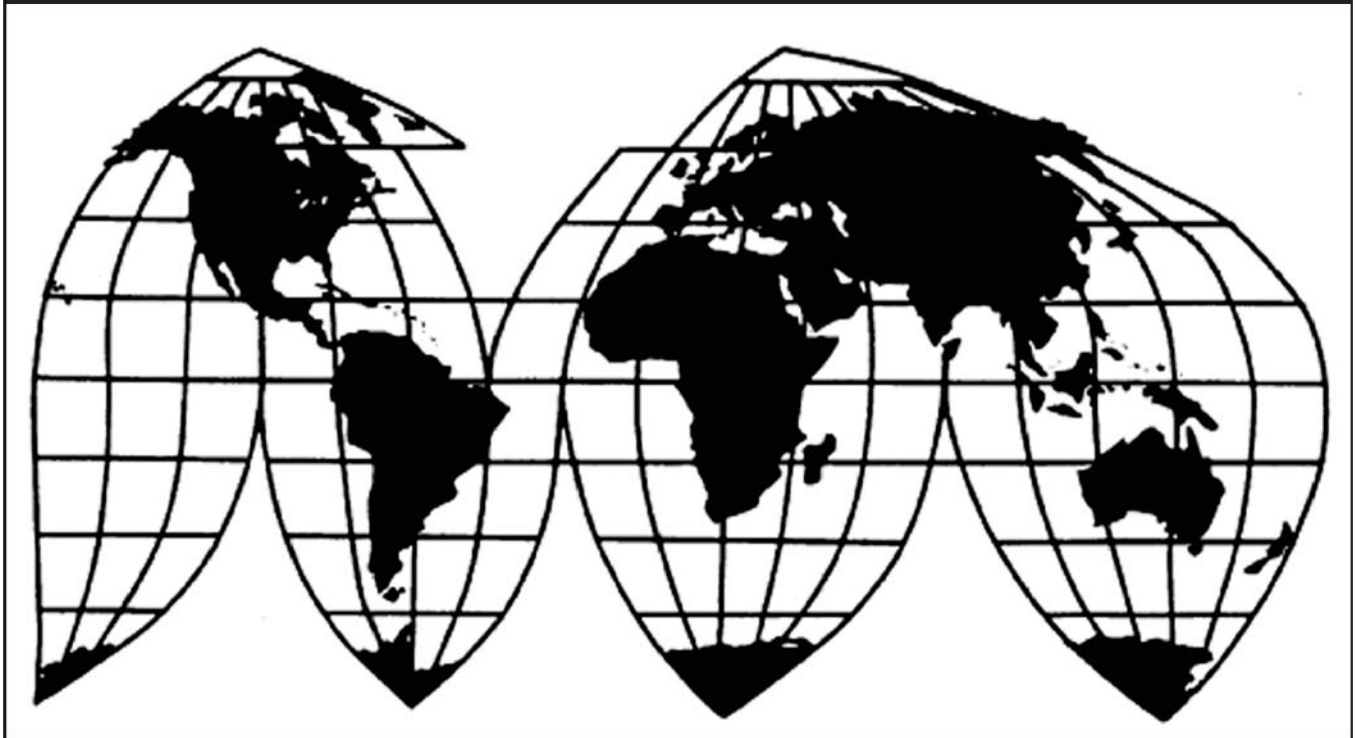
# **Steel Propane Cylinders from China and Thailand**

Investigation Nos. 701-TA-607 and 731-TA-1417 and 1419 (Preliminary)

**Publication 4804**

**July 2018**

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

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Note.— Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report.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



## UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-607 and 731-TA-1417 and 1419 (Preliminary)

Steel Propane Cylinders from China and Thailand

### DETERMINATIONS

On the basis of the record<sup>1</sup> developed in the subject investigations, the United States International Trade Commission (“Commission”) determines, pursuant to the Tariff Act of 1930 (“the Act”), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of steel propane cylinders from China and Thailand that are alleged to be sold in the United States at less than fair value (“LTFV”) and imports of steel propane cylinders from China that are allegedly subsidized by the government of China.<sup>2 3</sup> The products subject to these investigations are provided for in heading 7311.00.00 of the Harmonized Tariff Schedule of the United States.

### COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission’s rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission’s rules, upon notice from the U.S. Department of Commerce (“Commerce”) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

<sup>2</sup> *Steel Propane Cylinders from the People’s Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations*, 83 FR 28189, June 18, 2018; *Steel Propane Cylinders from China: Initiation of Countervailing Duty Investigation*, 83 FR 28196, June 18, 2018.

<sup>3</sup> Commissioner Jason Kearns not participating.

## BACKGROUND

On May 22, 2018, Worthington Industries Inc., Columbus, Ohio, and Manchester Tank and Equipment, Franklin, Tennessee, filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of steel propane cylinders from China and LTFV imports of steel propane cylinders from China, Taiwan, and Thailand. Accordingly, effective May 22, 2018, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-607 and antidumping duty investigation Nos. 731-TA-1417-1419 (Preliminary). On June 14, 2018, petitioners withdrew the antidumping duty petition covering imports from Taiwan and the investigation was subsequently terminated.<sup>4</sup>

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of May 29, 2018 (83 FR 24491). The conference was held in Washington, DC, on June 12, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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<sup>4</sup> *Steel Propane Cylinders from Taiwan: Termination of Less-Than-Fair-Value Investigation*, 83 FR 29748, June 26, 2018; *Steel Propane Cylinders from Taiwan: Termination of Investigation*, 83 FR 31174, July 3, 2018.

## Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of steel propane cylinders from China and Thailand that are allegedly sold in the United States at less than fair value and imports of the subject merchandise from China that are allegedly subsidized by the government of China.<sup>1</sup>

### I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.<sup>2</sup> In applying this standard, the Commission weighs the evidence before it and determines whether “(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation.”<sup>3</sup>

### II. Background

Worthington Industries (“Worthington”) and Manchester Tank & Equipment Co. (“Manchester”), domestic producers of steel propane cylinders, filed the petitions in these investigations on May 22, 2018.<sup>4</sup> Petitioners appeared at the staff conference and submitted a postconference brief.

Several respondent entities participated in these investigations. Sahamitr Pressure Container Plc. (“SMPC”), a Thai producer and exporter of subject merchandise, and YSN Imports Inc. DBA Flame King (“YSN”), an importer of subject merchandise, appeared at the conference and jointly filed a postconference brief. Shandong Huanri Group Co. Ltd. (“Huanri”), a Chinese producer and exporter of subject merchandise, and Worldwide Distribution, LLLP (“Worldwide”), an importer of subject merchandise, also appeared at the conference and jointly filed a postconference brief.

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<sup>1</sup> Commissioner Kearns did not participate in these investigations.

<sup>2</sup> 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States*, 20 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

<sup>4</sup> Petitioners also filed an antidumping duty petition covering imports of steel propane cylinders from Taiwan on May 22, 2018, but withdrew the petition on June 14, 2018. *Steel Propane Cylinders from Taiwan: Termination of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 29748 (June 26, 2018); *Steel Propane Cylinders from Taiwan: Termination of Investigation*, 83 Fed. Reg. 31174 (July 3, 2018).

U.S. industry data are based on the questionnaire responses of the only known domestic producers of steel propane cylinders, Manchester and Worthington, which accounted for all known U.S. production of steel propane cylinders in 2017.<sup>5</sup> U.S. import data are based on \*\*\* data and from questionnaire responses from nine U.S. importers, accounting for at least \*\*\* percent of subject imports from China, \*\*\* percent of subject imports from Thailand, and \*\*\* percent of total subject imports.<sup>6</sup> The Commission received responses to its questionnaires from three foreign producers and exporters of subject merchandise; two producers and exporters in China, whose exports accounted for \*\*\* percent of subject imports from China in 2017, and one producer and exporter in Thailand, whose exports accounted for \*\*\* subject imports from Thailand in 2017.<sup>7</sup>

### III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the “domestic like product” and the “industry.”<sup>8</sup> Section 771(4)(A) of the Tariff Act of 1930, as amended (“the Tariff Act”), defines the relevant domestic industry as the “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>9</sup> In turn, the Tariff Act defines “domestic like product” as “a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation.”<sup>10</sup>

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of “like” or “most similar in characteristics and uses” on a case-by-case basis.<sup>11</sup> No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the

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<sup>5</sup> Confidential Report (“CR”) at I-5; Public Report (“PR”) at I-4.

<sup>6</sup> CR at I-5; PR at I-4.

<sup>7</sup> CR at I-5; PR at I-4.

<sup>8</sup> 19 U.S.C. § 1677(4)(A).

<sup>9</sup> 19 U.S.C. § 1677(4)(A).

<sup>10</sup> 19 U.S.C. § 1677(10).

<sup>11</sup> See, e.g., *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int’l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991) (“every like product determination ‘must be made on the particular record at issue’ and the ‘unique facts of each case’”). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. See *Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int’l Trade 1996).

facts of a particular investigation.<sup>12</sup> The Commission looks for clear dividing lines among possible like products and disregards minor variations.<sup>13</sup> Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized and/or sold at less than fair value,<sup>14</sup> the Commission determines what domestic product is like the imported articles Commerce has identified.<sup>15</sup> The Commission may, where appropriate, include domestic articles in the domestic like product in addition to those described in the scope.<sup>16</sup>

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

{S}teel cylinders for compressed or liquefied propane gas (steel propane cylinders) meeting the requirements of, or produced to meet the requirements of, U.S. Department of Transportation (USDOT) Specifications 4B, 4BA, or 4BW, or Transport Canada Specification 4BM, 4BAM, or 4BWM, or United Nations pressure receptacle standard ISO 4706. The scope includes steel propane cylinders regardless of whether they have been certified to these specifications before importation. Steel propane cylinders range from 2.5 pound nominal gas capacity (approximate 6 pound water capacity and approximate 4-6 pound tare weight) to 42 pound nominal gas capacity (approximate 100 pound water capacity and approximate 28-32 pound tare weight). Steel propane cylinders have two or fewer ports and may be imported assembled or unassembled (i.e., welded or brazed before or after importation), with or without all components (including collars, valves, gauges, tanks, foot rings, and overfill prevention devices), and coated or uncoated. Also included within the scope are drawn

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<sup>12</sup> See, e.g., S. Rep. No. 96-249 at 90-91 (1979).

<sup>13</sup> See, e.g., *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; see also S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

<sup>14</sup> See, e.g., *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

<sup>15</sup> *Hosiden Corp. v. Advanced Display Mfrs.*, 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

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

cylinder halves, unfinished propane cylinders, collars, and foot rings for steel propane cylinders.

An “unfinished” or “unassembled” propane cylinder includes drawn cylinder halves that have not been welded into a cylinder, cylinders that have not had flanges welded into the port hole(s), cylinders that are otherwise complete but have not had collars or foot rings welded to them, otherwise complete cylinders without a valve assembly attached, and cylinders that are otherwise complete except for testing, certification, and/or marking.

These investigations also cover steel propane cylinders that meet, are produced to meet, or are certified as meeting, other U.S. or Canadian government, international, or industry standards (including, for example, American Society of Mechanical Engineers (ASME), or American National Standard Institute (ANSI)), if they also meet, are produced to meet, or are certified as meeting USDOT Specification 4B, 4BA, or 4BW, or Transport Canada Specification 4BM, 4BAM, or 4BWM, or a United Nations pressure receptacle standard ISO 4706.

Subject merchandise also includes steel propane cylinders that have been further processed in a third country, including but not limited to, attachment of collars, foot rings, or handles by welding or brazing, heat treatment, painting, testing, certification, or any other processing that would not otherwise remove the merchandise from the scope of the investigations if performed in the country of manufacture of the in-scope steel propane cylinders.

Specifically excluded are seamless steel propane cylinders and propane cylinders made from stainless steel (i.e., steel containing at least 10.5 percent chromium by weight and less than 1.2 percent carbon by weight), aluminum, or composite fiber material. Composite fiber material is material consisting of the mechanical combination of two components: Fiber (typically glass, carbon, or aramid (synthetic polymer)) and a matrix material (typically polymer resin, ceramic, or metallic).

The merchandise subject to these investigations is properly classified under statistical reporting numbers 7311.00.0060 and 7311.00.0090 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise is dispositive.<sup>17</sup>

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<sup>17</sup> *Steel Propane Cylinders from the People’s Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations*, 83 Fed. Reg. 28196, 28202 (June 18, 2018); *Steel Propane Cylinders from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 83 Fed. Reg. 28189, 28192 (June 18, 2018).

Steel propane cylinders are portable, low-pressure steel tanks for storing and transporting liquefied or compressed propane gas, and are used as a heat source for camping and barbecue grills, fire pits, outdoor heaters, and recreational vehicles (“RVs”), and as a temporary energy source for heating and cooking after natural disasters.<sup>18</sup> They generally consist of a tank, a single port, a horseshoe collar, a foot ring, a gauge, a valve, and an overflow preventer.<sup>19</sup> Common sizes of steel propane cylinders, expressed in pounds of propane capacity, include 4.25 pounds, 10 pounds, 11 pounds, 20 pounds, 30 pounds, and 40 pounds, although the most prevalent sizes are 20 pounds and 30 pounds.<sup>20</sup>

Due to the hazardous nature of propane, all steel propane cylinders sold in the U.S. market must satisfy U.S. Department of Transportation (“USDOT”) specifications 4BA or 4BW, which govern the construction, testing, and marking of cylinders.<sup>21</sup> Moreover, all production facilities that produce steel propane cylinders for the U.S. market must be certified by the USDOT under specifications 4BA or 4BW after a rigorous inspection process performed by a USDOT auditor.<sup>22</sup>

#### **A. Arguments of the Parties**

*Petitioners’ Argument.* Petitioners argue that the Commission should define the domestic like product as all steel propane cylinders within the scope of the investigations because, in their view, steel propane cylinders comprise a product continuum with no clear dividing lines.<sup>23</sup> In this regard, petitioners claim that all steel propane cylinders possess similar physical characteristics, as they are all produced to the same USDOT specification, and are used to transport and store compressed or liquefied propane gas.<sup>24</sup> Petitioners contend that steel propane cylinders are generally interchangeable across the continuum of sizes and are sold through similar channels of distribution.<sup>25</sup> According to petitioners, domestic producers manufacture all steel propane cylinders in the same production facilities using the same production processes and employees, producers and customers perceive steel propane cylinders as the same product, and steel propane cylinders are sold in a range of similar prices based on a continuum of sizes.<sup>26</sup> Finally, petitioners argue that clear dividing lines separate steel propane cylinders from out-of-scope cylinders in different sizes or made from other

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<sup>18</sup> CR at I-9, 11; PR at I-7-9; Petition at 4-5.

<sup>19</sup> CR at I-9-10; PR at I-7-9; Petition at 4.

<sup>20</sup> CR at I-10; PR at I-8; Petition at 5.

<sup>21</sup> CR at I-10-11; PR at I-8-9; Petition at 5.

<sup>22</sup> CR at I-12; PR at I-10; Petition at 5; Conference Tr. at 40-41 (Komlosi); SMPC and YSN’s Postconference Brief, Responses to Staff Questions at 1-2.

<sup>23</sup> Petition at 10; *see also* Petitioners’ Postconference Brief at 4-9.

<sup>24</sup> Petition at 12; Petitioners’ Postconference Brief at 4-5, 7-8.

<sup>25</sup> Petition at 12; Petitioners’ Postconference Brief at 4-5, 7-8.

<sup>26</sup> Petition at 12-13; Petitioners’ Postconference Brief at 6-9.

materials, notwithstanding some overlap with other types of cylinders in the retail channel of distribution.<sup>27</sup>

*Respondents' Argument.* Respondents do not contest petitioners' proffered definition of the domestic like product for purposes of the preliminary phase of the investigations.<sup>28</sup>

## **B. Analysis**

Based on the following analysis, we define a single domestic like product consisting of all steel propane cylinders coextensive with the scope of the investigations set forth in the notices of initiation.

*Physical Characteristics and Uses.* All steel propane cylinders consist of similar components, including a rounded body with one latitudinal or longitudinal weld, a foot ring, a horseshoe collar, a single port, a valve, and an overfill prevention device, and must be constructed in accordance with USDOT specifications 4BA or 4BW.<sup>29</sup> All are portable and refillable, and used to transport and store compressed or liquefied natural gas for use as a heat source for grills, outdoor heaters, and RVs.<sup>30</sup>

The principal physical difference between steel propane cylinders described by the scope of the investigation is size. Steel propane cylinders are produced in a range of sizes, including 4.25 pounds, 10 pounds, 11 pounds, 20 pounds, 30 pounds, and 40 pounds.<sup>31</sup> There is evidence that steel propane cylinders of different sizes can be used in the same end use applications; for instance, both 20-pound and 30-pound cylinders are purchased by RV manufactures for use in the production of RVs.<sup>32</sup>

According to petitioners, other types of cylinders are distinguishable from steel propane cylinders in terms of their physical characteristics and uses. They claim that smaller cylinders for use in camping applications are often disposable.<sup>33</sup> Larger cylinders are made from aluminum or composite fiber using three welds and multiple ports, and designed to be fixed in place in propane-powered industrial commercial vehicles.<sup>34</sup> Petitioners also contend that cylinders made from stainless steel, aluminum, or composite fiber are designed for use in

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<sup>27</sup> Petitioners' Postconference Brief at 8.

<sup>28</sup> Conference Tr. at 159 (Campbell); SMPC and YSN's Postconference Brief at 2; Huanri and Worldwide's Postconference Brief at 2. We note that in any final phase of the investigations, parties wishing to raise domestic like product or industry issues should do so in their comments on the draft questionnaires and indicate the new information that would need to be collected for consideration of the proposed definitions. 19 C.F.R. § 207.20(b).

<sup>29</sup> CR at I-9-13; PR at I-7-10.

<sup>30</sup> CR at I-11; PR at I-9.

<sup>31</sup> CR at I-10; PR at I-8; Petition at 5.

<sup>32</sup> CR at IV-9 n.8; PR at IV-4 n.8.

<sup>33</sup> Petitioners' Postconference Brief at 5.

<sup>34</sup> Petitioners' Postconference Brief at 5.



commercial, industrial, medical, marine, and military applications, involving corrosive, high-impact, or sterile environments, unlike steel propane cylinders.<sup>35</sup>

*Manufacturing Facilities, Production Processes and Employees.* All in-scope steel propane cylinders are made in the same manufacturing facilities using the same production processes and employees, although both domestic producers maintain production lines dedicated to the production of 20-pound cylinders due to the high volume of sales of such cylinders.<sup>36</sup> Petitioners state that other types of out of scope cylinders are made in different manufacturing facilities with different production processes and employees.<sup>37</sup>

*Channels of Distribution.* Most domestically produced steel propane cylinders are sold through the same channels of distribution, to retailers and gas exchangers.<sup>38</sup> Although certain types of other out-of-scope cylinders are also sold to retailers, such as 1 pound cylinders for camping, petitioners claim that cylinders made from stainless steel, aluminum, and composite fiber are generally sold through commercial, industrial, medical, marine, and military channels of distribution.<sup>39</sup>

*Interchangeability.* Steel propane cylinders of different sizes may not be interchangeable in the same models of grills, outdoor heaters, and RVs, as such products are typically designed around particular sizes of cylinders. Nevertheless, 20-pound steel propane cylinders, which accounted for most U.S. shipments of domestically produced and subject imported steel propane cylinders in 2017, may be used interchangeably in many grills and RVs.<sup>40</sup> Gas exchangers, which offer consumers full steel propane cylinders in exchange for empty ones, generally offer 20-pound tanks.<sup>41</sup> Furthermore, the record indicates that different sizes of steel propane cylinders can be used in the same general applications, such as the 20-pound and 30-pound steel propane cylinders used by RV manufacturers in the production of RVs.<sup>42</sup>

According to petitioners, other types of cylinders, such as those made from stainless steel, aluminum, or composite fiber, are designed for different end uses and therefore not interchangeable with steel propane cylinders.<sup>43</sup> Because other types of cylinders are not constructed in accordance with USDOT specifications 4BA or 4BW, as are all steel propane cylinders, they may not be used to store and transport propane without special regulatory approval.<sup>44</sup>

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<sup>35</sup> Petitioners' Postconference Brief at 5.

<sup>36</sup> CR at I-12; PR at I-10; Conference Tr. at 95 (Bowes), 95-96 (Graumann).

<sup>37</sup> Petitioners' Postconference Brief at 6; CR at III-5; PR at III-3.

<sup>38</sup> CR/PR at Table II-1b.

<sup>39</sup> Petitioners' Postconference Brief at 8; Conference Tr. at 122-23 (Cancelosi).

<sup>40</sup> CR at IV-9 n.8; PR at IV-4 n.8; CR/PR at Table IV-4; Conference Tr. at 23 (Komlosi).

<sup>41</sup> CR/PR at II-1; Conference Tr. at 23, 97 (Komlosi), 98 (Graumann), 134 (Newman).

<sup>42</sup> CR at IV-9 n.8; PR at IV-4 n.8.

<sup>43</sup> Petitioners' Postconference Brief at 7; *see also* Conference Tr. at 79-80 (Graumann), 186 (Newman).

<sup>44</sup> Petitioners' Postconference Brief at 7.

*Producer and Customer Perceptions.* Petitioners and respondents agree that producers and customers view steel propane cylinders as a distinct product category.<sup>45</sup> For example, gas exchangers and RV manufacturers rely exclusively on steel propane cylinders.<sup>46</sup> Respondents claim, however, that producers and customers also view out-of-scope 1 pound disposable cylinders for camping applications as part of the same product category as steel propane cylinders described by the scope of the investigations.<sup>47</sup>

*Price.* The prices of steel propane cylinders vary by size, although larger steel propane cylinders do not always command higher prices than smaller steel propane cylinders.<sup>48</sup> According to petitioners, other types of cylinders are priced differently than steel propane cylinders, with smaller cylinders priced lower and larger cylinders and cylinders made from stainless steel, aluminum, and composite fiber priced higher.<sup>49</sup>

*Conclusion.* The record indicates that there are more similarities than differences between steel propane cylinders described by the scope of the investigations. All steel propane cylinders are produced from the same general components to USDOT specifications 4BA or 4BW, and all are used to transport and store liquefied or compressed propane for use as a heat source for grills, outdoor heaters, and RVs.<sup>50</sup> Most domestically produced cylinders are sold through the same channels of distribution, primarily to retailers and gas exchangers.<sup>51</sup> Further, both Manchester and Worthington produce steel propane cylinders in the same manufacturing facilities using the same production processes and employees.<sup>52</sup> Consistent with these similarities, steel propane cylinders are generally viewed by producers and customers as members of the same product family, distinct from other types of cylinders.

There are also certain differences among the steel propane cylinders described by the scope of the investigations. Steel propane cylinders are produced in a range of sizes, and cylinders of different sizes are not always interchangeable in the same applications. Moreover, certain customers perceive steel propane cylinders in particular sizes as ideally suited for their end use applications, with gas exchangers preferring 20-pound cylinders and RV manufacturers limiting their purchases to 20- and 30-pound cylinders.<sup>53</sup> Steel propane cylinder prices vary by size.

Based on the record of the preliminary phase of the investigations, we find that the preponderance of similarities among steel propane cylinders described by the scope of the investigations supports the definition of a single domestic like product comprising all steel

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<sup>45</sup> See Conference Tr. at 79-80 (Graumann), 186 (Newman).

<sup>46</sup> See Conference Tr. at 25 (Komlosi), 137-38 (Ochs).

<sup>47</sup> Conference Tr. at 122-23 (Cancelosi), 134-35 (Newman).

<sup>48</sup> See CR/PR at Tables V-7, D-1; Petitioners' Postconference Brief at 8-9.

<sup>49</sup> Petitioners' Postconference Brief at 9.

<sup>50</sup> CR at I-9-11; PR at I-7-8.

<sup>51</sup> CR/PR at Table II-1b.

<sup>52</sup> CR at I-12; PR at I-10; Petitioners' Postconference Brief at 6.

<sup>53</sup> Conference Tr. at 23, 97 (Komlosi), 98 (Graumann), 134 (Newman); CR at IV-9 n.8; PR at IV-4

propane cylinders coextensive with the scope. Indeed, most domestically produced steel propane cylinders sold in the U.S. market have a capacity of 20 pounds and are therefore similar in terms of all six like product factors.<sup>54</sup> Furthermore, steel propane cylinders described by the scope generally differ from out-of-scope cylinders in terms of their physical characteristics and uses, manufacturing facilities, production processes, and production employees, channels of distribution, interchangeability, producer and customer perceptions, and price.<sup>55</sup> We therefore define a single domestic like product consisting of all steel propane cylinders coextensive with the scope of the investigations.

#### **IV. Domestic Industry**

The domestic industry is defined as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>56</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.<sup>57</sup> Exclusion of such a producer is within the Commission’s discretion based upon the facts presented in each investigation.<sup>58</sup>

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<sup>54</sup> See CR/PR at Table D-1 (\*\*\* percent of domestic producers’ U.S. shipments, in units, consisted of 20-pound steel propane cylinders in 2017).

<sup>55</sup> See Petitioners’ Postconference Brief at 4-9; Conference Tr. at 79-80 (Graumann), 186 (Newman).

<sup>56</sup> 19 U.S.C. § 1677(4)(A).

<sup>57</sup> See *Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int’l Trade 1992), *aff’d without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Ct. Int’l Trade 1989), *aff’d mem.*, 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int’l Trade 1987).

<sup>58</sup> The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(Continued...)

