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UNITED STATES TARIFF COMMISSION

**AUTOMOTIVE SOFT TRIM: CERTAIN WORKERS OF THE
AMERICAN MOTORS CORPORATION,
WYOMING, MICHIGAN**

**Report to the President on Investigation No. TEA-W-27
Under Section 301(c)(2) of the Trade Expansion Act
of 1962**



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UNITED STATES TARIFF COMMISSION

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C O N T E N T S

	<u>Page</u>
Introduction-----	1
Finding of the Commission-----	2
Views of Commissioners Sutton and Leonard-----	3
Views of Commissioners Clubb and Moore-----	7
Information obtained in the investigation-----	A-1
Description of articles under investigation-----	A-1
U.S. tariff treatment-----	A-2
Canadian customs treatment-----	A-3
American Motors' soft-trim operations-----	A-4
The Wyoming soft-trim plant-----	A-4
* * * * * * *	
Corporate structure-----	A-4
* * * * * * *	
Statistical tables:	
Table 1.--U.S. rates of duty applicable to imports of automotive soft trim, by types, 1930 through 1972-----	A-7
* * * * * * *	

Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that could result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission
August 14, 1970

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of that Act in response to a workers' petition for determination of eligibility to apply for adjustment assistance.

On June 15, 1970, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) filed a petition on behalf of the former automotive soft trim workers in Local 206, who had been employed by the American Motors Corporation (AMC), at Wyoming Michigan. The Commission instituted a worker investigation (TEA-W-27) on June 22, 1970. Public notice of the investigation and of a public hearing (requested by the petitioner) was published in the Federal Register (35 F.R. 10401, June 25, 1970). Later, the petitioner withdrew the request for the public hearing, and the Commission cancelled the hearing. Notice of the cancellation was published in the Federal Register (35 F.R. 11320, July 15, 1970).

The information in this report was obtained principally through field trips, from discussions with officials of the UAW and its Local 206, from officials of the American Motors Corporation (U.S. and Canada), from officials of White Consolidated Industries, from the Michigan Division of Employment Security, and from the Commission's files.

Findings of the Commission

On the basis of its investigation the Commission, being equally divided, 1/ makes no finding under section 301(c)(2) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with automotive soft trim produced by the American Motors Corporation at Wyoming, Michigan, are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of said Corporation at Wyoming, Michigan.

1/ Commissioners Sutton and Leonard voted in the negative, and Commissioners Clubb and Moore voted in the affirmative.

Views of Commissioners Sutton and Leonard

Our determination is in the negative for the reason that conditions imposed by section 301(c)(2) of the Trade Expansion Act of 1962 have not been satisfied. Before an affirmative determination could be made, each of the following conditions would have to be met:

- (1) Articles like or directly competitive with the automotive soft trim produced at the Wyoming, Michigan, plant of American Motors are being imported in increased quantities;
- (2) the increased imports are in major part the result of concessions granted under trade agreements;
- (3) a significant number or portion of the petitioning workers are unemployed or underemployed or are threatened with unemployment or underemployment; and
- (4) the increased imports (resulting in major part from trade agreement concessions) have been the major factor causing or threatening to cause the unemployment or underemployment.

In our judgment, conditions (2) and (4) have not been met in the instant case.

The 1930 statutory rate of 25 percent ad valorem applicable to soft trim was reduced to 12.5 percent ad valorem pursuant to a trade-agreement concession in 1948. In the period 1958-63 the United States granted other trade-agreement concessions which resulted in further reductions in the duty to 8.5 percent. In 1965, Canadian automotive products--including automotive soft trim--intended for use as original equipment in the manufacture of motor vehicles were accorded duty-free entry into the United States. Such duty-free treatment, which was provided by the Automotive Products Trade Act of 1965 (APTA), is a trade-agreement concession within the meaning of the Trade Expansion

Act of 1962. 1/

It is our judgment, however, that such increased imports of automotive soft trim as did occur were not in major part the result of the aforementioned concessions granted under trade agreements and the APTA. Rather, they resulted from a corporate decision that indirectly affected American Motors' soft-trim operations.