Based on our definition of the domestic like product, we define the domestic industry as all domestic producers of steel propane cylinders, including Manchester and Worthington. Manchester meets the statutory definition of a related party as an importer of subject merchandise during the period of investigation.<sup>59</sup> We find, however, that appropriate circumstances do not exist to exclude Manchester from the domestic industry.<sup>60</sup>

Manchester was the \*\*\* largest domestic producer in 2017, accounting for \*\*\* percent of domestic industry production.<sup>61</sup> It is a related party because it imported subject steel propane cylinders from \*\*\* during the period of investigation.<sup>62</sup> Specifically, Manchester imported \*\*\* pounds of steel propane cylinders in 2015 (the equivalent of \*\*\* percent of its domestic production), \*\*\* pounds in 2016 (the equivalent of \*\*\* percent of its domestic production), and \*\*\* million pounds in 2017 (the equivalent of \*\*\* percent of its domestic production).<sup>63</sup> Manchester imported \*\*\* pounds of steel propane cylinders in January-March 2018 (“interim 2018”) (the equivalent of \*\*\* percent of its domestic production), compared to \*\*\* pounds in January-March 2017 (“interim 2017”) (the equivalent of \*\*\* percent of its domestic production).<sup>64</sup> Manchester has explained that it imports steel propane cylinders “as a strategy to maintain the business we still have in the U.S.”:<sup>65</sup>

When faced with the decision of selling below our cost, or blend in a small percentage of imports, we have chosen the latter, particularly to serve a number of national accounts that want us to manage basically all of their cylinder needs across the U.S. The loss of any meaningful part of those customers' business for our U.S. plants, as we talked about, would further hurt our capacity utilization and be unacceptable.<sup>66</sup>

The record shows that Manchester’s primary interest is in domestic production rather than importation. In this regard, Manchester is a petitioner in these investigations and its ratio of imports to domestic production was low throughout the period of investigation, ranging from \*\*\* to \*\*\* percent.<sup>67</sup> Furthermore, Manchester has emphasized that it only imports steel

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(...Continued)

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzhou Trina Solar Energy Co. v. USITC*, 100 F. Supp.3d 1314, 1326-31 (Ct. Int’l. Trade 2015); see also *Torrington Co. v. United States*, 790 F. Supp. at 1168.

<sup>59</sup> Conference Tr. at 30-31, 116 (Graumann); see also CR/PR at Table III-7.

<sup>60</sup> Petitioners argue that there is no basis for the Commission to exclude Manchester from the domestic industry because Manchester’s primary interest is in domestic production. Petitioners’ Postconference Brief at 10. Respondents do not address the issue of related parties.

<sup>61</sup> CR/PR at Table III-1.

<sup>62</sup> CR at III-8; PR at III-4.

<sup>63</sup> CR/PR at Table III-7.

<sup>64</sup> CR/PR at Table III-7.

<sup>65</sup> Conference Tr. at 116 (Graumann).

<sup>66</sup> Conference Tr. at 116 (Graumann); see also CR at III-2 n.2, III-8; PR at III-2 n.2, III-4.

<sup>67</sup> CR/PR at Table III-7.

propane cylinders as part of a strategy to maintain major customers for its domestically produced steel propane cylinders.<sup>68</sup> For these reasons, we find that appropriate circumstances do not exist to exclude Manchester from the domestic industry as a related party.

In sum, for purposes of these preliminary determinations, we define the domestic industry to include all domestic producers of steel propane cylinders, including Worthington and Manchester.

## V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.<sup>69</sup> Petitioners argue that the Commission should find subject imports from China and Thailand, respectively, non-negligible, and respondents do not address the issue.<sup>70</sup>

During the most recent 12-month period in these investigations, imports from China accounted for \*\*\* percent of total imports and imports from Thailand accounted for \*\*\* percent of total imports.<sup>71</sup> Because subject imports from both China and Thailand were well above the statutory negligibility threshold, we find that subject imports from each country are not negligible.

## VI. Cumulation

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

- (1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;

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<sup>68</sup> Conference Tr. at 116 (Graumann); *see also* CR at III-2 n.2, III-8; PR at III-2 n.2, III-4.

<sup>69</sup> 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

<sup>70</sup> Petitioners' Postconference Brief at 10.

<sup>71</sup> CR at IV-7; PR at IV-4.

- (3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
- (4) whether the subject imports are simultaneously present in the market.<sup>72</sup>

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject imports compete with each other and with the domestic like product.<sup>73</sup> Only a “reasonable overlap” of competition is required.<sup>74</sup>

#### **A. Arguments of the Parties**

Petitioners argue that the Commission should cumulate subject imports from China and Thailand because the petitions with respect to China and Thailand were filed on the same day and there is a reasonable overlap of competition between and among subject imports from China and Thailand and the domestic like product.<sup>75</sup> Respondents do not disagree.<sup>76</sup>

#### **B. Analysis**

We consider subject imports from China and Thailand on a cumulated basis because the statutory criteria for cumulation are satisfied. As an initial matter, petitioners filed the antidumping and countervailing duty petitions with respect to both countries on the same day, May 22, 2018.<sup>77</sup> Based on the record of the preliminary phase of the investigations, there is also a reasonable overlap of competition between subject imports from China and Thailand and between subject imports from each source and the domestic like product.

*Fungibility.* The record indicates that there is a moderate-to-high degree of substitutability between subject imports from China and Thailand, and subject imports from

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<sup>72</sup> See *Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-80 (Final), USITC Pub. 1845 (May 1986), *aff'd*, *Fundicao Tupy, S.A. v. United States*, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

<sup>73</sup> See, e.g., *Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

<sup>74</sup> The Statement of Administrative Action (SAA) to the Uruguay Round Agreements Act (URAA), expressly states that “the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition.” H.R. Rep. No. 103-316, Vol. I at 848 (1994) (*citing Fundicao Tupy*, 678 F. Supp. at 902); see *Goss Graphic Sys., Inc. v. United States*, 33 F. Supp. 2d 1082, 1087 (Ct. Int'l Trade 1998) (“cumulation does not require two products to be highly fungible”); *Wieland Werke, AG*, 718 F. Supp. at 52 (“Completely overlapping markets are not required.”).

<sup>75</sup> Petitioners’ Postconference Brief at 11-14.

<sup>76</sup> Huanri and Worldwide accept petitioners’ position on cumulation for purposes of the preliminary phase of the investigations. Huanri and Worldwide’s Postconference Brief at 2. SMPC and YSN do not address the issue of cumulation.

<sup>77</sup> CR/PR at I-1; None of the statutory exceptions to cumulation applies.

each source and the domestic like product.<sup>78</sup> Both responding domestic producers reported that subject imports from China and Thailand are “always” used interchangeably with each other and with the domestic like product, while responding importers reported that subject imports from China and Thailand are “always” or “frequently” used interchangeably with each other and with the domestic like product.<sup>79</sup> Similarly, both responding domestic producers reported that differences other than price are “never” significant between steel propane cylinders produced in China, Thailand, and the United States, as did a substantial number of responding importers.<sup>80</sup> Consistent with these data, the record shows that steel propane cylinders from all sources must conform to the same USDOT specifications, which dictate the grade of steel, welding or brazing requirements, wall thickness, design features, and markings, among other technical specifications.<sup>81</sup> Steel propane cylinders from all sources are also largely sold in the same sizes, with nearly all U.S. shipments of steel propane cylinders produced in China, Thailand, and the United States consisting of 20- and 30-pound steel propane cylinders.<sup>82</sup> Witnesses for both petitioners and respondents testified at the conference that steel propane cylinders are generally interchangeable regardless of the source.<sup>83</sup>

*Geographic Overlap.* The record indicates that steel propane cylinders from all sources served a nationwide market during the period examined.<sup>84</sup>

*Channels of Distribution.* Subject imports from China and Thailand and the domestic like product shared the same general channels of distribution. During the period examined, domestically produced steel propane cylinders and subject imports from both China and

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<sup>78</sup> CR at II-11; PR at II-6.

<sup>79</sup> CR/PR at Table II-5.

<sup>80</sup> CR/PR at Table II-6. A majority of responding importers, 3 of 5, reported that differences other than price are “never” significant between steel propane cylinders produced in Thailand and the United States. *Id.* However, a majority of responding importers, 4 of 7, reported that differences other than prices are “always” or “frequently” significant between steel propane cylinders produced in China and the United States. *Id.* Similarly, a majority of responding importers, 2 of 3, reported that differences other than price are “always” or “frequently” significant between steel propane cylinders produced in China and Thailand. *Id.*

<sup>81</sup> CR at I-11-12, PR at I-9-10.

<sup>82</sup> CR/PR at Table IV-4. In 2017, the share of U.S. shipments of both subject imports and domestically produced steel propane cylinders consisting of 20-pound cylinders was \*\*\* percent and the share consisting of 30-pound cylinders was \*\*\* percent. *Id.*

<sup>83</sup> See Conference Tr. at 26 (Komlosi) (“Most of our customers would view steel propane cylinders whether imported or domestic as interchangeable. They are produced to a uniform government specification and must meet the same rigorous safety requirements.”), 29 (Graumann) (“Manchester is recognized as a top quality producer of steel propane cylinders and all cylinders, whether domestic or imported, are made to the same DOT standards. Customers, therefore, view them as interchangeable with the imports.”), 150 (Newman) (“The tank is standardized, so you have a 20-pounder, a 30-pounder, a 40-pounder.”), 184 (Newman) (“Probably if you saw the three tanks right up there, you would not be able to tell the difference . . . But other than reading the name and the tare weight and everything else, they would look the same.”).

<sup>84</sup> CR/PR at Table II-2.

Thailand were sold to retailers, gas exchangers, and end users (primarily RV manufacturers), although most domestically produced cylinders were sold to gas exchangers and most subject imports were sold to RV manufacturers and distributors serving RV manufacturers.<sup>85</sup>

*Simultaneous Presence.* Steel propane cylinders from all sources were simultaneously present in the U.S. market, with responding domestic producers and importers reporting sales of domestically produced steel propane cylinders and subject imports from both China and Thailand in every quarter of the period of investigation.<sup>86</sup>

In sum, because the relevant antidumping duty petitions and countervailing duty petition were filed on the same day, and the record indicates that there is a reasonable overlap of competition between and among subject imports and the domestic like product, we analyze subject imports from China and Thailand on a cumulated basis for purposes of our analysis of material injury by reason of subject imports.

## **VII. Reasonable Indication of Material Injury by Reason of Subject Imports**

### **A. Legal Standard**

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.<sup>87</sup> In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.<sup>88</sup> The statute defines “material injury” as “harm which is not inconsequential, immaterial, or unimportant.”<sup>89</sup> In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.<sup>90</sup> No single factor is dispositive, and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>91</sup>

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<sup>85</sup> CR/PR at II-1; CR/PR at Tables II-1-1B; Conference Tr. at 119 (Cancelosi) (stating that Worldwide sells subject imports to distributors for resale to RV manufacturers).

<sup>86</sup> CR/PR at Tables V-3-4; *see also id.* at Table IV-6.

<sup>87</sup> 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects.

<sup>88</sup> 19 U.S.C. § 1677(7)(B). The Commission “may consider such other economic factors as are relevant to the determination” but shall “identify each {such} factor ... {a}nd explain in full its relevance to the determination.” 19 U.S.C. § 1677(7)(B).

<sup>89</sup> 19 U.S.C. § 1677(7)(A).

<sup>90</sup> 19 U.S.C. § 1677(7)(C)(iii).

<sup>91</sup> 19 U.S.C. § 1677(7)(C)(iii).



Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is “materially injured by reason of” unfairly traded imports,<sup>92</sup> it does not define the phrase “by reason of,” indicating that this aspect of the injury analysis is left to the Commission’s reasonable exercise of its discretion.<sup>93</sup> In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the “by reason of” standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.<sup>94</sup>

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.<sup>95</sup> In performing its examination, however, the Commission need not isolate

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<sup>92</sup> 19 U.S.C. §§ 1671b(a), 1673b(a).

<sup>93</sup> *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) (“{T}he statute does not ‘compel the commissioners’ to employ {a particular methodology}.”), *aff’g* 944 F. Supp. 943, 951 (Ct. Int’l Trade 1996).

<sup>94</sup> The Federal Circuit, in addressing the causation standard of the statute, has observed that “{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement.” *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that “this court requires evidence in the record ‘to show that the harm occurred “by reason of” the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.’” See also *Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass’n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

<sup>95</sup> SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) (“{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.”); S. Rep. 96-249 at 75 (1979) (the Commission “will consider information which indicates that harm is caused by factors other than less-than-fair-value imports.”); H.R. Rep. 96-317 at 47 (1979) (“in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;” those factors include “the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry”); *accord Mittal Steel*, 542 F.3d at 877.

the injury caused by other factors from injury caused by unfairly traded imports.<sup>96</sup> Nor does the “by reason of” standard require that unfairly traded imports be the “principal” cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.<sup>97</sup> It is clear that the existence of injury caused by other factors does not compel a negative determination.<sup>98</sup>

Assessment of whether material injury to the domestic industry is “by reason of” subject imports “does not require the Commission to address the causation issue in any particular way” as long as “the injury to the domestic industry can reasonably be attributed to the subject imports” and the Commission “ensure{s} that it is not attributing injury from other sources to the subject imports.”<sup>99</sup> Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed “rigid adherence to a specific formula.”<sup>100</sup>

The Federal Circuit’s decisions in *Gerald Metals*, *Bratsk*, and *Mittal Steel* all involved cases in which the relevant “other factor” was the presence in the market of significant

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<sup>96</sup> SAA at 851-52 (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports.”); *Taiwan Semiconductor Industry Ass’n*, 266 F.3d at 1345. (“{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports.” (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int’l Trade 2002) (“{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury” or make “bright-line distinctions” between the effects of subject imports and other causes.); see also *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that “{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, i.e., it is not an ‘other causal factor,’ then there is nothing to further examine regarding attribution to injury”), citing *Gerald Metals*, 132 F.3d at 722 (the statute “does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.”).

<sup>97</sup> S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

<sup>98</sup> See *Nippon*, 345 F.3d at 1381 (“an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the ‘dumping’ need not be the sole or principal cause of injury.”).

<sup>99</sup> *Mittal Steel*, 542 F.3d at 877-78; see also *id.* at 873 (“While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured ‘by reason of’ subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.”) citing *United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swift-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission’s causation analysis as comports with the Court’s guidance in *Mittal*.

<sup>100</sup> *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); see also *Mittal Steel*, 542 F.3d at 879 (“*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was ‘by reason’ of subject imports.”).

volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit’s guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.<sup>101</sup> The additional “replacement/benefit” test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

*Mittal Steel* clarifies that the Commission’s interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have “evidence in the record ‘to show that the harm occurred ‘by reason of’ the LTFV imports,’” and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.<sup>102</sup> Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.<sup>103</sup>

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.<sup>104</sup> Congress has delegated this factual finding to the Commission because of the agency’s institutional expertise in resolving injury issues.<sup>105</sup>

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<sup>101</sup> *Mittal Steel*, 542 F.3d at 875-79.

<sup>102</sup> *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission’s alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

<sup>103</sup> To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission’s causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

<sup>104</sup> We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

<sup>105</sup> *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp.*, 458 F.3d at 1350, citing *U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 (“The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.”).

## **B. Conditions of Competition and the Business Cycle**

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

### **1. Demand Conditions**

Demand for steel propane cylinders is derived from demand for the products incorporating steel propane cylinders, including barbecue grills, camping stoves, outdoor heat lamps, and RVs, among other consumer-oriented and leisure activity end uses.<sup>106</sup> In addition, irregular and temporary needs can cause spikes in demand for steel propane cylinders, such as unusually cold weather or power outages caused by hurricanes or other natural disasters.<sup>107</sup> During the period of investigation, apparent U.S. consumption of steel propane cylinders increased from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 and \*\*\* pounds in 2017, a level \*\*\* percent higher than in 2015.<sup>108</sup> Apparent U.S. consumption was \*\*\* percent higher in interim 2018, at \*\*\* pounds, than in interim 2017, at \*\*\* pounds.<sup>109</sup>

The U.S. market for steel propane cylinders can be divided into three segments, corresponding to retailers, gas exchangers, and RV original equipment manufacturers (“RV manufacturers”) and the distributors that serve them.<sup>110</sup> Retailers purchase steel propane cylinders for resale to consumers.<sup>111</sup> Gas exchangers purchase steel propane cylinders, fill them with propane, and offer the filled cylinders to consumers in exchange for empty cylinders and a fee, typically from “cages” located outside retail establishments.<sup>112</sup> RV manufacturers purchase steel propane cylinders in 20- and 30-pound sizes either directly from importers and domestic producers or from distributors for assembly into RVs.<sup>113</sup> Domestic producers make most of their sales to a relatively small number of large retailers and gas exchangers.<sup>114</sup>

### **2. Supply Conditions**

The U.S. market for steel propane cylinders is currently served by domestic producers, which accounted for \*\*\* percent of apparent U.S. consumption in 2017, subject imports, which accounted for \*\*\* percent of apparent U.S. consumption in 2017, and nonsubject imports, which accounted for \*\*\* percent of apparent U.S. consumption in 2017.<sup>115</sup>

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<sup>106</sup> CR/PR at II-1; Petitioners’ Postconference Brief at 4.

<sup>107</sup> CR/PR at II-1.

<sup>108</sup> CR/PR at Table IV-7.

<sup>109</sup> CR at IV-14; PR at IV-9.

<sup>110</sup> CR/PR at Table II-1b; Conference Tr. at 25 (Komlosi).

<sup>111</sup> CR at I-13; PR at I-11.

<sup>112</sup> CR at I-13, II-1; PR at I-11, II-1; Conference Tr. at 74 (Graumann), 109 (Bowes).

<sup>113</sup> CR at IV-8 n.8; PR at IV-4 n.8; Conference Tr. at 137-38 (Ochs).

<sup>114</sup> CR/PR at Table II-1b; Conference Tr. at 34 (Bowes), 102 (Rosenthal).

<sup>115</sup> CR/PR at Table IV-8.

The domestic industry consists of Manchester and Worthington, which together accounted for all known domestic production in 2017.<sup>116</sup> Domestic producers reported few changes to their operations during the period of investigation, with the exception of \*\*\*.<sup>117</sup> Both producers reported substantial unused capacity throughout the period of investigation, although increasing production substantially could entail \*\*\*.<sup>118</sup>

The largest suppliers of subject imports to the U.S. market were TPA Metals and Machinery Co. (DG) Ltd. (“TPA”) and Huanri in China and SMPC in Thailand. TPA and Huanri accounted for \*\*\* percent of subject imports from China and are the only meaningful USDOT-certified producers of steel propane cylinders in China according to respondents.<sup>119</sup> Worldwide, \*\*\*,<sup>120</sup> maintains inventory in China for serving U.S. customers.<sup>121</sup> SMPC accounted for \*\*\* subject imports from Thailand, and respondents claim that the only other USDOT-certified factories in Thailand, Metal-Mate Co. Ltd. and Linh Gas Cylinder Co. Ltd., are small, high-cost producers.<sup>122</sup> YSN, \*\*\*,<sup>123</sup> maintains inventories in Elkhart, Indiana to serve RV manufacturers quickly.<sup>124</sup>

Mexico was the only source of nonsubject imports and accounted for no more than \*\*\* percent of apparent U.S. consumption during the period of investigation.<sup>125</sup> \*\*\*.<sup>126</sup>

### 3. Substitutability and Other Conditions

As detailed in section VI.B above, we have found that there is a moderate-to-high degree of substitutability between subject imports and domestically produced steel propane cylinders.<sup>127</sup> Both responding domestic producers reported that subject imports from China and Thailand are “always” used interchangeably with each other and with the domestic like product, while responding importers reported that subject imports from China and Thailand are “always” or “frequently” used interchangeably with each other and with the domestic like

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<sup>116</sup> CR/PR at Table III-1.

<sup>117</sup> CR/PR at Table III-3; CR at VI-15 n.15; PR at VI-5 n.15.

<sup>118</sup> CR at II-5 & n.5, II-7; PR at II-3 & n.5, II-5.

<sup>119</sup> CR/PR at VII-3. At the conference, importer YSN stated that it has shifted most of its imports of steel propane cylinders away from TPA “because they have been short on production mainly due to labor issues where their plant is located in Shinzin, China.” Conference Tr. at 128 (Newman).

<sup>120</sup> CR at I-4; PR at I-3.

<sup>121</sup> See Conference Tr. at 122 (Cancelosi), 163-64 (Salzman).

<sup>122</sup> CR at VII-10; PR at VII-7; YSN and SMPC’s Postconference Brief at 6.

<sup>123</sup> CR at I-4; PR at I-3.

<sup>124</sup> CR at II-7; PR at II-4.

<sup>125</sup> CR/PR at Table IV-8; CR at II-7; PR at II-4. Although there is one USDOT-certified producer in Korea, there were no reported imports of steel propane cylinders from Korea during the period of investigation. CR at II-7, VII-21; PR at II-4, VII-12.

<sup>126</sup> Importers’ Questionnaire Response of \*\*\* at Question II-8c.

<sup>127</sup> CR at II-11; PR at II-6.

product.<sup>128</sup> Consistent with these data, steel propane cylinders from all sources must conform to the same USDOT specifications, and nearly all consist of 20- and 30-pound cylinders.<sup>129</sup> Furthermore, witnesses for both petitioners and respondents testified at the conference that steel propane cylinders are generally interchangeable regardless of the source.<sup>130</sup>

We further find that price is an important factor in purchasing decisions for steel propane cylinders, although non-price factors are also important.<sup>131</sup> \*\*\* domestic producers reported that differences other than price are “never” significant between steel propane cylinders produced in China, Thailand, and the United States, as did a substantial number of responding importers.<sup>132</sup> When asked to identify the main factors influencing their purchasing decisions, more responding purchasers identified price – nine – than any other factor, with seven identifying quality, six identifying availability, five identifying preference for the producer, and two identifying “features.”<sup>133</sup>

The parties disagree over the extent to which RV manufacturers may use subject imports interchangeably with domestically produced steel propane cylinders. Respondents argue that the RV segment has been primarily served by subject imports since before the period of investigation, claiming that the superior overall value, quality, and service offered by subject imports limits their substitutability with domestically produced cylinders in this segment.<sup>134</sup> Specifically, SMPC and YSN argue that YSN has distinguished its Flame King brand steel propane cylinders in the RV segment by offering “container packaging” that reduces freight cost, steel propane cylinders pre-assembled with other accessories for mounting on RVs, the option of purchasing less than truckload quantities, and “just-in-time” delivery from a warehouse located near most RV manufacturers in Elkhart, Indiana.<sup>135</sup> Huanri and Worldwide contend that Worldwide responded to the needs of its RV customers by developing thicker-walled steel propane cylinders, which resist damage during the assembly process and road trips, and UV-inhibitor coatings, which resist damage from exposure to sunlight.<sup>136</sup>

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<sup>128</sup> CR/PR at Table II-5.

<sup>129</sup> CR at I-11-12; PR at I-9-10; CR/PR at Table IV-4.

<sup>130</sup> See Conference Tr. at 26 (Komlosi), 29 (Graumann), 150 (Newman), 184 (Newman).

<sup>131</sup> CR/PR at Tables II-6.

<sup>132</sup> CR/PR at Table II-6.

<sup>133</sup> CR at II-12; PR at II-7.

<sup>134</sup> SMPC and YSN’s Postconference Brief at 7; Huanri and Worldwide’s Postconference Brief at 9, Exhibit 9. Petitioners contend that RV manufacturers shifted from purchasing domestically produced steel propane cylinders to subject imports after the great recession due to the lower prices offered by subject imports. Conference Tr. at 16 (Rosenthal), 25-26 (Komlosi); Petitioners’ Conference Hearing Exhibit 7.

<sup>135</sup> SMPC and YSN’s Postconference Brief at 7-8; Conference Tr. at 129-30, 162 (Newman).

<sup>136</sup> Huanri and Worldwide’s Postconference Brief at 11-12; Conference Tr. at 120-21 (Canelosi). Respondents also claim that Worldwide has built customer loyalty by making sales primarily to distributors that in turn sell to RV manufacturers, rather than sales directly to RV manufacturers in competition with their distributor customers. Conference Tr. at 120 (Canelosi); SMPC and YSN’s Postconference Brief at 9.

Respondents contend that YSN and Worldwide each maintain inventories to satisfy quickly orders from RV customers, whereas domestic producers allegedly impose lead times of up to seven weeks on such customers by refusing to maintain inventories.<sup>137</sup>

Petitioners counter that subject imports used low prices, not superior quality and service, to prevent domestic producers from benefitting from demand growth in the RV segment.<sup>138</sup> Disputing respondents' assertion that domestic producers have failed to court the needs of the RV segment of the market and provide an inferior product, petitioners claim that domestic producers continued to call on RV manufacturers throughout the period and offered the same services and innovations as subject imports.<sup>139</sup> Specifically, they claim that domestic producers offered the same product features as subject imports, including the level tank indicator gauge, UV-inhibiting powder coatings, the option of purchasing cylinders with or without accessories, and desirable packaging techniques.<sup>140</sup> In petitioners' view, subject imports' thicker-walled cylinders are the result of poor steel quality and inefficient manufacturing facilities, not a calculated effort to serve the needs of RV manufacturers.<sup>141</sup> Petitioners also contend that both domestic producers offer purchasers shorter lead times than subject imports by making most sales out of inventory, contrary to respondents' claim that subject imports have a lead time advantage.<sup>142</sup>

Based on the record of the preliminary phase of the investigations, we find that non-price factors do not significantly limit the substitutability between subject imports and domestically produced steel propane cylinders in the RV segment of the U.S. market. Contrary to respondents' arguments, domestic producers offer RV customers the same features and packaging options as subject imports, and shorter lead times.<sup>143</sup> Specifically, domestic producers made \*\*\* percent of their commercial shipments from inventory, with an average lead time of \*\*\* days, while responding importers' reported that 61.3 percent of their commercial shipments were produced to order, with an average lead time of 76 days.<sup>144</sup> Responding importers reported that 30.9 percent of their commercial shipments came from U.S. inventories, with lead times averaging 8 days, and 7.8 percent came from overseas inventories, with lead times of 75 days.<sup>145</sup> Domestic producers are particularly well situated to offer rapid deliveries to RV manufacturers, as both operate steel propane cylinder production

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<sup>137</sup> SMPC and YSN's Postconference Brief at 9; Huanri and Worldwide's Postconference Brief at 10. According to the RV Industry Association, RV manufacturers have found that domestic producers "have a lot of back orders and are slow to deliver," while subject imports offer higher quality, shorter lead times, and better customer service. RV Industry Association's Answers to Staff Questions at 1; Conference Tr. at 139 (Ochs).

<sup>138</sup> Petitioners' Postconference Brief at 32.

<sup>139</sup> Petitioners' Postconference Brief at 33-34.

<sup>140</sup> Petitioners' Postconference Brief, Exhibit 1 at 15-17.

<sup>141</sup> Petitioners' Postconference Brief, Exhibit 1 at 15-16.

<sup>142</sup> Petitioners' Postconference Brief, Exhibit 1 at 15; CR at II-11; PR at II-6.

<sup>143</sup> See Petitioners' Postconference Brief, Exhibit 1 at 15-17; CR at II-11; PR at II-6.

<sup>144</sup> CR at II-11; PR at II-6.