On July 3, 1968, American Motors sold its Kelvinator Appliance Division to White Consolidated Industries. One of the conditions of the sale was that the Wyoming, Michigan, soft-trim plant, operated by American Motors and occupying one-third of a large Kelvinator warehouse, would be removed from the warehouse building so that White Consolidated could have the full use of the building. In order to allow American Motors time to relocate the soft-trim operation, White Consolidated agreed that American Motors could use the Wyoming plant for one year from the date of the sale. American Motors' management began considering possible relocation sites in April 1968. [Various U.S. and Canadian] locations * * * were considered.

In October 1968, Canadian Fabricated Products, Ltd., of Stratford, Ontario (the Stratford plant), became available. American Motors' officials stated that this plant became the company's choice for a

1/ Section 301 of the Automotive Products Trade Act of 1965 provides that ". . . a petition may be filed for tariff adjustment or for a determination of eligibility to apply for adjustment assistance under title III of the Trade Expansion Act of 1962 (19 U.S.C., sec. 1901-1991) as though the reduction or elimination of a duty proclaimed by the President pursuant to section 201 or 202 of this Act were a concession granted under a trade agreement referred to in section 301 of the Trade Expansion Act of 1962."

number of reasons: The Stratford plant, unlike the other sites considered, was already manufacturing similar soft trim for American Motors' Brampton, Canada, assembly plant and ample capacity was available to begin producing additional trim immediately without the hazards and delays usually encountered in the start-up of a new facility; the location of the plant met American Motors' criteria for proximity to the Canadian and U.S. assembly plants, as well as to sources of raw materials; skilled labor and transportation were available; the Stratford plant was a going concern * * *. The duty-free shipment of the soft trim to its U.S. assembly plants apparently did not weigh heavily in the decision to locate at Stratford. American Motors * * * the Stratford plant in December 1968. During the period January-June 1969, production of soft trim at Stratford destined for American Motors' U.S. assembly plants was small; thereafter, output of such soft trim at Stratford expanded greatly. In July 1969 the soft-trim operations ceased at the Wyoming plant.

In our view, it is the imports from the Stratford plant during the period from January 1969 when American Motors began producing for export to the United States until July 1969 when the Wyoming plant was closed that are the relevant imports for purposes of determining the impact of increased imports on the workers at Wyoming, Michigan. As indicated above, imports from Stratford were small during that period and did not precipitate the closing of the Wyoming plant and the unemployment of the petitioning workers. After the Wyoming plant had closed, imports from Stratford became substantial, but they could have

had no effect whatsoever on the workers at the U.S. plant who were already laid off.

In sum, it is our judgment that such increased imports as occurred during the period January-June 1969 were not in major part the result of concessions granted under trade agreements (including the duty-free entry under the APTA). Such increased imports were the direct effect of the sale of the Kelvinator Division of American Motors to White Consolidated Industries. Those imports, moreover, were not the major factor causing the unemployment of workers at the Wyoming plant, which like the increased imports grew out of the corporate decision to sell the Kelvinator Division. The loss of the soft-trim operation at Wyoming and the expense of relocation were less important to American Motors' management than the sale of the Kelvinator Division. The Wyoming, Michigan, plant and the workers employed there were economic casualties arising out of that financial transaction.

Views of Commissioners Clubb and Moore

The petitioning workers were employed in the production of soft trim at the Wyoming, Michigan, plant of the American Motors Corporation (AMC). The Wyoming plant supplied * * * soft trim for American Motors' * * * [U.S.] assembly plant[s]. The soft-trim production facilities occupied part of the building owned by the then Kelvinator Appliance Division of the American Motors Corporation. In July 1968 American Motors sold that Division--including the building at Wyoming--to White Consolidated Industries. Under the terms of sale, American Motors was granted tenancy of the part of the building housing the soft-trim facilities for one year and the soft-trim operations were continued at the Wyoming plant during that 12-month period. After considering a number of alternatives, American Motors acquired an independent Canadian soft-trim plant--Canadian Fabricated Products, Ltd., of Stratford, Ontario. The Canadian firm had been supplying AMC's Brampton, Ontario, assembly plant. By mid-1969, production at the Wyoming, Michigan, plant was phased out, and * * * the petitioning workers were laid off. Meanwhile, production was initiated at Stratford for the * * * [U.S.] assembly plant[s], and soft trim like that produced at the Wyoming plant was imported into the United States from Stratford, Ontario, in increasing quantities.

As we have pointed out in other investigations, the statute establishes four requirements to be met for an affirmative determination:

- (1) Imports must be increasing;

- (2) the increase in imports must be a result in major part of concessions granted under trade agreements;
- (3) the workers concerned must be underemployed or unemployed, or threatened with underemployment or unemployment; and
- (4) the increased imports resulting from trade-agreement concessions must be the major factor causing or threatening to cause the underemployment or unemployment.

We believe that each of these requirements has been met with respect to the petition by unemployed soft-trim workers at the Wyoming, Michigan, plant.

Increasing imports

Automotive soft trim is made to detailed specifications for a given model of motor vehicle. The Wyoming plant, for example, manufactured soft trim for * * * [certain] models produced in the United States. With the phasing out of production at the Wyoming plant, American Motors has imported from Canada soft trim * * * for [these models] * * *. Consequently, soft trim like or directly competitive with that produced at the Wyoming plant is being imported in increased quantities from Canada.

In major part

The second requirement is that the increased imports must result in major part from concessions granted under trade agreements. We have held in earlier decisions 1/ that, in order to determine whether this

1/ See, for example, Buttweid Pipe, Inv. No. TEA-W-8 (1969) at 8-11, Transmission Towers and Parts, Inv. No. TEA-W-9 and TEA-W-10 (1969) at 10-11.

requirement has been met, we must ask whether imports of the like or directly competitive product concerned would be at substantially their present level had it not been for the aggregate of trade-agreement concessions granted thereon. If they would not, then the increased imports have been a result in major part of such concessions.

In this case, the U.S. trade-agreement concessions include several commitments for lower rates of duty made in the General Agreement on Tariffs and Trade, and an obligation under the U.S.-Canadian Automotive Agreement to provide duty-free treatment to soft trim entering from Canada for assembly into motor vehicles. 1/ The increased imports of soft trim from Canada, with which we are concerned in this case, enter free of duty, while they would be dutiable at 25 percent ad valorem if the statutory rate of the Tariff Act of 1930 applied. * * * Based on data supplied by the American Motors Corporation, * * * the cost of a * * * soft-trim car set delivered to the * * * [U.S] assembly plant[s] from the Stratford soft-trim plant in Canada when entered duty free is * * * less than if it had been produced at the Wyoming plant * * * . On the other hand, it would be * * * more than the Wyoming cost if the 1930 statutory rate had to be paid thereon * * * . * * * In the absence of trade-agreement concessions, then, it would be to the advantage of American Motors to obtain its soft trim in the United States rather than by importing from Canada, and without such concessions, imports of soft

1/ The Automotive Products Trade Act, which authorized the President to enter into the automotive agreement with Canada, provides that the duty-free entry of motor-vehicle components from Canada is to be regarded as a trade-agreement concession for purposes of the adjustment assistance provisions of the Trade Expansion Act of 1962.

trim like that produced at the Stratford plant would not be at their present level.

Some may contend that the decision to move the production of soft trim to the Stratford, Ontario, plant causing the unemployment of the workers at the Wyoming plant was unrelated to trade-agreement concessions. To resolve this issue we believe the following question should be asked:

Had American Motors Corporation been required to pay the 1930 duty rate on soft trim imported into the United States, would American Motors have moved its soft-trim manufacturing activities to Canada?

We think not. We believe that the economic advantage to AMC provided by trade-agreement concessions since 1930 created the condition which resulted in the management decision to move the manufacturing activities of the Wyoming plant to Stratford, Ontario. It seems clear that if the 1930 duty rate on imports of soft trim were in existence today, AMC would not have moved its soft-trim manufacturing activities to Canada. The second requirement, therefore, is satisfied.

* * * * *

Underemployment or unemployment

The petitioning workers must be unemployed or underemployed to satisfy the third requirement. In mid-1969 the soft-trim operations at the Wyoming, Michigan, plant were shut down, and * * * workers became unemployed. Thus, the third requirement is met.