<sup>145</sup> CR at II-11; PR at II-6.

facilities near the heart of the RV industry in Elkhart, Indiana.<sup>146</sup> Furthermore, \*\*\* responding purchasers \*\*\*, reported purchasing \*\*\* subject imports instead of domestically produced steel propane cylinders primarily due to price.<sup>147</sup>

### C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the “Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant.”<sup>148</sup>

We find that the volume and increase in volume of cumulated subject imports from China and Thailand are significant, both absolutely and relative to apparent U.S. consumption, over the period of investigation.<sup>149</sup> Cumulated subject import volume increased from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 and \*\*\* pounds in 2017, a level \*\*\* percent higher than in 2015.<sup>150</sup> Cumulated subject import volume was higher in interim 2018, at \*\*\* pounds, than in interim 2017, at \*\*\* pounds.<sup>151</sup> U.S. shipments of cumulated subject imports increased from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 and \*\*\* pounds in 2017, a level \*\*\* percent higher than in 2015.<sup>152</sup> U.S. shipments of cumulated subject imports were higher in interim 2018, at \*\*\* pounds, than in interim 2017, at \*\*\* pounds.<sup>153</sup> U.S. shipments of subject imports as a share of apparent U.S. consumption increased from \*\*\* percent in 2015 to \*\*\* percent in 2016 and \*\*\* percent in 2017.<sup>154</sup> U.S. shipments of subject imports as a share of apparent U.S. consumption were higher in interim 2018, at \*\*\* percent, than in interim 2017, at \*\*\* percent.<sup>155</sup>

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

### D. Price Effects of the Subject Imports

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

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<sup>146</sup> Conference Tr. at 15-16 (Rosenthal), 25 (Komlosi), 28-29 (Graumann); Petitioners’ Conference Exhibit 6.

<sup>147</sup> CR/PR at Table V-10; Declaration of James Bowes, paras. 10, 13, appended as Exhibit 3 to Petitioners’ Postconference Brief.

<sup>148</sup> 19 U.S.C. § 1677(7)(C)(i).

<sup>149</sup> The ratio of subject imports to domestic industry production increased from \*\*\* percent in 2015 to \*\*\* percent in 2016 and \*\*\* percent in 2017. CR/PR at Table IV-2. The ratio of subject imports to domestic industry production was \*\*\* percent in interim 2018 and \*\*\* percent in interim 2017. *Id.*

<sup>150</sup> CR/PR at Table IV-2.

<sup>151</sup> CR/PR at Table IV-2.

<sup>152</sup> CR/PR at Tables IV-7, C-1.

<sup>153</sup> CR/PR at Table IV-7.

<sup>154</sup> CR/PR at Table IV-8.

<sup>155</sup> CR/PR at Table IV-8.



(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and

(II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.<sup>156</sup>

As addressed in section VII.B.3 above, the record indicates that there is a moderate-to-high degree of substitutability between subject imports and the domestic like product and that price is an important consideration in purchasing decisions.

Both domestic producers and four importers provided usable quarterly net U.S. f.o.b. selling price data for two steel propane cylinder products, although not all firms reported pricing for all products for all quarters.<sup>157</sup> Reported pricing data accounted for \*\*\* percent of domestic producers' U.S. shipments of steel propane cylinders, \*\*\* percent of U.S. shipments of subject imports from China, and \*\*\* percent of U.S. shipments of subject imports from Thailand.<sup>158</sup>

These pricing data show a mixed pattern of overselling and underselling by subject imports.<sup>159</sup> Subject imports undersold the domestic like product in 27 of 52 quarterly comparisons, or 52.0 percent of the time, at an average margin of 24.2 percent.<sup>160</sup> Underselling accounted for 37.5 percent of reported subject import sales volume or 1.0 million units.<sup>161</sup> Subject imports oversold the domestic like product in 26 quarterly comparisons, at an average

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<sup>156</sup> 19 U.S.C. § 1677(7)(C)(ii).

<sup>157</sup> CR at V-5; PR at V-3. Product 1 was defined as "20-pound capacity steel cylinder for compressed or liquefied propane gas, without gauge, meeting the requirements of U.S. Department of Transportation specification 4BA." *Id.* Product 2 was defined as "30-pound capacity steel cylinder for compressed or liquefied propane gas, without gauge, meeting the requirements of U.S. Department of Transportation specification 4BA." *Id.*

<sup>158</sup> CR at V-5; PR at V-3.

<sup>159</sup> CR/PR at Table V-8. The direct import purchase cost data also show a mixed pattern of subject import purchase costs higher and lower than prices for the domestic like product depending on the pricing product considered. *Id.* at Tables V-5-6. \*\*\* provided quarterly purchase cost data that accounted for \*\*\* percent of total imports from China and \*\*\* percent of total imports from Thailand in 2017. CR at V-11; PR at V-4. \*\*\* saves \*\*\* percent of landed duty paid value by importing rather than purchasing, *id.*, \*\*\*. Compare CR/PR at Tables V-3-4 with *id.* at Tables V-5-6. The purchase cost of subject imports was higher than domestic prices in \*\*\*, but lower than domestic prices in \*\*\*. CR/PR at Tables V-5-6. In any final phase investigations, we will request that direct importers provide additional estimated costs associated with their importing activities to evaluate further their relevance to our pricing analysis.

<sup>160</sup> CR/PR at Table V-8.

<sup>161</sup> CR/PR at Table V-8.

margin of 7.7 percent, and overselling accounted for 62.5 percent of reported subject import sales volume or 1.7 million units.<sup>162</sup>

The extent to which subject imports undersold the domestic like product differed by product. For product 1, subject imports oversold the domestic like product in 25 of 26 quarterly comparisons, and overselling accounted for 93.7 percent of reported subject import sales volume for product 1 of 1.7 million units.<sup>163</sup> By contrast, subject imports undersold the domestic like product in all 26 quarterly comparisons for product 2, accounting for reported subject import sales of 930,177 units.<sup>164</sup>

Petitioners contend that the subject import pricing data reported by \*\*\* is flawed because \*\*\*.<sup>165</sup> Petitioners also argue that \*\*\*, is not comparable to the domestic industry's pricing data, which includes sales to distributors, because they are at different levels of trade.<sup>166</sup> In any final phase of the investigations, we intend to investigate further these factors and ensure the comparability of the pricing data reported by domestic producers and importers.

Other information on the record indicates that subject imports were generally priced lower than the domestic like product. Of the nine responding purchasers that reported purchasing subject imports instead of the domestic like product during the period of investigation, all nine reported that subject import prices were lower than domestic producer prices and five reported that price was the primary reason they purchased subject imports.<sup>167</sup> The volume of purchases shifted from domestic producers to subject imports for price reasons by these five purchasers, \*\*\* pounds, was significant relative to subject import shipments during the period of investigation, which ranged from \*\*\* pounds in 2015 to \*\*\* pounds in 2017.<sup>168</sup> These data indicate that low-priced subject import competition contributed to the shift in market share from the domestic industry to subject imports during the period of investigation.

We also find that subject imports suppressed domestic prices during the period of investigation to a significant degree. Despite increasing demand and costs, the domestic industry's prices on sales of product 1, which accounted for \*\*\* percent of the industry's

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<sup>162</sup> CR/PR at Table V-8.

<sup>163</sup> CR/PR at Table V-8.

<sup>164</sup> CR/PR at Table V-8.

<sup>165</sup> Petitioners' Postconference Brief at 23-24 n.12.

<sup>166</sup> Petitioners' Postconference Brief at 23-24 n.12. We note that domestic producers and importers sold steel propane cylinders through similar channels of distribution, to retailers, distributors, and end users. CR/PR at Table II-1a. Furthermore, domestic producers and importers were requested to report pricing data based on the f.o.b. value of steel propane cylinders shipped to unrelated U.S. customers, at the same level of trade.

<sup>167</sup> CR/PR at Table V-10.

<sup>168</sup> CR/PR at Tables IV-7, V-10.

pricing product sales, declined \*\*\* percent between the first quarter of 2015 and the first quarter of 2018.<sup>169</sup> As the domestic industry's prices declined, the industry's unit cost of goods sold ("COGS") increased and its ratio of COGS to net sales increased irregularly from \*\*\* percent in 2015 to \*\*\* percent in 2017.<sup>170</sup> The industry's ratio of COGS to net sales was higher in interim 2018, at \*\*\* percent, than in interim 2017, at \*\*\* percent.<sup>171</sup>

Although subject imports oversold the domestic like product on sales of product 1, other evidence on the record indicates that subject imports significantly contributed to the domestic industry's inability to increase its prices sufficiently to cover its increasing costs. Five of nine responding purchasers reported purchasing a significant volume of subject imports over the domestic like product due to price.<sup>172</sup> Two responding purchasers, \*\*\*, reported that domestic producers reduced their prices by \*\*\* and \*\*\* percent, respectively, to compete with lower-priced subject imports.<sup>173</sup> At the conference, officials from Worthington and Manchester testified that low-priced subject import competition had forced them to reduce their prices or to forego price increases in order to preserve sales of steel propane cylinders.<sup>174</sup> There is also evidence that \*\*\*.<sup>175</sup>

We consequently find, based on the record of the preliminary phase of these investigations, that subject imports had significant adverse price effects.

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<sup>169</sup> CR/PR at Tables IV-7, V-7, VI-1.

<sup>170</sup> CR/PR at Table VI-1.

<sup>171</sup> CR/PR at Table VI-1.

<sup>172</sup> CR/PR at Table V-11.

<sup>173</sup> CR/PR at Table V-12.

<sup>174</sup> See Conference Tr. at 27 (Komlosi) ("Where we have been able to maintain sales, it has been at the expense of our profit margin. It has been difficult to increase prices with our contract customers or on spot sales. Other major customers use their demonstrated access to imports to keep our prices unsustainably low. We have not been able to increase prices with those customers in a very long time without risking losing those sales altogether."), 30 (Graumann) ("The imports are making serious inroads into the retail customers such as the big box stores and large discounters. As they gain business at those customers with low prices, we are again losing opportunities to meaningfully compete. With those big box and discounter customers in particular, price is king. Their model is based on selling to consumers at low prices. Just like with the RV customers, once the imported product is bought by the customer, we are eventually forced out or forced to lower our prices to unacceptable and unhealthy levels."), 34 (Bowes) ("The significant volumes of lower priced imports in the market have forced us to keep our prices low just to maintain sales to our remaining large customers . . . {F}or years we have been unable to increase our prices to cover costs at major customers who have access to unfairly traded imports. Recent price increase announcements meant to address rising steel costs were unsuccessful.").

<sup>175</sup> Declaration of James Bowes, appended as Exhibit 3 to Petitioners' Postconference Brief, at paras. 9-10. \*\*\*. *Id.* at para. 10.

## E. Impact of the Subject Imports<sup>176</sup>

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, “shall evaluate all relevant economic factors which have a bearing on the state of the industry.” These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered “within the context of the business cycle and conditions of competition that are distinctive to the affected industry.”<sup>177</sup>

The domestic industry’s performance declined according to most measures over the period of investigation, even as apparent U.S. consumption of steel propane cylinders increased \*\*\* percent between 2015 and 2017 and was \*\*\* percent higher in interim 2018 than in interim 2017.<sup>178</sup> While the domestic industry’s capacity remained unchanged at \*\*\* pounds, the industry’s production declined from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 before increasing to \*\*\* pounds in 2017, a level still \*\*\* percent lower than in 2015.<sup>179</sup> Production

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<sup>176</sup> In its notice initiating the antidumping duty investigation on China and Thailand, Commerce reported estimated dumping margins ranging from 55.41 to 108.60 percent for steel propane cylinders from China and from 47.67 to 122.48 percent for steel propane cylinders from Thailand. *Steel Propane Cylinders from the People’s Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations*, 83 Fed. Reg. 28196 (June 18, 2018).

<sup>177</sup> 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

<sup>178</sup> CR/PR at Tables IV-7, C-1. The domestic industry’s employment indicators, inventory levels, and capital expenditures exhibited generally positive trends during the period of investigation. Between 2015 and 2017, the industry’s number of production and related workers (“PRWs”) increased \*\*\* percent, hours worked increased \*\*\* percent, and wages paid increased \*\*\* percent. CR/PR at Tables III-8, C-1. The industry’s PRWs, hours worked, and wages paid were higher in interim 2018 than in interim 2017, by \*\*\*, \*\*\*, and \*\*\* percent, respectively. *Id.*

The domestic industry’s end-of-period inventories declined significantly during the POI, from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 and \*\*\* pounds in 2017. *Id.* at Tables III-6, C-1. End-of-period inventories were lower in interim 2018, at \*\*\* pounds, than in interim 2017, at \*\*\* pounds. *Id.* The industry’s end-of-period inventories as a share of total shipments similarly declined \*\*\* percentage points during the POI, from \*\*\* percent in 2015 to \*\*\* percent in 2016 and \*\*\* percent in 2017. *Id.* End-of-period inventories as a share of total shipments were lower in interim 2018, at \*\*\* percent, than in interim 2017, at \*\*\* percent. *Id.*

The domestic industry’s capital expenditures increased during the period of investigation, from \$\*\*\* in 2015 and 2016 to \$\*\*\* in 2017. *Id.* at Tables VI-5, C-1. Capital expenditures were higher in interim 2018, at \$\*\*\*, than in interim 2017, at \$\*\*\*. *Id.* The domestic industry did not report any research and development (“R&D”) expenses during the period. *Id.* Nevertheless, both domestic producers reported that subject imports had negative effects on their investment as well as their growth and development. *Id.* at Table VI-7.

<sup>179</sup> CR/PR at Tables III-4, C-1.

was higher in interim 2017, at \*\*\* pounds, than in interim 2018, at \*\*\* pounds.<sup>180</sup> The domestic industry's rate of capacity utilization exhibited a similar trend, declining from \*\*\* percent in 2015 to \*\*\* in 2016 and then increasing to \*\*\* in 2017, a level still \*\*\* percentage points lower than in 2015.<sup>181</sup> Capacity utilization was higher in interim 2018, at \*\*\* percent, than in interim 2017, at \*\*\* percent.<sup>182</sup>

The domestic industry's declining production coincided with declining U.S. shipments and market share. The industry's U.S. shipments declined from \*\*\* pounds in 2015 to \*\*\* pounds in 2016 before increasing to \*\*\* pounds in 2017, a level still \*\*\* percent lower than in 2015.<sup>183</sup> U.S. shipments were \*\*\* pounds in interim 2018 and \*\*\* pounds in interim 2017.<sup>184</sup> The domestic industry's U.S. shipments as a share of apparent U.S. consumption declined steadily from \*\*\* percent in 2015 to \*\*\* percent in 2016 and \*\*\* percent in 2017.<sup>185</sup> The industry's share of apparent U.S. consumption was \*\*\* percent in interim 2018 and \*\*\* percent in interim 2017.<sup>186</sup>

The domestic industry's stagnant sales volume, coupled with declining prices and increasing costs, resulted in a substantial deterioration in the industry's financial performance towards the end of the period of investigation. The industry's net sales value declined from \$\*\*\* in 2015 to \$\*\*\* in 2016 before increasing to \$\*\*\* in 2017, a level still \*\*\* percent lower than in 2015.<sup>187</sup> Net sales value was higher in interim 2018, at \$\*\*\*, than in interim 2017, at \$\*\*\*.<sup>188</sup> The industry's operating income increased from \*\*\* in 2015 to \*\*\* in 2016 before declining \*\*\* to \*\*\* in 2017, as the industry's total COGS increased by far more than its net sales value.<sup>189</sup> Operating income was lower in interim 2018, at \$\*\*\*, than in interim 2017, at \$\*\*\*.<sup>190</sup> Similarly, the industry's operating income margin increased from \*\*\* percent in 2015 to \*\*\* percent in 2016 before declining to negative \*\*\* percent in 2017.<sup>191</sup> The industry's

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<sup>180</sup> CR/PR at Tables III-4, C-1.

<sup>181</sup> CR/PR at Tables III-4, C-1.

<sup>182</sup> CR/PR at Tables III-4, C-1.

<sup>183</sup> CR/PR at Tables III-5, C-1.

<sup>184</sup> CR/PR at Tables III-5, C-1.

<sup>185</sup> CR/PR at Tables IV-8, C-1.

<sup>186</sup> CR/PR at Tables IV-8, C-1.

<sup>187</sup> CR/PR at Tables VI-1, C-1.

<sup>188</sup> CR/PR at Tables VI-1, C-1.

<sup>189</sup> CR/PR at Tables VI-1, C-1. Over the same period, the domestic industry's COGS increased irregularly; the industry's COGS were \$\*\*\* in 2015, \$\*\*\* in 2016, and \$\*\*\* in 2017. *Id.* COGS were \$\*\*\* in interim 2018 and \$\*\*\* in interim 2017. *Id.*

<sup>190</sup> CR/PR at Tables VI-1, C-1. The domestic industry's net income was identical to its operating income, while its gross profit and cash flow exhibited similar trends. *Id.* at Table VI-1. The domestic industry's gross profit increased from \$\*\*\* in 2015 to \$\*\*\* in 2016 before declining to \$\*\*\* in 2017, a level \*\*\* percent lower than in 2015. *Id.* at Tables VI-1, C-1. Gross profit was lower in interim 2018, at \$\*\*\*, than in interim 2017, at \$\*\*\*. *Id.* at Table VI-1. The industry's cash flow increased from \$\*\*\* in 2015 to \$\*\*\* in 2016 before declining to negative \$\*\*\* in 2017. *Id.* Cash flow was lower in interim 2018, at \$\*\*\*, than in interim 2017, at \$\*\*\*. *Id.*

<sup>191</sup> CR/PR at Table VI-1.

operating income margin was lower in interim 2018, at \*\*\* percent, than in interim 2017, at \*\*\* percent.<sup>192</sup> The domestic industry's average operating return on assets increased from \*\*\* percent in 2015 to \*\*\* percent in 2016 before declining to negative \*\*\* percent in 2017.<sup>193</sup>

The record of the preliminary phase investigations indicates that there is a causal nexus between subject imports and the domestic industry's declining performance during the period of investigation. Subject import volume and market share increased significantly during the period at the expense of the domestic industry. Low-priced subject import competition contributed to the shift in market share from the domestic industry to subject imports and suppressed prices for the domestic like product to a significant degree.

We also find, based on the record of these preliminary phase investigations, that domestic producers were not significantly insulated from subject import competition by the concentration of subject import shipments in the RV segment, as respondents contend.<sup>194</sup> Contrary to respondents' argument that non-price factors limited the ability of domestic producers to serve the RV segment, domestic producers offer all of the same features and innovations as subject imports, including UV-inhibitor powdered coatings, the option of purchasing cylinders with or without other accessories, and advantageous packaging techniques.<sup>195</sup> Respondents' argument also conflicts with pricing data showing that subject imports pervasively undersold the domestic like product on sales of product 2, comprised of 30-pound cylinders sold primarily to RV manufacturers, and did not command the price premium that would be expected of a qualitatively superior product.<sup>196</sup> \*\*\* responding purchasers \*\*\* reported purchasing subject imports instead of domestically produced steel propane cylinders primarily due to price.<sup>197</sup> Furthermore, the record shows that domestic producers offered significantly shorter lead times on average than subject imports during the period of investigation, because a higher proportion of their sales were made from inventory.<sup>198</sup> Indeed, both domestic producers operate production facilities in close proximity to RV manufacturers.<sup>199</sup> Far from ceding the RV segment to subject imports, the domestic industry made an appreciable and increasing share of its U.S. shipments to the segment during the period of investigation.<sup>200</sup>

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<sup>192</sup> CR/PR at Table VI-1.

<sup>193</sup> CR/PR at Table VI-6.

<sup>194</sup> See SMPC and YSN's Postconference Brief at 16; Huanri and Worldwide's Postconference Brief at 12-13.

<sup>195</sup> Petitioners' Postconference Brief, Exhibit 1 at 15-17.

<sup>196</sup> CR/PR at Table V-8.

<sup>197</sup> CR/PR at Table V-10; Declaration of James Bowes, paras. 10, 13, appended as Exhibit 3 to Petitioners' Postconference Brief.

<sup>198</sup> CR at II-11-12; PR at II-6-7.

<sup>199</sup> Conference Tr. at 15-16 (Rosenthal), 25 (Komlosi), 28-29 (Graumann); Petitioners' Conference Exhibit 6.

<sup>200</sup> CR/PR at Table II-1b.

Furthermore, subject imports were not confined to the RV segment and also served retailers and gas exchangers.<sup>201</sup> During the period of investigation, the share of subject import U.S. shipments made to retailers increased from \*\*\* percent in 2015 to \*\*\* percent in 2017.<sup>202</sup> Moreover, of the nine responding purchasers that reported purchasing subject imports instead of domestically produced steel propane cylinders, four were retailers (\*\*\*) and one was a distributor (\*\*\*) \*\*\*.<sup>203</sup> At the conference, officials from Worthington and Manchester testified that importers increasingly targeted their customers in the retail and gas exchanger segments during the period of investigation, forcing them to either cut their prices or lose sales to subject imports.<sup>204</sup>

We have also considered whether there are other factors that may have had an adverse impact on the domestic industry during the period of investigation to ensure that we are not attributing injury from such other factors to the subject imports. Neither demand trends nor nonsubject imports explain the industry's declining performance. Apparent U.S. consumption increased \*\*\* percent between 2015 and 2017 and was \*\*\* percent higher in interim 2018 than in interim 2017.<sup>205</sup> Nonsubject imports were not a significant factor in the U.S. market during the period of investigation, accounting for no more than \*\*\* percent of apparent U.S. consumption during the period.<sup>206</sup>

Huanri and Worldwide argue that competition between Manchester and Worthington accounted for the domestic industry's declining profitability between 2016 and 2017, \*\*\*.<sup>207</sup> We must base our analysis on the domestic industry as a whole, however, and the industry lost \*\*\* percentage points of market share to subject imports between 2015 and 2017, during a period of increasing demand for steel propane cylinders.<sup>208</sup> Furthermore, the financial performance of both Manchester and Worthington declined between 2016 and 2017, even as the net sales volume of both producers increased.<sup>209</sup> The record does not support Huanri and

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<sup>201</sup> CR/PR at Tables II-1a-1b.

<sup>202</sup> CR/PR at Table II-1a. The share of subject import U.S. shipments made to retailers was \*\*\* percent in interim 2018, compared to \*\*\* percent in interim 2017. *Id.*

<sup>203</sup> CR/PR at Table V-10; Amended U.S. Price Declaration, para.10, appended to the Petition as Exhibit AD-PRC-Supp-2.

<sup>204</sup> Conference Tr. at 26-27 (Komlosi) ("The foreign producers now have networks in the United States that allow them to readily sell to retail, distributor and gas exchange customers that are being enticed by these low-priced import offers. Subject imports are taking sales and market share at these customers in the same way they successfully undersold us and displaced us with our RV customers. . . .The choice between losing money to maintain sales volume and losing sales to maintain margin is not an attractive one."), 30 (Graumann), 33-34 (Bowes) ("{O}ur remaining retail and gas exchanger customers are vitally important for us staying in this business. . . . We need to keep those customers. Unfortunately, that is getting harder and harder to do as unfairly traded imports gain ground at those customers with low-priced offers .").

<sup>205</sup> CR/PR at Table IV-7.

<sup>206</sup> CR/PR at Table IV-8.

<sup>207</sup> Huanri and Worldwide's Postconference Brief at 13; CR/PR at Table VI-4.

<sup>208</sup> CR/PR at Table IV-8; see 19 U.S.C. § 1677(4) and (7).

<sup>209</sup> CR/PR at Table VI-4.

Worldwide's suggestion that Manchester's increased sales between 2015 and 2017 contributed the domestic industry's reduced profitability in 2017.

In sum, based on the record of the preliminary phase of these investigations, we conclude that subject imports had a significant adverse impact on the domestic industry.

## **VIII. Conclusion**

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



## PART I: INTRODUCTION

### BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce (“Commerce”) and the U.S. International Trade Commission (“USITC” or “Commission”) by Worthington Industries Inc. (“Worthington”), Columbus, Ohio, and Manchester Tank and Equipment (“Manchester”), Franklin, Tennessee, on May 22, 2018, 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 steel propane cylinders<sup>1</sup> from China, Taiwan, and Thailand, and subsidized imports from China. On June 14, 2018, the petitioners withdrew the petition for Taiwan regarding imports from Taiwan being allegedly sold at LTFV.<sup>2</sup> The following tabulation provides information relating to the background of these investigations.<sup>3 4</sup>

Effective date	Action
May 22, 2018	Petitions filed with Commerce and the Commission; institution of Commission investigations (83 FR 24491, May 29, 2018)
June 12, 2018	Commission’s conference
June 11, 2018	Commerce’s notice of initiation (83 FR 28189 and 83 FR 28196, June 18, 2018)
June 20, 2018	Commerce’s termination of LTFV investigation (Taiwan) (83 FR 29748, June 26, 2018)
June 26, 2018	Commission’s termination of investigation (Taiwan) (83 FR 31174, July 3, 2018)
July 5, 2018	Commission’s vote
July 6, 2018	Commission’s determinations
July 13, 2018	Scheduled date for the Commission’s views

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<sup>1</sup> See the section entitled “The Subject Merchandise” in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

<sup>2</sup> *Steel Propane Cylinders from the People’s Republic of China, Taiwan, and Thailand—Withdrawal of Taiwan Antidumping Duty Petition*, June 14, 2018.

<sup>3</sup> Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>4</sup> A list of witnesses that appeared at the conference is presented in appendix B of this report.

## STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

### Statutory criteria

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

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

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--<sup>5</sup>

*In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to steel propane cylinders production or consumption in the United States is significant. . . In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . . (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like steel propane cylinders of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, steel propane cylinders productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative*

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<sup>5</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

*effects on the existing development and steel propane cylindersion efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like steel propane cylinders, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.*

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—<sup>6</sup>

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

### **Organization of report**

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

### **MARKET SUMMARY**

Steel propane cylinders are portable, low-pressure steel vessels designed to store, transport, and deliver compressed or liquefied propane gas to camping and barbeque grills, outdoor heaters, and recreational vehicles, among other uses. The only U.S. producers of steel propane cylinders are Manchester and Worthington, while leading producers of steel propane cylinders outside the United States include Shandong Huanri Group Co., Ltd (“Huanri”) of China and Sahamitr Pressure Container Public Company Limited (“SMPC”) of Thailand. The leading U.S. importer of steel propane cylinders from China is \*\*\*, while the leading importer of steel propane cylinders from Thailand is \*\*. The leading importer of steel propane cylinders from nonsubject countries, specifically Mexico, is \*\*. <sup>7</sup> U.S. purchasers of steel propane cylinders include distributors, recreational vehicle (“RV”) manufacturers, gas exchangers, and other retailers. Leading purchasers of steel propane cylinders in 2017 include \*\*.