Major factor

The final requirement is that the increased imports must be the major factor causing the unemployment or underemployment of the employees concerned. As we have previously held, this requirement is satisfied if the unemployment or underemployment would not have occurred if the imports had not increased.

In this case, the increased imports are inextricably tied to the transfer of productive resources from the United States to Canada. With the sale of the Kelvinator Division to White, the soft-trim production provided by the Wyoming plant had to be located elsewhere. American Motors surveyed possible locations and facilities in the United States and Canada. It ultimately chose to purchase the Stratford plant in Canada and to import soft trim for the * * * [U.S.] assembly plant[s] from there.

The American Motors' decision respecting the relocation of Wyoming's soft-trim production took into account a number of factors, but the comparative costs of producing in the United States or importing from Canada appear to have been crucial factors. The company has indicated that the decision to import was made on economic grounds. Indeed, American Motors' need to reduce costs has been urgent because of losses sustained by the Corporation.

American Motors' financial history is well known. Corporate profits dropped sharply in 1965; losses of \$13 million and \$76 million were sustained in 1966 and 1967; profits were earned in 1968 and 1969, but, it

has been announced, a loss will occur in 1970. The company has not paid dividends since 1965. * * * The prospect of such [cost] savings appears to have been decisive, and AMC, in the best interests of the stockholders, chose to import rather than to produce domestically.

In the light of these circumstances, we conclude that the increased importation of soft trim from Canada was, within the terms of the statute, the major factor causing the unemployment of the workers at the Wyoming plant.

We find that the petitioners have met the requirements of the Act, and believe that they are entitled to adjustment assistance as provided in the Act.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of the Articles Under Investigation

Soft trim is a collective term used in the automotive trade to describe a variety of motor vehicle components used for interior furnishings as well as such exterior furnishings as vinyl roof covers and convertible tops. The motor vehicle components ordinarily regarded as soft trim include: Front and rear door trim pads; rear quarter-trim pads; upholstery for seats, seat backs, head, arm, and footrests; headlinings; sunshades; center pillar trim; trunk linings; shelf compartments; spare tire covers; cowl trim panels; floor carpets; convertible tops and associated fabric parts such as dust boots and back curtains; and vinyl tops for hardtop vehicles. The soft trim produced by American Motors in its Wyoming, Mich., plant included all of the foregoing except convertible tops (American Motors does not manufacture convertibles) and vinyl tops. The American Motors plant in Stratford, Ontario, has produced all of the items formerly manufactured at the Wyoming plant except carpeting.

The production of automotive soft trim involves two basic manufacturing operations: (1) Cutting, shaping or otherwise forming the materials, and (2) assembling the pieces of material into trim components by sewing, glueing, heat bonding, or other means.

U.S. Tariff Treatment

Automotive soft trim, when imported separately, is classifiable under four TSUS item numbers. Articles such as door trim panels, spare tire covers, head lining, and carpeting, are classifiable as parts of automotiles, n.s.p.f. under item 692.27 or, if a Canadian article and original motor-vehicle equipment, under item 692.28. Upholstery for seat cushions, seat backs, and similar articles is classifiable as parts of furniture designed for motor-vehicle use, under item 727.06; if it is a Canadian article and original motor-vehicle equipment, it is classifiable under item 727.07.

In the Tariff Act of 1930 automotive soft trim was dutiable at the rate of 25 percent ad valorem. This rate was reduced by various trade agreements, beginning in 1948, to 8.5 percent, effective July 1, 1963.

With the implementation of the Tariff Schedules of the United States (TSUS) on August 31, 1963, most articles of soft trim continued to be dutiable, as motor-vehicle parts, at 8.5 percent ad valorem. Upholstery and similar articles, however, were classified as parts of furniture under many TSUS items at rates of duty ranging from 12.5 to 35 percent ad valorem. The Tariff Schedules Technical Amendments Act of 1965 restored the 8.5 percent rate to these articles by establishing a new item for furniture designed for motor-vehicle use, and parts thereof.