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<sup>6</sup> Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

<sup>7</sup> \*\*\* was the only U.S. importer that reported nonsubject imports. \*\*.

Apparent U.S. consumption of steel propane cylinders totaled approximately \*\*\* million pounds (\*\*\*) in 2017. Currently, two firms are known to produce steel propane cylinders in the United States. U.S. producers' U.S. shipments of steel propane cylinders totaled \*\*\* million pounds (\*\*\*) in 2017, and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value in that year. U.S. imports from subject sources totaled \*\*\* million pounds (\*\*\*) in 2017 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value. U.S. imports from nonsubject sources totaled approximately \*\*\* pounds (\*\*\*) in 2017 and accounted for \*\*\* percent of apparent U.S. consumption by quantity and \*\*\* percent by value.

### **SUMMARY DATA AND DATA SOURCES**

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of two firms that accounted for all known production of steel propane cylinders during 2017.<sup>8</sup> U.S. imports are based on official import statistics<sup>9</sup> and nine questionnaire responses that are believed to account for at least \*\*\* percent of steel propane cylinder imports from China, \*\*\* percent of steel propane cylinder imports from Thailand, and \*\*\* percent of combined subject imports during 2017. Foreign industry data are based on the questionnaire responses of two firms in China whose exports accounted for \*\*\* percent of U.S. imports of steel propane cylinders from China in 2017, and one firm in Thailand whose exports accounted for \*\*\* U.S. imports of steel propane cylinders from Thailand in 2017.

### **PREVIOUS AND RELATED INVESTIGATIONS**

Steel propane cylinders have not been the subject of any prior countervailing/antidumping duty investigations in the United States.

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<sup>8</sup> Conference transcript, p. 28 (Graumann).

<sup>9</sup> The coverage estimates presented are based on usable questionnaire responses and official import statistics. Official import statistics are based on statistical reporting numbers 7311.00.0060 (other) and 7311.00.0090 (other), both basket category HTS statistical reporting numbers with imports that fall within the scope of these investigations accounting for a minority of imports in those categories. Based on a review of data provided by \*\*\*, staff received U.S. importer questionnaire responses that accounted for approximately \*\*\* pounds of the approximately \*\*\* pounds imported under HTS statistical numbers 7311.00.0060 and 7311.00.0090.

## NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

### Alleged subsidies

On June 18, 2018, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on steel propane cylinders from China.<sup>10</sup> Commerce identified the following types of government programs in China:<sup>11</sup>

- A. Preferential Lending
- B. Income Tax & Direct Tax Programs
- C. Indirect Tax Programs
- D. Government Provision of Goods and Services for Less Than Adequate Remuneration
- E. Grant Programs

Commerce has initiated a countervailing duty investigation based on alleged government programs, but the petitioner has not provided specific or general margin rates for steel propane cylinders from China.<sup>12</sup>

### Alleged sales at LTFV

On June 18, 2018, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on steel propane cylinders from China and Thailand.<sup>13</sup> Commerce has initiated antidumping duty investigations based on estimated dumping margins of 55.41 to 108.60 percent for steel propane cylinders from China and 47.67 to 122.48 percent for steel propane cylinders from Thailand.

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<sup>10</sup> *Steel Propane Cylinders from the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 28189, June 18, 2018.

<sup>11</sup> *Steel Propane Cylinders from the People's Republic of China: Countervailing Duty Investigation Initiation Checklist*, June 11, 2018. See this document for a listing of the specific government programs.

<sup>12</sup> *Steel Propane Cylinders from the People's Republic of China: Countervailing Duty Investigation Initiation Checklist*, June 11, 2018.

<sup>13</sup> *Steel Propane Cylinders from the People's Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations*, 83 FR 28196, June 18, 2018. On June 14, 2018, the petitioners withdrew the antidumping duty order petition for Taiwan. On June 26, 2018, Commerce published its notice of termination of the LTFV investigation. *Steel Propane Cylinders from Taiwan: Termination of Less-Than-Fair-Value Investigation*, 83 FR 29748, June 26, 2018.

## THE SUBJECT MERCHANDISE

### Commerce's scope

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

*The merchandise covered by this investigation is steel cylinders for compressed or liquefied propane gas (steel propane cylinders) meeting the requirements of, or produced to meet the requirements of, U.S. Department of Transportation (USDOT) Specifications 4B, 4BA, or 4BW, or Transport Canada Specification 4BM, 4BAM, or 4BWM, or United Nations pressure receptacle standard ISO 4706. The scope includes steel propane cylinders regardless of whether they have been certified to these specifications before importation. Steel propane cylinders range from 2.5 pound nominal gas capacity (approximate 6 pound water capacity and approximate 4-6 pound tare weight) to 42 pound nominal gas capacity (approximate 100 pound water capacity and approximate 28-32 pound tare weight). Steel propane cylinders have two or fewer ports and may be imported assembled or unassembled (i.e., welded or brazed before or after importation), with or without all components (including collars, valves, gauges, tanks, foot rings, and overfill prevention devices), and coated or uncoated. Also included within the scope are drawn cylinder halves, unfinished propane cylinders, collars, and foot rings for steel propane cylinders.*

*An "unfinished" or "unassembled" propane cylinder includes drawn cylinder halves that have not been welded into a cylinder, cylinders that have not had flanges welded into the port hole(s), cylinders that are otherwise complete but have not had collars or foot rings welded to them, otherwise complete cylinders without a valve assembly attached, and cylinders that are otherwise complete except for testing, certification, and/or marking.*

*This investigation also covers steel propane cylinders that meet, are produced to meet, or are certified as meeting, other U.S. or Canadian government, international, or industry standards (including, for example, American Society of Mechanical Engineers (ASME), or American National Standard Institute (ANSI)), if they also meet, are produced to meet, or are certified as meeting USDOT Specification 4B, 4BA, or 4BW, or Transport Canada Specification 4BM, 4BAM, or 4BWM, or a United Nations pressure receptacle standard ISO 4706.*

*Subject merchandise also includes steel propane cylinders that have been further processed in a third country, including but not limited to,*

*attachment of collars, foot rings, or handles by welding or brazing, heat treatment, painting, testing, certification, or any other processing that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the in-scope steel propane cylinders.*

*Specifically excluded are seamless steel propane cylinders and propane cylinders made from stainless steel (i.e., steel containing at least 10.5 percent chromium by weight and less than 1.2 percent carbon by weight), aluminum, or composite fiber material. Composite fiber material is material consisting of the mechanical combination of two components: fiber (typically glass, carbon, or aramid (synthetic polymer)) and a matrix material (typically polymer resin, ceramic, or metallic).*

*The merchandise subject to this investigation is properly classified under statistical reporting numbers 7311.00.0060 and 7311.00.0090 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS statistical reporting numbers are provided for convenience and customs purposes, the written description of the merchandise is dispositive.<sup>14</sup>*

### **Tariff treatment**

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations are imported under Harmonized Tariff Schedule of the United States (“HTSUS” or “HTS”) statistical reporting numbers 7311.00.0060 and 7311.00.0090. The 2018 general rate of duty is “free” for heading 7311.00.00.<sup>15</sup> Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

## **THE PRODUCT**

### **Description and applications**

The steel propane cylinders covered in these investigations are portable, low-pressure (of 240 pounds per square inch)<sup>16</sup> steel tanks designed to contain propane in a compressed or

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<sup>14</sup> *Steel Propane Cylinders from the People’s Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 28189, June 18, 2018. *Steel Propane Cylinders from the People’s Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations*, 83 FR 28196, June 18, 2018.

<sup>15</sup> *HTSUS (2018) Revision 4*, May 2018, p. 73-24.

<sup>16</sup> Petitioners’ Postconference Brief, “Answers to Staff Questions,” No. 13, pp. 12-13.

liquefied state. These cylinders are typically composed of a tank with a single port<sup>17</sup> that is sealed with a valve, a gauge, a collar, and a foot ring (figure I-1).<sup>18</sup> For safety reasons, the valve has included a required overfill prevention device, since 2001.<sup>19</sup> The horseshoe-shaped collar (also referred to as the “neck ring”) protects the valve from damage, provides a convenient handle for carrying the cylinder, and is where the U.S. Department of Transportation (“USDOT”) specification, manufacturer’s emblem, date of manufacture, and tare (empty) weight are marked.<sup>20</sup> The country of origin of the cylinder can be found on either the neck or foot ring.<sup>21</sup> The foot ring stabilizes the bottom of the cylinder and prevents the cylinder tank from being in direct contact with the ground.<sup>22</sup> Cylinders meeting the scope of these investigations range in size from 4.25 pounds of propane capacity to 40 pounds of propane capacity, with 20-pound and 30-pound cylinders the most common sizes.<sup>23</sup>

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<sup>17</sup> According to Counsel for the Petitioners, occasionally a steel propane cylinder may have a second port, e.g., for a pressure gauge separate from the valve, or merely for a plug. Reportedly, multiple ports are more common for out-of-scope gas cylinders. Conference transcript, p. 84 (Luberda).

<sup>18</sup> Petition, p. 4.

<sup>19</sup> Conference transcript, pp. 126-128 (Newman).

<sup>20</sup> Conference transcript, p. 89 (Komlosi).

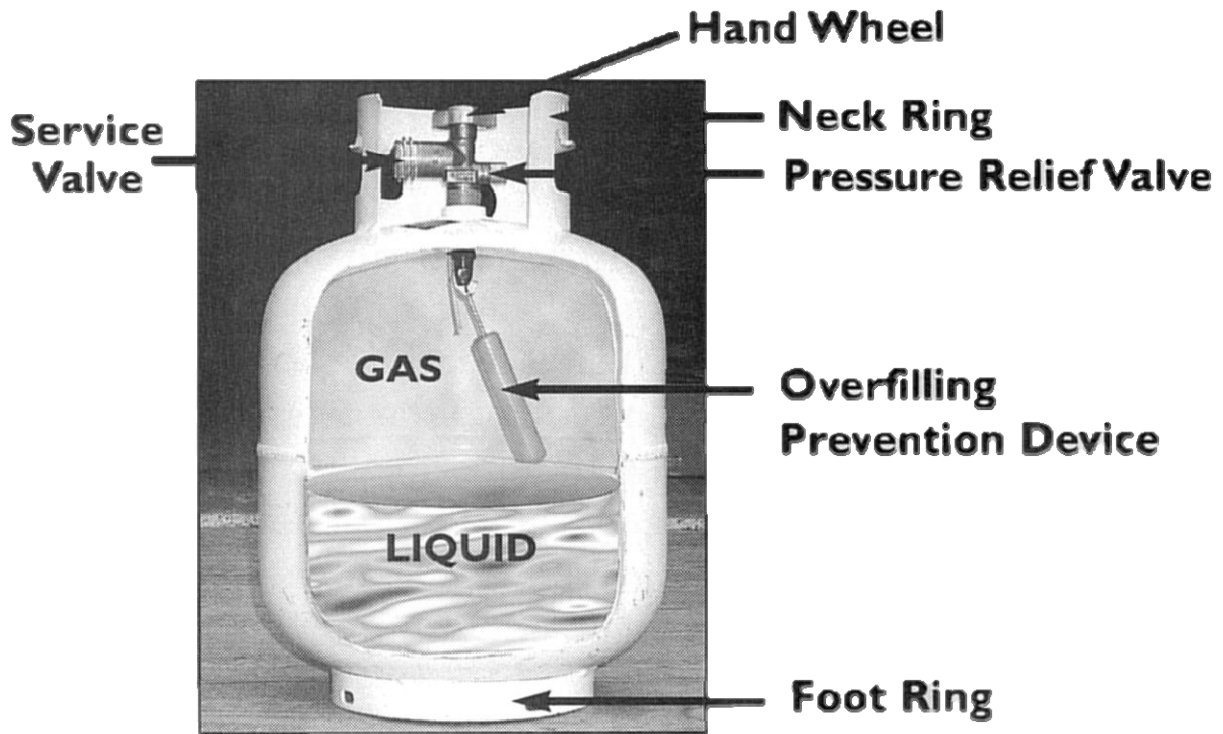
<sup>21</sup> Conference transcript, p. 89 (Graumann).

<sup>22</sup> *Propane Cylinder Requirements*, <http://www.propane101.com/propanecylinderrequirements.htm> (accessed June 19, 2018).

<sup>23</sup> Petition, p. 5.



**Figure I-1**  
**Steel propane cylinders: Cut-away view showing principal components**



Source: Petition, exhibit GEN-5.

Steel propane cylinders are used as a portable and refillable source of propane storage and are therefore required to meet the USDOT's Pipeline and Hazardous Materials Safety Administration ("PHMSA") specifications 4B,<sup>24</sup> 4BA,<sup>25</sup> or 4BW<sup>26</sup> for cylinders used in hazardous-material packaging in the United States. These specifications dictate the grade of steel, welding or brazing requirements, wall thickness, design features, and markings, in addition to other technical specifications.<sup>27</sup> The cylinders must also undergo requalification testing within 10 years of the manufacture date and every 5 years thereafter in order to remain in service.<sup>28 29</sup>

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<sup>24</sup> Specification 4B welded or brazed steel cylinders. 49 CFR Ch. I (10-1-11 Edition), § 178.50.

<sup>25</sup> Specification 4BA welded or brazed steel cylinders. 49 CFR Ch. I (10-1-11 Edition), § 178.51.

<sup>26</sup> Specification 4BW welded steel cylinders with electric-arc welded longitudinal seam. 49 CFR Ch. I (10-1-11 Edition), § 178.61.

<sup>27</sup> Petitioners' Postconference Brief, pp. 4-5.

<sup>28</sup> Conference transcript, pp. 73-75 (Komlosi).

<sup>29</sup> The industry is reportedly still in transition away from the previous retesting requirement of within 12 years of the manufacturing date. Although the PHMSA issued the FR notice with the change to a within-10-years retest period on January 21, 2016, it subsequently announced on March 17, 2017 that it would not seek to enforce action against those who still follow the older within-12-years requirement while it reviews the "Petition for Rulemaking & Emergency Stay of Cylinder Requalification

*(continued...)*

A producer's manufacturing facility and its products must receive USDOT certification before it can sell steel propane cylinders in the U.S. market.<sup>30</sup> According to one respondent, SMPC is the only USDOT approved producer of steel propane cylinders in Thailand, while TPA, Huanri, and other producers in China have also received USDOT certification.<sup>31</sup> Consequently, steel propane cylinders produced in the United States and subject imports have a uniform basic design, although respondents state that imported cylinders with a 20-pound capacity have thicker cylinder walls and a heavier tare weight than domestically produced cylinders.<sup>32</sup>

Steel propane cylinders are primarily used as a heat source for outdoor recreation. Common applications include use in recreation vehicles ("RVs") and barbecue grills, but the cylinders are also used for fire pits, outdoor heat lamps, other various recreational uses, and as a temporary energy source for heating and cooking during natural disasters.<sup>33</sup> Manufacturers sell RVs with one or more propane cylinders included, but steel propane cylinders are otherwise generally sold separately from the grills and other devices they are used in.<sup>34</sup> Big-box retailers sell empty new steel propane cylinders, but consumers are increasingly buying pre-filled used cylinders from gas exchangers, by exchanging their cylinder for a different, pre-filled cylinder when it is empty rather than refilling it themselves.<sup>35</sup>

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(...continued)

Requirements," submitted by the National Propane Gas Association ("NPGA"). For more information, see: PHMSA, "Hazardous Materials: Adoption of Special permits (MAP-21) (RRR), 81 FR 3636, January 21, 2016, <https://www.federalregister.gov/documents/2016/01/21/2016-00780/hazardous-materials-adoption-of-special-permits-map-21-rrr>; PHMSA, "PHMSA Notice Regarding the Requalification Period for DOT Specification Cylinders," March 17, 2017, <https://www.phmsa.dot.gov/training/hazmat/phmsa-notice-regarding-requalification-period-dot-specification-cylinders>; NPGA, "DOT Halts 10-Year Cylinder Requalification Enforcement Pending Further Review," Press Release, March 17, 2017, <https://www.npga.org/dot-halts-10-year-cylinder-requalification-enforcement-pending-review/>; Megan Smalley, "DOT Cylinder Requalification Rule to Impact Propane Marketers," *LPGas Magazine*, January 19, 2017, <http://www.lpgasmagazine.com/dot-cylinder-requalification-rule-to-impact-propane-marketers/> (all accessed June 21, 2018).

<sup>30</sup> Conference transcript, p. 113 (Komlosi); SMPC and Fire King's Postconference Brief, "Answers to ITC Staff Questions," Question No. 1, pp. 1-2.

<sup>31</sup> Respondents Huanri and Worldwide claimed that other Chinese companies listed on the USDOT approval list do not export to the U.S. market. Huanri and Worldwide's Postconference Brief, p. 14.

<sup>32</sup> One of the respondents attributed this difference to U.S. producers having dedicated lines for manufacturing 20-pound cylinders, noting that the dedicated equipment lines could more precisely target a cylinder wall thickness just over the USDOT-specified minimum of 2 mm than equipment used to manufacture multiple cylinder designs for different markets and sizes. Likewise domestic producers use lighter-gauge steel strip to produce the neck and foot rings, reportedly as a cost-saving measure. SMPC and Flame King's Postconference Brief, "Answers to ITC Staff Questions," Question No. 2, p. 3.

<sup>33</sup> Conference transcript, p. 14 (Rosenthal), pp. 42-43 (Graumann).

<sup>34</sup> Conference transcript, pp. 70-71 (Graumann).

<sup>35</sup> Conference transcript, pp. 198-199 (Newman).

## Manufacturing processes

Domestic and foreign producers generally use the same manufacturing processes and equipment to produce steel propane cylinders; however, one domestic producer noted that the level of automation may vary amongst producers,<sup>36</sup> and one foreign producer noted that there are minor differences during the assembly process.<sup>37</sup> In general, the principal manufacturing steps include: (1) stamping and trimming, (2) fabrication and assembly, (3) painting, and (4) valve assembly and final inspection.

### Stamping and trimming

The production of steel propane cylinders starts with large coils of grade 4130<sup>38</sup> hot-rolled, flat steel.<sup>39</sup> The coils are unwound into a hydraulic press that press-punches circular-shaped disks out of the steel coil. These disks may vary in width —depending on the intended size of the final steel propane cylinder. A second press machine then clamps the disk as a cylinder-shaped die thrusts upward, transforming the disk into a hemispheric shell (or “half cylinder”). After this process, the half cylinders are then trimmed, producing a smooth finish.<sup>40</sup>

### Fabrication and assembly

Following the stamping and trimming process, two half cylinders are then nudged together on a pusher device before they are loaded onto a welding lathe. Automated welding guns follow the seam of the two half cylinders, melting and bonding them together into a final unit. A port is cut into the top shell of the unit, and a threaded steel flange<sup>41</sup> is then welded to the port (this is where the valve will be added later). Producers then use a die press to punch holes into steel strips and bend them into partially or fully closed rings that will be used for the collar and the foot rings, respectively. The collar, which is used to protect the valve area from damage and to provide a handle for transporting the unit, is welded to the area around the

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<sup>36</sup> Conference transcript, p. 86 (Graumann).

<sup>37</sup> SMPC and Flame King’s Postconference Brief, p. 31.

<sup>38</sup> Grade 4130 steel is an alloy steel containing 0.80 to 1.10 percent chromium, which is primarily used as a strengthening agent. TW Metals, “4130 Steel Sheet & Coil,” <https://www.twmetals.com/4130-alloy-steel-coil-and-sheet.html> (accessed June 19, 2018). USDOT regulations mandate that steel propane cylinders be manufactured from high-strength Grade 4130 steel by welding or brazing two seamless hemispheres (half cylinders) by a single circumferential seam. 49 CFR Ch. I (10–1–11 Edition). § 178.61.

<sup>39</sup> Conference transcript, p. 85 (Graumann).

<sup>40</sup> Propane.Pro, “Canned Heat: How are 5-Gallon Propane Tanks Made?” <http://propanepro-blog.dreamhosters.com/2011/02/21/canned-heat-how-are-5-gallon-propane-tanks-made-0221/#> (accessed June 19, 2018).

<sup>41</sup> The flange is produced by cold forming of low-carbon cold-heading quality wire rod. Conference transcript, pp. 88-89 (Graumann).

valve. The foot ring,<sup>42</sup> which serves as a pedestal for the unit and allows it to stand upright, is welded to the base of the unit.<sup>43</sup>

The assembled cylinder then undergoes a heat-treating (tempering) process<sup>44</sup> to ensure that the assembled cylinder can endure expansion and contraction caused by pressurized fuel.<sup>45</sup> Following the tempering process, manufacturers then conduct spot checks of the welded seam by removing sample cylinders from the production line, cutting a piece of the cylinder at the seam, and grinding this piece to expose the weld. The test piece is then bent at the seam using a jack.<sup>46</sup> Certain producers also hydrostatically test sample cylinders in order to ensure that the cylinders can expand under pressure without rupturing or leaking.<sup>47</sup>

There are certain differences between domestic and foreign producers during the final assembly process. One domestic producer noted that levels of automation may vary during the assembly process — particularly with how materials are handled — due to differences in labor costs.<sup>48</sup> One foreign producer noted that the walls of the steel propane cylinders it produces are generally thicker than those produced by the domestic industry because certain foreign producers “cannot control wall thickness with the same precision” as domestic producers. The same foreign producer also noted that domestic producers manufacture certain parts such as the collar and foot ring of the steel propane cylinder with lighter-gauge steel<sup>49</sup> to reduce their production costs.<sup>50</sup>

## Painting

The assembled tanks are then sent through a row of paint machines that spray the tanks with electrostatically charged powder paint. This finishing technique improves the cylinder’s ability to resist corrosion and provides an aesthetic appeal.<sup>51</sup> Following this process, the tanks are then sent to an inspection station where they are examined for possible contaminants.<sup>52</sup>

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<sup>42</sup> The steel ring used in the bottom half cylinder is formed from a strip of steel that has been rolled into a circular shape.

<sup>43</sup> Conference transcript, p. 24 (Komlosi).

<sup>44</sup> During the tempering process, the assembled cylinder is baked at a high temperature.

<sup>45</sup> Worthington, “How It’s Made: 20lb. Propane Tanks,” April 6, 2015, <https://www.youtube.com/watch?v=5lej0sb11ek> (accessed January 19, 2018).

<sup>46</sup> Ibid.

<sup>47</sup> Petition, Part I, p. 6.

<sup>48</sup> Conference transcript, p. 86 (Graumann).

<sup>49</sup> Gauge refers to the level of thickness of flat-rolled products such as steel coils.

<sup>50</sup> In its postconference brief, SMPC noted that certain parts such as collars and foot rings are not subject to USDOT specifications for steel propane cylinders. SMPC and Flame King’s Postconference Brief, “Answers to ITC Staff Questions,” Question No. 2, p. 3.

<sup>51</sup> Petition, Part I, p. 6.

<sup>52</sup> Worthington, “How It’s Made: 20lb. Propane Tanks,” April 6, 2015, <https://www.youtube.com/watch?v=5lej0sb11ek> (accessed January 19, 2018).

## Valve assembly and final inspection

Once the cylinders are painted, valves are then dropped into the flange openings on the top of the cylinder and are screwed on tightly. According to one producer, these valves are a cold-formed steel product made from wire rod.<sup>53</sup> The cylinders are then filled with air and submerged into water-filled tanks to detect any leaks from the valve.<sup>54</sup>

## DOMESTIC LIKE PRODUCT ISSUES

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price.

Petitioners argue that the Commission should find a single domestic like product coextensive with Commerce's scope, as "steel propane cylinders comprises a continuum single like product with no clear dividing lines."<sup>55</sup> For the preliminary phase of these investigations, Respondents Huanri and Worldwide stated that they accept,<sup>56</sup> and Respondents SMPC and YSN Imports Inc. ("Flame King") stated that they do not oppose,<sup>57</sup> the Petitioners' definition of the domestic like product.<sup>58</sup>

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<sup>53</sup> This domestic producer indicated that a third-party supplier machines and threads valves into their steel propane cylinders. Conference transcript, p. 88 (Graumann).

<sup>54</sup> Worthington, "How It's Made: 20lb. Propane Tanks," April 6, 2015, <https://www.youtube.com/watch?v=5lejosb11ek> (accessed January 19, 2018).

<sup>55</sup> Petitioners' Postconference Brief, pp. 3-4.

<sup>56</sup> Huanri and Worldwide's Postconference Brief, p. 2.

<sup>57</sup> SMPC and Flame King's Postconference Brief, p. 2.

<sup>58</sup> Huanri and Worldwide's Postconference Brief, p. 2.



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

### U.S. MARKET CHARACTERISTICS

Steel propane cylinders are used with barbeque grills, camping stoves, for heating and cooking in recreational vehicles, and outdoor heating. Overall demand driven by these end uses has grown since 2015. Irregular, event-specific needs can cause demand to spike, such as unusually cold weather or power outages caused by hurricanes or other natural disasters.<sup>1</sup> Apparent U.S. consumption of steel propane cylinders increased during 2015-17, and was 9.6 percent higher in 2017 than in 2015.

### CHANNELS OF DISTRIBUTION

U.S. producers sold steel propane cylinders mainly to end users as shown in tables II-1a and II-1b. End users include gas exchangers, and RV OEMs.<sup>2</sup> The majority of U.S. product is sold to gas exchangers who purchase cylinders, fill them, sell the full cylinders to consumers, and collect empty cylinders for refilling. Gas exchangers typically sell 20 pound cylinders.<sup>3</sup> In contrast, Importers of steel propane cylinders from China reported mainly selling to distributors.<sup>4</sup> Imports from Thailand were less focused on a single channel but the largest share was sold to retailers. Most imports from nonsubject sources were sold to retailers who sell empty cylinders.

**Table II-1a**

**Steel propane cylinders: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Table II-1b**

**Steel propane cylinders: U.S. producers' and importers' U.S. commercial shipments,<sup>1</sup> by sources and channels of distribution and types of purchasers, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

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<sup>1</sup> Conference transcript, p. 41 (Komlosi).

<sup>2</sup> Conference transcript, p. 25 (Komlosi).

<sup>3</sup> Filled cylinders prices are lower if the consumer exchanges an empty cylinder. Conference transcript, pp. 25, 74, 134 (Komlosi, Graumann, Newman).

<sup>4</sup> Worldwide reports selling to distributors, and not having its own distribution facilities. Conference transcript, p. 172 (Cancelosi). YSN, in contrast, reports a warehouse and making just-in-time deliveries to RV producers. Conference transcript, p. 129 (Newman).