On January 18, 1965, the Automotive Products Trade Act (APTA) became effective. This Act, which implemented the agreement between the United States and Canada concerning automotive products, established two new

duty-free item numbers applicable to soft trim of Canadian origin.

The changes since 1930 in the ad valorem rates of duty applicable to imports of soft trim, including the Kennedy Round reduction from 8.5 percent to 4 percent, are shown in table 1.

Canadian Customs Treatment

To carry out the U.S.-Canadian automotive agreement, the Canadian Government accords limited duty-free treatment to imports of U.S. motor vehicles and motor vehicle parts of U.S. manufacture when imported for use as original equipment. The Government restricts the right to such free entry to Canadian manufacturers of motor vehicles who annually meet certain criteria; the criteria provide generally that manufacturers--to obtain the right to duty-free entry--must produce (assemble) in Canada as many cars as they sell there, and must attain specified levels of "Canadian value added"^{1/} in their operations.

American Motors Corporation (Canada) can count the "Canadian value added" of the soft trim produced in Canada and exported to the United States toward the required amount it needs to qualify for the right of free entry.

* * * * *

^{1/} The term "Canadian value added" is intended to measure the value of Canadian materials, services, labor, and profit in any article. It is about equivalent to the manufacturer's selling price less the cost of imported materials and parts contained therein.

American Motors' Soft-Trim Operations

American Motors currently assembles motor vehicles in four plants-- two in Kenosha, Wisconsin (the Lakefront plant and the Kenosha plant), one in Milwaukee, Wisconsin, and one in Brampton, Ontario. * * *

From 1960 until 1969, when the Wyoming plant was phased out, two plants owned by American Motors supplied virtually all of the soft trim used by its U.S. assembly plants. * * * During the period 1964-68, soft trim for the Brampton assembly plant in Canada was supplied by Canadian Fabricated Products, Ltd., of Stratford, Ontario, an independent company that manufactured soft trim for a number of automobile manufacturers. In December 1968, American Motors purchased the business of Canadian Fabricated Products, Ltd., (hereinafter referred to as the Stratford plant) as a replacement for the Wyoming soft trim plant which was phased out and closed about six months thereafter. Since July 1969, the Stratford plant has supplied * * * trim * * * [for] both the Brampton plant and * * * [U.S.] plant[s].

The Wyoming soft-trim plant

* * * * *

Corporate structure.--American Motors sold their Kelvinator Appliance Division to White Consolidated Industries on July 3, 1968. Under the terms of the sale, American Motors was allowed to continue

operation of the Wyoming plant as tenants for one year from the date of sale. The soft-trim workers continued to be employed by American Motors during the one-year period. After considering possible relocation sites, * * * American Motors purchased the Stratford plant in December 1968, and by July 1969 the firm had transferred all operations to Stratford and closed the Wyoming plant.

* * * * *

STATISTICAL TABLES

Table 1.--U.S. rates of duty applicable to imports of automotive soft trim, by types, 1930 through 1972

		(Percent ad valorem)	
Effective date of change in rate	Types of automotive soft trim (and TSUS item numbers under which currently imported)	Door trim panels, etc. : : Door trim panels, etc. : : if Canadian article and : : original motor-vehicle : : equipment (692.28)	Seat upholstery and : : the like (727.06) : : original motor-vehicle : : equipment (727.07)
1930-----		25%	25%
Jan. 1, 1948-----		12.5%	12.5%
June 30, 1958-----		10.5%	10.5%
July 1, 1963-----		8.5%	8.5%
Aug. 31, 1963-----		-	12.5% - 35%
Dec. 7, 1965 1/-----		-	8.5%
Jan. 18, 1965 2/-----		Free	Free
Jan. 1, 1968-----		7.5%	7.5%
Jan. 1, 1969-----		6.5%	6.5%
Jan. 1, 1970-----		5.5%	5.5%
Jan. 1, 1971-----		5%	5%
Jan. 1, 1972-----		4%	4%

1/ Tariff Schedules Technical Amendments Act of 1965. The 8.5 percent rate was retroactive to August 31, 1963, provided that the importer requested such retroactive treatment.
 2/ Automotive Products Trade Act of 1965.