## GEOGRAPHIC DISTRIBUTION

U.S. producers reported selling steel propane cylinders to all regions in the United States (table II-2). Importers of product from China reported selling mainly to the Midwest, the Pacific Coast, and “other” regions, while importers of product from Thailand reported selling to all regions of the continental United States. For U.S. producers, most sales (\*\*\*) percent were made between 101 and 1,000 miles, \*\*\* percent were over 1,000 miles, and \*\*\* percent of sales were within 100 miles of their production facility. Importers sold 86.2 percent between 101 and 1,000 miles of their U.S. point of shipment, 12.2 percent over 1,000 miles, and 1.6 percent within 100 miles.

**Table II-2**  
**Steel propane cylinders: Geographic market areas in the United States served by U.S. producers and importers**

Region	U.S. producers	China	Thailand	Subject countries
Northeast	***	2	2	2
Midwest	***	4	2	5
Southeast	***	2	2	2
Central Southwest	***	1	2	2
Mountain	***	1	2	2
Pacific Coast	***	3	2	4
Other <sup>1</sup>	***	3	1	4
All regions (except Other)	***	1	1	1
Reporting firms	2	6	3	7

<sup>1</sup> All other U.S. markets, including AK, HI, PR, and VI.

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

## SUPPLY AND DEMAND CONSIDERATIONS

### U.S. supply

Table II-3 provides a summary of the supply factors regarding steel propane cylinders from U.S. producers and from subject countries.

**Table II-3**  
**Steel propane cylinders: Supply factors that affect the ability to increase shipments to the U.S. market**

\* \* \* \* \*

### Domestic production

Based on available information, U.S. producers of steel propane cylinders have the ability to respond to changes in demand with moderate to high changes in the quantity of



shipments of U.S.-produced steel propane cylinders to the U.S. market. The main contributing factor to this degree of responsiveness of supply is the availability of unused capacity. The relatively low U.S. producers' capacity utilization rate reflects that \*\*\*.<sup>5</sup> Factors mitigating responsiveness of supply include limited ability to shift shipments from alternate markets or inventories and no reported ability to shift production to or from alternate products.

U.S. producers' capacity did not change over the period for which data were collected, but production declined \*\*\*. Export markets included \*\*\*. U.S. producers produce no other products on the same equipment as steel propane cylinders.

### **Subject imports from China**

Based on available information, producers of steel propane cylinders from China have the ability to respond to changes in demand with moderate changes in the quantity of shipments of steel propane cylinders to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the ability to shift shipments from alternate markets, and the ability to shift production to or from alternate products. Factors mitigating responsiveness of supply include relatively high capacity utilization rates and limited inventories.

The increase in capacity utilization reflected both increased production and reduced capacity between 2015 and 2017. Major non-U.S. export markets include Australia, Canada, New Zealand, South Africa, Taiwan, and the Philippines. Other products that responding foreign producers reportedly can produce on the same equipment as steel propane cylinders are cylinders to contain material other than propane and larger cylinders. Factors affecting foreign producers' ability to shift production to other products include the use of a specialized production line, and the additional time and cost of switching production between certain products.

### **Subject imports from Thailand**

Based on available information, producers of steel propane cylinders from Thailand have the ability to respond to changes in demand with moderate changes in the quantity of shipments of steel propane cylinders to the U.S. market. The main contributing factors to this degree of responsiveness of supply are ability to shift production to or from alternate markets and alternative products. Factors mitigating responsiveness of supply include limited availability of unused capacity and limited ability to shift shipments from inventories.

The capacity utilization rate increased as production increased by more than capacity increased between 2015 and 2017. Major non-U.S. export markets include Asian and African countries. Other products that responding foreign producers reportedly can produce on the same equipment as steel propane cylinders are smaller and larger propane cylinders as well as

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<sup>5</sup> Manchester is currently running one shift at its Elkhart plant and Worthington reports "significant" unused capacity. Adding a second shift would, however, increase U.S. producers' costs and increase production substantially. Conference transcript, pp. 50-51, and 68-69 (Graumann and Kimlosi).

cylinders to contain material other than propane. Factors affecting Thai producers' ability to shift production include the required time and the amount of demand for the other products.

### **Imports from nonsubject sources**

Because the HTS statistical reporting numbers which includes steel propane cylinders is a broad category, it is difficult to determine the volume of U.S. nonsubject imports in 2017. Responding importers only reported nonsubject imports from Mexico during January 2015 to March 2018. These reported nonsubject imports made up \*\*\* percent of apparent U.S. consumption in 2017. Imports entering the United States under these statistical reporting numbers were greatest from Mexico, Korea, Canada, and Taiwan. The Department of Transportation, however, only reports Mexico and Korea as having producers certified to manufacture steel propane cylinders to the 4BA and 4BW specifications.

### **Supply constraints**

Respondents allege that, according to certain purchasers, U.S. producers, despite their proximity to end users, can have lead times as long as seven weeks, whereas imports from inventories in China are available in around 25 days.<sup>6</sup> One importer (YSN) maintains inventories in Elkhart, Indiana close to RV manufacturers.<sup>7</sup> RV manufacturers reportedly worry that the U.S. producers can meet only 25 to 50 percent of current demand without adding a shift.<sup>8</sup>

U.S. producers report that they could increase capacity substantially.<sup>9</sup> Manchester reported that the amount of production being run at its plants is lumpy because it wants to have workers employed on full-time shifts.<sup>10</sup> Petitioners report that they must run the whole plant to be efficient and in order to running near capacity each shift needs to employ a set number of people.<sup>11</sup>

### **U.S. demand**

Based on available information, the overall demand for steel propane cylinders is likely to experience moderate changes in response to changes in price. The main contributing factors are the limited range substitute products and the varied cost share of steel propane cylinders in most end-use products.

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<sup>6</sup> Conference transcript, p. 122 (Cancelosi).

<sup>7</sup> Conference transcript, p. 129 (Newman).

<sup>8</sup> Conference transcript, p. 146 (Ochs).

<sup>9</sup> Conference transcript, pp. 50, 68-69 (Graumann).

<sup>10</sup> Conference transcript, pp. 50-51 (Graumann, Komlosi).

<sup>11</sup> Conference transcript, pp. 68-69 (Graumann, Bowes).

## End uses and cost share

U.S. demand for steel propane cylinders depends on the demand for their end uses. Reported end uses include the provision of fuel for heating, cooking, propane gas grills, propane storage, industrial \*\*\*, and recreational vehicles.<sup>12</sup> Unless damaged, cylinders are expected to last 20 years<sup>13</sup> but they must be tested to be re-certified periodically. After 10 years, tanks must be re-certified and they must be re-certified every five years after that.<sup>14</sup>

Steel propane cylinders account for a small-to-moderate share of the cost of the end-use products in which they are used. Reported cost shares for some end uses were as follows: recreational vehicles, 0.1 percent, cooking and grills, 3 to 10 percent;<sup>15</sup> outdoor heating, 5 percent; and industrial uses, 7 to 10 percent.

Respondents report that demand for empty cylinders can be price sensitive. They cited the tendency of customers to purchase new cylinders, rather than reuse a dirty one, when cylinder prices are below the mid-20s.<sup>16</sup> Grills were reported to be replaced relatively frequently, and purchasers sometimes purchased a new cylinder to go with the new grill, keeping the old cylinder used with the previous grill as backup.<sup>17</sup>

## Business cycles

\*\*\* and four of six responding importers indicated that the market was subject to business cycles, mainly seasonal cycles with increased demand, particularly for smaller cylinders, in the spring and summer.<sup>18</sup> In addition, \*\*\* two importers reported that the market faced special conditions of competition; it increases during a severe hurricane season and experiences cyclical demand in the recreational vehicles market. These same firms also identified these factors as changes in the conditions of competition.

In addition to predictable demand for steel propane cylinders, short-term unpredictable increases can result from<sup>19</sup> particularly cold winters that increase agricultural and other heating use,<sup>20</sup> and major hurricanes or other disasters that put out of action the permanent energy infrastructure.<sup>21</sup>

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<sup>12</sup> Petitioners' brief, p. 5.

<sup>13</sup> Conference transcript, p. 95 (Komlosi).

<sup>14</sup> Conference transcript, p. 75 (Komlosi).

<sup>15</sup> Grills used to be equipped with steel propane cylinders but are now typically sold separately. Conference transcript, p. 181 (Newman).

<sup>16</sup> Conference transcript, p. 179 (Newman).

<sup>17</sup> Conference transcript, p. 180 (Newman).

<sup>18</sup> \*\*\* also reported that larger cylinders were more used in the fall and winter.

<sup>19</sup> Conference transcript, pp. 155-156 (Newman).

<sup>20</sup> Conference transcript, p. 42 (Grauman).

<sup>21</sup> Conference transcript, p. 43 (Grauman).

## Demand trends

\*\*\* reported that U.S. demand for steel propane cylinders had \*\*\* since January 1, 2015 (table II-4). Most importers reported demand had increased or was unchanged since January 1, 2015.

**Table II-4**

**Steel propane cylinders: Firms' responses regarding U.S. demand and demand outside the United States**

Item	Increase	No change	Decrease	Fluctuate
<b>Demand in the United States</b>				
U.S. producers	***	***	***	***
Importers	4	3	---	1
<b>Demand outside the United States</b>				
U.S. producers	---	---	---	---
Importers	1	1	---	1

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

## Substitute products

\*\*\* and four of six responding importers reported that there were no substitutes for steel propane cylinders. Reported substitutes for steel propane cylinders included composite cylinders, ASME tanks, and 1-pound disposable tanks.<sup>22</sup> The end use for all these substitutes was to store propane.<sup>23</sup>

### SUBSTITUTABILITY ISSUES

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

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<sup>22</sup> Unlike steel propane cylinders, ASME tanks are permanently installed in a piece of equipment or a home. The use of composite cylinders is similar to that of steel propane cylinders, however, composite cylinders are more expensive, lighter, have a shorter test cycle, and have a different appearance than steel propane cylinders. Purchasers also mentioned fiberglass tanks as a substitute but the parties were not able to explain what these were. Conference transcript, pp. 79-81, 186 (Graumann, Komlosi, Bowes, Newman).

<sup>23</sup> The importer listing three substitutes reported disadvantages for each of these substitutes. Fiberglass and 1-pound disposable tanks are made by only one producer (Worthington and its prices are not competitive); and that ASME tanks are not portable.

## Lead times

Steel propane cylinders are sold primarily out of inventory by the U.S. producers and primarily produced-to-order by the importers. U.S. producers reported that \*\*\* percent of their commercial shipments were sold from inventory, with lead times averaging \*\*\* days. The remaining \*\*\* percent of their commercial shipments was produced-to-order, with lead times averaging \*\*\* days. Importers reported that 61.3 percent of their commercial shipments were produced-to-order, with lead times averaging 76 days; 30.9 percent of their commercial shipments came from U.S. inventories, with lead times averaging 8 days; and 7.8 percent came from overseas inventories, with a lead time of \*\*\* days.

## Factors affecting purchasing decisions

Purchasers responding to lost sales/lost revenue allegations<sup>24</sup> were asked to identify the main purchasing factors their firm considered in their purchasing decisions for steel propane cylinders. The major purchasing factors identified by firms included: price (cost, value, price flexibility) reported by 9 firms; quality (consistency, heavier cylinders, regulatory approvals, safety/quality, and appearance) reported by 7 firms; availability (on-time delivery, reliability of supply, consistent supply, and ability to purchase large volumes of cylinders) reported by 6 firms; preference for the producer (supplier performance/flexibility, ease of doing business, do not sell directly to the customers of our customers, service, reputation, and greater value even if not lower price) reported by 5 firms; and “features” reported by 2 firms.<sup>25</sup>

## Comparison of U.S.-produced and imported steel propane cylinders

In order to determine whether U.S.-produced steel propane cylinders can generally be used in the same applications as imports from China and Thailand, U.S. producers and importers were asked whether the products can “always,” “frequently,” “sometimes,” or “never” be used interchangeably. As shown in table II-5, most firms reported that product from all country pairs was “always” interchangeable.<sup>26</sup>

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<sup>24</sup> This information is compiled from responses by purchasers identified by Petitioners to the lost sales/lost revenue allegations. See Part V for additional information.

<sup>25</sup> One purchaser reported customer requirements as one of the top 3 factors.

<sup>26</sup> The importer reporting “frequently” interchangeable noted that there are a very limited number of active market participants because they must have the required approvals.

**Table II-5**

**Steel propane cylinders: Interchangeability between steel propane cylinders produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b>								
U.S. vs. China	***	***	***	***	7	---	---	---
U.S. vs. Thailand	***	***	***	***	3	1	---	---
<b>Subject countries comparisons:</b>								
China vs. Thailand	***	***	***	***	3	---	---	---
<b>Nonsubject countries comparisons:</b>								
U.S. vs. nonsubject	***	***	***	***	1	---	---	---
China vs. nonsubject	***	***	***	***	---	---	---	---
Thailand vs. nonsubject	***	***	***	***	---	---	---	---

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

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

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of steel propane cylinders from the United States, subject, or nonsubject countries. As seen in table II-6, \*\*\* reported there were \*\*\* differences other than price between steel propane cylinders from all the country pairs. Importer responses were mixed. A majority of responding importers reported that there were “always” or “frequently” significant differences other than price between U.S. and Chinese product and between Chinese and Thai product. A majority of responding importers reported that there were “never” significant differences other than price between U.S. and Thai product. Differences noted by importers included: foreign factories produce both valve and tank, improving quality control and reducing lead time; imported tanks are heavier; imports are held in inventories resulting in a shorter lead time for imports than for U.S. product; import prices can be fixed for 12 months or less and purchasers can pick times to make a contract based on the costs of inputs; and differences in availability, product range, and technical support.

**Table II-6**

**Steel propane cylinders: Significance of differences other than price between steel propane cylinders produced in the United States and in other countries, by country pair**

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
<b>U.S. vs. subject countries:</b>								
U.S. vs. China	***	***	***	***	2	2	---	3
U.S. vs. Thailand	***	***	***	***	1	1	---	3
<b>Subject countries comparisons:</b>								
China vs. Thailand	***	***	***	***	1	1	---	1
<b>Nonsubject countries comparisons:</b>								
U.S. vs. nonsubject	***	***	***	***	---	---	---	2
China vs. nonsubject	***	***	***	***	---	---	---	---
Thailand vs. nonsubject	***	***	***	***	---	---	---	---

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

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

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported steel propane cylinders, respectively. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of two firms that accounted for all U.S. production of steel propane cylinders during 2017.

### U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to two firms based on information contained in the petition and other available industry resources. Both firms provided usable data on their productive operations.<sup>1</sup> Staff believes that these responses represent all U.S. production of steel propane cylinders in 2017. Table III-1 lists U.S. producers of steel propane cylinders, their production locations, positions on the petition, and shares of total production.

**Table III-1**  
**Steel propane cylinders: U.S. producers of steel propane cylinders, their position on the petitions, production locations, and shares of reported production, 2017**

Firm	Position on petition	Production locations	Share of production (percent)
Manchester	Support	Crossville, Tennessee Elkhart, Indiana	***
Worthington	Support	Westerville, Ohio	***
Total			***

Note.- Manchester has distribution centers in Carrollton, Texas and Walnut, California. Conference transcript, p. 28 (Graumann).

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

### Related firms

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

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<sup>1</sup> Staff reached out to \*\*\*. Email message from \*\*\*.

**Table III-2**  
**Steel propane cylinders: U.S. producers' ownership, related and/or affiliated firms**

\* \* \* \* \*

As indicated in table III-2, \*\*\*, a related foreign producer in Portugal, is under common ownership with \*\*\*. \*\*. In addition, as discussed in greater detail below, \*\*\* directly imports the subject merchandise from \*\*\*.<sup>2</sup>

**Changes in operations**

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2015.

**Table III-3**  
**Steel propane cylinders: U.S. producers' reported changes in operations, since January 1, 2015**

\* \* \* \* \*

**U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION**

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization during 2015-17, January to March 2017, and January to March 2018. U.S. producers reported a collective annual capacity of \*\*\* million pounds in 2017. U.S. producers' total capacity was stable from 2015 to 2017 and was unchanged in January to March 2017 as compared with January to March 2018. U.S. producers' total production decreased by \*\*\* percent from 2015 to 2016, increased by \*\*\* percent from 2016 to 2017, and was \*\*\* percent higher during January to March 2018 than during January to March 2017. U.S. producers' total production decreased overall by \*\*\* percent from 2015 to 2017. U.S. producers collectively operated at capacity utilization levels of \*\*\* percent in 2015, \*\*\* percent in 2016, \*\*\* percent in 2017, and \*\*\* percent during January to March 2018. During this three-year timeframe, \*\*\* consistently operated at capacity utilization levels exceeding \*\*\* percent, while \*\*\* consistently operated at capacity utilization levels below \*\*\* percent.<sup>3</sup> In the first quarter of 2018, however, U.S. producers' collective capacity utilization levels were \*\*\* percentage points higher than during the first quarter of 2017.<sup>4</sup>

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<sup>2</sup> \*\*\* \*\* U.S. importer questionnaire response, section II-4.

<sup>3</sup> At the Commission's conference, the petitioner's stated that their capacity utilization has been inadequate, and that they (specifically Worthington) do not have a need for additional capacity to come online. "What they need is more sales. And certainly, in the last several years, the trends have been going in the wrong way to justify additional capacity." Conference transcript, pp. 60-61 (Rosenthal).

<sup>4</sup> At the Commission's conference, the petitioners' counsel attributed the recent spike in demand due to hurricanes and natural disasters, along increased sales in the first quarter of 2018 due to a colder

(continued...)



**Table III-4**  
**Steel propane cylinders: U.S. producers' production, capacity, and capacity utilization, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Figure III-1**  
**Steel propane cylinders: U.S. producers' production, capacity, and capacity utilization, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Alternative products**

All of the production produced by the two U.S. producers during 2015-17 was of the subject product.

**U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS**

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments during 2015-17, January to March 2017, and January to March 2018. The quantity of U.S. producers' U.S. shipments decreased between 2015 and 2016, before increasing in 2017 to a level that remained lower than in 2015, while export shipments increased throughout the period. The quantity of U.S. shipments was higher in the first quarter of 2018, compared to the first quarter of 2017, while the quantity of export shipments was lower. The quantity of total shipments increased between 2015 and 2017 by \*\*\* percent, and were \*\*\* percent higher in the first quarter of 2018 compared to the first quarter of 2017. The value of both U.S. shipments and total shipments declined between 2015 and 2017, as the average unit value for U.S. shipments decreased by \$\*\*\* per pound, while the average unit value for exports increased by \$\*\*\* per pound. The value of U.S. shipments was higher in the first quarter of 2018 than in the first quarter of 2017. In contrast, the value of export shipments was lower, consistent with lower shares of quantity and value during the first quarter of 2018. Export shipments, whether measured by quantity or value, consistently accounted for around \*\*\* percent of total shipments.

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(...continued)

winter. The petitioner's further stated "however much demand might have improved in the first quarter of '18 due to these temporary factors, that it could drop off--therefore, shipments and capacity utilization could drop off later in 2018 as this demand was pushed forward in the year and therefore won't be repeated." Conference transcript, p. 52 (Rosenthal).

**Table III-5**

**Steel propane cylinders: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**U.S. PRODUCERS' INVENTORIES**

Table III-6 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2015-17, January to March 2017, and January to March 2018. U.S. producers' end-of-period inventories decreased by \*\*\* percent from 2015 to 2017, and were \*\*\* percent lower during January to March 2018 than during January to March 2017. U.S. producers' end-of-period inventory levels declined modestly from 2015 to 2016, but were substantially lower in 2017 than in 2016. This was followed by lower levels in January-March 2018 than in January-March 2017. The ratio of U.S. producers' end-of-period inventories to production, U.S. shipments, and total shipments all decreased from 2015 to 2017. U.S. producers' ratio of inventories to production decreased by \*\*\* percentage points from 2015 to 2017, and was \*\*\* percentage points lower during January to March 2018 than in January to March 2017. The ratio of U.S. producers' end-of-period inventories to U.S. shipments decreased by \*\*\* percentage points from 2015 to 2017, and was \*\*\* percentage points lower during January to March 2018 than January to March 2017. The ratio of U.S. producers' end-of-period inventories to total shipments decreased by \*\*\* percent from 2015 to 2017, and was \*\*\* percent lower during January to March 2018 than during January to March 2017.

**Table III-6**

**Steel propane cylinders: U.S. producers' inventories, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**U.S. PRODUCERS' IMPORTS**

U.S. producers' direct imports of steel propane cylinders are presented in table III-7 during 2015-17, January to March 2017, and January to March 2018. Of the two U.S. producers, only Manchester imported steel propane cylinders.<sup>5 6</sup> Manchester's imports from \*\*\* increased by \*\*\* percent during 2015-17, while its ratio of U.S. production to imports increased by \*\*\* percent. This firm noted that it imported steel propane cylinders because "it was better for us to import than to lose those sales to other imports."<sup>7</sup>

---

<sup>5</sup> Conference transcript, p. 116 (Graumann).

<sup>6</sup> Petitioner's postconference brief, p. 9.

<sup>7</sup> Conference transcript, p. 31 (Graumann).

**Table III-7**

**Steel propane cylinders: U.S. producers' U.S. production, imports and purchases, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY**

Table III-8 shows U.S. producers' employment-related data. U.S. producers increased employment of production and related workers ("PRWs") between 2015 and 2017, adding \*\*\* PRWs. During this period, productivity decreased between 2015 and 2016, but then increased from 2016 to 2017 to a level that was lower than in 2015.<sup>8</sup> The total hours worked, hourly wages, and wages paid all increased during 2015 to 2017. The number of PRWs was higher in the first quarter of 2018 (\*\*\* PRWs) than the first quarter of 2017 (\*\*\* PRWs). Productivity was higher during January to March 2018 than during January to March 2017, but hourly wages were higher as well, resulting in flat unit labor costs.

**Table III-8**

**Steel propane cylinders: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

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<sup>8</sup> At the Commission's conference, counsel for Worthington indicated that "it is clear that the declining profitability has affected the take-home pay of the workers." Conference transcript, p. 50 (Rosenthal). Based on U.S. producer questionnaire data, wages paid and hourly wages both increased from 2015 to 2017 and were higher in January to March 2018.



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

### U.S. IMPORTERS

The Commission issued importer questionnaires to 85 firms believed to be importers of subject steel propane cylinders, as well as to all U.S. producers of steel propane cylinders.<sup>1</sup> Usable questionnaire responses were received from nine companies, while 21 firms indicated that they had not imported steel propane cylinders.<sup>2</sup> The responses from the nine companies represent at least \*\*\* percent of U.S. imports from China, \*\*\* percent of U.S. imports from Thailand, and \*\*\* percent of combined subject imports between January 1, 2017 and December 31, 2017 under HTS statistical reporting numbers 7311.00.0060 and 7311.00.0090, which are both “basket” categories.<sup>3</sup>

Table IV-1 lists all responding U.S. importers of steel propane cylinders from China, Thailand, and other sources, as well as their locations and shares of U.S. imports, in 2017.<sup>4</sup>

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<sup>1</sup> The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection (“Customs”), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 7311.00.0060 and 7311.00.0090, during 2015 through 2017.

<sup>2</sup> In addition to the 21 firms that provided “no” responses to the U.S. importer questionnaire, there were at least four other firms that provided email correspondence to indicate that they were not an importers of record for steel propane cylinders.

<sup>3</sup> The coverage estimates presented are based on usable questionnaire responses and \*\*\* data. \*\*\* statistics are based on statistical reporting numbers 7311.00.0060 (other) and 7311.00.0090 (other), both basket category HTS statistical reporting numbers with a majority of imports that fall outside the scope of these investigations. Based on a review of data provided by \*\*\*, staff received U.S. importer questionnaire responses that accounted for approximately \*\*\* pounds of the approximately \*\*\* pounds imported under HTS statistical numbers 7311.00.0060 and 7311.00.0090.

<sup>4</sup> \*\*\* submitted a U.S. importer questionnaire, but to avoid double-counting with \*\*\*, staff did not include \*\*\*. Due to errors in \*\*\* reporting and because \*\*\* data within its U.S. importer questionnaire response, \*\*\* is not included in table IV-1 or throughout this section of the report.

**Table IV-1**  
**Steel propane cylinders: U.S. importers by source, 2017**

Firm	Headquarters	Share of imports by source (percent)				
		China	Thailand	Subject sources	Non subject sources	All import sources
Amazon	Seattle, WA	***	***	***	***	***
Costco	Issaquah, WA	***	***	***	***	***
Manchester	Franklin, TN	***	***	***	***	***
Tarantin	Freehold, NJ	***	***	***	***	***
Tropigas	San Juan, PR	***	***	***	***	***
Westech	Suquamish, WA	***	***	***	***	***
Worldwide	Jacksonville, FL	***	***	***	***	***
YSN DBA Flame King	Gardena, CA	***	***	***	***	***
Total		***	***	***	***	***

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

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

### U.S. IMPORTS

Table IV-2 and figure IV-1 present data for U.S. imports of steel propane cylinders from China, Thailand, and all other sources. The quantity of imports of steel propane cylinders from the subject countries increased by \*\*\* percent from 2015 to 2017, but was \*\*\* percent lower in interim 2018 compared to interim 2017. From 2015 to 2017, the quantity of imports of steel propane cylinders from China increased by \*\*\* percent, but was \*\*\* percent lower in interim 2018 than in interim 2017. The quantity of imports of steel propane cylinders from Thailand increased by \*\*\* percent during 2015 to 2017, but was \*\*\* percent lower in interim 2018 than in interim 2017. From 2015 to 2017, the value of imports from subject countries increased by \*\*\* percent, but was \*\*\* percent higher in interim 2018 than in interim 2017. From 2015 to 2017, the average unit values of imports of steel propane cylinders from the subject countries decreased by \*\*\* percent, and was higher in interim 2018 than in interim 2017.

Subject imports as a share of the quantity and value of total imports from China and Thailand \*\*\*. From 2015 to 2017, the share of quantity of imports from China decreased by \*\*\* percentage points, while the share of imports from Thailand increased by \*\*\* percentage points. Both China and Thailand's share of imports were lower \*\*\* in interim 2018 compared with interim 2017. The ratio of subject import volume to U.S. production increased by \*\*\* percent from 2015 to 2017 from \*\*\* percent to \*\*\* percent, but was lower in interim 2018 than in interim 2017 by \*\*\* percent.

**Table IV-2**  
**Steel propane cylinders: U.S. imports by source, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Figure IV-1**  
**Steel propane cylinders: U.S. import volumes and prices, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

### NEGLIGENCE

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.<sup>5</sup> Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.<sup>6</sup> In the case of countervailing duty investigations involving developing countries, the negligibility limits are 4 percent and 9 percent rather than 3 percent and 7 percent. The petitions in these investigations include countervailing duty allegations on China, which has not been designated as a developing country by the U.S. Trade Representative, therefore it is not entitled to the higher 4 percent negligibility threshold for countervailing duty investigations.<sup>7</sup> Thailand remains designated as a developing country by the U.S. Trade Representative.

The quantity of U.S. imports in the twelve-month period preceding the filing of the petitions (May 2017 through April 2018) and the share of quantity of total U.S. imports for which each accounted for are presented in table IV-3. Based on questionnaire data, U.S. imports from China and Thailand accounted for \*\*\*, respectively, of total imports of steel propane cylinders by quantity during May 2017 through April 2018.

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<sup>5</sup> Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

<sup>6</sup> Section 771 (24) of the Act (19 U.S.C § 1677(24)).

<sup>7</sup> Section 771 (24) of the Act (19 U.S.C § 1677(24) (B)).

**Table IV-3**  
**Steel propane cylinders: U.S. imports in the twelve months preceding the filing of the petition, May 2017 through April 2018**

\* \* \* \* \*

**CUMULATION CONSIDERATIONS**

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Information regarding channels of distribution, market areas, and interchangeability appear in Part II. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

**Fungibility**

Table IV-4 and figure IV-2 present data for U.S. producers' and U.S. importers' U.S. shipments by product type for 2017. U.S. shipments by product type are categorized as follows: by 4.25-pound cylinders, 10- and-11 -pound cylinders, 20-pound cylinders, 30-pound cylinders, all other sizes, complete units, and parts sold separately of steel propane cylinders. For U.S. producers and importers combined, 20-pound cylinders accounted for \*\*\* percent of U.S. shipments, based on share of quantity. For U.S. producers and importers combined, the 30-pound cylinders accounted for \*\*\* percent of U.S. shipments.<sup>8</sup> For U.S. producers, the majority of shipments were of the \*\*\*, while imports from China and Thailand accounted for the majority of \*\*\*.

**Table IV-4**  
**Steel propane cylinders: U.S. producers and U.S. importers' U.S. shipments, by type, 2017**

\* \* \* \* \*

**Figure IV-2**  
**Steel propane cylinders: U.S. producers and U.S. importers' U.S. shipments, by type, 2017**

\* \* \* \* \*

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<sup>8</sup> According to the RV Industry Association, the RV industry's (manufacturers) used "approximately 55 percent 20-pound tanks to 45 percent 30-pound tanks in 2015. In 2016, the respective numbers were 58 percent to 42 percent; in 2017, the numbers were about 61 percent for 20-pound tanks to 39 percent for 30-pound tanks. This movement to smaller tanks reflects the change in the mixture of products that the RV industry is producing, as can be seen in RVIA shipment numbers." Email message from \*\*\* June 15, 2018.



## Geographical markets

Table IV-5 presents U.S. imports by border entry for 2017.<sup>9</sup> The Northern and Southern border entries were those most frequently utilized by imports coming from the subject countries during 2017. Steel propane cylinder production occurs in the Northern geographic region of the United States. As illustrated in table IV-5, U.S. Customs districts located in the North<sup>10</sup> accounted for \*\*\* percent of U.S. imports (by share of quantity) from China and Thailand, the largest share of the imports of other containers for compressed or liquefied gas, of iron or steel from the subject countries during 2017. Comparatively, U.S. Customs districts located in the South,<sup>11</sup> West,<sup>12</sup> and East<sup>13</sup> accounted for smaller shares of imports from all sources in 2017, respectively.

**Table IV-5**  
**Other containers for compressed or liquefied gas, of iron or steel: U.S. imports, by border of entry, 2017**

\* \* \* \* \*

## Presence in the market

Table IV-6 and figures IV-3 and IV-4 present monthly U.S. imports of other containers for compressed or liquefied gas, of iron or steel during January 2015 to March 2018. These data show that imports of other containers for compressed or liquefied gas, of iron or steel were present in the market in every month from January 2015 to March 2018 for both subject countries.

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<sup>9</sup> The following table and figures are based on official import statistics that are based on statistical reporting number 7311.00.0060, a basket category HTS statistical reporting number with a majority of imports that fall outside the scope of these investigations. Data for certified “no” firms were removed using \*\*\* data.

<sup>10</sup> The “North” includes the following Customs entry districts: Chicago, Illinois; Cleveland, Ohio; Detroit, Michigan; Duluth, Minnesota; Great Falls, Montana; Milwaukee, Wisconsin; Minneapolis, Minnesota; and Pembina, North Dakota.

<sup>11</sup> The “South” includes the following Customs entry districts: Dallas-Fort Worth, Texas; El Paso, Texas; Houston-Galveston, Texas; Laredo, Texas; Miami, Florida; Mobile, Alabama; New Orleans, Louisiana; and Tampa, Florida.

<sup>12</sup> The “West” includes the following Customs entry districts: Columbia-Snake, Oregon; Honolulu, Hawaii; Los Angeles, California; Nogales, Arizona; San Diego, California; San Francisco, California; and Seattle, Washington.

<sup>13</sup> The “East” includes the following Customs entry districts: Baltimore, Maryland; Boston, Massachusetts; Buffalo, New York; Charleston, South Carolina; Charlotte, North Carolina; New York, New York; Norfolk, Virginia; Ogdensburg, New York; Philadelphia, Pennsylvania; Portland, Maine; San Juan, Puerto Rico; Savannah, Georgia; St. Albans, Vermont; and Washington, District of Columbia.

**Table IV-6**  
**Other containers for compressed or liquefied gas, of iron or steel: U.S. imports by source and month of entry, January 2015 to March 2018**

Month of entry	China	Thailand	Subject sources	Nonsubject sources	All import sources
	Quantity (1,000 pounds)				
2015.--					
January	886	133	1,019	58	1,077
February	342	475	816	83	899
March	684	1,105	1,789	61	1,850
April	1,855	1,136	2,990	104	3,094
May	1,799	712	2,511	50	2,561
June	1,119	220	1,339	1,356	2,695
July	773	380	1,153	99	1,252
August	1,606	278	1,884	64	1,948
September	1,270	315	1,584	95	1,679
October	397	108	506	756	1,261
November	1,006	106	1,113	551	1,664
December	510	291	801	1,230	2,031
2016.--					
January	992	267	1,259	1,540	2,798
February	730	507	1,237	1,176	2,414
March	649	107	756	289	1,045
April	832	555	1,387	67	1,454
May	1,290	375	1,666	198	1,864
June	1,243	294	1,537	36	1,573
July	987	107	1,094	74	1,168
August	1,002	138	1,140	59	1,199
September	951	127	1,078	601	1,678
October	1,102	53	1,155	202	1,357
November	879	53	932	206	1,138
December	965	107	1,072	93	1,165

Table continued on next page.

**Table IV-6-Continued**

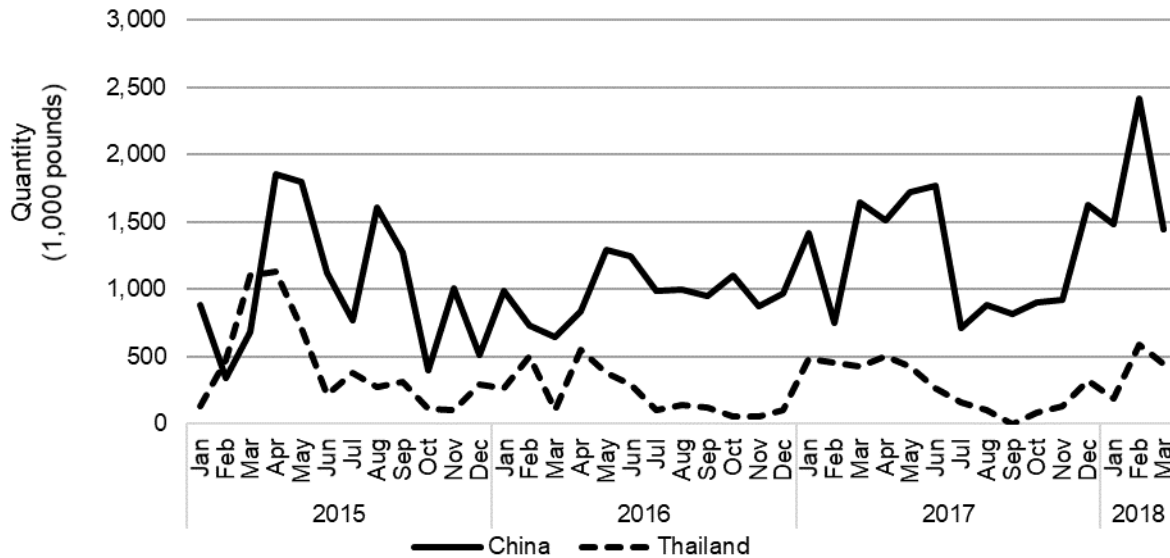
**Other containers for compressed or liquefied gas, of iron or steel: U.S. imports by source and month of entry, January 2015 to March 2018**

Month of entry	China	Thailand	Subject sources	Nonsubject sources	All import sources
	Quantity (1,000 pounds)				
2017.--					
January	1,413	480	1,893	389	2,282
February	749	454	1,203	151	1,354
March	1,643	429	2,071	199	2,270
April	1,512	499	2,011	---	4,021
May	1,720	428	2,148	238	2,385
June	1,772	267	2,039	71	2,110
July	708	165	873	304	1,176
August	888	107	995	279	1,273
September	814	---	814	178	991
October	906	81	986	63	1,049
November	924	133	1,057	202	1,260
December	1,628	320	1,948	144	2,092
2018.--					
January	1,484	187	1,671	190	1,861
February	2,419	587	3,006	202	3,208
March	1,446	450	1,896	110	2,006

Source: Adjusted official U.S. import statistics using HTS reporting numbers 7311.00.0060, accessed June 7, 2018. Data for firms with certified "No" responses removed (using \*\*\* data).

**Figure IV-3**

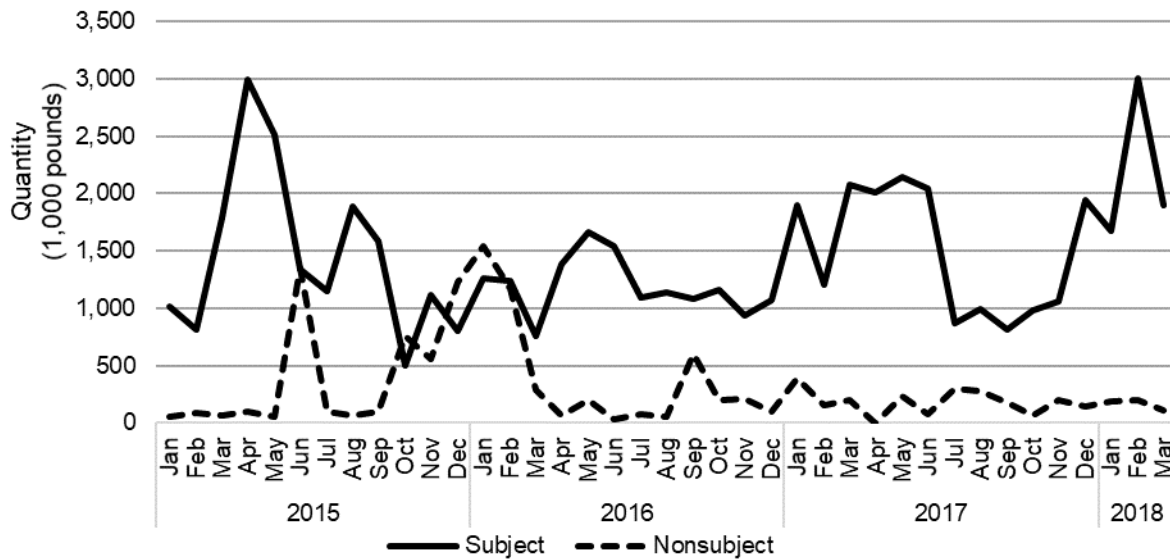
**Other containers for compressed or liquefied gas, of iron or steel: U.S. imports by subject country and month of entry, January 2015 through March 2018**



Source: Adjusted official U.S. import statistics using HTS reporting numbers 7311.00.0060, accessed June 7, 2018. Data for firms with certified “No” responses removed (using \*\*\* data).

**Figure IV-4**

**Other containers for compressed or liquefied gas, of iron or steel: U.S. imports by source and month of entry, January 2015 through March 2018**



Source: Adjusted official U.S. import statistics using HTS reporting numbers 7311.00.0060, accessed June 7, 2018. Data for firms with certified “No” responses removed (using \*\*\* data).

## APPARENT U.S. CONSUMPTION

Table IV-7 and figure IV-5 present data on U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption of steel propane cylinders during 2015-17, January to March 2017, and January to March 2018. From 2015 to 2017, apparent U.S. consumption quantity increased by \*\*\* percent, and was \*\*\* percent higher in interim 2018 than in interim 2017. Apparent U.S. consumption value increased by \*\*\* percent, and was \*\*\* percent higher in interim 2018 than in interim 2017.

From 2015 to 2017, the quantity and value of U.S. producers' U.S. shipments decreased by \*\*\* percent and \*\*\* percent, respectively, but was \*\*\* percent and \*\*\* percent higher, respectively, in interim 2018 than in interim 2017. The quantities of U.S. shipments of imports of steel propane cylinders from both China and Thailand increased by \*\*\* percent and \*\*\* percent, respectively, between 2015 and 2017, and were higher in interim 2018 than in interim 2017. The value of imports of steel propane cylinders from China and Thailand increased by \*\*\* percent and \*\*\* percent, respectively, during 2015-17, and both were higher in interim 2018 than in interim 2017.

**Table IV-7**

**Steel propane cylinders: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Figure IV-5**

**Steel propane cylinders: Apparent U.S. consumption, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

## U.S. MARKET SHARES

U.S. market share data are presented in table IV-8. During 2015-17, U.S. producers' market share decreased by \*\*\* percentage points, based on quantity, and by \*\*\* percentage points, based on value, and was lower in terms of both quantity and value in interim 2018 than in interim 2017.<sup>14</sup> From 2015 to 2017, the market share of subject imports based on quantity increased by \*\*\* percentage points, and was higher in interim 2018 than in interim 2017. Consequently, the market share of subject imports of based on value increased by \*\*\* percentage points, and was higher in interim 2018 than in interim 2017.

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<sup>14</sup> At the Commission's conference, the petitioners alleged "that the subject imports' growth has come at the expense of the domestic industry as the U.S. producers' market share has declined, but the stark reality is that the domestic industry's market share has continued to decline into the 1st quarter of 2018. The growth in imports has far exceeded the growth in the market which is why the domestic industry's market share has declined." Conference transcript, pp. 18-19 (Rosenthal).

**Table IV-8**  
**Steel propane cylinders: U.S. consumption and market shares, 2015-17, January to March 2017,**  
**and January to March 2018**

\* \* \* \* \*

## PART V: PRICING DATA

### FACTORS

The main input for steel propane cylinders is flat rolled steel coils (grade 4130 steel). No pricing index was available for this product. Petitioners, however, reported that \*\*\* as an index of the price of grade 4130 steel, because the prices of these move in tandem (figure V-1).<sup>1</sup> Raw materials accounted for \*\*\* percent of the cost of producing steel propane cylinders in 2017. For more information about raw material costs, see Part VI.

**Table V-1**  
**Steel price index: Index of the price of hot rolled coil**

\* \* \* \* \*

#### Transportation costs to the U.S. market

Transportation costs for steel propane cylinders shipped from subject countries to the United States averaged 8.8 percent for China during 2017 and 7.0 percent for Thailand. These estimates were derived from official import data and represent the cost of transportation to the United States and other charges on imports.<sup>2</sup>

#### U.S. inland transportation costs

U.S. producers reported that \*\*\*.<sup>3</sup> Most responding importers (4 of 7) reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from \*\*\* to \*\*\* percent while three importers reported costs of 2 to 15 percent.

Importers of Chinese or Thai steel propane cylinders for their own use were requested to estimate U.S. inland transportation costs from the port of importation to the point of use. Only one importer responded, noting that U.S. inland transportation cost for own-use imports of Thai steel propane cylinders was \*\*\* percent of total costs.

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<sup>1</sup> Petitioners' postconference brief, answers to staff questions p. 10.

<sup>2</sup> The estimated transportation costs were obtained by subtracting the customs value from the c.i.f. value of the imports for 2017 and then dividing by the customs value based on the HTS subheading 7311.00.0060.

<sup>3</sup> \*\*\* and its customers arrange transportation.

## PRICING PRACTICES

### Pricing methods

U.S. producers and importers reported using transaction-by-transaction negotiations, contracts, and other methods to determine the prices they charge for steel propane cylinders. As presented in table V-1, \*\*\* sell primarily via \*\*\*. Most responding importers sell on a transaction-by-transaction basis.

**Table V-1**  
**Steel propane cylinders: U.S. producers' and importers' reported price setting methods, by number of responding firms<sup>1</sup>**

Method	U.S. producers	Importers
Transaction-by-transaction	***	6
Contract	***	2
Set price list	***	---
Other <sup>2</sup>	***	1
Responding firms	***	7

<sup>1</sup> The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

<sup>2</sup> Other includes prices based on volumes and the other sells them as part of an \*\*\*.

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

U.S. producers reported selling most of their steel propane cylinders via \*\*\* (table V-2). Importers reported selling most of their steel propane cylinders under short-term contracts, with the remainder on the spot market.

**Table V-2**  
**Steel propane cylinders: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2017**

\*   \*   \*   \*   \*   \*   \*

\*\*\* reported that annual contracts fix both price and quantity and contain meet-or-release provisions.<sup>4</sup> \*\*\* reported using \*\*\* and \*\*\* reported that the contracts did not contain meet-or-release provisions.<sup>5</sup> Both importers that reported the use of short-term contracts reported that these fix \*\*\*, contain \*\*\*, and \*\*\* price renegotiations during the term of the contract.

Purchasers provided a general description of their firms' methods of purchasing steel propane cylinders. Responses varied, including: purchase orders; contracts with purchase orders as needed; purchase through a local distributor; purchases (of imports) when steel and

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<sup>4</sup> \*\*\*.

<sup>5</sup> \*\*\*.



copper prices are low, with prices set for 3 months to 1 year;<sup>6</sup> and multiple quotes to get the best price.

### Sales terms and discounts

\*\*\* and 3 of 7 responding importers typically quote prices on an f.o.b. basis. Four importers typically quote prices on a delivered basis. \*\*\* reported offering quantity and total volume discounts. Most importers (6 of 7 responding) reported having no discount policy. \*\*\*. \*\*\*. Four importers reported sales terms of net 30 days, one net 60 days, and one importer reported that customers pay before shipment.<sup>7</sup>

### PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following steel propane cylinders products shipped to unrelated U.S. customers during January 2015 to March 2018.

**Product 1.**--20-pound capacity steel cylinder for compressed or liquefied propane gas, without gauge, meeting the requirements of U.S. Department of Transportation specification 4BA.

**Product 2.**--30-pound capacity steel cylinder for compressed or liquefied propane gas, without gauge, meeting the requirements of U.S. Department of Transportation specification 4BA.

\*\*\* and four importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.<sup>8</sup> Pricing data reported by these firms accounted for approximately \*\*\* percent of U.S. producers' shipments of steel propane cylinders (by value), \*\*\* percent of U.S. shipments of subject imports from China in 2017 (by value), and \*\*\* percent of U.S. shipments of subject imports from Thailand (by value).

Average prices sometimes differed from firm to firm, most noticeably for product 2. This variability may reflect different strategies for supplying the market. Specifically, \*\*\*.<sup>9</sup> \*\*\*.<sup>10 11</sup>

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<sup>6</sup> Purchasers and importers reported this type of price lock-in was only available from importers.

<sup>7</sup> One importer reported using other terms but did not explain.

<sup>8</sup> Per-unit pricing data were calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

<sup>9</sup> \*\*\*.

<sup>10</sup> \*\*\*. Petitioners' postconference brief, answers to staff questions p. 11. \*\*\*.

<sup>11</sup> The values reported for price data were requested to be f.o.b. and therefore should not include delivery costs.

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

**Table V-3**

**Steel propane cylinders: Weighted-average f.o.b. prices and quantities of domestic and imported product 1<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2015-March 2018**

\* \* \* \* \*

**Table V-4**

**Steel propane cylinders: Weighted-average f.o.b. prices and quantities of domestic and imported product 2<sup>1</sup> and margins of underselling/(overselling), by quarters, January 2015-March 2018**

\* \* \* \* \*

**Figure V-2**

**Steel propane cylinders: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2015-March 2018**

\* \* \* \* \*

**Figure V-3**

**Steel propane cylinders: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2015-March 2018**

\* \* \* \* \*

**Import purchase cost**

The Commission also requested the importers provide landed duty-paid values and quantities for imports used for internal consumption (direct imports). Direct imports for internal consumption accounted for \*\*\* percent of total imports from China in 2017 and \*\*\* percent of imports from Thailand in 2017. \*\*\* provided such data, and \*\*\* purchase cost data for imports of products 1 and 2 are presented in tables V-5 and V-6 and figures V-4 and V-5, along with U.S. sales prices to purchasers (previously presented).

\*\*\* was asked to identify the benefits of directly importing steel propane cylinders as opposed to purchasing them from a U.S. producer or importer. \*\*\* stated that advantages of direct imports were lower cost and better quality of welds. \*\*\* also estimated that \*\*\* saved \*\*\* percent of landed duty paid value by importing itself rather than purchasing.

**Table V-5**

**Steel propane cylinders: Purchase costs. Weighted-average f.o.b. prices and quantities of domestic product 1 sold to distributors and end users and f.o.b. landed duty-paid values and quantities of imported product 1, by quarter, January 2015-March 2018**

\* \* \* \* \*

**Table V-6**

**Steel propane cylinders: Purchase costs. Weighted-average f.o.b. prices and quantities of domestic product 2<sup>1</sup> sold to distributors and end users and f.o.b. landed duty-paid values and quantities of imported product 2, by quarter, January 2015-March 2018**

\* \* \* \* \*

**Figure V-4**

**Steel propane cylinders: Purchase costs. Weighted average f.o.b. prices of domestic product 1 sold to end users or distributors and f.o.b. landed duty paid values and quantities of imported product 1 by quarter, January 2015-March 2018**

\* \* \* \* \*

**Figure V-5**

**Steel propane cylinders: Purchase costs. Weighted average f.o.b. prices of domestic product 2 sold to end users or distributors and f.o.b. landed duty paid values and quantities of imported product 2 by quarter, January 2015-March 2018**

\* \* \* \* \*

### **Price and import cost trends**

Prices followed no clear trend during January 2015 to March 2018. Table V-7 summarizes the price trends, by country and by product. As shown in the table, domestic price for product 1 decreased by \*\*\* percent while domestic product 2 price increased \*\*\* percent during January 2015 to March 2018. Chinese import price decreases ranged from \*\*\* percent to \*\*\* percent. Thai import price increases ranged from \*\*\* to \*\*\* percent, and Thai import purchase costs decreased by \*\*\* percent.

**Table V-7**

**Steel propane cylinders: Summary of weighted-average f.o.b. prices and costs for products 1 and 2 from the United States, China, and Thailand**

\* \* \* \* \*

### **Price comparisons**

As shown in table V-8, prices for product imported from China were below those for U.S.-produced product in 14 of 26 instances (683,256 units); margins of underselling ranged from 0.3 to 40.1 percent. In the remaining 12 instances (1,004,732 units), prices for steel propane cylinders imported from China were between 0.1 and 10.5 percent above prices for the domestic product. Prices for steel propane cylinders imported from Thailand were below those for U.S.-produced product in 13 of 26 instances (363,303 units); margins of underselling ranged from 7.0 to 20.3 percent. In the remaining 13 instances (738,072 units), prices for product from Thailand were between 4.0 and 14.0 percent above prices for the domestic

product. All but one quarter of underselling occurred in product 2 (30-pound cylinders), while all the overselling occurred in product 1 (20-pound cylinders).

**Table V-8**  
**Steel propane cylinders: Instances of underselling/overselling and the range and average of margins, by country, January 2015 to March 2018**

Source	Underselling				
	Number of quarters	Quantity <sup>1</sup> (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	1	116,382	0.3	0.3	0.3
Product 2	26	930,177	25.1	7.0	40.1
Total, underselling	27	1,046,559	24.2	0.3	40.1
China	14	683,256	32.9	0.3	40.1
Thailand	13	363,303	14.8	7.0	20.3
Total, underselling	27	1,046,559	24.2	0.3	40.1
Source	(Overselling)				
	Number of quarters	Quantity <sup>1</sup> (units)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	25	1,742,804	(7.7)	(0.1)	(14.0)
Product 2	0	0	---	---	---
Total, overselling	25	1,742,804	(7.7)	(0.1)	(14.0)
China	12	1,004,732	(6.1)	(0.1)	(10.5)
Thailand	13	738,072	(9.2)	(4.0)	(14.0)
Total, overselling	25	1,742,804	(7.7)	(0.1)	(14.0)

<sup>1</sup> These data include only quarters in which there is a comparison between the U.S. and subject product.

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

### LOST SALES AND LOST REVENUE

\*\*\* reported that having to reduce prices and losing sales. Both U.S. producers submitted lost sales and lost revenue allegations. \*\*\* identified 19 firms where they lost sales or revenue (17 consisting lost sales allegations and 2 consisting of both lost sales and lost revenue allegations).<sup>12</sup> Staff contacted these 19 purchasers and received responses from 10 firms. Responding purchasers reported purchasing or importing 102 million pounds of steel propane cylinders during 2015-2017 (table V-9).

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<sup>12</sup> Thirteen allegations listed Thailand as the source, two listed China, and four listed both Thailand and China.

**Table V-9**  
**Steel propane cylinders: Purchasers' responses to purchasing patterns**

\*       \*       \*       \*       \*       \*       \*

During 2017, responding purchasers purchased 7.6 percent of their steel propane cylinders from U.S. producers, 48.0 percent from China, 14.1 percent from Thailand, and 30.2 percent from “unknown sources.” Purchase trend responses varied among responding purchasers:<sup>13</sup> one reported decreasing purchases from domestic producers, two reported increasing domestic purchases,<sup>14</sup> one reported fluctuating domestic purchases,<sup>15</sup> one reported constant domestic purchases, and one did not purchase any domestic product.<sup>16</sup> Explanations for increasing purchases of domestic product included: increased purchases for needs in Puerto Rico and an increase in sales combined with diversification of suppliers because Worthington was not able to ship product. Explanations for decreasing purchases<sup>17</sup> of domestic product included: the purchaser’s customer changing from U.S. to Chinese product; U.S. producers did not reduce prices when the prices of steel and copper fell in 2015 so the firm purchased less expensive imports; and the firm was able to purchase with locked in prices for inputs from importers but not from U.S. producers.<sup>18</sup>

Of the nine responding purchasers, six reported that, since 2015, they had purchased imported steel propane cylinders from China instead of U.S.-produced product.

Seven purchasers compared U.S. prices with Chinese prices, with four responding that the price of Chinese product was lower, one reporting that the price of Chinese product was not lower, and two reporting that the Chinese price was sometimes lower and sometimes not lower than the U.S. price.<sup>19</sup> Three of these seven purchasers reported that price was the primary reason they purchased Chinese product. Five of 10 responding purchasers reported that they had bought product from Thailand instead of U.S.-produced product since 2015. Four of these purchasers reported that Thai product was lower-priced and one reported that Thai

<sup>13</sup> A number of purchasers did not provide usable responses to this question, either because they included imports purchased in the United States as domestic product or because they did not know the source of the product they purchased.

<sup>14</sup> \*\*\*.

<sup>15</sup> \*\*\*.

<sup>16</sup> Of the nine responding purchasers who answered this question for either country, one purchaser (\*\*\*) indicated that it did not know the source of the steel propane cylinders it purchased. \*\*\*, \*\*\*. Another purchaser (\*\*\*) also reported that it did not know the source of all the steel propane cylinders, however, it did not report how its purchases changed since 2015.

<sup>17</sup> One of these firms reported that its purchases of U.S. product fluctuated, however, the quantity of U.S. product it purchased decreased, and its purchases from China increased.

<sup>18</sup> One purchaser attributed its unchanging purchases of U.S. product to the U.S. producers’ “unwillingness (of the U.S. producers) to actively negotiate a program to increase market share.”

<sup>19</sup> These two purchasers checked both that the price of Chinese product was lower than U.S. product and that Chinese product was not lower.

prices were sometimes higher and sometimes lower than U.S. prices. Three purchasers reported that price was the primary reason they purchased Thai product.

Five purchasers estimated the quantity of steel propane cylinders purchased from China and Thailand instead of domestic product; quantities ranged from \*\*\* pounds to \*\*\* pounds (table V-10). Table V-11 provides quantity of lost sales reported by purchasers, by country. Three purchasers identified non-price reasons for purchasing imported rather than U.S.-produced product. These reasons were quality, availability, and the ability to purchase product in the future based on current steel and copper prices.

**Table V-10**  
**Steel propane cylinders: Purchasers' responses to purchasing subject imports instead of domestic product**

Purchaser	Purchased imports instead of domestic (Y/N)	Imports priced lower (Y/N)	If purchased imports instead of domestic, was price a primary reason		
			Y/N	If Yes, quantity purchased instead of domestic (thousand pounds)	If No, non-price reason
***	Yes	Yes	Yes	***	---
***	Yes	Yes	Yes	***	---
***	No	No response	No response	***	---
***	Yes	Yes	No	***	***
***	Yes	Yes	No	***	***
***	Yes	Yes	Yes	***	---
***	Yes	Yes	No	***	***
***	Yes	Yes	No	***	***
***	Yes	Yes	Yes	***	---
***	Yes	Yes	Yes	***	---
Total	Yes--9; No--1	Yes--9; No--0	Yes--5; No--4	***	

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

**Table V-11**  
**Steel propane cylinders: Purchasers' responses to purchasing subject instead of domestic by country**

Source	Count of purchasers reporting subject instead of domestic	Count of purchasers reported that imports were priced lower	Count of purchasers reporting that price was a primary reason for shift	Quantity subject purchased (pounds tare weight)
China	6	6	3	10,134
Thailand	5	5	3	9,155
Any subject source	9	9	5	19,289

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

Of the 10 responding purchasers, two reported that U.S. producers had reduced prices by \*\*\* and \*\*\* percent - in order to compete with lower-priced imports from China or Thailand (table V-12; 5 reported that they did not know). The purchaser reporting a \*\*\* percent reduction reported that the U.S. producer had reduced its prices because of declining raw

material costs, however, the customer did not think this reflected the true reduction in cost and shifted to imports.

**Table V-12**  
**Steel propane cylinders: Purchasers' responses to U.S. producer price reductions**

Purchaser	U.S. producers reduced priced to compete with subject imports (Y/N)	If U.S. producers reduced prices	
		Estimated U.S. price reduction (percent)	Additional information, if available
***	Don't Know	***	---
***	No	***	---
***	Don't Know	***	---
***	Don't Know	***	---
***	No	***	---
***	Yes	***	---
***	No	***	---
***	Don't Know	***	---
***	Yes	***	***
***	Don't Know	***	Our cylinders are sourced from domestic suppliers. We have no knowledge of them lowering prices to complete. ***.
Total/ average	Yes--2; No—3	***	

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

In responding to the lost sales/lost revenue survey, some purchasers provided additional information on purchases and market dynamics. One purchaser reported that spot prices of steel propane cylinders move with the price of steel, but with imports purchasers can get commitments for large quantities based on the current price of steel, when purchasers expect prices to increase. Another purchaser stated that Worthington is the dominant domestic source (it sets the market price) but poor shipping and production delays have caused the purchaser to diversify its suppliers. Another purchaser reported returning to purchase imports because customers complained that Worthington's cylinders were lighter and easier to damage than imports. \*\*\* reported that it did not know the source of the steel propane cylinders it purchased because it purchases from the suppliers who fill tanks and service vending machines and these suppliers were unable to match new cylinder sales with retail customers.<sup>20</sup>

<sup>20</sup> \*\*\*.





## PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

### BACKGROUND

Two U.S. producers, Manchester and Worthington, accounting for \*\*\* percent and \*\*\* percent, respectively, of the U.S. industry's total sales volume, reported financial results on their operations on steel propane cylinders for 2015 through January-March 2018.<sup>1</sup> With the exception of January-March 2018, when Manchester's share of total sales \*\*\* of total sales volume and Worthington's \*\*\* (see footnote 7), company-specific shares remained relatively stable.

Manchester and Worthington confirmed that there were \*\*\* in their steel propane cylinder manufacturing operations during the period.<sup>2</sup>

### OPERATIONS ON PROPANE CYLINDERS

Table VI-1 and table VI-2 present income-and-loss data for U.S. producers' operations on steel propane cylinders and corresponding changes in average per pound values (tare weight), respectively. Table VI-3 presents a variance analysis of these financial results and table VI-4 presents selected financial information by firm.<sup>3</sup>

**Table VI-1**  
**Steel propane cylinders: Results of operations of U.S. producers, 2015-17, January-March 2017, and January-March 2018**

\* \* \* \* \*

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<sup>1</sup> Both U.S. producers reported the steel cylinder propane financial results on the basis of generally accepted accounting principles (GAAP) for calendar-year periods.

Manchester is a subsidiary of privately held McWane Inc. and is part of that company's Steel Fabrication Divisions. McWane Steel Fabrication Divisions, <http://www.mcwane.com/our-businesses/steel-fabrication/>, retrieved on June 7, 2018. The steel propane cylinders operations of Worthington, a publicly traded company, are part of that company's Pressure Cylinders segment. Worthington 2016 10-K, p. 4.

<sup>2</sup> June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

<sup>3</sup> The Commission's variance analysis is calculated in three parts: sales variance, cost of goods sold (COGS) variance, and sales, general, and administrative (SG&A) expenses variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expenses variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. As summarized at the bottom of the table, the price variance is from sales, the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expenses variances. In general, the utility of the Commission's variance analysis is enhanced when product mix remains the same throughout the period. \*\*\*. Ibid.

**Table VI-2**  
**Steel propane cylinders: Changes in average per pound values, 2015-17, January-March 2017, January-March 2018**

\* \* \* \* \*

**Table VI-3**  
**Steel propane cylinders: Variance analysis on the operations of U.S. producers, 2015-17, January-March 2017, January-March 2018**

\* \* \* \* \*

**Table VI-4**  
**Steel propane cylinders: Results of operations of U.S. producers, by firm, 2015-17, January-March 2017, and January-March 2018**

\* \* \* \* \*

**Revenue**

The substantial majority (\*\*\*) percent) of total steel propane cylinder revenue represents U.S. commercial sales with a relatively small share (\*\*\*) percent) representing exports.<sup>4</sup> In the tables below, a single revenue line item is presented.

**Volume**

Table VI-1 shows that the U.S. industry’s total sales quantity declined to its lowest full-year level in 2016 and then increased to its highest full-year level in 2017. The U.S. industry’s overall decline in 2016 sales quantity reflects \*\*\* decline in sales volume, which was partially offset by \*\*\* increase in sales volume.<sup>5</sup> The subsequent increase in the U.S. industry’s total sales quantity in 2017 primarily reflects \*\*\* increase in sales volume and to a lesser extent the \*\*\* increase reported by \*\*\*.<sup>6</sup> At the end of the period, Worthington’s interim 2018 sales quantity was \*\*\* than interim 2017 while Manchester’s sales quantity was \*\*\*.<sup>7</sup>

**Value**

The U.S. industry’s overall average per pound sales value declined \*\*\* percent in 2016 and increased marginally in 2017. In interim 2018, overall average sales value was \*\*\* percent higher compared to interim 2017. The trend of average sales values (lower in 2016, marginally higher in 2017, and then higher in interim 2018 compared to interim 2017 (see table VI-2)) was \*\*\* for Manchester and Worthington but, as shown in table VI-4, Manchester’s average sales

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<sup>4</sup> \*\*\*. USITC auditor notes (preliminary phase).

<sup>5</sup> \*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor. \*\*\*.

Ibid.

<sup>6</sup> \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor.

<sup>7</sup> \*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

value moved in a somewhat \*\*\* range. Worthington's average sales value was also \*\*\* than Manchester's throughout the period with the difference \*\*\* in January-March 2018.

Table VI-2 shows that, while the trend of the U.S. industry's average sales value and raw material cost was directionally the same, the magnitude of change in average sales value and raw material cost was different.<sup>8</sup>

## Cost of goods sold and gross profit or loss

### Raw materials

Manchester and Worthington reported that steel propane cylinder raw material costs reflect the cost of steel, as well as other inputs and related activity.<sup>9</sup> During the period, total raw material costs fluctuated somewhat, ranging from \*\*\* percent of total COGS to \*\*\* percent.

On an average per-pound basis, the U.S. industry's raw material cost was at its highest full-year level in 2015, declined to its lowest level in 2016, and then increased in 2017 but remained below the 2015 level. Average raw material cost for January-March 2018 was higher than January-March 2017 and only marginally lower than the 2015 average.

While magnitudes varied, Manchester and Worthington \*\*\* directional trend with respect to average raw material cost, with Manchester's average raw material cost being \*\*\* than Worthington's throughout the period (see table VI-4).<sup>10</sup>

### Direct labor and other factory costs

Direct labor cost accounts for the smallest share of COGS, ranging from \*\*\* percent to \*\*\* percent. On a company-specific basis, Manchester and Worthington \*\*\* in average direct labor cost. While following the same directional trend, changes in average direct labor were of smaller magnitudes compared to corresponding changes in other factory costs.

Other factory costs are the second largest component of steel propane cylinder COGS, ranging from \*\*\* percent to \*\*\* percent. Table VI-4 shows that Manchester's average other factory costs were \*\*\* compared to Worthington's and also \*\*\*.

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<sup>8</sup> \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor. \*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

<sup>9</sup> \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor. \*\*\*. Petitioners' postconference brief (Exhibit 1), p. 11.

<sup>10</sup> \*\*\*. At the Commission's staff conference, a Worthington company official, with respect to the company's overall operations, noted ". . . steel processing continues to be our core competency. That means that across the different Worthington businesses, we are a major steel purchaser. We leverage that purchasing power to ensure that our operations, including steel propane cylinders production, are as efficient and cost-effective as possible. In fact, we are quite proud of our buying expertise and the ability to manage costs for the company overall. Given our ability to exercise purchasing power and keep our steel costs as low as possible, our steel propane cylinders operation should be one of our most profitable businesses." Conference transcript, p. 32 (Bowes).

At the Commission's staff conference, Manchester and Worthington company officials noted the high fixed cost nature of steel propane cylinder manufacturing, as well as related general and administrative support, and the corresponding importance of high capacity utilization in order to minimize average unit costs.<sup>11</sup> In addition to changes in the level of fixed cost absorption, Manchester and Worthington indicated that conversion costs (other factory costs and direct labor) were affected by non-volume factors.<sup>12</sup>

### Cost of goods sold

Notwithstanding the above-noted \*\*\* in company-specific average raw material cost and average other factory costs, table VI-4 shows that Manchester and Worthington's average COGS were \*\*\* in 2015 and 2016. The \*\*\* in 2017 principally reflects Worthington's \*\*\* average other factory costs (see footnote 12). While Worthington's average COGS remained \*\*\* than Manchester's in January-March 2018, the \*\*\* than in full-year 2017.

### Gross profit

In 2016, the expansion of the U.S. industry's overall gross profit ratio (total gross profit or loss divided by total revenue) reflects a decline in average raw material costs, which exceeded a corresponding decline in average sales value (see table VI-1 and table VI-2). Although total sales volume also declined to its lowest full-year level in 2016, gross profit, on an absolute basis and as a ratio to sales, was at its highest level in that year. In 2017, notwithstanding an increase in total sales volume, gross profit (on an absolute basis and as a ratio to sales) contracted due to increases in average raw material cost and other factory costs, which were only partially offset by higher average sales value. In January-March 2018, gross profit was lower compared to January-March 2017, on an absolute basis and as a ratio to sales, due to higher average COGS, principally reflecting higher average raw material cost and to a lesser extent higher average other factory costs, which was only partially offset by a higher average sales value.

Manchester and Worthington's gross profit (on an absolute basis and as a ratio to sales) \*\*\* throughout the period with changes (\*\*\*) in Worthington's gross profit \*\*\* (see table VI-4). Both companies reported their \*\*\* gross profit ratio in 2016.<sup>13</sup>

With regard to the period as a whole, Manchester and Worthington indicated that steel propane cylinder gross profit ratios were \*\*\*.<sup>14</sup>

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<sup>11</sup> Conference transcript, pp. 68-69 (Grauman), p. 69 (Bowes).

<sup>12</sup> \*\*\*. USITC auditor notes (preliminary phase). \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor.

\*\*\*. USITC auditor notes (preliminary phase). \*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

<sup>13</sup> \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor.

\*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

<sup>14</sup> \*\*\*. June 15, 2018 e-mail with attachment from \*\*\* to USITC auditor.

\*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

## SG&A expenses and operating income or loss

On an overall basis, the U.S. industry's total SG&A expenses followed the same directional trend as revenue throughout the period: declining in 2016, increasing in 2017, and higher in January-March 2018 compared to January-March 2017. Corresponding SG&A expense ratios (total SG&A expenses divided by total revenue) also fluctuated but remained within a relatively narrow range.

On a company-specific basis, table VI-4 shows that Worthington and Manchester reported \*\*\* SG&A expense ratios throughout the period with Worthington's SG&A expense ratio \*\*\* than Manchester's. While a factor in terms of explaining the level of the U.S. industry's operating results, SG&A expenses ratios remained within a narrow range and therefore had a generally neutral impact on the directional pattern; i.e., factors at the gross level were more important in terms of explaining the pattern of operating results during the period.

## Interest expense, other expenses, and net income or loss

Manchester and Worthington \*\*\* report interest expense, other expenses, or other income. As such, the U.S. industry's operating results and net results \*\*\* in table VI-1.

## CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents U.S. producers' capital expenditures and research and development (R&D) expenses related to their steel propane cylinder operations.

**Table VI-5**  
**Steel propane cylinders: Capital expenditures and research and development (R&D) expenses of U.S. producers, 2015-17, January-March 2017, and January-March 2018**

\* \* \* \* \*

Manchester and Worthington accounted for \*\*\* percent and \*\*\* percent, respectively, of total capital expenditures reported for 2015 through January-March 2018. While annual and interim-period capital expenditures fluctuated, both companies reported their \*\*\* capital expenditure levels in 2017.<sup>15</sup>

Table VI-5 shows that \*\*\* reported R&D expenses during the period.

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<sup>15</sup> \*\*\*. \*\*\* U.S. producer questionnaire, response to III-13 (note 1). \*\*\*. \*\*\* U.S. producer questionnaire, response to III-13 (note 1). \*\*\*. June 15, 2018 e-mail with attachments (incl. revised III-9b) from \*\*\* to USITC auditor.

## ASSETS AND RETURN ON ASSETS

Table VI-6 presents data on the U.S. producers' total net assets and operating return on net assets related to operations on steel propane cylinders.<sup>16</sup>

**Table VI-6**  
**Steel propane cylinders: U.S. producers' total net assets and operating return on net assets, 2015-17**

\* \* \* \* \*

## CAPITAL AND INVESTMENT

The Commission requested the U.S. producers of steel propane cylinders to describe any actual or potential negative effects on their return on investment or its growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of propane cylinders from China and/or Thailand. Table VI-7 tabulates the responses on actual negative effects on investment, growth and development, as well as anticipated negative effects. Table VI-8 presents the narrative responses of the U.S. producers regarding actual and anticipated negative effects on investment, growth and development.

**Table VI-7**  
**Steel propane cylinders: Negative effects of imports from subject sources on investment, growth, and development since January 1, 2015**

\* \* \* \* \*

**Table VI-8**  
**Steel propane cylinders: Narrative responses of U.S. producers regarding actual and anticipated negative effects of imports from subject sources on investment, growth, and development since January 1, 2015**

\* \* \* \* \*

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<sup>16</sup> With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line value on the asset side of a company's balance sheet) reflects an aggregation of a number of current and non-current assets, which, in many instances, are not product specific. Allocation factors were presumably necessary to report total asset values specific to U.S. producers' operations on steel propane cylinders. The ability of U.S. producers to assign total asset values to discrete product lines affects the meaningfulness of operating return on net assets.

## PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

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

*In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors<sup>1</sup>--*

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

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

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

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV and V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

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



## THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 30 firms believed to produce and/or export steel propane cylinders from China.<sup>3</sup> Usable responses to the Commission's questionnaire were received from two firms: TPA Metals and Machinery Co. (DG) Ltd. ("TPAGAS"), and Shandong Huanri Group Co., Ltd. ("Huanri"). These firms' exports to the United States accounted for approximately \*\*\* percent of U.S. imports of steel propane cylinders from China in 2017. According to the respondents, Huanri and TPA are the only meaningful sources of (Chinese-produced) steel propane cylinders that are imported into the United States.<sup>4</sup> According to estimates requested of the responding Chinese producers, the production of steel propane cylinders in China reported in questionnaires accounts for approximately \*\*\* percent of overall production of steel propane cylinders in China.<sup>5</sup> Table VII-1 presents information on the steel propane cylinder operations of the responding producers and exporters in China.

**Table VII-1**  
**Steel propane cylinders: Summary data for producers in China, 2017**

\* \* \* \* \*

### Changes in operations

As presented in table VII-2, one producer in China reported operational and organizational changes since January 1, 2015.<sup>6</sup>

**Table VII-2**  
**Steel propane cylinders: Chinese producers' reported changes in operations, since January 1, 2015**

\* \* \* \* \*

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<sup>3</sup> These firms were identified through a review of information submitted in the petition and contained in \*\*\* records.

<sup>4</sup> Conference transcript, p. 132 (Newman).

<sup>5</sup> TPAGAS and Huanri foreign producer questionnaire responses, section II-5.

<sup>6</sup> At the Commission's conference, the respondents (Flame King) indicated "over time, we also began to import some quantities from TPA, which is located in China, but over the past several years we have shifted most of the production away from TPA because they have been short on production mainly due to labor issues where their plant is located in Shinzin, China." Conference transcript, p. 128 (Newman).

## Operations on steel propane cylinders

Table VII-3 presents information on the steel propane cylinder operations of the responding producers and exporters in China for 2015-17, interim 2017, and interim 2018, as well as projections for 2018 and 2019. Projections indicate that production, inventories, exports to the United States, total shipments, and capacity utilization will all decrease during 2018-19.

Capacity in China decreased overall by \*\*\* percent from 2015 to 2017, but was \*\*\* percent higher in interim 2018 than in interim 2017. Production increased by \*\*\* percent from 2015 to 2017, but was \*\*\* percent lower in interim 2018 than in interim 2017. As a result, capacity utilization increased overall by \*\*\* percentage points from 2015 to 2017 though it was \*\*\* percentage points lower in interim 2018 than in interim 2017. In addition, end-of-period inventories decreased by \*\*\* percent from 2015 to 2017 and were \*\*\* percent lower in interim 2018 than in interim 2017. Exports of steel propane cylinders to the United States increased overall by \*\*\* percent from 2015 to 2017, and were \*\*\* percent higher in interim 2018 than in interim 2017 exports to the United States. As a share of the responding Chinese producers' total shipments, exports to the United States increased by \*\*\* percentage points from 2015 to 2017, and were \*\*\* percentage points higher in interim 2018 than in interim 2017. Home market shipments and exports of steel propane cylinders to countries other than the United States accounted for \*\*\* of total shipments during 2015-17. Exports of steel propane cylinders to countries other than the United States increased by \*\*\* percent from 2015 to 2017, and were \*\*\* percent higher in interim 2018 than in interim 2017. Other export markets identified included \*\*\*.

**Table VII-3**  
**Steel propane cylinders: Data for producers in China, 2015-17, January to March 2017, January to March 2018, and projected 2018 and 2019**

\* \* \* \* \*

### Alternative products

As shown in table VII-4, responding Chinese firms produced other products on the same equipment and machinery used to produce steel propane cylinders during all periods. Out-of-scope production accounted for \*\*\* percent and \*\*\* percent of total production in 2015 and 2016, respectively, but then declined to \*\*\* percent in 2017. Other products produced on the same equipment as steel propane cylinders included \*\*\*.<sup>7</sup> \*\*\*.

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<sup>7</sup> \*\*\* foreign producer questionnaire response, section II-3a.

**Table VII-4****Steel propane cylinders: Chinese producers' overall capacity and production on the same equipment as subject production, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Exports**

According to GTA, China exports products under this HTS subheading to a variety of markets (table VII-5). The leading export markets for containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) from China are the United States (14.2 percent of exports in 2017), Nigeria (6.9 percent), the Philippines (6.8 percent), and South Korea (6.6 percent).

**Table VII-5****Containers of iron or steel for compressed or liquefied gas: Exports from China by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Quantity (1,000 pounds)</b>		
Exports from China to the United States	77,993	62,752	89,733
Exports from China to other major destination markets.--			
Nigeria	37,230	25,905	43,473
Philippines	17,755	32,642	42,972
Korea	44,376	42,050	41,474
Indonesia	30,488	34,201	25,414
Vietnam	25,094	28,877	21,986
Malaysia	9,144	11,905	18,714
Thailand	25,199	17,011	18,122
Venezuela	311	2,139	18,056
All other destination markets	320,593	304,324	310,527
Total exports from China	588,182	561,805	630,472
	<b>Value (1,000 dollars)</b>		
Exports from China to the United States	100,941	69,879	102,930
Exports from China to other major destination markets.--			
Nigeria	28,412	23,838	31,708
Philippines	12,339	17,049	25,134
Korea	58,299	53,293	49,505
Indonesia	27,533	32,721	19,701
Vietnam	23,956	21,615	22,532
Malaysia	8,269	9,476	16,516
Thailand	25,581	12,438	18,344
Venezuela	443	2,898	10,661
All other destination markets	293,224	276,740	282,535
Total exports from China	578,997	519,946	579,567

Table continued on next page.

**Table VII-5--Continued**  
**Containers of iron or steel for compressed or liquefied gas: Exports from China by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Unit value (dollars per pound)</b>		
Exports from China to the United States	1.29	1.11	1.15
Exports from China to other major destination markets.--			
Nigeria	0.76	0.92	0.73
Philippines	0.69	0.52	0.58
Korea	1.31	1.27	1.19
Indonesia	0.90	0.96	0.78
Vietnam	0.95	0.75	1.02
Malaysia	0.90	0.80	0.88
Thailand	1.02	0.73	1.01
Venezuela	1.42	1.36	0.59
All other destination markets	0.91	0.91	0.91
Total exports from China	0.98	0.93	0.92
	<b>Share of quantity (percent)</b>		
Exports from China to the United States	13.3	11.2	14.2
Exports from China to other major destination markets.--			
Nigeria	6.3	4.6	6.9
Philippines	3.0	5.8	6.8
Korea	7.5	7.5	6.6
Indonesia	5.2	6.1	4.0
Vietnam	4.3	5.1	3.5
Malaysia	1.6	2.1	3.0
Thailand	4.3	3.0	2.9
Venezuela	0.1	0.4	2.9
All other destination markets	54.5	54.2	49.3
Total exports from China	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 7311.00 as reported by China Customs in the IHS Markit/Global Trade Atlas database, accessed June 4, 2018.

## THE INDUSTRY IN THAILAND

The Commission issued foreign producers' or exporters' questionnaires to seven firms believed to produce and/or export steel propane cylinders from Thailand.<sup>8</sup> Usable responses to the Commission's questionnaire were received from one firm: Sahamitr Pressure Container Public Company Limited ("SMPC"). This firm's exports to the United States accounted for \*\*\* U.S. imports of steel propane cylinders from Thailand in 2017. According to estimates requested of the responding Thai producer, the production of steel propane cylinders in Thailand reported in questionnaires accounted for approximately \*\*\* percent of overall production of steel propane cylinders in Thailand during 2017. Table VII-6 presents information on the steel propane cylinders operations of the responding producers and exporters in Thailand.

**Table VII-6**  
**Steel propane cylinders: Summary data SMPC in Thailand, 2017**

\* \* \* \* \*

### Changes in operations

\*\*\*<sup>9</sup>

### Operations on steel propane cylinders

Table VII-7 presents information on the steel propane cylinder operations of the sole Thai responding producer and exporter. Projections indicate that capacity, production, inventories, exports to the United States, total exports, total shipments, and capacity utilization will all increase during 2018-19.

Capacity in Thailand increased overall by \*\*\* percent from 2015 to 2017, and was \*\*\* percent higher in interim 2018 than in interim 2017. Production increased by \*\*\* percent from 2015 to 2017, and was \*\*\* percent higher in interim 2018 than in interim 2017. As a result, capacity utilization increased by \*\*\* percentage points from 2015 to 2017, and was \*\*\* percentage points higher in interim 2018 than in interim 2017. In addition, end-of-period inventories, which began the period very low; increased by \*\*\* percent from 2015 to 2016, but decreased by \*\*\* percent from 2016 to 2017. They were \*\*\* percent higher in interim 2018 than in interim 2017.

Exports of steel propane cylinders to the United States increased by \*\*\* percent from 2015 to 2017, but were \*\*\* percent lower in interim 2018 than in interim 2017. By 2017,

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<sup>8</sup> These firms were identified through a review of information submitted in the petition and contained in \*\*\* records.

<sup>9</sup> \*\*\* foreign producer questionnaire response, section II-2b.

exports to the United States accounted for \*\*\* percent of total shipments of steel propane cylinders from Thailand. As a share of the responding Thai producers' total shipments, exports to the United States increased by \*\*\* percentage points from 2015 to 2017, but were \*\*\* percentage points lower in interim 2018 than in interim 2017. Exports of steel propane cylinders to countries other than the United States accounted for \*\*\* of total shipments during 2015-17. Exports of steel propane cylinders to countries other than the United States increased by \*\*\* percent from 2015 to 2017, and were \*\*\* percent higher in interim 2018 than in interim 2017. Other export markets identified by SMPC include \*\*\*.<sup>10</sup>

**Table VII-7**  
**Steel propane cylinders: Data for SMPC, 2015-17, January to March 2017, January to March 2018, and projected 2018 and 2019**

\* \* \* \* \*

**Alternative products**

As shown in table VII-8, the responding Thai firm produced other products on the same equipment and machinery used to produce steel propane cylinders during the entire period. Out-of-scope production increased from \*\*\* percent to \*\*\* percent of total production in 2015 and 2016, but then declined to \*\*\* percent in 2017. Other products produced on the same equipment as steel propane cylinders included \*\*\*.<sup>11</sup>

**Table VII-8**  
**Steel propane cylinders: SMPC's overall capacity and production on the same equipment as subject production, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**Exports**

According to GTA, the leading export markets for containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) from Thailand are Bangladesh and the United States (table VII-9). During 2017, Bangladesh was the top export market for containers of iron or steel for compressed or liquefied gas from Thailand, accounting for 35.3 percent that year, followed by the United States, accounting for 6.6 percent and Malaysia, accounting for 6.5 percent.

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<sup>10</sup> \*\*\*. SMPC's foreign producer questionnaire response, section II-10.

<sup>11</sup> SMPC's foreign producer questionnaire response, section II-3a.

**Table VII-9**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Thailand by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Quantity (1,000 pounds)</b>		
Exports from Thailand to the United States	10,210	13,971	19,125
Exports from Thailand to other major destination markets.--			
Bangladesh	24,166	47,446	102,050
Malaysia	11,789	20,753	18,832
Tanzania	8,716	16,765	15,101
Côte d'Ivoire	6,601	7,528	14,223
Philippines	10,277	9,861	12,474
Australia	12,177	10,640	10,212
Vietnam	18,343	16,882	10,167
South Africa	4,166	8,788	9,061
All other destination markets	84,992	89,469	77,951
Total exports from Thailand	191,436	242,102	289,196
	<b>Value (1,000 dollars)</b>		
Exports from Thailand to the United States	6,431	8,646	11,989
Exports from Thailand to other major destination markets.--			
Bangladesh	16,344	30,102	66,171
Malaysia	7,082	10,146	8,041
Tanzania	7,022	13,134	12,388
Côte d'Ivoire	4,941	5,304	11,504
Philippines	4,881	4,082	5,611
Australia	9,486	6,514	7,369
Vietnam	53,199	46,621	26,507
South Africa	3,028	5,504	5,795
All other destination markets	75,526	76,449	72,826
Total exports from Thailand	187,941	206,500	228,201

Table continued on next page.

**Table VII-9--Continued**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Thailand by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Unit value (dollars per pound)</b>		
Exports from Thailand to the United States	0.63	0.62	0.63
Exports from Thailand to other major destination markets.--			
Bangladesh	0.68	0.63	0.65
Malaysia	0.60	0.49	0.43
Tanzania	0.81	0.78	0.82
Côte d'Ivoire	0.75	0.70	0.81
Philippines	0.47	0.41	0.45
Australia	0.78	0.61	0.72
Vietnam	2.90	2.76	2.61
South Africa	0.73	0.63	0.64
All other destination markets	0.89	0.85	0.93
Total exports from Thailand	0.98	0.85	0.79
	<b>Share of quantity (percent)</b>		
Exports from Thailand to the United States	5.3	5.8	6.6
Exports from Thailand to other major destination markets.--			
Bangladesh	12.6	19.6	35.3
Malaysia	6.2	8.6	6.5
Tanzania	4.6	6.9	5.2
Côte d'Ivoire	3.4	3.1	4.9
Philippines	5.4	4.1	4.3
Australia	6.4	4.4	3.5
Vietnam	9.6	7.0	3.5
South Africa	2.2	3.6	3.1
All other destination markets	44.4	37.0	27.0
Total exports from Thailand	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 7311.00 as reported by Thailand Customs in the IHS Markit/Global Trade Atlas database, accessed June 4, 2018.

### SUBJECT COUNTRIES COMBINED

Table VII-10 presents summary data on steel propane cylinder operations of the reporting combined subject producers in the subject countries. The overall capacity, overall production, and capacity utilization for the combined subject country producers all increased from 2015-17, and were all higher in interim 2018 than in interim 2017. Exports to the United States and to all other markets increased from 2015-17, but fluctuated in interim 2018 compared to interim 2017. Projections indicate that capacity, production, exports to the United States, total exports, total shipments, and capacity utilization will all increase during 2018-19.



**Table VII-10**

**Steel propane cylinders: Data on the industry in subject countries, 2015-17, January to March 2017, and January to March 2018, as well as projections for 2018 and 2019**

\* \* \* \* \*

**U.S. INVENTORIES OF IMPORTED MERCHANDISE**

Table VII-11 presents data on U.S. importers' reported inventories of steel propane cylinders. U.S. importers' end-of-period inventories of imports from subject countries increased from 2015 to 2017 by \*\*\* percent. These inventories were also \*\*\* percent higher during interim 2018 than the comparable period in 2017, however, their ratio to U.S. shipments of imports was \*\*\* percentage points lower in interim 2018 than in interim 2017.

**Table VII-11**

**Steel propane cylinders: U.S. importers' inventories, 2015-17, January to March 2017, and January to March 2018**

\* \* \* \* \*

**U.S. IMPORTERS' OUTSTANDING ORDERS**

The Commission requested importers to indicate whether they imported or have arranged for the importation of steel propane cylinders from China and Thailand after March 31, 2018 (table VII-12). Responding importers reported \*\*\* pounds of steel propane cylinders of arranged imports from China during April 2018-March 2019, and \*\*\* pounds of steel propane cylinders of arranged imports from Thailand during April 2018-March 2019, for a combined \*\*\* pounds of subject imports arranged during April 2018-March 2019. There were \*\*\* reported arranged imports from nonsubject countries between April 2018 and March 2019.

**Table VII-12**

**Steel propane cylinders: U.S. importers' inventories, April 2018 through March 2019**

\* \* \* \* \*

**ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS**

There are no known trade remedy actions on steel propane cylinders in third-country markets.<sup>12</sup> Responding foreign producers did not note any third-country trade actions.

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<sup>12</sup> See, e.g., conference transcript, p. 90 (Ringel).

## INFORMATION ON NONSUBJECT COUNTRIES

The leading nonsubject import sources, by quantity in 2017, for containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) entering the U.S. market were Mexico, followed by Canada, and Korea.<sup>13</sup> According to one respondent, nonsubject producers of steel propane cylinders in India, France, Mexico, and Portugal have received USDOT certification to produce steel propane cylinders for the U.S. market; however, the respondent was not aware of any producers in those countries that export steel propane cylinders to the United States.<sup>14</sup> Table VII-13 presents information available from USDOT’s Pipeline and Hazardous Materials Safety Administration (“PHMSA”) about foreign manufacturers who have received 4B, 4BA, 4BW, and/or other certifications that are eligible to export steel propane cylinders to the U.S. market.

**Table VII-13**

**Steel propane cylinders: Foreign manufacturers of steel propane cylinders with USDOT certification, with good standing, as of June 2018**

<b>Manufacturer</b>	<b>Location</b>	<b>In-scope specifications</b>	<b>Out-of-scope specifications</b>
GSBF Tank Inc.	China	DOT-4BA, 4BW	
Guangzhou Lion Cylinders Co. Ltd.	China	DOT-4BA	
Jiangsu Tianhai Special Equipment Co. Ltd. (JTSE)	China	DOT-4BA, 4BW	DOT-8, 8AL
Taishan Machinery Factory Ltd.	China	DOT-4BA	
Dockweiler AG	Germany	DOT-4B	
Masteco Industry Co. Ltd.	Korea	DOT-4BW	
Mauria Udyog Ltd.	India	DOT-4BA, 4BW	DOT-39
Grupo INGUSA	Mexico	DOT-4BA, 4BW	
Trinity Industries de Mexico (TIMSA)	Mexico	DOT-4BA, 4BW	DOT-110A, SP-11808, 110A
AMTROL-ALFA Metalomecanica, S.A.	Portugal	DOT-4BA, 4BW	DOT-39, SP 14457, SP14808, UNISO-11118
King Lai Hygienic Materials Co. Ltd.	Taiwan	DOT-4B	
Sahamitr Pressure Container Public Co. Ltd. (SMPC)	Thailand	DOT-4BA, 4BW	
ICAM Engineering Ltd.	United Kingdom	DOT-4B	

Source: Pipeline and Hazardous Materials Safety Administration, “Foreign Manufacturers Listing Hazmat Approvals: Cylinders (Updated June 2018),” June 2018, <https://www.phmsa.dot.gov/hazmat/pressure-vessels-approvals/foreign-manufacturers-listing-hazmat-approvals-cylinders-updated-june-2018>, (accessed June 21, 2018).

<sup>13</sup> U.S. imports for consumption under HTS 7311.00.0060 and 7311.00.0090. USITC, Interactive Tariff and Trade DataWeb, accessed June 26, 2018.

<sup>14</sup> SMPC and Flame King’s Postconference Brief, “Answers to ITC Staff Questions,” Question No. 3, p. 4.

## The industry in Korea

According to PHMSA, one Korean producer, Masteco Industry Co. Ltd. is qualified to produce steel propane cylinders under USDOT specification 4BW for the U.S. market (see table VII-13). However, no producers, importers, or purchasers reported the existence of imports from Korea in the steel propane cylinder market. Exports from Korea into the U.S. market may be of cylinders not subject to these investigations.

The leading Korean export markets for containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) are Japan, China, and the United States, accounting for 28.7 percent, 14.5 percent, and 14.0 percent of Korea's exports in 2017. During 2015-17, Korea's exports of containers of iron or steel for compressed or liquefied gas declined by 21.9 percent in terms of quantity and by 25.8 percent in terms of value (table VII-14).

**Table VII-14**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Korea by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Quantity (1,000 pounds)</b>		
Exports from Korea to the United States	13,415	22,813	13,561
Exports from Korea to other major destination markets.--			
Japan	26,148	24,493	27,775
China	25,779	15,400	14,036
Taiwan	9,937	10,324	12,304
Kuwait	135	788	7,740
Qatar	4	105	2,789
Russia	446	135	2,383
Singapore	4,878	2,534	2,296
Philippines	4,102	1,812	1,591
All other destination markets	38,884	29,343	12,159
Total exports from Korea	123,728	107,747	96,634
	<b>Value (1,000 dollars)</b>		
Exports from Korea to the United States	28,785	46,358	28,809
Exports from Korea to other major destination markets.--			
Japan	40,226	37,495	45,756
China	67,339	51,671	44,826
Taiwan	13,338	13,305	15,955
Kuwait	569	3,135	14,220
Qatar	11	304	4,871
Russia	1,260	209	5,838
Singapore	11,046	3,287	4,069
Philippines	8,530	2,351	2,746
All other destination markets	97,626	63,256	32,301
Total exports from Korea	268,730	221,368	199,392

Table continued on next page.

**Table VII-14—Continued**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Korea by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Unit value (dollars per pound)</b>		
Exports from Korea to the United States	2.15	2.03	2.12
Exports from Korea to other major destination markets.--			
Japan	1.54	1.53	1.65
China	2.61	3.36	3.19
Taiwan	1.34	1.29	1.30
Kuwait	4.21	3.98	1.84
Qatar	2.58	2.88	1.75
Russia	2.83	1.54	2.45
Singapore	2.26	1.30	1.77
Philippines	2.08	1.30	1.73
All other destination markets	2.51	2.16	2.66
Total exports from Korea	2.17	2.05	2.06
	<b>Share of quantity (percent)</b>		
Exports from Korea to the United States	10.8	21.2	14.0
Exports from Korea to other major destination markets.--			
Japan	21.1	22.7	28.7
China	20.8	14.3	14.5
Taiwan	8.0	9.6	12.7
Kuwait	0.1	0.7	8.0
Qatar	0.0	0.1	2.9
Russia	0.4	0.1	2.5
Singapore	3.9	2.4	2.4
Philippines	3.3	1.7	1.6
All other destination markets	31.4	27.2	12.6
Total exports from Korea	100.0	100.0	100.0

Note.- - Data reported under subheadings includes some merchandise outside of the scope of this investigation.

Source: Official exports statistics under HS subheading 7311.00, reported by Korea Customs and Trade Development Institution, in the IHS Markit, Global Trade Atlas database, accessed June 20, 2018.

### **The industry in Mexico**

According to PHMSA, two Mexican producers, Trinity Industries de Mexico (“TIMSA”) and Grupo INGUSA are qualified to produce steel propane cylinders under USDOT specifications 4BA and 4BW for the U.S. market (see table VII-13). Mexico has recorded shipments of steel propane cylinders to the U.S. market.<sup>15</sup>

<sup>15</sup> \*\*\*.

The leading Mexican export markets for containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) are the United States, Cuba, and the Dominican Republic, accounting for 75 percent, 5.4 percent, and 2.7 percent of Mexico's exports in 2017. Mexico's exports of containers of iron or steel for compressed or liquefied gas declined by 8.1 percent in terms of quantity during 2015-16, then increased 14.1 percent during 2016-17 (table VII-15).

**Table VII-15**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Mexico by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Quantity (1,000 pounds)</b>		
Exports from Mexico to the United States	54,619	46,540	54,113
Exports from Mexico to other major destination markets.--			
Cuba	1,669	2,060	3,867
Dominican Republic	934	2,516	1,949
Guatemala	1,847	1,309	1,907
Canada	76	---	1,563
Peru	1,446	1,442	1,250
Colombia	1,017	675	1,143
Costa Rica	1,794	1,019	941
Panama	450	1,525	517
All other destination markets	4,952	6,152	4,933
Total exports from Mexico	68,804	63,238	72,183
	<b>Value (1,000 dollars)</b>		
Exports from Mexico to the United States	55,696	45,329	54,813
Exports from Mexico to other major destination markets.--			
Cuba	2,249	2,294	3,851
Dominican Republic	1,252	3,594	2,656
Guatemala	1,444	1,097	2,245
Canada	132	---	1,793
Peru	1,496	2,011	1,370
Colombia	1,059	737	1,146
Costa Rica	2,150	828	1,098
Panama	616	2,376	584
All other destination markets	7,893	8,347	6,610
Total exports from Mexico	73,987	66,614	76,166

Table continued on next page.

**Table VII-15--Continued**  
**Containers of iron or steel for compressed or liquefied gas: Exports from Mexico by destination market, 2015-17**

Destination market	Calendar year		
	2015	2016	2017
	<b>Unit value (dollars per pound)</b>		
Exports from Mexico to the United States	1.02	0.97	1.01
Exports from Mexico to other major destination markets.--			
Cuba	1.35	1.11	1.00
Dominican Republic	1.34	1.43	1.36
Guatemala	0.78	0.84	1.18
Canada	1.73	---	1.15
Peru	1.03	1.40	1.10
Colombia	1.04	1.09	1.00
Costa Rica	1.20	0.81	1.17
Panama	1.37	1.56	1.13
All other destination markets	1.59	1.36	1.34
Total exports from Mexico	1.08	1.05	1.06
	<b>Share of quantity (percent)</b>		
Exports from Mexico to the United States	79.4	73.6	75.0
Exports from Mexico to other major destination markets.--			
Cuba	2.4	3.3	5.4
Dominican Republic	1.4	4.0	2.7
Guatemala	2.7	2.1	2.6
Canada	0.1	---	2.2
Peru	2.1	2.3	1.7
Colombia	1.5	1.1	1.6
Costa Rica	2.6	1.6	1.3
Panama	0.7	2.4	0.7
All other destination markets	7.2	9.7	6.8
Total exports from Mexico	100.0	100.0	100.0

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent. Data reported under subheadings includes some merchandise outside of the scope of this investigation.

Source: Official export statistics under HS subheading 7311.00, reported by Mexico's National Institute of Statistics and Geography (INEGI), in the IHS Markit, Global Trade Atlas database, accessed June 20, 2018.

### Global exports

Data on global exports of containers of iron or steel for compressed or liquefied gas (including steel propane cylinders) during 2015-17 are presented in table VII-16. China, the United States, and the Czech Republic were the largest exporters (in terms of value) of containers of iron or steel for compressed or liquefied gas in 2017, accounting for 18.5 percent, 10.4 percent, and 7.5 percent of global exports, respectively.

**Table VII-16****Containers of iron or steel for compressed or liquefied gas: Global exports by destination market, 2015-17**

Exporter	Calendar year		
	2015	2016	2017
	<b>Value (1,000 dollars)</b>		
United States	388,136	306,847	325,749
Subject exporters:			
China	578,997	519,946	579,567
Thailand	187,941	206,500	228,201
All other major reporting exporters.--			
Czech Republic	204,879	209,849	234,105
Italy	201,660	180,166	203,400
Korea	268,730	221,368	199,392
Germany	181,339	170,536	170,967
Turkey	140,608	129,098	126,035
India	95,848	106,679	125,525
Portugal	93,208	109,999	104,245
Austria	102,300	103,334	95,437
Poland	105,121	86,169	88,608
Mexico	73,987	66,614	76,166
All other exporters	715,012	699,500	581,138
Total exports from the world	3,337,766	3,116,605	3,138,535
	<b>Share of value (percent)</b>		
United States	11.6	9.8	10.4
Subject exporters:			
China	17.3	16.7	18.5
Thailand	5.6	6.6	7.3
All other major reporting exporters.--			
Czech Republic	6.1	6.7	7.5
Italy	6.0	5.8	6.5
Korea	8.1	7.1	6.4
Germany	5.4	5.5	5.4
Turkey	4.2	4.1	4.0
India	2.9	3.4	4.0
Portugal	2.8	3.5	3.3
Austria	3.1	3.3	3.0
Poland	3.1	2.8	2.8
Mexico	2.2	2.1	2.4
All other exporters	21.4	22.4	18.5
Total exports from the world	100.0	100.0	100.0

Note.—Shares and ratios shown as “0.0” represent values greater than zero, but less than “0.05” percent. Data reported under subheadings includes some merchandise outside of the scope of this investigation. Import quantities not provided due to differences in units of measure amongst reporting countries.

Source: Official export statistics under HS subheading 7311.00, reported by national customs authorities, in the IHS Markit, Global Trade Atlas database, accessed June 20, 2018.





**APPENDIX A**

***FEDERAL REGISTER NOTICES***



The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
83 FR 24491 May 29, 2018	<i>Steel Propane Cylinders From China, Taiwan, and Thailand; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2018-05-29/pdf/2018-11392.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-05-29/pdf/2018-11392.pdf</a>
83 FR 28189 June 16, 2018	<i>Steel Propane Cylinders From the People's Republic of China: Initiation of Countervailing Duty Investigation</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2018-06-18/pdf/2018-12998.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-06-18/pdf/2018-12998.pdf</a>
83 FR 28196 June 16, 2018	<i>Steel Propane Cylinders From the People's Republic of China, Taiwan, and Thailand: Initiation of Less-Than-Fair-Value Investigations</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2018-06-18/pdf/2018-12989.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-06-18/pdf/2018-12989.pdf</a>
83 FR 29748 June 26, 2018	<i>Steel Propane Cylinders From Taiwan: Termination of LTFV investigation</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2018-06-26/pdf/2018-13675.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-06-26/pdf/2018-13675.pdf</a>
83 FR 31174 July 3, 2018	<i>Steel Propane Cylinders From Taiwan: Termination of investigation</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2018-07-03/pdf/2018-14232.pdf">https://www.gpo.gov/fdsys/pkg/FR-2018-07-03/pdf/2018-14232.pdf</a>



**APPENDIX B**

**LIST OF STAFF CONFERENCE WITNESSES**



## CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

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

**Subject:** Steel Propane Cylinders from China, Taiwan, and Thailand  
**Inv. Nos.:** 701-TA-607 and 731-TA-1417-1419 (Preliminary)  
**Date and Time:** June 12, 2018 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

### **OPENING REMARKS:**

In Support of Imposition (**Paul C. Rosenthal**, Kelley Drye & Warren LLP)  
In Opposition to Imposition (**Jay Campbell**, White & Case LLP)

### **In Support of the Imposition of Antidumping and Countervailing Duty Orders:**

Kelley Drye & Warren LLP  
Washington, DC  
on behalf of

Worthington Industries  
Manchester Tank & Equipment Co.

**Mark Komlosi**, Director of LP Gas Products, Worthington Industries

**James Bowes**, Director of Finance, Worthington Industries

**Dale Brinkman**, General Counsel, Worthington Industries

**Robert Graumann**, President and Chief Operating Officer,  
Manchester Tank & Equipment Co.

**In Support of the Imposition of  
Antidumping and Countervailing Duty Orders (continued):**

**Nancy Chamblee**, Vice President, Finance,  
Manchester Tank & Equipment Co.

**Michael T. Kerwin**, Economic Consultant,  
Georgetown Consultant Services LLC

**Paul C. Rosenthal** )  
**R. Alan Luberda** )  
 ) – OF COUNSEL  
**David C. Smith** )  
**Brooke M. Ringel** )

**In Opposition to the Imposition of  
Antidumping and Countervailing Duty Orders:**

White & Case LLP  
Washington, DC  
on behalf of

Sahamitr Pressure Container Plc (“SMPC”)  
YSN Imports Inc. (dba “Flame King”)

**Sam Newman**, President, Flame King

**Jay Campbell** )  
 ) – OF COUNSEL  
**Allison Kepkay** )

DeKieffer & Horgan, PLLC  
Washington, DC  
on behalf of

Shandong Huanri Group Co., Ltd.  
Worldwide Distribution, LLLP

**Brad Cancelosi**, VPO, Worldwide Distribution, LLLP

**Alexandra H. Salzman** ) – OF COUNSEL



**INTERESTED PARTY IN OPPOSITION:**

RV Industry Association (“RVIA”)  
Reston, VA

**Michael Ochs**, Director, Government Affairs

**REBUTTAL/CLOSING REMARKS:**

In Support of Imposition (**Paul C. Rosenthal**, Kelley Drye & Warren LLP)  
In Opposition to Imposition (**Jay Campbell**, White & Case LLP)

**-END-**



**APPENDIX C**  
**SUMMARY DATA**



Table C-1

Steel propane cylinders: Summary data concerning the U.S. market, 2015-17, January to March 2017, and January to March 2018

(Quantity=1,000 pounds tare weight; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	2015	Calendar year 2016	2017	January to March 2017	January to March 2018	2015-17	Comparison years 2015-16	2016-17	Jan-Mar 2017-18
U.S. consumption quantity:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Thailand.....	***	***	***	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. consumption value:									
Amount.....	***	***	***	***	***	***	***	***	***
Producers' share (fn1).....	***	***	***	***	***	***	***	***	***
Importers' share (fn1):									
China.....	***	***	***	***	***	***	***	***	***
Thailand.....	***	***	***	***	***	***	***	***	***
Subject sources.....	***	***	***	***	***	***	***	***	***
Nonsubject sources.....	***	***	***	***	***	***	***	***	***
All import sources.....	***	***	***	***	***	***	***	***	***
U.S. importers' U.S. shipments from:									
China:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Thailand:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Subject sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
U.S. producers:									
Average capacity quantity.....	***	***	***	***	***	***	***	***	***
Production quantity.....	***	***	***	***	***	***	***	***	***
Capacity utilization (fn1).....	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Ending inventory quantity.....	***	***	***	***	***	***	***	***	***
Inventories/total shipments (fn1).....	***	***	***	***	***	***	***	***	***
Production workers.....	***	***	***	***	***	***	***	***	***
Hours worked (1,000s).....	***	***	***	***	***	***	***	***	***
Wages paid (\$1,000s).....	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour).....	***	***	***	***	***	***	***	***	***
Productivity (pounds tare weight per hour).....	***	***	***	***	***	***	***	***	***
Unit labor costs.....	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity.....	***	***	***	***	***	***	***	***	***
Value.....	***	***	***	***	***	***	***	***	***
Unit value.....	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS).....	***	***	***	***	***	***	***	***	***
Gross profit or (loss).....	***	***	***	***	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***	***	***	***	***
Operating income or (loss).....	***	***	***	***	***	***	***	***	***
Net income or (loss).....	***	***	***	***	***	***	***	***	***
Capital expenditures.....	***	***	***	***	***	***	***	***	***
Unit COGS.....	***	***	***	***	***	***	***	***	***
Unit SG&A expenses.....	***	***	***	***	***	***	***	***	***
Unit operating income or (loss).....	***	***	***	***	***	***	***	***	***
Unit net income or (loss).....	***	***	***	***	***	***	***	***	***
COGS/sales (fn1).....	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1).....	***	***	***	***	***	***	***	***	***

Notes:

Note.--Shares and ratios shown as "0.0" represent values greater than zero, but less than "0.05" percent.

fn1.--Reported data are in percent and period changes are in percentage points.

fn2.--Undefined.

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



**APPENDIX D**

**U.S. shipments, by product type**





Table D-1 presents data on U.S. producers' and U.S. importers' U.S. shipments, by product type during 2017. Staff requested data on shipment types based on the tare weight (in pounds), unit quantity, and value.

**Table D-1**  
**Steel propane cylinders: U.S. producers and U.S. importers U.S. shipments, by type, 2017**

\* \* \* \* \*

